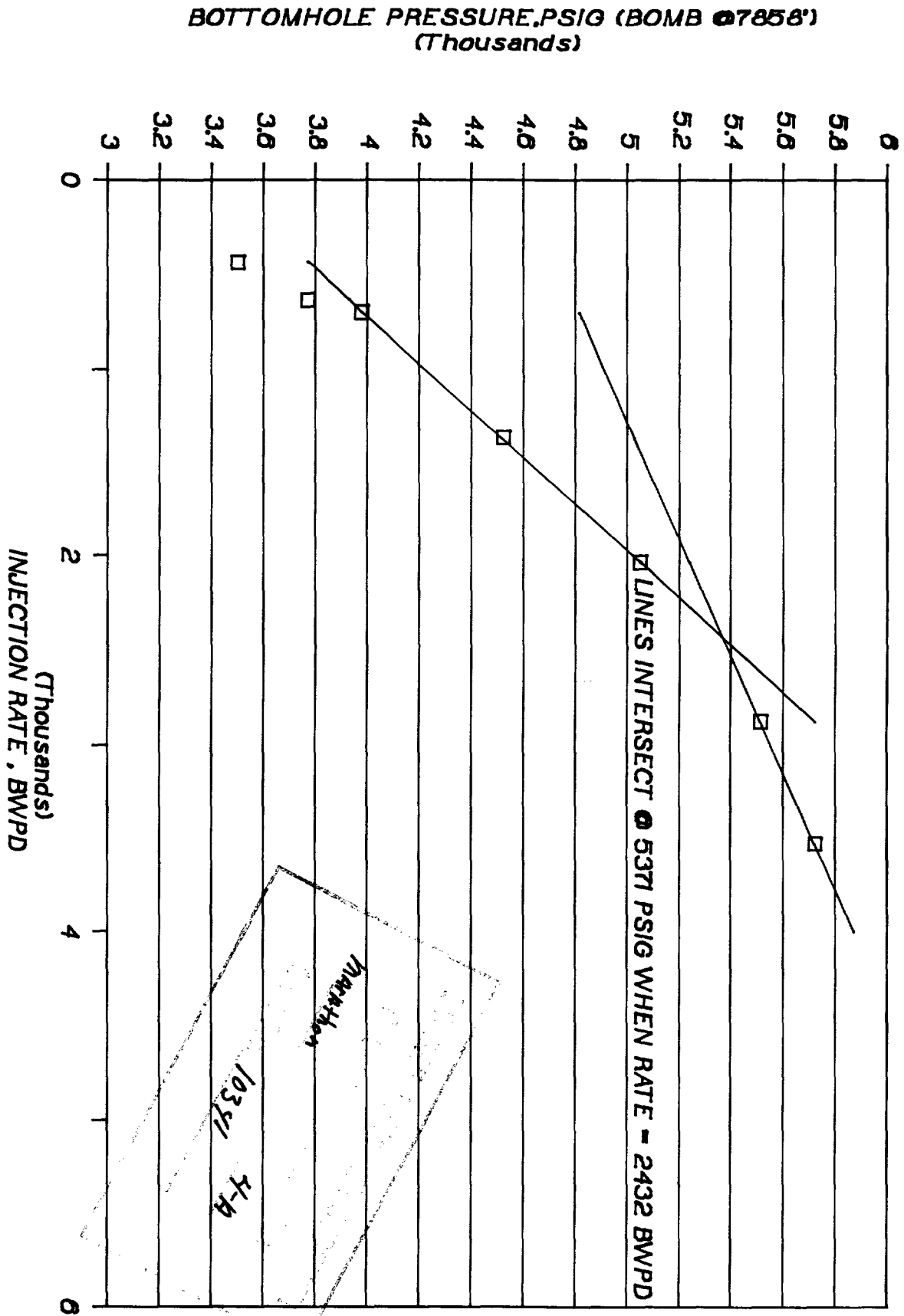


# SHUGART "B" NO. 1 STEP RATE TEST

BOTTOMHOLE PRESSURE VS RATE

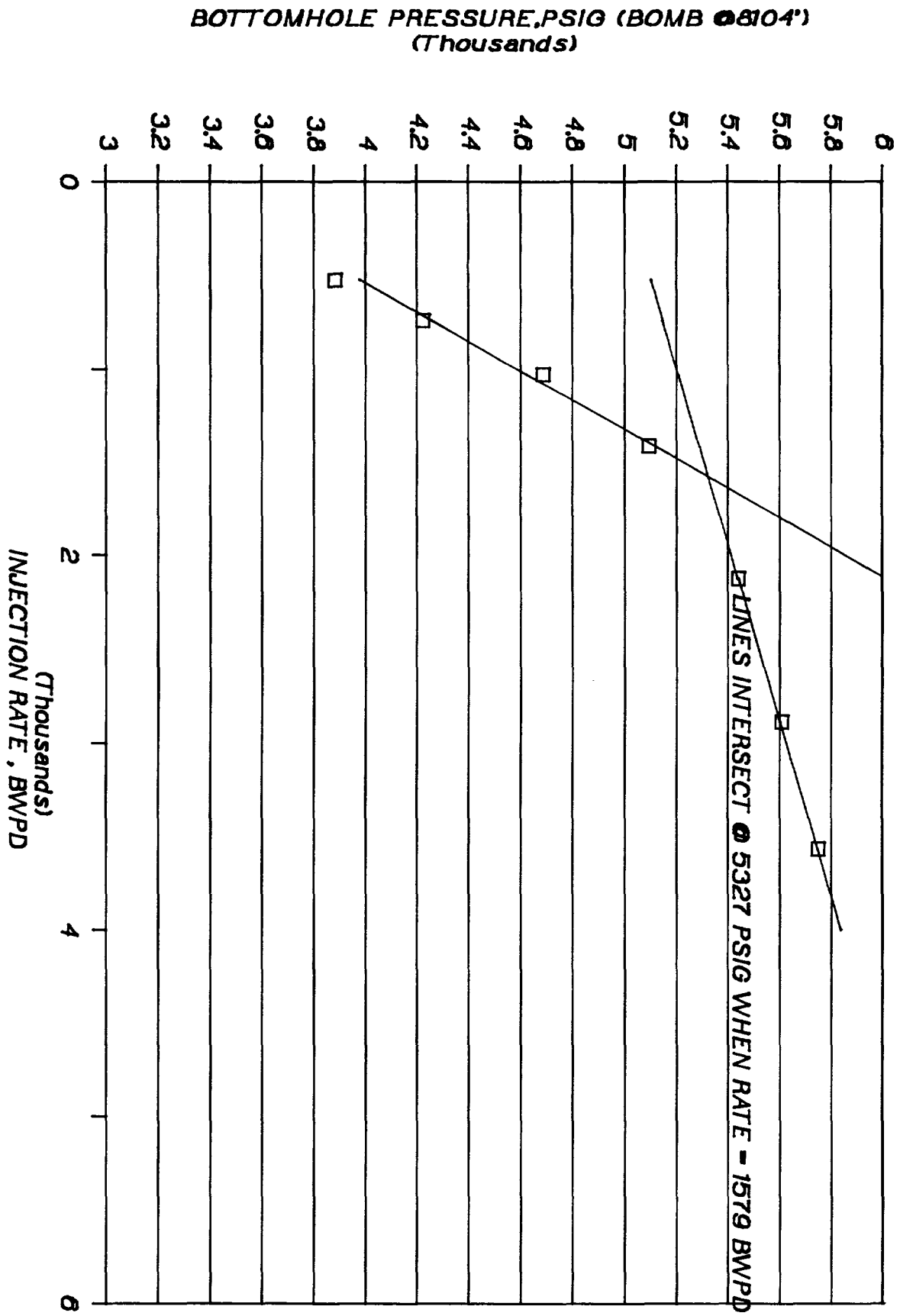


## WELLHEAD PRESSURE VS RATE



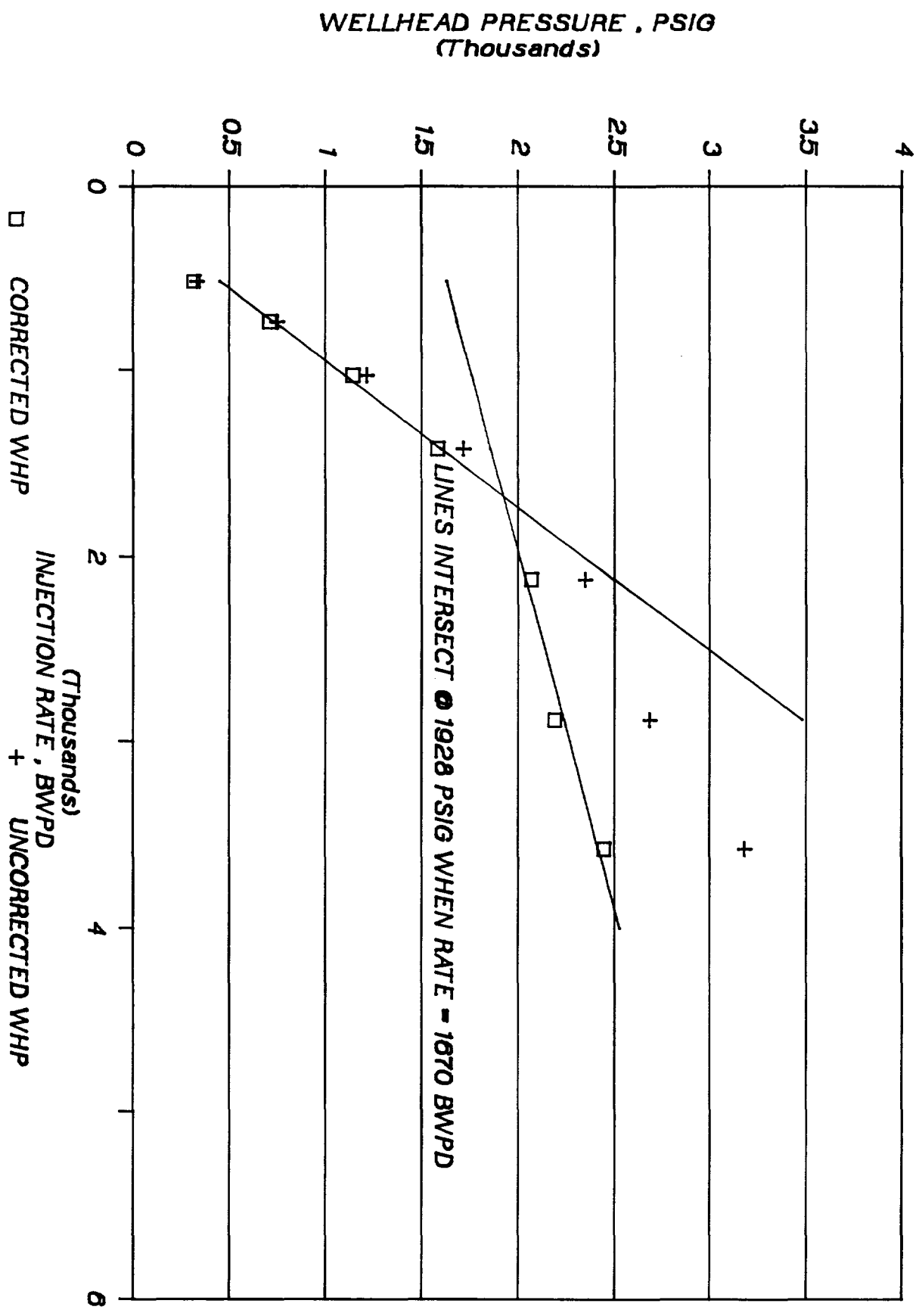
# JOHNSON "B" FED. NO. 10 STEP RATE TEST

BOTTOMHOLE PRESSURE VS RATE



# JOHNSON "B" FED. NO. 10 STEP RATE TEST

WELLHEAD PRESSURE VS RATE





FRAC GRADIENT ESTIMATES  
BASED ON WELL STIMULATIONS

TAMANO (BSSC) UNIT  
SECTION NOS. 10 & 11  
T-18-S, R-31-E  
EDDY COUNTY, NEW MEXICO

BEFORE EXAMINER STOOGER

Oil Company Name

*Mesa* Fed. No. **4-B**

Case No. **10341**

WELL	DATE	FRAC GRADIENT PSI/FT
JOHNSON "B" FED. NO. 4		NA
JOHNSON "B" FED. NO. 5	5/29/88	0.802
	8/12/90	0.700
JOHNSON "B" FED. NO. 6		NA
JOHNSON "B" FED. NO. 8	11/9/88	0.684
JOHNSON "B" FED. A/C 1 NO. 3		NA
JOHNSON "B" FED. A/C 1 NO. 7		NA
JOHNSON "B" FED. A/C 1 NO. 9	7/4/90	0.494
JOHNSON "B" FED. A/C 1 NO. 10	9/15/90	0.774
	9/20/90	0.732
SHUGART "B" NO. 1	8/30/88	0.698
	12/18/88	0.696
	8/4/90	0.831
SHUGART "B" NO. 2	4/13/90	0.574
STETCO "10" FED. NO. 1		NA
STETCO "10" FED. NO. 2	10/2/90	0.829
	10/2/90	0.786
STETCO "10" FED. NO. 3	1/3/91	0.786
AVERAGE FRAC GRADIENT		0.722

FRAC GRADIENT = (HYDROSTATIC PRESSURE + ISIP)/MID PERF DEPTH

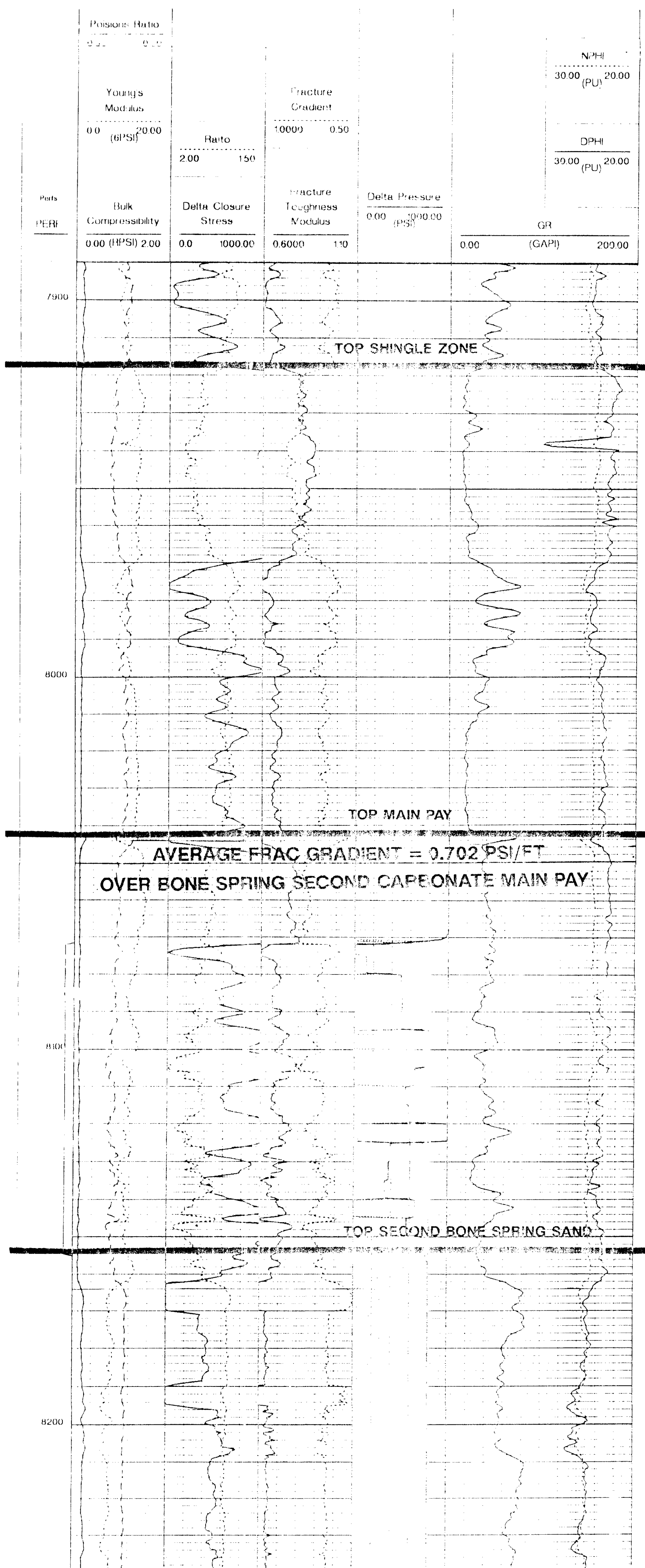
Marathon

0341 4-C

EDDY COUNTY, NEW MEXICO

PE-REF: 3070-8160

\* TRADE-MARK OF SCHLIMBERGE-B

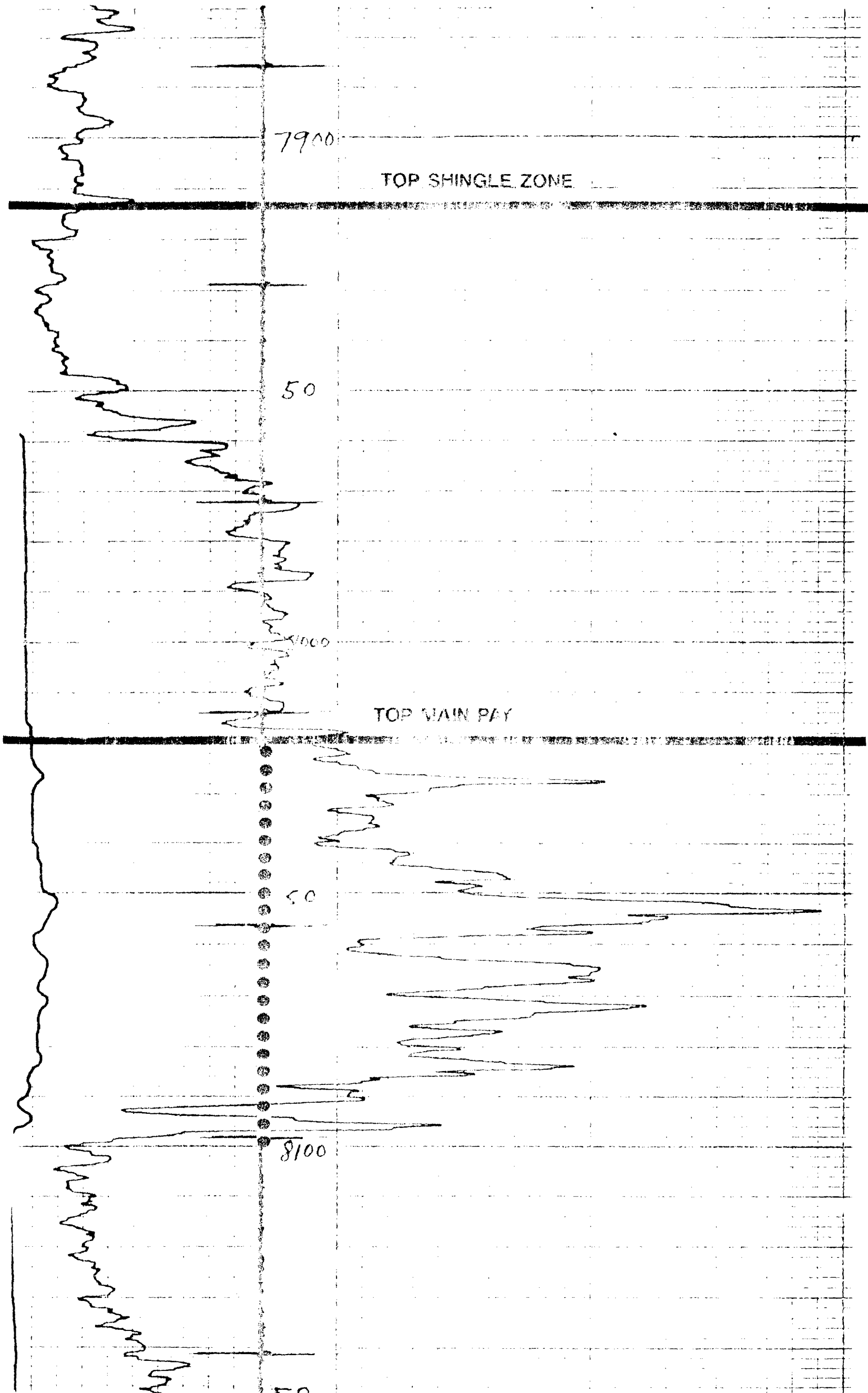


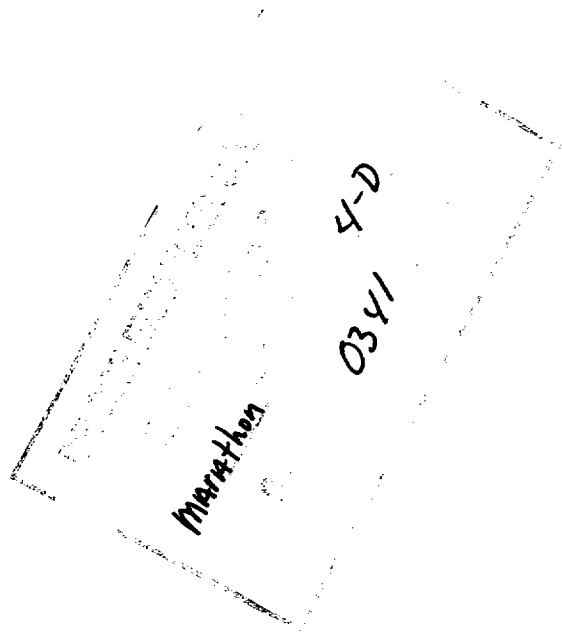
AFTER FRAC SURVEY

STETCO "10" FEDERAL NO. 2

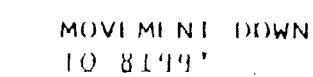
2310' FNL & 650' FEL  
SEC. 10, T-13-S, R-31-E  
EDDY COUNTY, NEW MEXICO

PERFS: 8020-8100

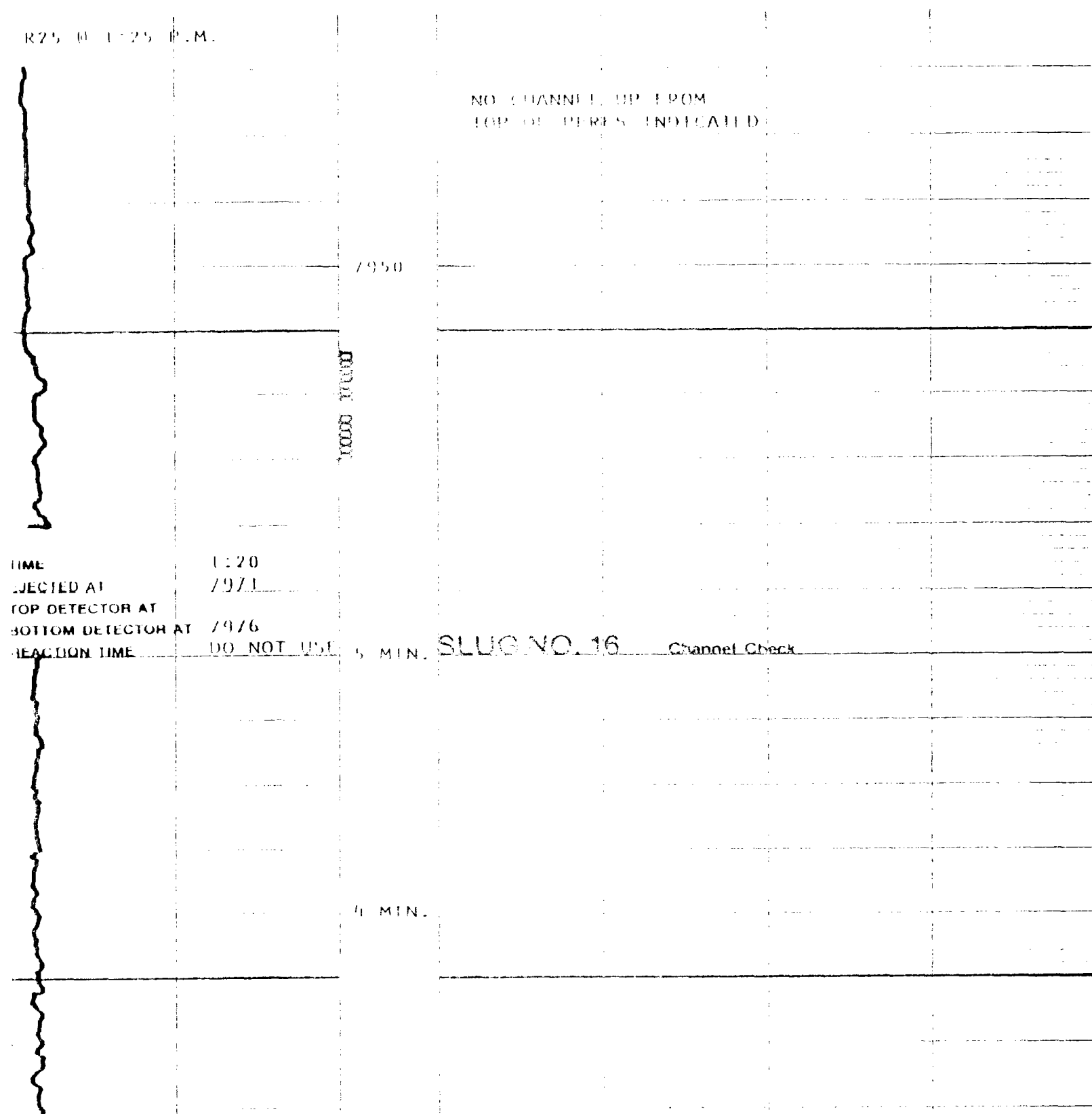




## PUBLISHED 1963-71, 1974-81, 8672-8170, 8190-8195, 8215-28



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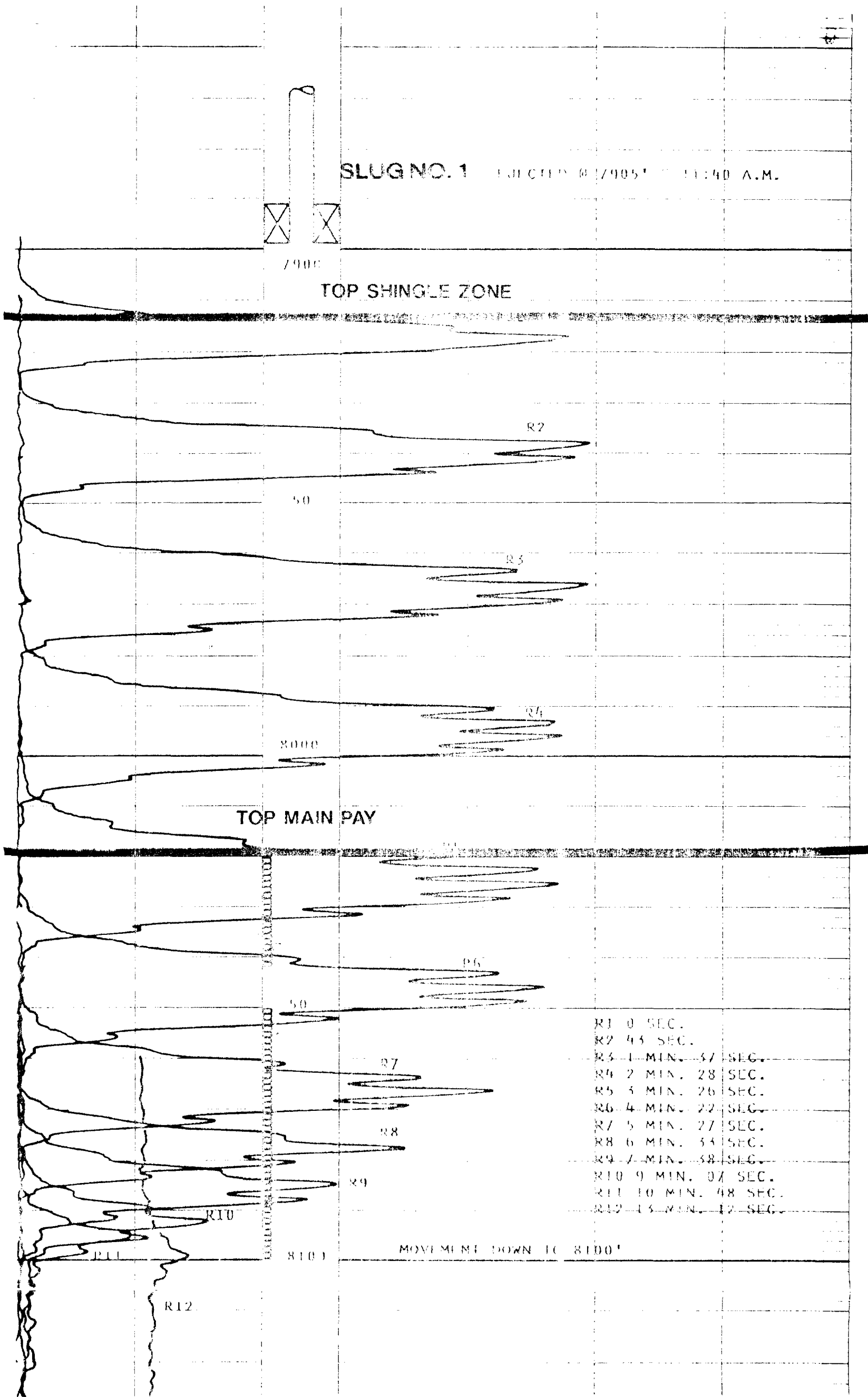
Marathon  
0341 4-E

INJECTION PROFILE

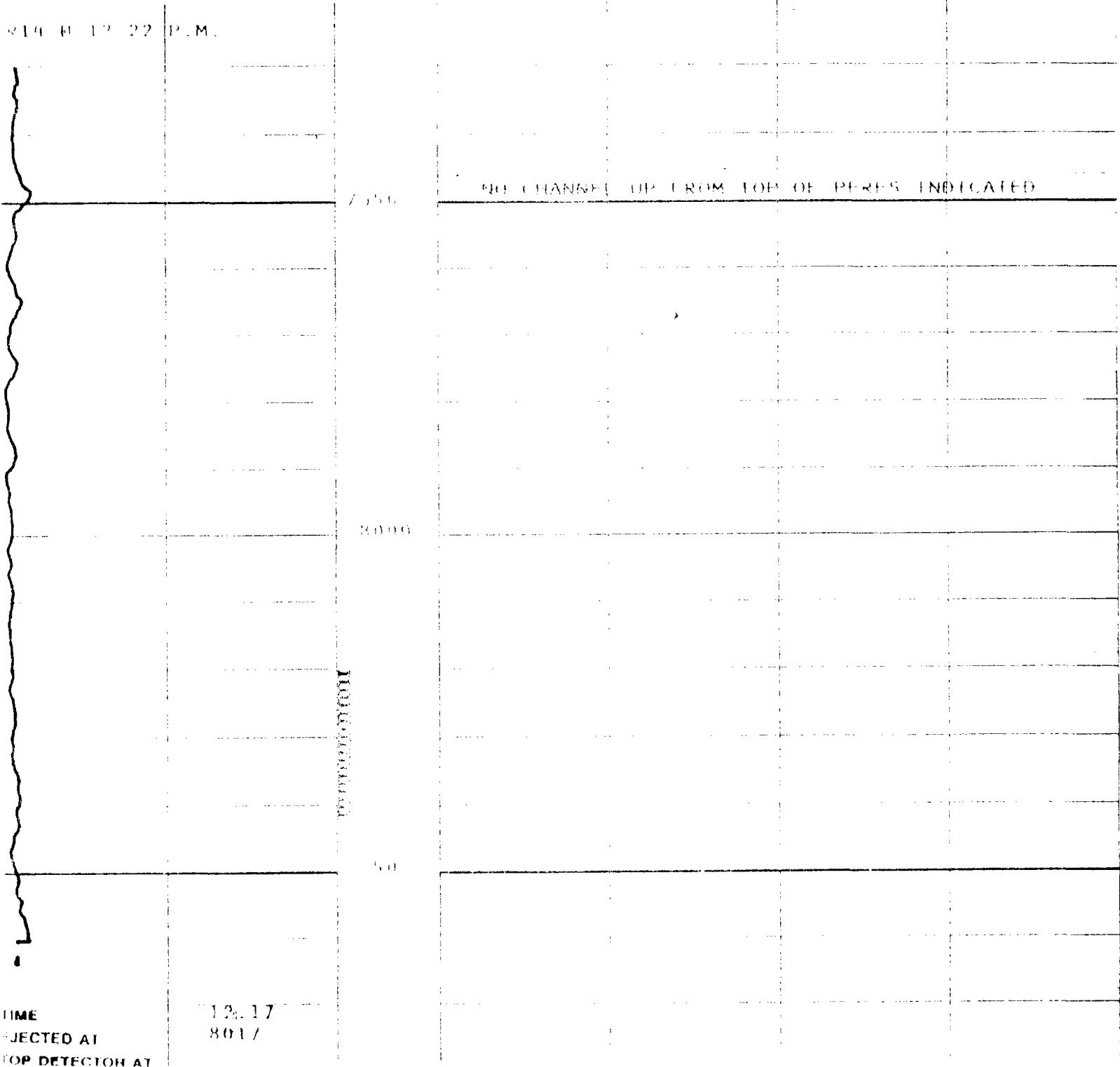
STETCO "10" FEDERAL NO. 2

2310' FNL & 660' FEL  
SEC. 10, T-18-S, R-3-E  
EDDY COUNTY, NEW MEX CO

PURFS. 0020' 42', 8950-8100



UPWARD CHANNEL CHECKS



Summary of the Major Events of the Unitization Process

Marathon

5

10341

- 1-7-91 Marathon begins feasibility study.
- 3-13-91 Marathon completes feasibility study.
- \*3-14-91 Letter to WIO calling first WIO meeting on 3-25-91.
- \*3-25-91 First Working Interest Owners Meeting.  
MOC elected Unit Expediter.  
Feasibility study distributed.  
(copy of Agenda only)
- 3-27-91 Letter from HEYCO with proposed interim formula.
- 4-1-91 Conference with BLM on requirements for obtaining approval of Unit.
- \*4-3-91 Minutes of March 25 meeting sent out..
- \*4-3-91 First Ballots on interim formula mailed out (ballots 1A, 1B, 1C; 1C proposed by MOC; 1A and 1B proposed by HEYCO).
- \*4-5-91 Draft Unit Agreement and Unit Operating Agreement sent to WIO by Marathon. (Copy of cover only)
- \*4-8-91 Marathon receives responses to Ballots 1A through 1C (none passes).
- \*4-10-91 Letter announcing result of ballots 1A, 1B and 1C sent to WIO by Marathon. Meeting called for 4-23-91.
- \*4-15-91 Ballots 2A-2D on interim formula sent to WIO by Marathon.
- \*4-19-91 Results of second ballot on interim formula sent to WIO by Marathon along with third ballot (proposed by Marathon).
- \*4-23-91 Second WIO meeting; approval of ballot 3 on interim formula by 92% of WIO announced; proposal to use interim formula as allocation formula in Unit Agreement passed by 92% of working interest.  
(copy of agenda only)
- \*4-25-91 Marathon sends letter to BLM announcing agreement by 92% of Working Interest on allocation formula.
- \*4-26-91 Minutes of April 23 meeting sent out.
- 5-1-91 Marathon sends out proposed changes to Unit Agreement draft.
- 5-1-91 BLM indicates it has a problem with the adopted allocation formula.  
(telephone call)
- 5-2-91 Marathon receives HEYCO's comments on the draft Unit Agreement and Unit Operating Agreement and on minutes for the 4-23 meeting.
- 5-3-91 Marathon receives Pennzoil's comments on Unit Agreement.

\*5-6-91 Marathon sends letter to all WIO notifying of meeting on 5-8-91 with BLM on allocation formula.

\*5-7-91 Marathon sends letter issued to WIO amending the minutes of the 4-23 meeting.

5-7-91 Marathon sends letter to HEYCO regarding HEYCO's comments on the minutes from the 4-23 meeting.

5-8-91 WIO meet with BLM regarding allocation formula.

\*5-9-91 Marathon sends letter to WIO summarizing comments received on Unit Agreement.

\*5-9-91 Marathon sends letter to WIO announcing second meeting with BLM on 5-13-91.

5-13-91 WIO meet again with BLM.

\*5-14-91 Marathon sends letter calling third WIO meeting to be held on 5-16-91.

5-14-91 Hudson & Hudson sends Marathon its approval as to form of Unit Agreement.

5-15-91 Wainoco sends Marathon its approval as to form of Unit Agreement. (form is then approved under voting procedure)

5-16-91 Third WIO meeting held. Agreement reached by 97% of WIO to new allocation formula.

\*5-17-91 Marathon sends letter to the ORRI Owners describing the proposed Unit and enclosing copy of draft Unit Agreement. (same version that was executed)

\*5-20-91 Marathon sends letter to WIO with exhibits and allocation formula to be included in Unit Agreement. (Cover only)

5-20-91 HEYCO and Yates Energy send Marathon their approval as to form of the Unit Agreement.

5-21-91 Pennzoil sends Marathon its approval as to form of the Unit Agreement.

\*5-21-91 Marathon sends letter to Yates Energy asking it to approve the allocation formula.

\*5-24-91 Letter sent to WIO summarizing Marathon's response to comments previously received on the form of the UOA.

\*5-24-91 Application for Designation of Unit Area sent to BLM by Marathon.

\*5-24-91 Minutes from the 5-16 WIO meeting sent out by Marathon.



5-28-91 ARCO sends Marathon its approval as to form of Unit Agreement.

\*5-29-91 Yates Energy sends approval of participation formula to Marathon.

\*5-31-91 Request sent to WIO by Marathon to vote on using draft 4 of the Unit Operating Agreement, with certain amendments, as the final form UOA.

6-3-91 Application to NMOCD filed.

6-3-91 Approval of UOA as to form received by Marathon from Hudson & Hudson.

\*6-4-91 Marathon sends request to ORRI Owners to ratify Unit Agreement in form originally sent to them on 5-17-91.

\*6-4-91 Notices of hearing sent to the ORRI Owners. (Copy Notice & cover letter only)

\*6-5-91 Notices of hearing sent to all WIO and Offset Operators and BLM. (copy all 3 versions of cover letters - one to WIO only; one to Offset Operators only; one to BLM)

\*6-5-91 BLM issues its preliminary approval of the Unit. (Randal must take original)

6-6-91 Approval of UOA as to form received by Marathon from HEYCO.

6-7-91 Approval of UOA as to form received from Wainoco. (form is thus approved under the voting procedure)

\*6-13-91 Unit Agreement, Unit Operating Agreement and Amendment to the Unit Agreement (to meet requirements set by BLM), sent by Marathon to WIO for execution.

\*6-20-91 Amendment to voting procedure set out in Unit Operating Agreement issued at request of Pennzoil. (cover letter only)



**Marathon  
Oil Company**

P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

March 14, 1991

Working Interest Owners  
(Mailing List Attached)

Re: Proposed Tamano (Bone Spring Second Carbonate) Unit  
Tamano Field  
Eddy County, New Mexico

Gentlemen:

Marathon Oil Company has recently conducted a preliminary study of the waterflood potential of the Bone Spring (Second Carbonate) formation in the Tamano Field, Sections 10 & 11, T-18-S, R-31-E, Eddy County, New Mexico. Our conclusions are that a waterflood in this area is technically feasible and economically attractive. A copy of our study will be provided at the meeting proposed below.

To initiate formal unitization proceedings, a meeting of working interest owners is requested for 10:00 a.m., March 25, 1991, in the second floor Conference Room at Marathon's office at 125 W. Missouri Street, Midland, Texas. Marathon's office is located directly south of the Midland Hilton Hotel.

The agenda for this meeting will include:

1. Establishment of procedures for conducting meetings and voting on proposals.
2. Preliminary estimates of secondary recovery, required investment and profitability.
3. Establish a Technical Committee and charge that committee to develop unitization parameters, optimum waterflood plan and an economic analysis.
4. Select date for the initial technical committee meeting.
5. Provide name of Land/Legal representative of each party.
6. Any other appropriate business.

Marathon

10341

We are looking forward to meeting with you on March 25, 1991, to begin what we believe to be a profitable venture for all concerned. Please advise by March 22, 1991, as to the number of people that will attend the meeting. If you have any questions or concerns, please contact the undersigned at (915) 687-8286.

Very truly yours,

MARATHON OIL COMPANY

David J. Loran  
Engineering Manager,  
Mid-Continent Region

DJL/RPW:mmc'

ADDRESSEE LIST

Hudson & Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Ed Hudson

Wainoco Oil & Gas Co.  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Grant Rice

Moore & Shelton Co. Ltd.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore

Pennzoil Exploration and Production Co.  
P. O. Box 2967  
Houston, Texas 77252-2967  
Attention: Mr. Bob Blucher

PROPOSED TAMANO (BSSC) UNIT  
WORKING INTEREST OWNER MEETING  
MARCH 25, 1991

AGENDA

Convene at 10:00 A. M. in the Second Floor Conference Room of Marathon Oil Company, Midland, Texas.\*

1. Welcome and registration.
2. Opening remarks and review of agenda.
3. Review of field development.
4. Introduction and review of feasibility study.
5. Established consensus procedure.
6. Vote on unit expeditor.
7. Identify Land Department contacts for each company.
8. Set date and review topics of discussion for second meeting.
9. Any other discussion.
10. Closing remarks.

\*At a convenient stopping point, lunch will be provided.

Marathon

7  
10341



**Marathon  
Oil Company**

P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

April 3, 1991

WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)

RE: Minutes of March 25, 1991 WIO Meeting

Establishment of Consensus Procedure  
Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico

Please find enclosed the minutes from the first Working Interest Owners (WIO) Meeting of the proposed Tamano (BSSC) Unit held on March 25, 1991. It is requested that you review these minutes for accuracy and completeness. Amendments and/or additions to the minutes will be made at the second meeting, which is currently scheduled for April 16, 1991 at 10:00 A.M. at Marathon Oil Company's office in Midland, Texas.

At the first meeting, the Working Interest Owners agreed to attempt to establish a consensus procedure by mail prior to April 16, 1991. All WIOs were requested to formulate a voting procedure (prior to the final unitization formula) to be used to establish a consensus regarding pre-unitization matters. These formulas were to be forwarded to Marathon's Midland Office by the close of business on Monday, April 1, 1991.

The Harvey E. Yates Company, HEYCO, was the only WIO to submit a proposed formula. Their two page correspondence to D. D. Taimuty, dated March 27, 1991, is attached for your review. The proposal from HEYCO is a formula of 50 percent surface area and 50 percent usable wellbores. Stipulations include a required approval rate of 85 percent, or, an approval rate of 75 percent with agreement from two parties in addition to Marathon and the Hudson group if the combined voting interest of Marathon and the Hudson Group is a majority. Also, HEYCO has asked Marathon to show how acres and wellbores were calculated. Attachment 1 contains the data Marathon has used to calculate voting percentage based on wellbores and acreage. Attachment 2 and Attachment 3 are Marathon's calculations of voting percentage ~~using surface acres and~~ usable wellbores, respectively.

DDT/TAMANO.024.274/sk

A subsidiary of USX Corporation

DETORE EXAMINER STOGNER

Oil Company Division

Marathon No. 8

File No. 10341  
An Equal Opportunity Employer

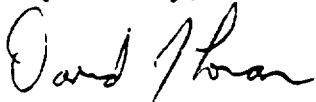
Marathon's proposed formula for a consensus voting percentage is a six-month produced oil volume with the six-month window being October 1, 1990 to March 31, 1991. Marathon also proposes that an approval rate of 75 percent be required to establish a consensus with at least four parties agreeing to the particular proposal in question.

Attachment 4 is a summary of each Working Interest Owner's voting percentage for a consensus procedure using the formula proposed by HEYCO. Attachment 5 is a summary of each Working Interest Owner's voting percentage for a consensus procedure using the formula proposed by Marathon.

Three ballots have been enclosed. Each ballot describes a formula to be used to establish a consensus for pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico. You are encouraged to review each ballot carefully. If you have any questions regarding any of the ballots, do not hesitate to contact Dan Taimuty at (915) 687-8264. You are asked to indicate your vote on each of the ballots and return all three ballots to Marathon's Midland Office by 4:30 CDT on Monday, April 8, 1991. Marathon's Midland panafax number is (915) 687-8287.

Marathon appreciates your urgent attention to this matter and eagerly awaits your response.

Respectfully,



D. J. Loran  
Engineering Manager  
Midland Operations



MAILING LIST

WORKING INTEREST OWNERS  
PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702  
Attention: Mr. Jim Hubbard  
VIA FAX NO.: 915-688-5250

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202  
Attention: Ms. Rosemary T. Avery  
VIA FAX NO.: 505-622-4221

Hudson and Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Ed Hudson  
VIA FAX NO.: 817-334-0442

Kerr-McGee Corporation  
P. O. Box 11050  
Midland, Texas 79701  
Attention: Ms. Donna Suchy  
VIA FAX NO.: 915-688-7056

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702  
Attention: D. D. Taimuty  
VIA FAX NO.: 915-687-8287

Moore and Shelton Co., LTD.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore

Pennzoil Exploration & Production Company  
P. O. Box 2967  
Houston, Texas 77252  
Attention: H. W. Hollingshead, Jr.  
VIA FAX NO: 713-546-8559

Wainoco Oil and Gas Company  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Grant Rice  
VIA FAX NO.: 713-658-8136

Yates Energy Corporation  
500 N. Main, Suite 1010  
Roswell, New Mexico 88201  
Attention: Mr. Brian K. Luginbill  
VIA FAX NO.: 505-623-4947





## MINUTES

### PROPOSED TAMANO (BSSC) UNIT WORKING INTEREST OWNERS MEETING MARCH 25, 1991

- I. Mr. D. J. Loran, Engineering Manager, opened the meeting by welcoming everyone to the first working interest owners meeting of the proposed Tamano (BSSC) Unit. He then introduced the following Marathon personnel:

R. J. Bruner	Development Geology Supervisor
R. W. Tracy	Operations Engineering Supervisor
D. R. Petro	Reservoir Engineering Supervisor
D. D. Taimuty	Reservoir Engineer
T. C. Lowery	Attorney
T. B. Robertson	Land Supervisor
S. H. Knight	Secretary
R. F. Unger	Production Manager

The agenda for the meeting was outlined as follows:

1. Review of field development.
2. Introduction and review of feasibility study.
3. Establish consensus procedure.
4. Vote on Unit expeditor.
5. Identify Land Department contacts.
6. Set date and discuss topics for second meeting.
7. Any other discussion.

After reviewing the agenda, Mr. Loran introduced Mr. D. D. Taimuty.

- II. Mr. Taimuty began by reviewing field development. Drilling activity started in 1987 and continued through January, 1991. Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico was entirely developed on 40-acre spacing. Three wells were drilled in Section 10.

Mr. Taimuty continued by presenting Marathon's feasibility study of the proposed Tamano (BSSC) Unit. Conclusions and recommendations were discussed initially. A peripheral water injection pattern was concluded to be the optimum waterflood plan. Ratification of the plan by working interest owners in May, 1991 was recommended in order to file an application with the New Mexico Oil Conservation Division by May 28, 1991.

The proposed unit area contains all 640 acres of Section 11 and 240 acres of Section 10 described as the southeast quarter and the south half of the northeast quarter. Eight tracts were designated based on known working interests and net revenue interests.

The proposed unit interval was described as the interval between approximately 7,905 feet and 8,190 feet in the Johnson "B" Federal Well No. 4 (Marathon, et. al). The main pay was shown to be the lower resistivity section from roughly 8,050 feet to 8,190 feet.

MINUTES  
PROPOSED TAMANO (BSSC) UNIT  
WORKING INTEREST OWNERS MEETING  
MARCH 25, 1991  
PAGE NO. 2

After briefly discussing geology and primary production, secondary recovery was presented. An ECLIPSE<sup>TM</sup> computer simulator was used to evaluate the reservoir. Production from waterflood projections was concluded to be superior to gas injection forecasts based on net present value. Likewise, a peripheral waterflood plan was economically superior to a down-dip waterflood plan.

A peripheral waterflood plan would involve the conversion of five producing wells to water injection initially. Water injection would begin on January 1, 1992. Two future conversions to water injection were projected. Production facilities would be consolidated. Sufficient production facilities already exist in the Tamano Field; therefore, additional facilities would not be purchased. Also, no additional lift equipment would be necessary because existing lift equipment should be adequate to handle production at the onset of the flood. An initial gross investment of \$1,125,000 for battery consolidation, injection facilities, well conversions and workovers was estimated. Future gross investments in 1991 dollars of \$386,000 were anticipated. This money would be needed for three submersible pumps and well conversions. Economics as shown in the feasibility study were then discussed.

At this point, Mr. Loran presented a time line of proposed future meetings, filing dates and associated events. He reiterated that Marathon desired to have a plan ratified by Working Interest Owners in time to file with the NMOCD on May 28, 1991. Water injection would begin on January 1, 1992. HEYCO indicated that Marathon did not have royalty ratification in the time line. Mr. T. C. Lowry noted that this point was not forgotten and Marathon would address this issue as part of the unitization process.

Discussion regarding establishment of a consensus procedure ensued. Marathon proposed cumulative oil production through December, 1990 as the parameter for reaching a consensus prior to ratification of a unit formula. Pennzoil indicated that cumulative oil production through December, 1990 penalized the Stetco "10" Federal lease due to the late development of the lease compared to the remainder of the Tamano (BSSC) Field. Pennzoil considered current rate to be a more representative parameter. Kerr-McGee indicated a preference for surface acreage and/or usable wellbores because these two parameters have been the basis of consensus procedures in other unitization proceedings. After the Working Interest Owners discussed the merits of various parameters, Pennzoil indicated that they were considering a well proposal to drill a fourth well on the Stetco "10" Federal lease, to be located in the SE SE of Section 10, T-18-E, R-31-E, and that this could possibly affect the consensus procedure. The meeting was then adjourned for lunch.

Immediately following lunch, Pennzoil indicated they were not in a position to vote at the current meeting. Pennzoil did state that they preferred current rate as a first choice for establishing a consensus



MINUTES  
PROPOSED TAMANO (BSSC) UNIT  
WORKING INTEREST OWNERS MEETING  
MARCH 25, 1991  
PAGE NO. 3

procedure and remaining primary reserves as a second choice. HEYCO indicated that an approval rate of 75 percent may be inappropriate and suggested that 75 percent approval plus three additional parties agreeing or, 80 percent approval would be a better threshold. After some discussion, each company was asked if they were ready to vote. The results were:

WOULD BE ABLE TO  
VOTE THIS MEETING

ARCO  
Hudson & Hudson  
Marathon

WOULD NOT BE ABLE TO  
VOTE AT THIS MEETING

HEYCO  
Kerr-McGee  
Pennzoil  
Wainoco  
Yates Energy

It was decided that each company would review the feasibility study and submit a proposed formula for a consensus procedure to Marathon on or before the close of business on April 1, 1991. Marathon would summarize the formulas on a ballot and submit the ballot to WIOs for consideration and approval of a final formula. In light of a pending second meeting scheduled for April 16, 1991, every attempt will be made to establish a consensus procedure before this date.

Mr. Loran then discussed the matter of selecting a Unit expeditor and expressed that Marathon would like to have that responsibility. Mr. Bill Hudson made a motion that Marathon be Unit expeditor. The motion was seconded by Mr. Bob Blucher and unanimously passed. With this business completed, the meeting was adjourned.



TAMANO WORKING INTEREST OWNERS MEETING  
ATTENDEES LIST  
MARCH 25, 1991

NAME	COMPANY OR INDIVIDUAL REPRESENTED	TITLE
Robin. Tracy	Marathon	Operations Engineering Supervisor
Randy Bruner	Marathon	Development Geology Supervisor
Dave Petro	Marathon	Reservoir Engineering Supervisor
Dave. Loran	Marathon	Engineering Manager
R. M. Hodgins	Pennzoil	Senior Engineer
J. R. Adams	Pennzoil	Senior Engineer
Bill Hollingshead, Jr.	Pennzoil	Exploration Advisor
Bob Blucher	Pennzoil	Landman
Bill Hudson	Hudson & Hudson	Landman
Randall Hudson	Hudson & Hudson	Geologist
Raymond Gasper	Wainoco Oil & Gas Co.	Engineering Manager
Ray F. Nokes	HEYCO	Production Manager
Leonard Carpenter	HEYCO	Materials Manager
Randal Wilson	Marathon	Landman
Jack R. Jenkins	Marathon	Hobbs Production Superintendent
Tom Wesling	Marathon	Operations Engineer
Greg Wilson	Marathon	Geologist
Jim Hubbard	ARCO	Joint Interest Engineer
Dave Newell	ARCO	Senior O/A Engineer
Brian K. Luginbill	Yates Energy Corp.	Agent-Reservoir Engineer
Donna Suchy	Kerr-McGee	Joint Interest Engineer
Rosemary T. Avery	HEYCO	Senior Landman
Tim Gumm	HEYCO	Petroleum Engineer
Dan Taimuty	Marathon	Reservoir Engineer
Tom Lowry	Marathon	Attorney
Tim Robertson	Marathon	Land Supervisor
Sandy Knight	Marathon	Secretary



**Marathon  
Oil Company**

P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

April 5, 1991

To: See Attached Mailing List

Re: Proposed Tamano (BSSC) Unit  
Tamano Field Area  
T-18-S, R-31-E, NMPM  
Sec. 10: SE/4, S/2 NE/4  
Sec. 11: All  
Eddy County, New Mexico

Gentlemen:

Enclosed for your review are copies of the proposed Unit Agreement and Unit Operating Agreement covering the referenced unit. Please review the agreements and provide this office with your comments by May 3, 1991, which will allow the opportunity to remain within the time schedule which has been established to implement the proposed waterflood program by January 1, 1992.

Your cooperation and assistance is greatly appreciated and if there should happen to be any questions regarding this matter, please call the undersigned at the number listed above.

Very truly yours,

MARATHON OIL COMPANY

Randal P. Wilson  
Landman

RPW/le  
Enclosure

RECEIVED BY	DATE
Marathon	9
	10341

BALLOT 1A

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in the proposed unit's surface acreage multiplied by 0.5 and divided by the total proposed unit acreage plus said owner's working interest in each usable wellbore within the proposed unit acreage multiplied by 0.5 and divided by the total number of wells. Attachment 4 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 85 percent of the voting percentage will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: Claudio A. Hudson III

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: E. RANDALL HUDSON III

COMPANY: HUDSON + HUDSON

DATE: 4/4/91

Marathon 10  
10341

Please indicate any companies, in addition to your own, that you are representing.

F. H. HUDSON

HUDSON TRUSTEES

HUDSON TRUST

DELMAR LEWIS

MOORE + SHELTON

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 8, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 79702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.

BALLOT 1B

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in the proposed unit's surface acreage multiplied by 0.5 and divided by the total proposed unit acreage plus said owner's working interest in each usable wellbore within the proposed unit acreage multiplied by 0.5 and divided by the total number of wells.. Attachment 4 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage plus two parties in addition to Marathon Oil Company and the Hudson Group if the combined voting interest of Marathon and the Hudson Group is a majority.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: E. Randall Hudson III

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: E. RANDALL HUDSON III

COMPANY: HUBSON + HUDSON

DATE: 4/4/91

Please indicate any companies, in addition to your own, that you are representing.

F.H. HUDSON  
HUBSON TRUSTEES  
HUBSON TRUST  
DELMAR LEWIS

MOORE + SHELTON  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

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## BALLOT 1C

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
 PROPOSED TAMANO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of the products of said owner's working interest in each well within the proposed unit area multiplied by the volume of oil produced from each respective well between October 1, 1990 and March 31, 1991, divided by the total oil production from the proposed unit area for the same six month period. Attachment 5 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage with agreement from at least three parties will be required to form a consensus.

APPROVED BY:

E. Randall Hudson III

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME:

E. RANDALL HUDSON III

COMPANY:

HUBSON + HUDSON

DATE:

4/4/91

Please indicate any companies, in addition to your own, that you are representing.

F.H. HUDSON

HUBSON TRUSTEES

HUBSON TRUST

DELMAR LEWIS

MOORE + SHELTON

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## BALLOT 1A

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
 PROPOSED TAMANO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

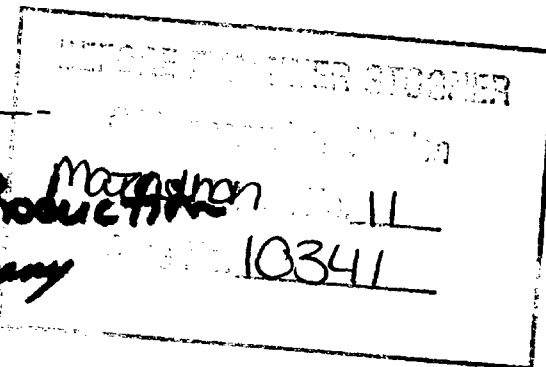
April 3, 1991

**Proposal:** In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in the proposed unit's surface acreage multiplied by 0.5 and divided by the total proposed unit acreage plus said owner's working interest in each usable wellbore within the proposed unit acreage multiplied by 0.5 and divided by the total number of wells. Attachment 4 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 85 percent of the voting percentage will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: E.D. Cole - V.P. ProductionCOMPANY: Wainco Oil and Gas CompanyDATE: April 8, 1991

Please indicate any companies, in addition to your own, that you are representing.

\_\_\_\_\_  
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## BALLOT 1B

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in the proposed unit's surface acreage multiplied by 0.5 and divided by the total proposed unit acreage plus said owner's working interest in each usable wellbore within the proposed unit acreage multiplied by 0.5 and divided by the total number of wells.. Attachment 4 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage plus two parties in addition to Marathon Oil Company and the Hudson Group if the combined voting interest of Marathon and the Hudson Group is a majority.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: \_\_\_\_\_

COMPANY: \_\_\_\_\_

DATE: \_\_\_\_\_

Please indicate any companies, in addition to your own, that you are representing.

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## BALLOT 1C

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

**Proposal:** In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of the products of said owner's working interest in each well within the proposed unit area multiplied by the volume of oil produced from each respective well between October 1, 1990 and March 31, 1991, divided by the total oil production from the proposed unit area for the same six month period. Attachment 5 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage with agreement from at least three parties will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: \_\_\_\_\_

COMPANY: \_\_\_\_\_

DATE: \_\_\_\_\_

*\* Subject to terms and conditions of that certain letter dated April 8, 1991 from Pennoil Expl. and Production Co. & Marathon Oil Company*

E. D. Cole - V.P. Bohemia

Wainoco Oil and Gas Company

April 8, 1991

Please indicate any companies, in addition to your own, that you are representing.

_____	_____
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BALLOT 1A

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

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APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: \_\_\_\_\_

COMPANY: \_\_\_\_\_

DATE: \_\_\_\_\_

BEFORE EXAMINER SIGNER

PREPARED BY: \_\_\_\_\_

Marathon Oil Co. 12

Case No. 10341

Please indicate any companies, in addition to your own, that you are representing.

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BALLOT 1B

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in the proposed unit's surface acreage multiplied by 0.5 and divided by the total proposed unit acreage plus said owner's working interest in each usable wellbore within the proposed unit acreage multiplied by 0.5 and divided by the total number of wells.. Attachment 4 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage plus two parties in addition to Marathon Oil Company and the Hudson Group if the combined voting interest of Marathon and the Hudson Group is a majority.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: J. L. Hubbard

COMPANY: ARCO OIL AND GAS COMPANY

DATE: 4-8-91

Please indicate any companies, in addition to your own, that you are representing.

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BALLOT 1C

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of the products of said owner's working interest in each well within the proposed unit area multiplied by the volume of oil produced from each respective well between October 1, 1990 and March 31, 1991, divided by the total oil production from the proposed unit area for the same six month period. Attachment 5 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage with agreement from at least three parties will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: J. L. Hubbard

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: J. L. Hubbard

COMPANY: ARCO Oil and Gas Company

DATE: 4-8-91

Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____

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**PENNZOIL EXPLORATION AND PRODUCTION COMPANY**  
 PENNZOIL PLACE • P.O. BOX 2967 • HOUSTON, TEXAS 77252-2967 • (713) 546-4000

April 8, 1991

Marathon Oil Company  
 P. O. Box 552  
 Midland, Texas 79702  
 Attention: Mr. Randal Wilson  
 VIA FAX NO.: 915-687-8337

RE: Proposals for Consensus Procedure  
 Proposed Tamano Bone Spring Second  
 Carbonate (BSSC) Unit  
Township 18 South-Range 31 East  
 Section 10: SE/4, S/2NE/4  
 Section 11: All  
 880.00 acres, more or less  
 Eddy County, New Mexico  
 Tamano Area

Dear Randal:

In response to your letter dated April 3, 1991, please be advised that Pennzoil hereby elects Ballot 1C subject to the following amendments:

1. Line 5: The word "daily" shall be inserted before the word "volume".
2. Line 6: The phrase "during those days each respective well was actually produced" shall be inserted after the word "well".
3. Line 7: The word "daily" shall be inserted after the word "total".
4. Line 8: The phrase "for the days each respective well within the proposed unit area actually produced" shall be inserted after the word "area".
5. Lines 8 and 9: The sentence "Attachment 5 summarizes each Working Interest Owner's voting procedure based on this formula". shall be deleted.

RB10991L

STOCKE FLOUNDER STOCKER
CHIEF OF FIELD
Marathon 13
10341

**PENNZOIL EXPLORATION AND PRODUCTION COMPANY**

Marathon Oil Company  
April 8, 1991  
Page Two

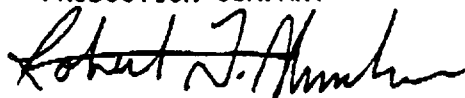
6. Line 14: The words "75 percent" shall be deleted and replaced with the words "80 percent".
7. Line 15: The phrase "at least three parties" shall be deleted and replaced with the phrase "at least four parties".

Pennzoil feels that the above changes are warranted based on the fact that the Stetco "10" Federal No. 3 well was not brought on line until December 20, 1990; therefore, cumulative oil production over the subject six (6) month period does not take into account that the subject well has only produced for approximately three (3) months of the subject six (6) month period. The above amendments limit oil production calculations over the six (6) month period to the average daily production based on the days the wells were actually produced. This appears a small concession when coupled with the fact that no credit has been given to the 120 acres of undeveloped acreage contained within the proposed unit area affecting Section 10.

Please advise whether or not the above amendments are acceptable to those parties opting for Ballot 1C.

Very truly yours,

PENNZOIL EXPLORATION AND  
PRODUCTION COMPANY



Robert F. Blucher  
Advanced Landman

RFB:ls

RB10991L



**PENNZOIL EXPLORATION AND PRODUCTION COMPANY**

cc: Wainoco Oil and Gas Company  
ATTN:: Mr. Ray Gasper  
1200 Smith Street, Suite 1500  
Houston, TX 77002  
VIA FAX NO.: 713-658-8136

Hudson and Hudson  
ATTN:: Mr. Ed Hudson  
616 Texas Street  
Fort Worth, TX 76102-4216  
VIA FAX NO.: 817-334-0442

Moore and Shelton Co., Ltd.  
ATTN:: Mr. Donald B. Moore  
1414 Sugarcreek Blvd.  
Sugarland, TX 77478

Harvey E. Yates Company  
ATTN:: Ms. Rosemary T. Avery  
P. O. Box 1933  
Roswell, New Mexico 88202  
VIA FAX NO.: 505-622-4221

J. Adams  
A. Bell  
R. Burton  
R. Hodgins  
H. Hollingshead  
M. McCullough  
J. Pettit  
G. SanFilippo  
B. Sinclair

Yates Energy Corporation  
ATTN:: Mr. Brian K. Luginbill  
500 N. Main, Suite 1010  
Roswell, New Mexico 88201  
VIA FAX NO.: 505-623-4947

ARCO Oil and Gas Company  
ATTN:: Mr. Jim Hubbard  
P. O. Box 1610  
Midland, TX 79702  
VIA FAX NO.: 915-688-5250

Kerr-McGee Corporation  
ATTN:: Ms. Donna Suchy  
P. O. Box 11050  
Midland, TX 79701  
VIA FAX NO.: 915-688-7056

RB10991L

BALLOT 1A

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

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APPROVED BY:

DISAPPROVED BY:

ABSTAINED BY:

PRINT/TYPE NAME: Michael L. McCullough,  
Agent and Attorney-in-Fact  
COMPANY: PENNZOIL EXPLORATION AND PRODUCTION COMPANY

DATE: April 8, 1991



Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____

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## BALLOT 1B

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
 PROPOSED TAMANO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

April 3, 1991

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APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: Michael L. McCullough

Agent and Attorney-in-Fact

COMPANY: PENNZOIL EXPLORATION AND PRODUCTION COMPANY

DATE: April 8, 1991



Please indicate any companies, in addition to your own, that you are representing.

_____	_____
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BALLOT 1C

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

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\*APPROVED BY:

Michael L. McCullough

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: Michael L. McCullough

Agent and Attorney-in-Fact

COMPANY: PENNZOIL EXPLORATION AND PRODUCTION COMPANY

DATE: April 8, 1991



Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____

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\*Subject to the terms and conditions of that certain letter dated April 8, 1991 from Pennzoil Exploration and Production Company to Marathon Oil Company.



VIA FAX (915)687-8287

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702

April 5, 1991

Re: Proposed Tamano WF Unit  
Section 10 & 11, T18S, R31E  
Eddy County, NM

Gentlemen:

Pursuant to your letter dated April 3, 1991, we are enclosing the three executed letter ballots. Yates Energy Corporation has approved Ballot 1B, with the stipulation that if this is not the ballot accepted by a consensus of the working interest owners, we will not be able to commit our interest, nor those of the three other entities we represent, to the proposed waterflood unit.

Yours very truly,

YATES ENERGY CORPORATION

Sharon R. Hamilton  
Landman

SRH/jj

Enclosure

NOTE: (Copies sent to other Working  
Interest Owners on Marathon  
Mailing List)

LEONARD EMMER STOOER	
MARATHON OIL COMPANY	
Marathon	14
	10341

RECEIVED

APR 08 1991

MARATHON OIL COMPANY  
LAND DEPARTMENT  
MIDLAND, TEXAS

## MAILING LIST

### WORKING INTEREST OWNERS PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702  
Attention: Mr. Jim Hubbard  
VIA FAX NO.: 915-688-5250

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202  
Attention: Ms. Rosemary T. Avery  
VIA FAX NO.: 505-622-4221

Hudson and Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Ed Hudson  
VIA FAX NO.: 817-334-0442

Kerr-McGee Corporation  
P. O. Box 11050  
Midland, Texas 79701  
Attention: Ms. Donna Suchy  
VIA FAX NO.: 915-688-7056

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702  
Attention: D. D. Taimuty  
VIA FAX NO.: 915-687-8287

Moore and Shelton Co., LTD.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore

Pennzoil Exploration & Production Company  
P. O. Box 2967  
Houston, Texas 77252  
Attention: H. W. Hollingshead, Jr.  
VIA FAX NO.: 713-546-8559

Wainoco Oil and Gas Company  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Grant Rice  
VIA FAX NO.: 713-658-8136

Yates Energy Corporation  
500 N. Main, Suite 1010  
Roswell, New Mexico 88201  
Attention: Mr. Brian K. Luginbill  
VIA FAX NO.: 505-623-4947

BALLOT 1B

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

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DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: Sharon R. Hamilton

COMPANY: YATES ENERGY CORPORATION

DATE: April 5, 1991

Please indicate any companies, in addition to your own, that you are representing.

<u>James Guy</u>	_____
<u>Loy Fletcher</u>	_____
<u>W. T. Jackson</u>	_____
_____	_____

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 8, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 79702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.



BALLOT 1A

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in the proposed unit's surface acreage multiplied by 0.5 and divided by the total proposed unit acreage plus said owner's working interest in each usable wellbore within the proposed unit acreage multiplied by 0.5 and divided by the total number of wells. Attachment 4 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 85 percent of the voting percentage will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: Sharon R. Hamilton

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: Sharon R. Hamilton

COMPANY: YATES ENERGY CORPORATION

DATE: April 5, 1991

Please indicate any companies, in addition to your own, that you are representing.

<u>James Guy</u>	_____
<u>Loy Fletcher</u>	_____
<u>W. T. Jackson</u>	_____
_____	_____

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 8, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 79702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.





BALLOT 1C

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of the products of said owner's working interest in each well within the proposed unit area multiplied by the volume of oil produced from each respective well between October 1, 1990 and March 31, 1991, divided by the total oil production from the proposed unit area for the same six month period. Attachment 5 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage with agreement from at least three parties will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: Sharon R. Hamilton

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: Sharon R. Hamilton

COMPANY: YATES ENERGY CORPORATION

DATE: April 5, 1991

Please indicate any companies, in addition to your own, that you are representing.

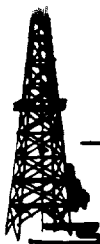
<u>James Guy</u>	_____
<u>Loy Fletcher</u>	_____
<u>W. T. Jackson</u>	_____
_____	_____

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 8, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 79702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.



**HEYCO**

**PETROLEUM PRODUCERS**



**HARVEY E. YATES COMPANY**

P.O. BOX 1933

ONE SUNWEST CENTRE

505 / 623-6601

FAX 505 / 622-4221

ROSWELL, NEW MEXICO 88202-1933

April 8, 1991

VIA FAX

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702

Attention: D. D. Taimuty

Re: Proposed Tamano WF Unit  
Sections 10 & 11  
T-18S, R-31E, N.M.P.M.  
Eddy County, New Mexico

Gentlemen:

Harvey E. Yates Company (HEYCO) has received Marathon's letter dated April 3, 1991, along with a copy of the minutes of the March 25th preliminary Tamano waterflood unit meeting and the three letter ballots.

Pursuant to your request, we are enclosing signed copies of all three letter ballots. HEYCO has approved Ballot 1B, with the stipulation that if this is not the ballot accepted by a consensus of the working interest owners, HEYCO will not be able to commit its interest, nor those of the ten other entities it represents, to the proposed waterflood unit.

Very truly yours,

Rosemary T. Avery  
Senior Landman

RTA/sm  
Attachments  
tamar11.vo2/LL

(Copies Sent to Other WI Owners on Marathon Mailing List)

BRUCE WANNIER STOGNER
Oil Services Division
Marathon No. 15
10341

BALLOT 1A

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in the proposed unit's surface acreage multiplied by 0.5 and divided by the total proposed unit acreage plus said owner's working interest in each usable wellbore within the proposed unit acreage multiplied by 0.5 and divided by the total number of wells. Attachment 4 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 85 percent of the voting percentage will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: Ray F. Nokes

COMPANY: HARVEY E. YATES COMPANY

DATE: April 5, 1991

Please indicate any companies, in addition to your own, that you are representing.

HEYCO EMPLOYEES, LTD.

EXPLORERS PETROLEUM CORPORATION

JAMES H. YATES, INC.

LAURELIND CORPORATION

ROGERS ASTON

EXBY, LTD.

SPIRAL, INC.

COLKELAN CORPORATION

TOM STEPHENS

BEARING SERVICE

MANZANO OIL CORPORATION

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 8, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 79702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.



BALLOT 1B

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in the proposed unit's surface acreage multiplied by 0.5 and divided by the total proposed unit acreage plus said owner's working interest in each usable wellbore within the proposed unit acreage multiplied by 0.5 and divided by the total number of wells.. Attachment 4 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage plus two parties in addition to Marathon Oil Company and the Hudson Group if the combined voting interest of Marathon and the Hudson Group is a majority. HEYCO hereby stipulates that if Ballot 1B is not the winning Ballot, HEYCO will withdraw from further negotiations and will not commit its interest nor that of the companies it represents to the unit.

APPROVED BY: Ray F. Nokes

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: Ray F. Nokes

COMPANY: HARVEY E. YATES COMPANY

DATE: April 5, 1991

Please indicate any companies, in addition to your own, that you are representing.

HEYCO EMPLOYEES, LTD.  
EXPLORERS PETROLEUM CORPORATION  
JAMES H. YATES, INC.  
LAURELIND CORPORATION  
ROGERS ASTON

EXBY, LTD.  
SPIRAL, INC.  
COLKELAN CORPORATION  
TOM STEPHENS  
BEARING SERVICE  
MANZANO OIL CORPORATION

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 8, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 79702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.



BALLOT 1C

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of the products of said owner's working interest in each well within the proposed unit area multiplied by the volume of oil produced from each respective well between October 1, 1990 and March 31, 1991, divided by the total oil production from the proposed unit area for the same six month period. Attachment 5 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage with agreement from at least three parties will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: Ray F. Nokes

COMPANY: HARVEY E. YATES COMPANY

DATE: April 5, 1991

Please indicate any companies, in addition to your own, that you are representing.

HEYCO EMPLOYEES, LTD.  
EXPLORERS PETROLEUM CORPORATION

JAMES H. YATES, INC.

LAURELIND CORPORATION

ROGERS ASTON

EXBY, LTD.

SPIRAL, INC.

COLKELAN CORPORATION

TOM STEPHENS

BEARING SERVICE

MANZANO OIL CORPORATION

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 8, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 79702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.



MAILING LIST

WORKING INTEREST OWNERS  
PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702  
Attention: Mr. Jim Hubbard  
VIA FAX NO.: 913-688-5250

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202  
Attention: Ms. Rosemary T. Avery  
VIA FAX NO.: 505-622-4221

Hudson and Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Ed Hudson  
VIA FAX NO.: 817-334-0442

Kerr-McGee Corporation  
P. O. Box 11050  
Midland, Texas 79701  
Attention: Ms. Donna Suchy  
VIA FAX NO.: 915-688-7056

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702  
Attention: D. D. Taimuty  
VIA FAX NO.: 915-687-8287

Moore and Shelton Co., LTD.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore

Pennzoil Exploration & Production Company  
P. O. Box 2967  
Houston, Texas 77252  
Attention: H. W. Hollingshead, Jr.  
VIA FAX NO: 713-546-8559

Wainoco Oil and Gas Company  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Grant Rice  
VIA FAX NO.: 713-658-8136

Yates Energy Corporation  
500 N. Main, Suite 1010  
Roswell, New Mexico 88201  
Attention: Mr. Brian K. Luginbill  
VIA FAX NO.: 505-623-4947



**KERR-MCGEE CORPORATION**

110 N. MARIENFELD, SUITE 200 • MIDLAND, TEXAS 79701

April 8, 1991

PHONE

915 688-1000

Marathon Oil Company  
P. O. Box 522  
Midland, Texas 79702

Re: Proposed Tomano WF Unit  
Sections 10 & 11, T18S, R31E  
Eddy County, New Mexico

Gentlemen:

Pursuant to your letter dated April 3, 1991, we are enclosing the three executed letter ballots. Kerr-McGee Corporation approved Ballot 1B, with the stipulation that if this is not the ballot accepted by a consensus of the working interest owners, we will not be able to commit our interest to the proposed waterflood unit.

Yours very truly,

KERR-MCGEE CORPORATION

Byron H. Greaves  
Manager, Production

BHG/jai  
Enclosures

BEFORE EXAMINER STOGNER
Oil Commission Division
Marathon No. 116
Case No. 10341

BALLOT 1A

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in the proposed unit's surface acreage multiplied by 0.5 and divided by the total proposed unit acreage plus said owner's working interest in each usable wellbore within the proposed unit acreage multiplied by 0.5 and divided by the total number of wells. Attachment 4 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 85 percent of the voting percentage will be required to form a consensus.

APPROVED BY: 

DISAPPROVED BY: 

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: Byron H. Greaves

COMPANY: KERR-MCGEE CORPORATION

DATE: April 8, 1991

Please indicate any companies, in addition to your own, that you are representing.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 8, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 75702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.





BALLOT 1B

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in the proposed unit's surface acreage multiplied by 0.5 and divided by the total proposed unit acreage plus said owner's working interest in each usable wellbore within the proposed unit acreage multiplied by 0.5 and divided by the total number of wells.. Attachment 4 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage plus two parties in addition to Marathon Oil Company and the Hudson Group if the combined voting interest of Marathon and the Hudson Group is a majority. Kerr-McGee Corporation hereby stipulates that if Ballot 1B is not the winning Ballot, Kerr-McGee Corporation will withdraw from further negotiations and will not commit its interest nor that of the companies it represents APPROVED BY: Byron H. Greaves to the unit.

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: Byron H. Greaves

COMPANY: KERR-MCGEE CORPORATION

DATE: April 8, 1991

Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 8, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 79702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.



BALLOT 1C

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 3, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of the products of said owner's working interest in each well within the proposed unit area multiplied by the volume of oil produced from each respective well between October 1, 1990 and March 31, 1991, divided by the total oil production from the proposed unit area for the same six month period. Attachment 5 summarizes each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. Approval representing 75 percent of the voting percentage with agreement from at least three parties will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: Byron H. Greaves

COMPANY: KERR-MCGEE CORPORATION

DATE: April 8, 1991

Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 4:30 CDT on Monday, April 8, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 75702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.



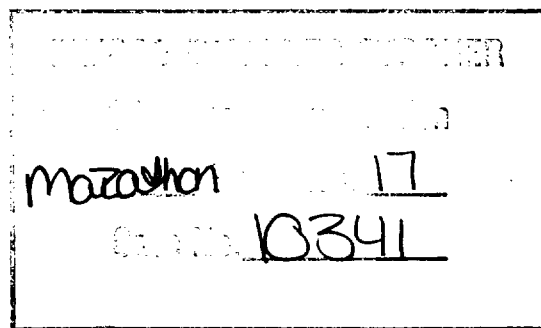


P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

April 10, 1991

WORKING INTEREST OWNERS  
PROPOSED TAMANO (BSSC) UNIT  
(Mailing List Attached)

RE: Results of Ballot 1  
Establishment of Voting Procedure for  
Consensus of Pre-Unitization Matters  
Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico



Please be advised that no voting procedure was established to form a consensus for pre-unitization matters regarding the proposed Tamano (Bone Spring Second Carbonate) Unit. Results from Ballot 1 are enclosed as Table 1.

Stipulations were imposed on some of the returned ballots. The HEYCO group, the Yates Energy group, and Kerr-McGee indicated that if Ballot 1B was not the ballot accepted by a consensus of the working interest owners, none of the three groups were willing to commit their respective interests, nor the interests of the parties they represented, to the proposed unit. Also, Pennzoil and Wainoco failed to return Ballot 1C as it was proposed. Therefore, no vote pertaining to Ballot 1C was registered for either company, as shown on Table 1. Pennzoil submitted Ballot 1C with seven amendments. The amended ballot basically called for a voting procedure using the average oil rate for each well between October 1, 1990 and March 31, 1991 as the lone parameter, with the condition that only active producing days would be used to determine average oil rate. For instance, if a well produced for one day during the specified six-month period and produced 460 BO that day, then the well would be credited with an average rate of 460 BOPD for the six-month period. Pennzoil and Wainoco indicated each would approve Ballot 1C as amended by Pennzoil. For informational purposes, ownership as determined using Pennzoil's proposed formula is summarized in Table 2.

In a related matter, please be aware that Pennzoil has submitted to the Stetco "10" Federal Working Interest Owners an AFE proposing an 8,300-foot test of the Bone Spring Second Carbonate at a location 810' FSL and 510' FEL of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico. According to the provisions of the governing JOA, the Stetco partners have 30

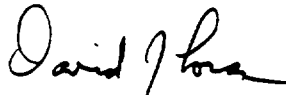
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WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
Establishment of Voting Procedures  
Page No. 2

days to respond. Failure to do so within 30 days will automatically be considered as a non-consenting election. The 30-day period for this AFE expires on April 30, 1991.

Without a voting procedure for pre-unitization matters established, and, in light of Pennzoil's well proposal, Marathon hereby cancels the next Working Interest Owners meeting of the proposed Tamano (BSSC) Unit, scheduled for April 16, 1991. Marathon remains very much interested in pursuing unitization and will contact each owner in the near future. As always, do not hesitate to contact me at (915) 682-1626 with any questions or comments.

Respectfully,



D. J. Loran  
Engineering Manager  
Midland Operations

MAILING LIST

WORKING INTEREST OWNERS  
PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702  
Attention: Mr. Jim Hubbard  
VIA FAX NO.: 915-688-5757

Moore and Shelton Co., LTD.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202  
Attention: Ms. Rosemary T. Avery  
VIA FAX NO.: 505-622-4221

Pennzoil Exploration & Production Company  
P. O. Box 2967  
Houston, Texas 77252  
Attention: R. F. Blucher  
VIA FAX NO: 713-546-6495

Hudson and Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Ed Hudson  
VIA FAX NO.: 817-334-0442

Wainoco Oil and Gas Company  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Grant Rice  
VIA FAX NO.: 713-658-8136

Kerr-McGee Corporation  
P. O. Box 11050  
Midland, Texas 79701  
Attention: Ms. Donna Suchy  
VIA FAX NO.: 915-688-7056

Yates Energy Corporation  
500 N. Main, Suite 1010  
Roswell, New Mexico 88201  
Attention: Mr. Brian K. Luginbill  
VIA FAX NO.: 505-623-4947

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702  
Attention: D. D. Taimuty  
VIA FAX NO.: 915-687-8287

TABLE 1

PROPOSED TAMANO (BSSC) UNIT  
TAMANO FIELD  
EDDY COUNTY, NEW MEXICO  
BALLOT 1

VOTE TO ESTABLISH VOTING PROCEDURE FOR PRE-UNIT MATTERS

WORKING INTEREST OWNER	BALLOT 1A	APPROVED	DISAPPR.	ABSTAIN
ARCO	9.80861	-	-	9.80861
HEYCO, et al	11.46214	-	11.46214	-
HUDSON & HUDSON, et al	15.19139	-	15.19139	-
KERR McGEE	1.96172	-	1.96172	-
MARATHON	44.61723	-	44.61723	-
PENNZOIL	6.28897	-	6.28897	-
WAINOCO	4.47658	-	4.47658	-
YATES ENERGY, et al	6.19335	-	6.19335	-
TOTAL	100.00000	0	90.19138	9.80861

WORKING INTEREST OWNER	BALLOT 1B	APPROVED	DISAPPR.	ABSTAIN
ARCO	9.80861	-	-	9.80861
HEYCO, et al	11.46214	11.46214	-	-
HUDSON & HUDSON, et al	15.19139	-	15.19139	-
KERR McGEE	1.96172	1.96172	-	-
MARATHON	44.61723	-	44.61723	-
PENNZOIL	6.28897	-	6.28897	-
WAINOCO	4.47658	-	4.47658	-
YATES ENERGY, et al	6.19335	6.19335	-	-
TOTAL	100.00000	19.61721	70.57417	9.80861

WORKING INTEREST OWNER	BALLOT 1C	APPROVED	DISAPPR.	ABSTAIN
ARCO	1.56342	-	1.56342	-
HEYCO, et al	2.91755	-	2.91755	-
HUDSON & HUDSON, et al	21.75244	21.75244	-	-
KERR McGEE	0.76305	-	0.76305	-
MARATHON	56.14813	56.14813	-	-
PENNZOIL	8.85453	-	-	-
WAINOCO	6.30279	-	-	-
YATES ENERGY, et al	1.69810	-	1.69810	-
TOTAL	100.00000	77.90057	6.94212	0.00000

TABLE 2

100% DAILY OIL RATE  
 PENNZOIL'S PROPOSED FORMULA  
 OWNER SUMMARY

PROPOSED TAMANO (BSSC) UNIT  
 TAMANO (BONE SPRING) FIELD  
 EDDY COUNTY, NEW MEXICO

WORKING INTEREST OWNER	TRACT NOS.	WI
MARATHON	3, 4, 5, 6, 7	52.01674
PENNZOIL	4, 5	11.56160
WAINOCO	4, 5	8.22972
F. H. HUDSON	4, 5, 6, 7	7.29842
HUDSON TRUSTEES	4, 5	4.20566
HUDSON TRUST	6, 7	5.19559
SHELTON & MOORE	4, 5, 6, 7	3.31808
DELMAR H. LEWIS	4, 5	2.10283
HARVEY E. YATES COMPANY	1, 2, 8	1.80139
JAMES H. YATES, INC.	1, 2, 8	0.00328
COLKELAN CORPORATION	1, 2, 8	0.00328
EXPLORERS PETROLEUM CORP.	1, 2, 8	0.20665
EXBY, LTD.	1, 2, 8	0.07589
HEYCO EMPLOYEES LTD.	1, 2, 8	0.12041
SPIRAL, INC.	1, 2, 8	0.26934
YATES ENERGY CORPORATION	1, 2, 8	1.47916
ATLANTIC RICHFIELD COMPANY	1, 8	1.38616
KERR MCGEE	2	0.65981
LAURELIND CORPORATION	2	0.06598

100.00000



P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

April 10, 1991

WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)

RE: Voting Procedure for Pre-Unitization Matters  
Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico

As you are already aware, a voting procedure for pre-unitization matters regarding the proposed Tamano (BSSC) Unit has not been established. In order to save time and unnecessary travel expenses, Marathon believes that a second attempt to establish a voting procedure by mail is best. Therefore, you are again requested to submit a proposed formula that will be used to describe each working interest owner's voting percentage in any vote on pre-unitization matters. Please forward your proposal to Marathon's Midland Office by 3:00 CDT on Friday, April 12, 1991. Marathon's panafax number is (915) 687-8287. Send your response to the attention of D. D. Taimuty.

In the short-term,, Marathon proposes the following agenda:

Friday, April 12, 1991, 3:00 P.M. CDT: WIO Formulas to Marathon  
Monday, April 15, 1991, 10:00 A.M. CDT: Ballot 2 to WIO  
Wednesday, April 17, 1991, 3:00 P.M. CDT: Ballot 2 due back to Marathon  
Tuesday, April 23, 1991, 10:00 A.M. CDT: Second WIO Meeting.

Marathon is calling for a meeting on April 23, 1991 at 10:00 A.M. CDT in the Second Floor Conference Room of Marathon's Midland Office regardless of the outcome of Ballot 2. Please use this letter as written notification of that meeting. If a voting procedure is established by mail, then pre-unitization matters will proceed as discussed at the first Working Interest Owners Meeting. If a voting procedure is not established by mail, then a second meeting will be required to discuss the problems at hand.

We look forward to your response on April 12, 1991. If you have any questions or comments, I can be contacted at (915) 682-1626.

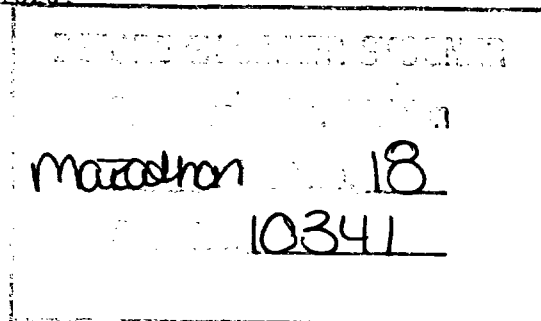
Respectfully,

A handwritten signature in cursive script, appearing to read 'David J. Loran'.

D. J. Loran  
Engineering Manager  
Midland Operations

DDT/TAMANO.032.274/sk

A subsidiary of USX Corporation



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MAILING LIST

WORKING INTEREST OWNERS  
PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702  
Attention: Mr. Jim Hubbard  
VIA FAX NO.: 915-688-5757

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202  
Attention: Ms. Rosemary T. Avery  
VIA FAX NO.: 505-622-4221

Hudson and Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Ed Hudson  
VIA FAX NO.: 817-334-0442

Kerr-McGee Corporation  
P. O. Box 11050  
Midland, Texas 79701  
Attention: Ms. Donna Suchy  
VIA FAX NO.: 915-688-7056

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702  
Attention: D. D. Taimuty  
VIA FAX NO.: 915-687-8287

Moore and Shelton Co., LTD.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore

Pennzoil Exploration & Production Company  
P. O. Box 2967  
Houston, Texas 77252  
Attention: R. F. Blucher  
VIA FAX NO: 713-546-6495

Wainoco Oil and Gas Company  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Grant Rice  
VIA FAX NO.: 713-658-8136

Yates Energy Corporation  
500 N. Main, Suite 1010  
Roswell, New Mexico 88201  
Attention: Mr. Brian K. Luginbill  
VIA FAX NO.: 505-623-4947



P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

April 15, 1991

WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)

RE: Ballot 2  
Establishment of Voting Procedure for Pre-Unitization Matters  
Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico

Working Interest Owners:

Please find enclosed four ballots, identified as Ballot 2A through 2D, respectively, that are submitted for your review and consideration. The purpose of these ballots, which will be referred to collectively as Ballot 2, is to establish a voting procedure for pre-unitization matters regarding the proposed Tamano (BSSC) Unit. You are asked to indicate your vote on each of the four ballots and return the executed ballots to Marathon by 10:00 A.M. CDT on Thursday, April 18, 1991. Please note that this deadline has been extended from the original deadline of 3:00 P.M. CDT on Wednesday, April 17, 1991 due to the additional time requested by Working Interest Owners to submit a ballot. Because Ballot 2B was received late today, Marathon was unable to generate an owner summary. You should have sufficient data in hand to determine ownership on Ballot 2B. If you have questions, call Dan Taimuty at (915) 687-8264 after 3:00 P.M. on April 16, 1991.

You are encouraged to approve more than one ballot if you so desire. The weight of each party's vote in Ballot 2 will be identically that party's voting percentage in the respective ballots. Marathon proposes to use the ballot within Ballot 2 that receives the greatest support, provided the minimum approval is attained.

Marathon will have the second Working Interest Owners Meeting of the proposed Tamano (BSSC) Unit on Tuesday, April 23, 1991 at 10:00 A.M. CDT in the Second Floor Conference room of Marathon's office in Midland, Texas.

Marathon looks forward to your response on Thursday. Should you have any questions or comments during the interim, do not hesitate to contact me at (915) 687-8286.

Respectfully,

A handwritten signature in cursive script, appearing to read 'David J. Loran'.

D. J. Loran  
Engineering Manager  
Midland Operations

DJL/DDT/Tamano/037.274/sk

A subsidiary of USX Corporation

BEFORE ENGINEER STORNER
DATE: APR 19 1991
Marathon 037.274
10341

An Equal Opportunity Employer

MAILING LIST

WORKING INTEREST OWNERS  
PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702  
Attention: Mr. Jim Hubbard  
Telephone No.: (915) 688-5349  
VIA FAX NO.: 915-688-5757

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202  
Attention: Ms. Rosemary T. Avery  
Telephone No.: (505) 623-6601  
VIA FAX NO.: 505-622-4221

Hudson and Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Ed Hudson  
Telephone No.: (817) 336-7109  
VIA FAX NO.: 817-334-0442

Kerr-McGee Corporation  
P. O. Box 11050  
Midland, Texas 79701  
Attention: Ms. Donna Suchy  
Telephone No.: (915) 688-7000  
VIA FAX NO.: 915-688-7056

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702  
Attention: D. D. Taimuty  
Telephone No.: (915) 682-1626  
VIA FAX NO.: 915-687-8287

Moore and Shelton Co., LTD.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore  
Telephone No.: (713) 491-7373

Pennzoil Exploration & Production Company  
P. O. Box 2967  
Houston, Texas 77252  
Attention: R. F. Blucher  
Telephone No.: (713) 546-4000  
VIA FAX NO: 713-546-6495

Wainoco Oil and Gas Company  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Grant Rice  
Telephone No.: (713) 658-9900  
VIA FAX NO.: 713-658-8136

Yates Energy Corporation  
500 N. Main, Suite 1010  
Roswell, New Mexico 88201  
Attention: Mr. Brian K. Luginbill  
Telephone No.: (505) 623-4935  
VIA FAX NO.: 505-623-4947

BALLOT 2A

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 15, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each working interest owner will be the sum of said owner's gross estimated ultimate primary reserves in each of the BSSC producing wells in the proposed unit area divided by the sum of 100% of the gross estimated ultimate primary reserves from each of the BSSC producing wells in the proposed unit area. For the purposes of this ballot, the estimated ultimate primary recovery per well will be the values reported in Table 6 of the Waterflood Feasibility Study submitted to all attending Working Interest Owners at the March 25, 1991 meeting. Attached is a summary of each Working Interest Owner's voting percentage based on this formula. The proposed unit area is all of Section 11 and the southeast quarter plus the south half of the northeast quarter of Section 10, all located in Township 18 South, Range 31 East, Eddy County, New Mexico.

Approval representing 75% of the Working Interest Owners will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: \_\_\_\_\_

COMPANY: \_\_\_\_\_

DATE: \_\_\_\_\_

Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 10:00 A.M. CDT on Thursday, April 18, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 75702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.

100% ESTIMATED ULTIMATE PRIMARY OIL  
OWNER SUMMARY

PROPOSED TAMANO (BSSC) UNIT  
TAMANO (BONE SPRING) FIELD  
EDDY COUNTY, NEW MEXICO

WORKING INTEREST OWNER	TRACT NOS.	WI
MARATHON	3,4,5,6,7	60.61123
PENNZOIL	4,5	3.63522
WAINOCO	4,5	2.58760
F.H. HUDSON	4,5,6,7	7.71553
HUDSON TRUSTEES	4,5	1.32235
HUDSON TRUST	6,7	7.05435
SHELTON & MOORE	4,5,6,7	2.95648
DELMAR H. LEWIS	4,5	0.66117
HARVEY E. YATES COMPANY	1,2,8	4.08552
JAMES H. YATES, Inc.	1,2,8	0.00769
COLKELAN CORPORATION	1,2,8	0.00769
EXPLORERS PETROLEUM Corp.	1,2,8	0.47845
EXBY, Ltd.	1,2,8	0.16820
HEYCO EMPLOYEES Ltd.	1,2,8	0.28216
SPIRAL, Inc.	1,2,8	0.61265
YATES ENERGY CORPORATION	1,2,8	3.46612
ATLANTIC RICHFIELD COMPANY	1,8	2.47724
KERR MCGEE	2	1.70032
LAURELIND CORPORATION	2	0.17003
		100.00000

(HEYCO'S MARCH PRODUCTION WAS ESTIMATED BASED ON FEBRUARY'S AVERAGE DAILY OIL RATE)

BALLOT 2B

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 15, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the average of cumulative oil production through March, 1991 plus the number of wells plus the total number of acres. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico.

Approval representing 80 percent of the voting percentage, plus two parties in addition to Marathon Oil Company and the Hudson Group if the combined voting interest of Marathon and the Hudson Group is a majority.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: \_\_\_\_\_

COMPANY: \_\_\_\_\_

DATE: \_\_\_\_\_

Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 10:00 A.M. CDT on Thursday, April 18, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 75702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.

BALLOT 2C

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 15, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in each well within the proposed unit area multiplied by the volume of oil produced from each respective well between October 1, 1990 and March 31, 1991, divided by the total oil production from the proposed unit area for the same six month period. Attached is a summary of each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico.

Approval representing 75 percent of the voting percentage with agreement from at least three parties will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: \_\_\_\_\_

COMPANY: \_\_\_\_\_

DATE: \_\_\_\_\_

Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 10:00 A.M. CDT on Thursday, April 18, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 75702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.

MARATHON'S PROPOSED FORMULA  
(100% SIX MONTH OIL RATE)  
OWNER SUMMARY

PROPOSED TAMANO (BSSC) UNIT  
TAMANO (BONE SPRING) FIELD  
EDDY COUNTY, NEW MEXICO

WORKING INTEREST OWNER	TRACT NOS.	100% OIL RATE 10/90-3/91 WI
=====		
MARATHON	3,4,5,6,7	56.14813
PENNZOIL	4,5	8.85453
WAINOCO	4,5	6.30279
F.H. HUDSON	4,5,6,7	7.63433
HUDSON TRUSTEES	4,5	3.22093
HUDSON TRUST	6,7	6.02386
SHELTON & MOORE	4,5,6,7	3.26286
DELMAR H. LEWIS	4,5	1.61046
HARVEY E. YATES COMPANY	1,2,8	2.06312
JAMES H. YATES, Inc.	1,2,8	0.00377
COLKELAN CORPORATION	1,2,8	0.00377
EXPLORERS PETROLEUM Corp.	1,2,8	0.23703
EXBY, Ltd.	1,2,8	0.08678
HEYCO EMPLOYEES Ltd.	1,2,8	0.13823
SPIRAL, Inc.	1,2,8	0.30854
YATES ENERGY CORPORATION	1,2,8	1.69810
ATLANTIC RICHFIELD COMPANY	1,8	1.56342
KERR MCGEE	2	0.76305
LAURELIND CORPORATION	2	0.07631
=====		
		100.00000

(HEYCO'S MARCH PRODUCTION WAS ESTIMATED BASED ON FEBRUARY'S AVERAGE DAILY OIL RATE)



BALLOT 2D

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 15, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each Working Interest Owner will be the sum of said owner's working interest in each well within the proposed unit area multiplied by the volume of oil produced from each respective well between January 1, 1991 and March 31, 1991 divided by the total oil production from the proposed unit area for the same three month period. Attached is a summary of each Working Interest Owner's voting percentage based on this formula. The proposed unit area is Section 11, Township 18 South, Range 31 East, Eddy County, New Mexico and the southeast quarter and the south half of the northeast quarter of Section 10, Township 18 South, Range 31 East, Eddy County, New Mexico.

Approval representing 80 percent of the voting percentage with agreement from at least four parties will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: \_\_\_\_\_

COMPANY: \_\_\_\_\_

DATE: \_\_\_\_\_

Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 10:00 A.M. CDT on Thursday, April 18, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 75702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.

## 100% THREE MONTH OIL RATE

## OWNER SUMMARY

PROPOSED TAMANO (BSSC) UNIT  
TAMANO (BONE SPRING) FIELD  
EDDY COUNTY, NEW MEXICO

WORKING INTEREST OWNER	TRACT NOS.	WI
MARATHON	3,4,5,6,7	50.87201
PENNZOIL	4,5	11.89615
WAINOCO	4,5	8.46786
* F.H. HUDSON	4,5,6,7	7.45244
* HUDSON TRUSTEES	4,5	4.32735
* HUDSON TRUST	6,7	5.28876
* SHELTON & MOORE	4,5,6,7	3.39392
* DELMAR H. LEWIS	4,5	2.16368
** HARVEY E. YATES COMPANY	1,2,8	1.80634
** JAMES H. YATES, Inc.	1,2,8	0.00325
** COLKELAN CORPORATION	1,2,8	0.00325
** EXPLORERS PETROLEUM Corp.	1,2,8	0.20566
** EXBY, Ltd.	1,2,8	0.07672
** HEYCO EMPLOYEES Ltd.	1,2,8	0.11930
** SPIRAL, Inc.	1,2,8	0.26980
YATES ENERGY CORPORATION	1,2,8	1.46552
ATLANTIC RICHFIELD COMPANY	1,8	1.49584
KERR MCGEE	2	0.62923
** LAURELIND CORPORATION	2	0.06292

100.00000

\*Hudson & Hudson represents these parties and shall be considered one party for voting consensus purposes.

\*\*HEYCO represents these parties and shall be considered one party for voting consensus purposes.



P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

April 19, 1991

WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)

RE: Results of Ballot 2  
Ballot 3  
Establishment of Voting Procedure  
For Consensus of Pre-Unitization Matters  
Proposed Tamano (BSSC) Field  
Eddy County, New Mexico

Please be advised that a voting procedure was not established to form a consensus for pre-unitization matters regarding the proposed Tamano (BSSC) Unit. Results from Ballot 2 are attached for your review as Table 1. Hudson and Hudson, et. al. and Pennzoil did not return Ballot 2.

As a result of the Working Interest Owners inability to adopt a consensus procedure, Marathon hereby proposes one final ballot be distributed and either approved or disapproved by each party prior to the scheduled April 23, 1991 Working Interest Owners Meeting. Ballot 3 is attached for each owners review. As before, the proposed formula will be used to describe each working interest owner's voting percentage in any vote on pre-unitization matters. Please forward your executed ballot to Marathon's Midland office by 3:00 P.M. CDT on Monday, April 22, 1991. Marathon's panafax number is (915) 687-8287. Send your response to the attention of D. D. Taimuty.

Regardless of the results of this ballot, the second Working Interest Owner's Meeting for the proposed Tamano (BSSC) Unit will be held on April 23, 1991 as scheduled.

We look forward to your response regarding Ballot 3 and your attendance at the upcoming meeting. If you have any questions or concerns, I can be contacted at (915) 682-1626.

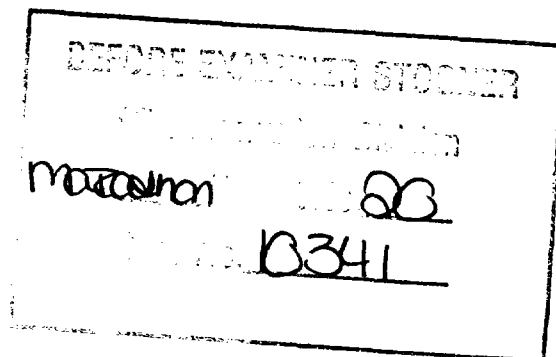
Respectfully,

A handwritten signature in cursive script, appearing to read 'David J. Loran'.

D. J. Loran  
Engineering Manager  
Midland Operations

DJL/TWW/TAMANO.039/sk

A subsidiary of USX Corporation



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TABLE 1  
PROPOSED TAMANO (BSSC) UNIT  
BALLOT 2  
VOTE TO ESTABLISH VOTING PROCEDURE FOR PRE-UNIT MATTERS

WORKING INTEREST OWNER	BALLOT 2A	APPROVED	DISAPPR.	ABSTAIN
ARCO	2.47724	2.47724	-	-
HEYCO, et al	5.81239	-	5.81239	-
HUDSON & HUDSON, et al	19.70988	-	-	-
KERR McGEE	1.70032	1.70032	-	-
MARATHON	60.61123	60.61123	-	-
PENNZOIL	3.63522	-	-	-
WAINOCO	2.58760	-	2.58760	-
YATES ENERGY, et al	3.46612	-	3.46612	-
TOTAL	100.00000	64.78879	11.86611	0.00000

WORKING INTEREST OWNER	BALLOT 2B	APPROVED	DISAPPR.	ABSTAIN
ARCO	7.40335	7.40335	-	-
HEYCO, et al	10.00489	10.00489	-	-
HUDSON & HUDSON, et al	16.98931	-	-	-
KERR McGEE	2.03962	2.03962	-	-
MARATHON	49.52355	-	49.52355	-
PENNZOIL	4.95516	-	-	-
WAINOCO	3.52716	-	3.52716	-
YATES ENERGY, et al	5.55695	5.55695	-	-
TOTAL	100.00000	25.00481	53.05071	0.00000

WORKING INTEREST OWNER	BALLOT 2C	APPROVED	DISAPPR.	ABSTAIN
ARCO	1.56342	-	1.56342	-
HEYCO, et al	2.91755	-	2.91755	-
HUDSON & HUDSON, et al	21.75244	-	-	-
KERR McGEE	0.76305	-	0.76305	-
MARATHON	56.14813	56.14813	-	-
PENNZOIL	8.85453	-	-	-
WAINOCO	6.30279	-	6.30279	-
YATES ENERGY, et al	1.69810	-	1.69810	-
TOTAL	100.00000	56.14813	13.24491	0.00000

WORKING INTEREST OWNER	BALLOT 2D	APPROVED	DISAPPR.	ABSTAIN
ARCO	1.49584	-	1.49584	-
HEYCO, et al	2.54724	-	2.54724	-
HUDSON & HUDSON, et al	22.62615	-	-	-
KERR McGEE	0.62923	-	0.62923	-
MARATHON	50.87201	-	50.87201	-
PENNZOIL	11.89615	-	-	-
WAINOCO	8.46786	8.46786	-	-
YATES ENERGY, et al	1.46552	-	1.46552	-
TOTAL	100.00000	8.46786	57.00984	0.00000

BALLOT 3

ESTABLISHMENT OF A PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

April 19, 1991

Proposal: In order to establish a voting procedure to govern pre-unitization matters regarding the proposed Tamano (BSSC) Unit in Eddy County, New Mexico, the voting percentage of each working interest owner will be said owner's total of 4 percent of surface acres, 2 percent of usable wellbores, 60 percent of 6-month daily oil rate, and 34 percent remaining primary recovery. The attachment summarizes each WIO's voting percentage. For the purposes of this ballot, the estimated remaining primary recovery per well will be the values reported in Table 6 of the Waterflood Feasibility Study submitted to all attending Working Interest Owners at the March 25, 1991 meeting. Attached is a summary of each Working Interest Owner's voting percentage based on this formula. The proposed unit area is all of Section 11 and the southeast quarter plus the south half of the northeast quarter of Section 10, all located in Township 18 South, Range 31 East, Eddy County, New Mexico.

Approval representing 75% of the Working Interest Owners will be required to form a consensus.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: \_\_\_\_\_

COMPANY: \_\_\_\_\_

DATE: \_\_\_\_\_

Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____

Please return this ballot to Marathon Oil Company's office in Midland, Texas by 3:00 P.M. CDT on Monday, April 22, 1991. Marathon's address is P. O. Box 552, Midland, Texas, 75702. Street Address: 125 West Missouri, Midland, Texas, 79701. Panafax number: (915) 687-8287.



ATTACHMENT FOR BALLOT 3  
ESTABLISHMENT OF PRE-UNIT VOTING PROCEDURE  
PROPOSED TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

<u>OWNER'S NAME</u>	<u>WORKING INTEREST</u>
MARATHON	54.81112
PENNZOIL	9.81160
WAINOCO	6.98404
*F. H. HUDSON	6.86651
*HUDSON TRUSTEES	3.56907
*HUDSON TRUST	5.08198
*SHELTON & MOORE	3.05331
*DELMAR H. LEWIS	1.78454
**HARVEY E. YATES COMPANY	2.33153
**JAMES H. YATES, INC.	0.00410
**COLKELAN CORPORATION	0.00410
**EXPLORERS PETROLEUM CORP.	0.26186
**EXBY, LTD.	0.10047
**HEYCO EMPLOYEES LTD.	0.15065
**SPIRAL, INC.	0.34759
YATES ENERGY CORPORATION	1.85062
ATLANTIC RICHFIELD COMPANY	2.17604
KERR MCGEE	0.73715
**LAURELIND CORPORATION	<u>0.07372</u>
	100.00000

<u>PARAMETER</u>	<u>APPLIED FRACTION</u>
SURFACE ACRES	0.040
USABLE WELLBORES	0.020
6 MONTH DAILY OIL RATE	0.600
REM PRIM	<u>0.340</u>
	1.000

\*Hudson and Hudson represents these parties and shall be considered one party for voting consensus purposes.

\*\*HEYCO represents these parties and shall be considered one party for voting consensus purposes.

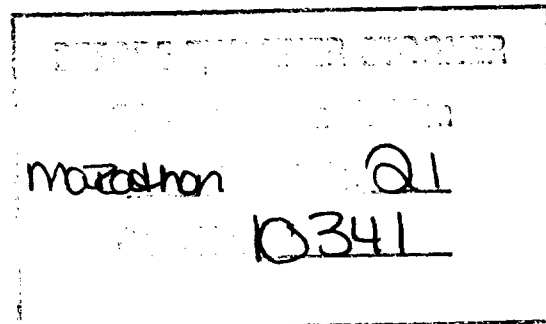
PROPOSED TAMANO (BSSC) UNIT  
WORKING INTEREST OWNER MEETING  
APRIL 23, 1991

AGENDA

Convene at 10:00 A. M. in the Second Floor Conference Room of Marathon Oil Company, Midland, Texas.\*

1. Welcome and registration.
2. Opening remarks and review of agenda.
3. Approval of minutes of March 25, 1991 WIO Meeting.
4. Review of Pre-Unitization voting procedure.
5. Ratify Feasibility Study.
6. Vote on unit area.
7. Vote on unitized interval.
8. Discussion of final participation formula.
9. Any other discussion.
10. Closing remarks.

\*At a convenient stopping point, lunch will be provided.



*File*



P.O. Box 552  
Midland, Texas 79702  
Telephone 915/882-1828

April 25, 1991

Via Airborne Express

Mr. Armando Lopez, Chief  
Branch of Field Minerals  
U. S. Department of Interior  
Bureau of Land Management  
Roswell District Office  
1717 W. Second  
Roswell, New Mexico 88201

Re: Proposed Tamano (BSSC) Waterflood Unit

Dear Mr. Lopez:

Marathon has recently obtained approval by approximately 92% of the owners of the working interest in the proposed Tamano (BSSC) Unit of a formula for allocation of Unit production and costs to the various tracts within the Unit. The working interest owners are now attempting to reach agreement on the language of the Unit Agreement and Unit Operating Agreement, while Marathon is working to prepare the various exhibits to the agreements. Once the agreements are in their final form, Marathon will be submitting its request for designation to your office. I anticipate that the request will be sent out no later than May 13, 1991.

In order to make as certain as possible that our formal request for designation is adequate, I wanted to inform you now of the provisions of the selected allocation formula, and provide you with a copy of Marathon's feasibility study for the project, which I anticipate we will be submitting as the geologic and engineering summary which you indicated in our meeting of April 17, 1991 should accompany our application for designation. The selected formula is as follows:

PARAMETER

PERCENTAGE

Surface acres  
Usable wellbores  
Daily oil rate (10/90 - 3/91)  
Estimated remaining primary oil

4%

2%

60%

34%

Marathon 10341



Mr. Armando Lopez  
April 25, 1991  
Page 2

If there is any way you could consider the approved formula and review the contents of the feasibility study, and let me know as soon as possible if you see any problems with either one, I would greatly appreciate it. Obviously if you have a problem with the formula, we will need to go back to the working interest owners and make the necessary adjustments. Hopefully, supplementing the feasibility study would be a much easier task.

I appreciate your help in this matter. If you have any questions at all, please give me a call at the number shown at the letterhead.

Very truly yours,

Handwritten signature of Thomas C. Lowry in cursive script.

Thomas C. Lowry

TCL/mlp



P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

April 26, 1991

WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)

RE: Minutes  
Proposed Tamano (BSSC) Unit  
Working Interest Owners Meeting  
April 23, 1991

Dear Working Interest Owner,

Please find enclosed the minutes from the above referenced meeting. You are requested to review the minutes for accuracy and completeness. Corrections and comments should be returned to D. D. Taimuty at the letterhead address by 3:00 P.M. CDT on Friday, May 3, 1991. Marathon's Panafax number is (915) 687-8287.

Your time and consideration of this matter are greatly appreciated.

Respectfully,

A handwritten signature in cursive script, appearing to read 'David J. Loran'.

D. J. Loran  
Engineering Manager  
Midland Operations

DDT/TAMANO.050.274/sk

A subsidiary of USX Corporation

STATE ENGINEER SIGNATURE
DATE
Marathon 23
10341

An Equal Opportunity Employer

MAILING LIST

WORKING INTEREST OWNERS  
PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702  
Attention: Mr. Jim Hubbard  
Telephone No.: (915) 688-5349  
VIA FAX NO.: 915-688-5757

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202  
Attention: Ms. Rosemary T. Avery  
Telephone No.: (505) 623-6601  
VIA FAX NO.: 505-622-4221

Hudson and Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Randall Hudson  
Telephone No.: (817) 336-7109  
VIA FAX NO.: 817-334-0442

Kerr-McGee Corporation  
P. O. Box 11050  
Midland, Texas 79701  
Attention: Ms. Donna Suchy  
Telephone No.: (915) 688-7000  
VIA FAX NO.: 915-688-7056

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702  
Attention: D. D. Taimuty  
Telephone No.: (915) 682-1626  
VIA FAX NO.: 915-687-8287

Moore and Shelton Co., LTD.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore  
Telephone No.: (713) 491-7373

Pennzoil Exploration & Production Company  
P. O. Box 2967  
Houston, Texas 77252  
Attention: R. F. Blucher  
Telephone No.: (713) 546-4000  
VIA FAX NO.: 713-546-6495

Wainoco Oil and Gas Company  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Ray Gasper  
Telephone No.: (713) 658-9900  
VIA FAX NO.: 713-658-8136

Yates Energy Corporation  
500 N. Main, Suite 1010  
P.O. Box 2323  
Roswell, New Mexico 88202  
Attention: Ms. Shari Hamilton  
Telephone No.: (505) 623-4935  
VIA FAX NO.: 505-623-4947

## MINUTES

### PROPOSED TAMANO (BSSC) UNIT WORKING INTEREST OWNERS MEETING

APRIL 23, 1991

- I. Meeting convened at 10:10 A.M. CDT. Mr. D. J. Loran, Engineering Manager, opened the meeting by welcoming everyone. Mr. Loran reviewed the agenda which is outlined as follows:

1. Approval of minutes from March 25, 1991 Working Interest Owners Meeting.
2. Review of Pre-Unitization Voting Procedure.
3. Ratify Feasibility Study.
4. Vote on Unit Area.
5. Vote on Unitized Interval.
6. Discussion of Final Participation Formula.
7. Any other discussion.

After reviewing the agenda, Mr. Loran opened the floor for discussion of the minutes from the March 25, 1991 Working Interest Owners Meeting. There were no indications from Working Interest Owners that revisions were necessary. Mr. Ed Hudson of Hudson and Hudson moved to accept the minutes. Mr. R. F. Blucher of Pennzoil seconded the motion and the motion was passed by all parties attending. It is noted here that all working interest was represented at this meeting except for the Yates Energy group. (A list of attendees is attached.)

- II. Mr. Loran then presented the results of Ballot 3, which pertained to the voting procedure for pre-unitization matters. He indicated that a consensus was reached using a formula in which each Working Interest Owner's voting percentage would be the sum of four percent of surface acres, two percent of usable wellbores, 60 percent of the average daily oil rate between October 1, 1990 and March 31, 1991, and 34 percent estimated remaining gross primary oil production as of April 1, 1991. A consensus would be reached if 75 percent of the voting interest approved the subject matter. Mr. Loran explained that 84.32661 percent of the voting percentage approved this formula and that a consensus procedure had therefore been established. Results of Ballot 3 are attached.

Mr. Blucher stated that Pennzoil did not vote on Ballot 3 because they wanted an approval requirement of 80 percent of the voting interest plus at least three parties approving on any given matter.

Mr. R. F. Nokes of HEYCO stated that HEYCO does not like any formula that includes production rate as a parameter. He expressed further concerns that other parameters, such as surface acres and usable wellbores, should be considered.

Mr. Loran reviewed an overhead slide of a table of possible parameters (attached). He indicated that surface acres and usable wellbores were not representative of production performance in this reservoir. He

MINUTES  
PROPOSED TAMANO (BSSC) UNIT  
WORKING INTEREST OWNERS MEETING  
APRIL 23, 1991  
PAGE NO. 2

further explained that in a meeting between Marathon and the BLM, the BLM, who is a royalty owner, did not like surface acres and usable wellbores. Mr. Loran then reviewed an overhead slide of the results of Ballot 3.

Mr. Nokes reiterated his objection to six-month average daily oil rate as a parameter. He also stated an objection to estimated reserves as the reserves are reported in the feasibility study. He felt that the estimated remaining primary reserves for the HEYCO-operated wells, as presented in the study, were too low. He indicated that the formula gives Marathon too much leverage.

Mr. T. W. Gunn of HEYCO asked Mr. Loran about the meeting with the BLM. Mr. Loran expanded on the conversation.

A vote was then called for by Mr. Loran on a pre-unitization voting procedure requiring 80 percent approval plus three parties. This vote was approved by five voting groups representing 94.13821 percent of the voting interest. Kerr-McGee and the HEYCO group were the only two attending groups to disapprove the vote. Their voting percentage totals 4.01117 percent. Yates Energy, with a 1.85062 percent vote, was absent. (Results of vote are attached.)

III. Mr. Loran opened the floor for discussion of the feasibility study at this time.

Mr. Nokes expressed concerns about the computer model results that were presented in the feasibility study. He also expressed concerns about oil rates being increased from 230 BOPD per well to 460 BOPD per well on the Marathon-operated leases, and increasing GOR. Mr. Nokes also protested the lack of opportunity to discuss results of the model, especially porosity distribution, with Marathon.

Mr. Bill Hollingshead of Pennzoil indicated he was also skeptical of the model at first. He therefore came to Marathon's office in Midland for a few days to review model input data and results. He satisfied himself that the model was a good predictive tool.

Mr. Nokes still expressed concern about the model and about the high oil rates from Marathon-operated wells.

Mr. Randall Hudson of Hudson and Hudson commented he did not understand why HEYCO objected to high oil rates. He indicated that each company is realizing production from wells as the wells are capable of delivering. If HEYCO-operated wells could produce 460 BOPD per well, then HEYCO would surely have produced them at that rate. Because Marathon-operated wells have produced at the top allowable rate for long periods of time, and because HEYCO-operated wells could not, the Marathon-operated wells were obviously in a better part of the reservoir and should not be penalized.

MINUTES  
PROPOSED TAMANO (BSSC) UNIT  
WORKING INTEREST OWNERS MEETING  
APRIL 23, 1991  
PAGE NO. 3

Mr. Nokes stated that HEYCO still considered rate to be unfair.

Mr. Blucher asked HEYCO how surface acres and usable wellbores related to production.

Mr. Nokes responded that no relationship exists. However, HEYCO had other uses for the wellbores, and should be credited because of the well's potential use.

Mr. Loran moved to accept the feasibility study and the data contained within the study. Mr. Blucher seconded the motion. The motion passed with a 91.96217 percent approval and four parties. Results of the vote are attached.

IV. Unit area was then discussed. Mr. Loran moved to accept the area as it is described in the feasibility study. Mr. R. Hudson seconded the motion. All seven voting groups in attendance, representing 98.14938 percent, approved the motion. (Results of vote are attached.)

V. Unit interval was the next order of business. Mr. Hollingshead expressed concerns about including the entire Bone Spring Second Carbonate, but after some consideration, thought, that for practical purposes, the entire interval was good.

Mr. Nokes asked for a footage interval. Mr. Loran presented an overhead describing the interval as being 7,905 feet to 8,190 feet in the Johnson "B" Federal Well No. 4 (Marathon, et. al.). Mr. Blucher pointed out that the Unit Agreement indicated the top of the interval to be 7,908 feet. The ballot was corrected to 7,908 feet.

Mr. Loran moved to accept the unitized interval. Mr. Rick Carter of Pennzoil seconded the motion. All seven parties, representing 98.14938 percent, approved the motion. (Results of vote are attached.)

VI. Regarding the final participation formula, the Pennzoil group stated they are comfortable with the formula for the pre-unitization procedure as a final participation formula.

Mr. R. J. Gasper of Wainoco stated that Wainoco is in general agreement with Pennzoil.

Mr. Nokes again stated HEYCO's objection to the formula for the previously discussed reasons.

MINUTES  
PROPOSED TAMANO (BSSC) UNIT  
WORKING INTEREST OWNERS MEETING  
APRIL 23, 1991  
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Mr. Loran asked for feedback from other companies. Mr. David Newell of ARCO indicated that ARCO was not aware a final formula would be voted on, and if parameters such as OOIP by tract would be provided.

Mr. Stephen Landgrave of Kerr-McGee stated the formula was unacceptable.

The Hudson and Hudson group state the formula was acceptable.

Mr. Nokes indicated that HEYCO would like to submit a formula, but it would take 3 to 4 weeks to generate one. He asked if voting percentages were determined using 230 BOPD per well as a maximum rate. Mr. Loran indicated that using 230 BOPD per well made little difference. Mr. Nokes then asked why the average rate over the life of the well was not used as a parameter. Mr. Loran answered that several parameters were reviewed, and that the parameters in the formula seemed reasonable and acceptable. Mr. Loran felt the formula was fair to everyone. Mr. Blucher added that the parameters in the formula are normally used in unitization processes.

Mr. Carter motioned that the pre-unitization formula be used as the final participation formula. Mr. R. Hudson seconded the motion. Four parties representing 91.96217 percent approved the motion. Two parties representing 4.01117 percent disapproved. One party representing 2.17604 percent abstained. (Results of vote are attached.)

VII. Mr. Loran then initiated discussion of Unit Agreement and Unit Operating Agreement. He asked for revisions back as soon as possible. Approval of these documents sufficiently prior to May 28, 1991 would enable Marathon to file on May 28, 1991 for the June 20, 1991 New Mexico Oil Conservation Division docket.

Mr. Gunn asked what basis for 75 percent acceptance would be used before Marathon could file with the NMOC. Mr. Loran indicated the final participation formula would be used.

Mr. Blucher asked what model document was used to prepare the UA and UOA. Mr. T. C. Lowry of Marathon said that no one particular model was used. Rather, actual agreements from the North Monument (Grayburg/San Andres) Unit and Arrowhead (Grayburg) Unit were used as a basis.

Mr. Landgrave then stated that, for the record, Kerr-McGee would approve Ballot 2A if approved by other parties. Mr. Nokes indicated HEYCO would also approve Ballot 2A.

Mr. Loran asked the Pennzoil group about the status of Pennzoil's well proposal in the SE SE of Section 10, T-18-S, R-31-E. Mr. Hollingshead answered that Pennzoil was prepared to withdraw the well proposal, and would do so in writing soon.

MINUTES  
PROPOSED TAMANO (BSSC) UNIT  
WORKING INTEREST OWNERS MEETING  
APRIL 23, 1991  
PAGE NO. 5

Mr. R. Hudson then stated that Hudson and Hudson, although abstaining from Ballot 2, would have approved Ballot 2C.

Mr. Loran then invited all attendees to stay for lunch.

ARCO indicated they will have a vote other than "abstain" prior to Marathon's filing with the NMOCD.

Mr. Loran motioned to adjourn the meeting. Mr. Blucher seconded the motion. All seven parties approved the motion.

Following adjournment, Mr. T. W. Wesling and Mr. D. D. Taimuty, both of Marathon, provided copies of the decline curves for all available wells to Mr. Newell and to Mr. Gunn. The four gentlemen then reviewed each of the HEYCO-operated wells in detail. No objections to the reserve calculations as presented in the feasibility study were made.



UNITIZATION PARAMETER TABLE  
WORKING INTEREST OWNERS MEETING  
APRIL 23, 1991

PROPOSED TAMAMO (BSSC) UNIT  
TAMAMO (BONE SPRING) FIELD  
EDDY COUNTY, NEW MEXICO

WELL	SURFACE ACRES	%	USABLE WELLS	%	CUMULATIVE		DAILY OIL		EST PRIM		EST. ULT.			
					OIL THRU 3/91*	%	OIL RATE 10/90-3/91*	%	BOPO RATE 10/90-3/91*	%	FROM STUDY THRU 3/91**	%	FROM STUDY AS OF 4/91**	%
JBF #3	40	4.55	1	5.26	12,285	0.84	742	0.21	4.08	0.18	3,664	0.52	16,154	0.75
JBF #4	40	4.55	1	5.26	235,214	16.03	17,254	4.95	95.33	4.20	24,197	3.45	262,008	12.09
JBF #5	40	4.55	1	5.26	47,969	3.27	1,887	0.54	10.37	0.46	10,749	1.53	59,215	2.73
JBF #6	40	4.55	1	5.26	239,804	16.34	56,088	16.08	315.10	13.88	89,422	12.77	335,069	15.46
JBF #7	40	4.55	1	5.26	205,931	14.04	14,073	4.03	77.32	3.41	145,504	20.77	360,816	16.65
JBF #8	40	4.55	1	5.26	176,690	12.44	21,051	6.03	116.30	5.12	37,759	5.39	212,328	9.80
JBF #9	40	4.55	1	5.26	73,026	4.98	51,740	14.83	297.36	13.10	65,178	9.31	138,694	6.40
JBF #10	40	4.55	1	5.26	4,002	0.27	4,002	1.15	22.48	0.99	7,055	1.01	11,104	0.51
8000 B1	40	4.55	1	5.26	32,604	2.22	1,561	0.45	8.58	0.38	11,663	1.67	44,429	2.06
8000 B2	40	4.55	1	5.26	87,583	5.97	50,522	14.48	287.06	12.64	76,419	10.91	166,074	7.66
STETCO #1	40	4.55	1	5.26	84,102	5.73	74,972	21.49	418.84	18.45	75,599	10.79	142,333	6.57
STETCO #2	40	4.55	1	5.26	1,527	0.10	1,527	0.44	15.27	0.67	12,775	1.82	14,395	0.66
STETCO #3	40	4.55	1	5.26	29,273	2.00	29,273	8.39	464.65	20.46	85,396	12.19	113,033	5.21
STETCO #4	40	4.55	0	0.00	0	0.00	0	0.00	0.00	0.00	0	0.00	0	0.00
STETCO #5	40	4.55	0	0.00	0	0.00	0	0.00	0.00	0.00	0	0.00	0	0.00
STETCO #6	40	4.55	0	0.00	0	0.00	0	0.00	0.00	0.00	0	0.00	0	0.00
AJ 11 #1	40	4.55	1	5.26	37,684	2.57	4,577	1.31	26.15	1.15	14,070	2.01	51,359	2.37
AJ 11 #2	40	4.55	1	5.26	19,689	1.34	1,421	0.41	8.46	0.37	1,798	0.26	21,932	1.01
MUD 11 #2	40	4.55	1	5.26	13,343	0.91	1,392	0.40	8.34	0.37	7,102	1.01	20,261	0.93
MUD 11 #3	40	4.55	1	5.26	37,489	2.56	3,809	1.09	21.52	0.95	5,821	0.83	43,489	2.01
MUD 11 #4	40	4.55	1	5.26	123,561	8.42	9,583	2.72	53.39	2.35	17,503	2.50	140,784	6.30
MUD 11 #5	40	4.55	1	5.26	5,365	0.37	3,520	1.01	20.00	0.88	8,763	1.25	13,837	0.64
880		100.00	19	100.00	1,467,141	100.00	348,914	100.00	2,271	100.00	700,437	100.00	2,167,514	100.00

\*-PRODUCTION ESTIMATED FOR THE MONTHS OF JAN. THRU MAR. AS DETAILED IN THE WATERFLOOD FEASIBILITY STUDY  
\*\*-WEYCO'S MARCH PRODUCTION WAS ESTIMATED BASED ON FEBRUARY'S AVERAGE DAILY OIL RATE

PROPOSED TAMANO (BSSC) UNIT

TAMANO FIELD

EDDY COUNTY, NEW MEXICO

BALLOT 3

VOTE TO ESTABLISH VOTING PROCEDURE FOR PRE-UNIT MATTERS

WORKING INTEREST OWNER	BALLOT 3	APPROVED	DISAPPR.	ABSTAIN
ARCO	2.17604	2.17604	-	-
HEYCO, et al	3.27402	-	3.27402	-
HUDSON & HUDSON, et al	20.35541	20.35541	-	-
KERR MCGEE	0.73715	-	0.73715	-
MARATHON	54.81112	54.81112	-	-
PENNZOIL	9.81160	-	-	-
WAINOCO	6.98404	6.98404	-	-
YATES ENERGY, et al	1.85062	-	-	-
TOTAL	100.00000	84.32661	4.01117	0.00000

TAMANO WORKING INTEREST OWNERS MEETING  
ATTENDEES LIST  
APRIL 23, 1991

NAME	COMPANY OR INDIVIDUAL REPRESENTED	TITLE
Randy Hodgins	Pennzoil	Engineer
Rick Carter	Pennzoil	Division Engineer
Bill Hollingshead	Pennzoil	Exploration Advisor
Bob Blucher	Pennzoil	Landman
Ed Hudson	Hudson and Hudson	Attorney
Randall Hudson	Hudson and Hudson	Geologist
Leonard Carpenter	HEYCO	Materials Manager
Ray F Nokes	HEYCO	Production Manager/Engineer
Tim W. Gunn	HEYCO	Petroleum Engineer
R. J. Gasper	Wainoco	Engineering Manager
David Newell	ARCO	Senior Engineer
Stephen Landgrave	Kerr-McGee	Senior Staff Engineer
Randy J. Bruner	Marathon Oil Company	Region Development Geologist
Randal Wilson	Marathon Oil Company	Landman
Tom Wesling	Marathon Oil Company	Production Engineer
Greg Wilson	Marathon Oil Company	Development Geologist
Tim Robertson	Marathon Oil Company	Land Supervisor
Dan Taimuty	Marathon Oil Company	Reservoir Engineer
Dave Petro	Marathon Oil Company	Reservoir Engineering Supervisor
David J. Loran	Marathon Oil Company	Engineering Manager

PROPOSAL TO BE VOTED ON BY  
THE WORKING INTEREST OWNERS

Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
April 23, 1991

Item: Propose that the consensus procedure for pre-unit matters require 80% voting approval plus at least three parties approving the matters.

MOVED BY: D. J. Loran      SECONDED BY: R. F. Blucher

	<u>APPROVE, %</u>	<u>DISAPPROVE, %</u>	<u>ABSTAIN</u>
Atlantic Richfield	<u>2.17604</u>	<u>                    </u>	<u>                    </u>
HEYCO, et. al.	<u>                    </u>	<u>3.27402</u>	<u>                    </u>
Hudson & Hudson, et. al.	<u>20.35541</u>	<u>                    </u>	<u>                    </u>
Kerr McGee	<u>                    </u>	<u>0.73715</u>	<u>                    </u>
Marathon	<u>54.81112</u>	<u>                    </u>	<u>                    </u>
Pennzoil	<u>9.81160</u>	<u>                    </u>	<u>                    </u>
Wainoco	<u>6.98404</u>	<u>                    </u>	<u>                    </u>
Yates, et. al.	<u>ABSENT</u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL	<u>94.13821</u>	<u>4.01117</u>	<u>                    </u>

PROPOSAL TO BE VOTED ON BY  
THE WORKING INTEREST OWNERS

Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
April 23, 1991

Item: The Working Interest Owners of the proposed Tamano (BSSC) Unit accept the Waterflood Feasibility Study of March, 1991 and the conclusions and recommendations set forth within the study.

MOVED BY: D. J. Loran                      SECONDED BY: R. F. Blucher

	<u>APPROVE, %</u>	<u>DISAPPROVE, %</u>	<u>ABSTAIN</u>
Atlantic Richfield	<u>                    </u>	<u>2.17604</u>	<u>                    </u>
HEYCO, et. al.	<u>                    </u>	<u>3.27402</u>	<u>                    </u>
Hudson & Hudson, et. al.	<u>20.35541</u>	<u>                    </u>	<u>                    </u>
Kerr McGee	<u>                    </u>	<u>0.73715</u>	<u>                    </u>
Marathon	<u>54.81112</u>	<u>                    </u>	<u>                    </u>
Pennzoil	<u>9.81160</u>	<u>                    </u>	<u>                    </u>
Wainoco	<u>6.98404</u>	<u>                    </u>	<u>                    </u>
Yates, et. al.	<u>ABSENT</u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL	<u>91.96217</u>	<u>6.18721</u>	<u>                    </u>

PROPOSAL TO BE VOTED ON BY  
THE WORKING INTEREST OWNERS

Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
April 23, 1991

Item: The Working Interest Owners of the proposed Tamano (BSSC) Unit accept as the unit area the acreage described as the SE/4 and the S/2 of the NE/4 of Section 10, and all of Section 11, T-18-S, R-31-E, Eddy County, New Mexico.

MOVED BY: D. J. Loran                      SECONDED BY: R. Hudson

	<u>APPROVE, %</u>	<u>DISAPPROVE, %</u>	<u>ABSTAIN</u>
Atlantic Richfield	<u>2.17604</u>	<u>          </u>	<u>          </u>
HEYCO, et. al.	<u>3.27402</u>	<u>          </u>	<u>          </u>
Hudson & Hudson, et. al.	<u>20.35541</u>	<u>          </u>	<u>          </u>
Kerr McGee	<u>0.73715</u>	<u>          </u>	<u>          </u>
Marathon	<u>54.81112</u>	<u>          </u>	<u>          </u>
Pennzoil	<u>9.8116</u>	<u>          </u>	<u>          </u>
Wainoco	<u>6.98404</u>	<u>          </u>	<u>          </u>
Yates, et. al.	<u>ABSENT</u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	<u>98.14938</u>	<u>          </u>	<u>          </u>

PROPOSAL TO BE VOTED ON BY  
THE WORKING INTEREST OWNERS

Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
April 23, 1991

Item: The Working Interest Owners of the proposed Tamano (BSSC) Unit accept as the unitized interval the Bone Spring Second Carbonate formation, which is described as the interval from 7,908' to 8,190' in the Johnson "B" Federal Well No. 4 (Marathon Oil Company) located in Section 11, T-18-S, R-31-E, Eddy County, New Mexico. This interval is described in the Waterflood Feasibility Study of March, 1991.

MOVED BY: D. J. Loran

SECONDED BY: R. Carter

	<u>APPROVE, %</u>	<u>DISAPPROVE, %</u>	<u>ABSTAIN</u>
Atlantic Richfield	<u>2.17604</u>	<u>          </u>	<u>          </u>
HEYCO, et. al.	<u>3.27402</u>	<u>          </u>	<u>          </u>
Hudson & Hudson, et. al.	<u>20.35541</u>	<u>          </u>	<u>          </u>
Kerr McGee	<u>0.73715</u>	<u>          </u>	<u>          </u>
Marathon	<u>54.81112</u>	<u>          </u>	<u>          </u>
Pennzoil	<u>9.81160</u>	<u>          </u>	<u>          </u>
Wainoco	<u>6.98404</u>	<u>          </u>	<u>          </u>
Yates, et. al.	<u>ABSENT</u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	<u>98.14938</u>	<u>          </u>	<u>          </u>

PROPOSAL TO BE VOTED ON BY  
THE WORKING INTEREST OWNERS

Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
April 23, 1991

Item: Use the pre-unitization voting formula as the final participation  
formula for the proposed Tamano (BSSC) Unit.

MOVED BY: R. Carter SECONDED BY: R. Hudson

	<u>APPROVE, %</u>	<u>DISAPPROVE, %</u>	<u>ABSTAIN</u>
Atlantic Richfield	<u>                    </u>	<u>                    </u>	<u>2.17604</u>
HEYCO, et. al.	<u>                    </u>	<u>3.27402</u>	<u>          </u>
Hudson & Hudson, et. al.	<u>20.35541</u>	<u>                    </u>	<u>          </u>
Kerr McGee	<u>                    </u>	<u>0.73715</u>	<u>          </u>
Marathon	<u>54.81112</u>	<u>                    </u>	<u>          </u>
Pennzoil	<u>9.81160</u>	<u>                    </u>	<u>          </u>
Wainoco	<u>6.98404</u>	<u>                    </u>	<u>          </u>
Yates, et. al.	<u>ABSENT</u>	<u>                    </u>	<u>          </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>          </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>          </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>          </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>          </u>
TOTAL	<u>91.96217</u>	<u>4.01117</u>	<u>2.17604</u>





**Marathon  
Oil Company**

P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

May 6, 1991

Working Interest Owners  
Proposed Tamano (BSSC) Unit  
Mailing List Attached

Re: Conference with the BLM

Gentlemen:

Marathon Oil Company will be meeting with representatives of the BLM in their offices in Roswell, New Mexico at 1:00 p.m. local time on Wednesday May 8, 1991, to discuss the participation formula relative to the proposed Tamano (BSSC) Unit. In that BLM personnel have expressed strong reservations with regard to the formula adopted at our April 23 meeting, Marathon recommends that you attend the meeting with BLM if at all possible.

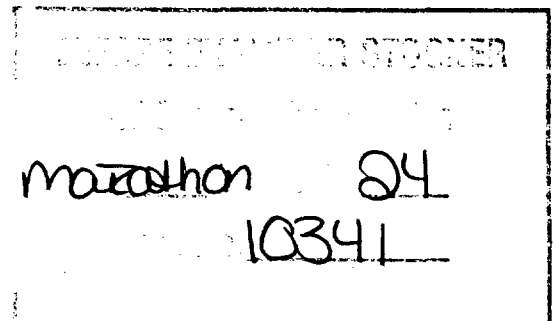
If there should happen to be any questions, please advise.

Very truly yours,

MARATHON OIL COMPANY

David J. Loran  
Engineering Manager

RPW01/le



MAILING LIST

WORKING INTEREST OWNERS  
PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702  
Attention: Mr. Jim Hubbard  
Telephone No.: (915) 688-5349  
VIA FAX NO.: 915-688-5757

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202  
Attention: Ms. Rosemary T. Avery  
Telephone No.: (505) 623-6601  
VIA FAX NO.: 505-622-4221

Hudson and Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Ed Hudson  
Telephone No.: (817) 336-7109  
VIA FAX NO.: 817-334-0442

Kerr-McGee Corporation  
P. O. Box 11050  
Midland, Texas 79701  
Attention: Ms. Donna Suchy  
Telephone No.: (915) 688-7000  
VIA FAX NO.: 915-688-7056

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702  
Attention: D. D. Taimuty  
Telephone No.: (915) 682-1626  
VIA FAX NO.: 915-687-8287

Moore and Shelton Co., LTD.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore  
Telephone No.: (713) 491-7373

Pennzoil Exploration & Production Company  
P. O. Box 2967  
Houston, Texas 77252  
Attention: R. F. Blucher  
Telephone No.: (713) 546-4000  
VIA FAX NO.: 713-546-6495

Wainoco Oil and Gas Company  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Grant Rice  
Telephone No.: (713) 658-9900  
VIA FAX NO.: 713-658-8136

Yates Energy Corporation  
500 N. Main, Suite 1010  
Roswell, New Mexico 88201  
Attention: Mr. Brian K. Luginbill  
Telephone No.: (505) 623-4935  
VIA FAX NO.: 505-623-4947





P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

May 7, 1991

WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)

RE: Approval of Minutes  
Proposed Tamano (BSSC) Unit  
Working Interest Owners Meeting  
April 23, 1991

Enclosed are the amended minutes from the above-referenced meeting. Changes to the original copy you received with the letter of April 26, 1991 have been suggested by working interest owners to be as follows:

1. Page 2, Section III, Paragraph 2. To the end of the paragraph, the following sentence was added: "HEYCO stated that they were not staffed like Marathon, and would need time to fully evaluate study."
2. Page 2, Section VI, Paragraph 1. To the end of the paragraph, the following sentence was added: "The agenda did not indicate that a vote would be taken on a final formula; no one was aware that this would be a topic in the second meeting."

These changes have been incorporated into the enclosed copy. You are asked to sign both originals of this letter approving the enclosed minutes and return one original to Marathon Oil Company at the letterhead address by May 21, 1991. Your time and consideration of this matter are greatly appreciated.

Very truly yours,

MARATHON OIL COMPANY

A handwritten signature in cursive script, appearing to read 'David J. Loran'.

D. J. Loran  
Engineering Manager  
Midland Operations

APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 1991.

BY: \_\_\_\_\_

ITS: \_\_\_\_\_

DDT/TAMANO.051.274/sk

A subsidiary of USX Corporation

RECEIVED BY OWNER SIGNER	
DATE	
Marathon	25
10341	

An Equal Opportunity Employer

## MINUTES

### PROPOSED TAMANO (BSSC) UNIT WORKING INTEREST OWNERS MEETING

APRIL 23, 1991

I. Meeting convened at 10:10 A.M. CDT. Mr. D. J. Loran, Engineering Manager, opened the meeting by welcoming everyone. Mr. Loran reviewed the agenda which is outlined as follows:

1. Approval of minutes from March 25, 1991 Working Interest Owners Meeting.
2. Review of Pre-Unitization Voting Procedure.
3. Ratify Feasibility Study.
4. Vote on Unit Area.
5. Vote on Unitized Interval.
6. Discussion of Final Participation Formula.
7. Any other discussion.

After reviewing the agenda, Mr. Loran opened the floor for discussion of the minutes from the March 25, 1991 Working Interest Owners Meeting. There were no indications from Working Interest Owners that revisions were necessary. Mr. Ed Hudson of Hudson and Hudson moved to accept the minutes. Mr. R. F. Blucher of Pennzoil seconded the motion and the motion was passed by all parties attending. It is noted here that all working interest was represented at this meeting except for the Yates Energy group. (A list of attendees is attached.)

II. Mr. Loran then presented the results of Ballot 3, which pertained to the voting procedure for pre-unitization matters. He indicated that a consensus was reached using a formula in which each Working Interest Owner's voting percentage would be the sum of four percent of surface acres, two percent of usable wellbores, 60 percent of the average daily oil rate between October 1, 1990 and March 31, 1991, and 34 percent estimated remaining gross primary oil production as of April 1, 1991. A consensus would be reached if 75 percent of the voting interest approved the subject matter. Mr. Loran explained that 84.32661 percent of the voting percentage approved this formula and that a consensus procedure had therefore been established. Results of Ballot 3 are attached.

Mr. Blucher stated that Pennzoil did not vote on Ballot 3 because they wanted an approval requirement of 80 percent of the voting interest plus at least three parties approving on any given matter.

Mr. R. F. Nokes of HEYCO stated that HEYCO does not like any formula that includes production rate as a parameter. He expressed further concerns that other parameters, such as surface acres and usable wellbores, should be considered.

Mr. Loran reviewed an overhead slide of a table of possible parameters (attached). He indicated that surface acres and usable wellbores were not representative of production performance in this reservoir. He

MINUTES  
PROPOSED TAMANO (BSSC) UNIT  
WORKING INTEREST OWNERS MEETING  
APRIL 23, 1991  
PAGE NO. 2

further explained that in a meeting between Marathon and the BLM, the BLM, who is a royalty owner, did not like surface acres and usable wellbores. Mr. Loran then reviewed an overhead slide of the results of Ballot 3.

Mr. Nokes reiterated his objection to six-month average daily oil rate as a parameter. He also stated an objection to estimated reserves as the reserves are reported in the feasibility study. He felt that the estimated remaining primary reserves for the HEYCO-operated wells, as presented in the study, were too low. He indicated that the formula gives Marathon too much leverage.

Mr. T. W. Gunn of HEYCO asked Mr. Loran about the meeting with the BLM. Mr. Loran expanded on the conversation.

A vote was then called for by Mr. Loran on a pre-unitization voting procedure requiring 80 percent approval plus three parties. This vote was approved by five voting groups representing 94.13821 percent of the voting interest. Kerr-McGee and the HEYCO group were the only two attending groups to disapprove the vote. Their voting percentage totals 4.01117 percent. Yates Energy, with a 1.85062 percent vote, was absent. (Results of vote are attached.)

III. Mr. Loran opened the floor for discussion of the feasibility study at this time.

Mr. Nokes expressed concerns about the computer model results that were presented in the feasibility study. He also expressed concerns about oil rates being increased from 230 BOPD per well to 460 BOPD per well on the Marathon-operated leases, and increasing GOR. Mr. Nokes also protested the lack of opportunity to discuss results of the model, especially porosity distribution, with Marathon. HEYCO stated that they were not staffed like Marathon, and would need time to fully evaluate the study.

Mr. Bill Hollingshead of Pennzoil indicated he was also skeptical of the model at first. He therefore came to Marathon's office in Midland for a few days to review model input data and results. He satisfied himself that the model was a good predictive tool.

Mr. Nokes still expressed concern about the model and about the high oil rates from Marathon-operated wells.

Mr. Randall Hudson of Hudson and Hudson commented he did not understand why HEYCO objected to high oil rates. He indicated that each company is realizing production from wells as the wells are capable of delivering. If HEYCO-operated wells could produce 460 BOPD per well, then HEYCO would surely have produced them at that rate. Because Marathon-operated wells have produced at the top allowable rate for long periods of time, and

MINUTES  
PROPOSED TAMANO (BSSC) UNIT  
WORKING INTEREST OWNERS MEETING  
APRIL 23, 1991  
PAGE NO. 3

because HEYCO-operated wells could not, the Marathon-operated wells were obviously in a better part of the reservoir and should not be penalized.

Mr. Nokes stated that HEYCO still considered rate to be unfair.

Mr. Blucher asked HEYCO how surface acres and usable wellbores related to production.

Mr. Nokes responded that no relationship exists. However, HEYCO had other uses for the wellbores, and should be credited because of the well's potential use.

Mr. Loran moved to accept the feasibility study and the data contained within the study. Mr. Blucher seconded the motion. The motion passed with a 91.96217 percent approval and four parties. Results of the vote are attached.

- IV. Unit area was then discussed. Mr. Loran moved to accept the area as it is described in the feasibility study. Mr. R. Hudson seconded the motion. All seven voting groups in attendance, representing 98.14938 percent, approved the motion. (Results of vote are attached.)

- V. Unit interval was the next order of business. Mr. Hollingshead expressed concerns about including the entire Bone Spring Second Carbonate, but after some consideration, thought, that for practical purposes, the entire interval was good.

Mr. Nokes asked for a footage interval. Mr. Loran presented an overhead describing the interval as being 7,905 feet to 8,190 feet in the Johnson "B" Federal Well No. 4 (Marathon, et. al.). Mr. Blucher pointed out that the Unit Agreement indicated the top of the interval to be 7,908 feet. The ballot was corrected to 7,908 feet.

Mr. Loran moved to accept the unitized interval. Mr. Rick Carter of Pennzoil seconded the motion. All seven parties, representing 98.14938 percent, approved the motion. (Results of vote are attached.)

- VI. Regarding the final participation formula, the Pennzoil group stated they are comfortable with the formula for the pre-unitization procedure as a final participation formula.

Mr. R. J. Gasper of Wainoco stated that Wainoco is in general agreement with Pennzoil.

Mr. Nokes again stated HEYCO's objection to the formula for the previously discussed reasons.

MINUTES  
PROPOSED TAMANO (BSSC) UNIT  
WORKING INTEREST OWNERS MEETING  
APRIL 23, 1991  
PAGE NO. 4

Mr. Loran asked for feedback from other companies. Mr. David Newell of ARCO indicated that ARCO was not aware a final formula would be voted on, and if parameters such as OOIP by tract would be provided. The agenda did not indicate that a vote would be taken on a final formula; no one was aware that this would be a topic in the second meeting.

Mr. Stephen Landgrave of Kerr-McGee stated the formula was unacceptable.

The Hudson and Hudson group state the formula was acceptable.

Mr. Nokes indicated that HEYCO would like to submit a formula, but it would take 3 to 4 weeks to generate one. He asked if voting percentages were determined using 230 BOPD per well as a maximum rate. Mr. Loran indicated that using 230 BOPD per well made little difference. Mr. Nokes then asked why the average rate over the life of the well was not used as a parameter. Mr. Loran answered that several parameters were reviewed, and that the parameters in the formula seemed reasonable and acceptable. Mr. Loran felt the formula was fair to everyone. Mr. Blucher added that the parameters in the formula are normally used in unitization processes.

Mr. Carter motioned that the pre-unitization formula be used as the final participation formula. Mr. R. Hudson seconded the motion. Four parties representing 91.96217 percent approved the motion. Two parties representing 4.01117 percent disapproved. One party representing 2.17604 percent abstained. (Results of vote are attached.)

VII. Mr. Loran then initiated discussion of Unit Agreement and Unit Operating Agreement. He asked for revisions back as soon as possible. Approval of these documents sufficiently prior to May 28, 1991 would enable Marathon to file on May 28, 1991 for the June 20, 1991 New Mexico Oil Conservation Division docket.

Mr. Gunn asked what basis for 75 percent acceptance would be used before Marathon could file with the NMOCD. Mr. Loran indicated the final participation formula would be used.

Mr. Blucher asked what model document was used to prepare the UA and UOA. Mr. T. C. Lowry of Marathon said that no one particular model was used. Rather, actual agreements from the North Monument (Grayburg/San Andres) Unit and Arrowhead (Grayburg) Unit were used as a basis.

Mr. Landgrave then stated that, for the record, Kerr-McGee would approve Ballot 2A if approved by other parties. Mr. Nokes indicated HEYCO would also approve Ballot 2A.

Mr. Loran asked the Pennzoil group about the status of Pennzoil's well proposal in the SE SE of Section 10, T-18-S, R-31-E. Mr. Hollingshead

MINUTES  
PROPOSED TAMANO (BSSC) UNIT  
WORKING INTEREST OWNERS MEETING  
APRIL 23, 1991  
PAGE NO. 5

answered that Pennzoil was prepared to withdraw the well proposal, and would do so in writing soon.

Mr. R. Hudson then stated that Hudson and Hudson, although abstaining from Ballot 2, would have approved Ballot 2C.

Mr. Loran then invited all attendees to stay for lunch.

ARCO indicated they will have a vote other than "abstain" prior to Marathon's filing with the NMOCD.

Mr. Loran motioned to adjourn the meeting. Mr. Blucher seconded the motion. All seven parties approved the motion.

Following adjournment, Mr. T. W. Wesling and Mr. D. D. Taimuty, both of Marathon, provided copies of the decline curves for all available wells to Mr. Newell and to Mr. Gunn. The four gentlemen then reviewed each of the HEYCO-operated wells in detail. No objections to the reserve calculations as presented in the feasibility study were made.



TAMANO WORKING INTEREST OWNERS MEETING  
ATTENDEES LIST  
APRIL 23, 1991

NAME	COMPANY OR INDIVIDUAL REPRESENTED	TITLE
Randy Hodgins	Pennzoil	Engineer
Rick Carter	Pennzoil	Division Engineer
Bill Hollingshead	Pennzoil	Exploration Advisor
Bob Blucher	Pennzoil	Landman
Ed Hudson	Hudson and Hudson	Attorney
Randall Hudson	Hudson and Hudson	Geologist
Leonard Carpenter	HEYCO	Materials Manager
Ray F Nokes	HEYCO	Production Manager/Engineer
Tim W. Gunn	HEYCO	Petroleum Engineer
R. J. Gasper	Wainoco	Engineering Manager
David Newell	ARCO	Senior Engineer
Stephen Landgrave	Kerr-McGee	Senior Staff Engineer
Randy J. Bruner	Marathon Oil Company	Region Development Geologist
Randal Wilson	Marathon Oil Company	Landman
Tom Wesling	Marathon Oil Company	Production Engineer
Greg Wilson	Marathon Oil Company	Development Geologist
Tim Robertson	Marathon Oil Company	Land Supervisor
Dan Taimuty	Marathon Oil Company	Reservoir Engineer
Dave Petro	Marathon Oil Company	Reservoir Engineering Supervisor
David J. Loran	Marathon Oil Company	Engineering Manager

UNITIZATION PARAMETER TABLE  
WORKING INTEREST OWNERS MEETING  
APRIL 23, 1991

PROPOSED TAMANO (BSSC) UNIT  
TAMANO (BONE SPRINGS) FIELD  
EDDY COUNTY, NEW MEXICO

WELL	SURFACE ACRES	% USABLE WELLSBORES	% CUMULATIVE OIL THRU 3/91*	OIL RATE 10/90-3/91*	% OIL RATE 10/90-3/91*	DAILY OIL RATE 10/90-3/91*	% FROM STUDY THRU 3/91**	EST PRIM OIL FROM STUDY THRU 3/91**	% FROM STUDY AS OF 4/91**	EST. ULT. OIL FROM STUDY AS OF 4/91**										
JBF #3	40	4.55	1	5.26	12,285	0.84	742	0.21	4.08	0.18	3,664	0.52	16,154	0.75						
JBF #4	40	4.55	1	5.26	235,214	16.03	17,254	4.95	95.33	4.20	24,197	3.45	262,008	12.09						
JBF #5	40	4.55	1	5.26	47,969	3.27	1,887	0.54	10.37	0.46	10,749	1.53	59,215	2.73						
JBF #6	40	4.55	1	5.26	239,804	16.34	54,088	16.08	315.10	13.88	89,422	12.77	335,069	15.46						
JBF #7	40	4.55	1	5.26	205,931	16.04	14,073	4.03	77.32	3.41	145,504	20.77	360,816	16.65						
JBF #8	40	4.55	1	5.26	176,690	12.04	21,051	6.03	116.30	5.12	37,759	5.39	212,328	9.80						
JBF #9	40	4.55	1	5.26	73,026	4.98	51,740	14.83	297.36	13.10	65,178	9.31	138,694	6.40						
JBF #10	40	4.55	1	5.26	4,002	0.27	4,002	1.15	22.48	0.99	7,055	1.01	11,104	0.51						
SNUG #1	40	4.55	1	5.26	32,604	2.22	1,561	0.45	8.58	0.38	11,663	1.67	44,429	2.06						
SNUG #2	40	4.55	1	5.26	87,583	5.97	50,522	16.48	287.06	12.64	76,419	10.91	164,074	7.66						
STETCO #1	40	4.55	1	5.26	84,102	5.73	74,972	21.49	418.84	18.45	75,599	10.79	142,333	6.57						
STETCO #2	40	4.55	1	5.26	1,527	0.10	1,527	0.44	15.27	0.67	12,775	1.82	14,395	0.66						
STETCO #3	40	4.55	1	5.26	29,273	2.00	29,273	8.39	464.65	20.46	85,396	12.19	113,033	5.21						
STETCO #4	40	4.55	0	0.00	0	0.00	0	0.00	0.00	0.00	0	0.00	0	0.00						
STETCO #5	40	4.55	0	0.00	0	0.00	0	0.00	0.00	0.00	0	0.00	0	0.00						
STETCO #6	40	4.55	0	0.00	0	0.00	0	0.00	0.00	0.00	0	0.00	0	0.00						
AJ 11 #1	40	4.55	1	5.26	37,664	2.57	4,577	1.31	26.15	1.15	14,070	2.01	51,359	2.37						
AJ 11 #2	40	4.55	1	5.26	19,689	1.34	1,421	0.41	8.46	0.37	1,798	0.24	21,932	1.01						
MLD 11 #2	40	4.55	1	5.26	13,343	0.91	1,392	0.40	8.34	0.37	7,102	1.01	20,261	0.93						
MLD 11 #3	40	4.55	1	5.26	37,489	2.54	3,809	1.09	21.52	0.95	5,821	0.83	43,489	2.01						
MLD 11 #4	40	4.55	1	5.26	123,561	8.42	9,503	2.72	53.39	2.35	17,503	2.50	140,784	6.50						
MLD 11 #5	40	4.55	1	5.26	5,345	0.37	3,520	1.01	20.00	0.88	8,763	1.25	13,837	0.64						
											880	100.00	19	100.00	2,271	100.00	700,437	100.00	2,167,514	100.00

\*-PRODUCTION ESTIMATED FOR THE MONTHS OF JAN. THRU MAR. AS DETAILED IN THE WATERFLOOD FEASIBILITY STUDY  
\*\*-MEYCO'S MARCH PRODUCTION WAS ESTIMATED BASED ON FEBRUARY'S AVERAGE DAILY OIL RATE

PROPOSED TAMANO (BSSC) UNIT  
TAMANO FIELD  
EDDY COUNTY, NEW MEXICO  
BALLOT 3

VOTE TO ESTABLISH VOTING PROCEDURE FOR PRE-UNIT MATTERS

WORKING INTEREST OWNER	BALLOT 3	APPROVED	DISAPPR.	ABSTAIN
ARCO	2.17604	2.17604	-	-
HEYCO, et al	3.27402	-	3.27402	-
HUDSON & HUDSON, et al	20.35541	20.35541	-	-
KERR MCGEE	0.73715	-	0.73715	-
MARATHON	54.81112	54.81112	-	-
PENNZOIL	9.81160	-	-	-
WAINOCO	6.98404	6.98404	-	-
YATES ENERGY, et al	1.85062	-	-	-
TOTAL	100.00000	84.32661	4.01117	0.00000

PROPOSAL TO BE VOTED ON BY  
THE WORKING INTEREST OWNERS

Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
April 23, 1991

Item: Propose that the consensus procedure for pre-unit matters require 80% voting approval plus at least three parties approving the matters.

MOVED BY: D. J. Loran

SECONDED BY: R. F. Blucher

	<u>APPROVE, %</u>	<u>DISAPPROVE, %</u>	<u>ABSTAIN</u>
Atlantic Richfield	<u>2.17604</u>	<u>                    </u>	<u>                    </u>
HEYCO, et. al.	<u>                    </u>	<u>3.27402</u>	<u>                    </u>
Hudson & Hudson, et. al.	<u>20.35541</u>	<u>                    </u>	<u>                    </u>
Kerr McGee	<u>                    </u>	<u>0.73715</u>	<u>                    </u>
Marathon	<u>54.81112</u>	<u>                    </u>	<u>                    </u>
Pennzoil	<u>9.81160</u>	<u>                    </u>	<u>                    </u>
Wainoco	<u>6.98404</u>	<u>                    </u>	<u>                    </u>
Yates, et. al.	<u>ABSENT</u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL	<u>94.13821</u>	<u>4.01117</u>	<u>                    </u>

PROPOSAL TO BE VOTED ON BY  
THE WORKING INTEREST OWNERS

Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
April 23, 1991

Item: The Working Interest Owners of the proposed Tamano (BSSC) Unit accept the Waterflood Feasibility Study of March, 1991 and the conclusions and recommendations set forth within the study.

MOVED BY: D. J. Loran

SECONDED BY: R. F. Blucher

	<u>APPROVE, %</u>	<u>DISAPPROVE, %</u>	<u>ABSTAIN</u>
Atlantic Richfield	<u>                    </u>	<u>2.17604</u>	<u>                    </u>
HEYCO, et. al.	<u>                    </u>	<u>3.27402</u>	<u>                    </u>
Hudson & Hudson, et. al.	<u>20.35541</u>	<u>                    </u>	<u>                    </u>
Kerr McGee	<u>                    </u>	<u>0.73715</u>	<u>                    </u>
Marathon	<u>54.81112</u>	<u>                    </u>	<u>                    </u>
Pennzoil	<u>9.81160</u>	<u>                    </u>	<u>                    </u>
Wainoco	<u>6.98404</u>	<u>                    </u>	<u>                    </u>
Yates, et. al.	<u>ABSENT</u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL	<u>91.96217</u>	<u>6.18721</u>	<u>                    </u>

PROPOSAL TO BE VOTED ON BY  
THE WORKING INTEREST OWNERS

Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
April 23, 1991

Item: The Working Interest Owners of the proposed Tamano (BSSC) Unit accept as the unit area the acreage described as the SE/4 and the S/2 of the NE/4 of Section 10, and all of Section 11, T-18-S, R-31-E, Eddy County, New Mexico.

MOVED BY: D. J. Loran

SECONDED BY: R. Hudson

	<u>APPROVE, %</u>	<u>DISAPPROVE, %</u>	<u>ABSTAIN</u>
Atlantic Richfield	<u>2.17604</u>	<u>                    </u>	<u>                    </u>
HEYCO, et. al.	<u>3.27402</u>	<u>                    </u>	<u>                    </u>
Hudson & Hudson, et. al.	<u>20.35541</u>	<u>                    </u>	<u>                    </u>
Kerr McGee	<u>0.73715</u>	<u>                    </u>	<u>                    </u>
Marathon	<u>54.81112</u>	<u>                    </u>	<u>                    </u>
Pennzoil	<u>9.8116</u>	<u>                    </u>	<u>                    </u>
Wainoco	<u>6.98404</u>	<u>                    </u>	<u>                    </u>
Yates, et. al.	<u>ABSENT</u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL	<u>98.14938</u>	<u>                    </u>	<u>                    </u>

PROPOSAL TO BE VOTED ON BY  
THE WORKING INTEREST OWNERS

Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
April 23, 1991

Item: The Working Interest Owners of the proposed Tamano (BSSC) Unit accept as the unitized interval the Bone Spring Second Carbonate formation, which is described as the interval from 7,908' to 8,190' in the Johnson "B" Federal Well No. 4 (Marathon Oil Company) located in Section 11, T-18-S, R-31-E, Eddy County, New Mexico. This interval is described in the Waterflood Feasibility Study of March, 1991.

MOVED BY: D. J. Loran

SECONDED BY: R. Carter

	<u>APPROVE, %</u>	<u>DISAPPROVE, %</u>	<u>ABSTAIN</u>
Atlantic Richfield	<u>2.17604</u>	<u>          </u>	<u>          </u>
HEYCO, et. al.	<u>3.27402</u>	<u>          </u>	<u>          </u>
Hudson & Hudson, et. al.	<u>20.35541</u>	<u>          </u>	<u>          </u>
Kerr McGee	<u>0.73715</u>	<u>          </u>	<u>          </u>
Marathon	<u>54.81112</u>	<u>          </u>	<u>          </u>
Pennzoil	<u>9.81160</u>	<u>          </u>	<u>          </u>
Wainoco	<u>6.98404</u>	<u>          </u>	<u>          </u>
Yates, et. al.	<u>ABSENT</u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL</b>	<u>98.14938</u>	<u>          </u>	<u>          </u>

PROPOSAL TO BE VOTED ON BY  
THE WORKING INTEREST OWNERS

Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
April 23, 1991

Item: Use the pre-unitization voting formula as the final participation  
formula for the proposed Tamano (BSSC) Unit.

MOVED BY: R. Carter                      SECONDED BY: R. Hudson

	<u>APPROVE, %</u>	<u>DISAPPROVE, %</u>	<u>ABSTAIN</u>
Atlantic Richfield	<u>                    </u>	<u>                    </u>	<u>2.17604</u>
HEYCO, et. al.	<u>                    </u>	<u>3.27402</u>	<u>                    </u>
Hudson & Hudson, et. al.	<u>20.35541</u>	<u>                    </u>	<u>                    </u>
Kerr McGee	<u>                    </u>	<u>0.73715</u>	<u>                    </u>
Marathon	<u>54.81112</u>	<u>                    </u>	<u>                    </u>
Pennzoil	<u>9.81160</u>	<u>                    </u>	<u>                    </u>
Wainoco	<u>6.98404</u>	<u>                    </u>	<u>                    </u>
Yates, et. al.	<u>ABSENT</u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
TOTAL	<u>91.96217</u>	<u>4.01117</u>	<u>2.17604</u>

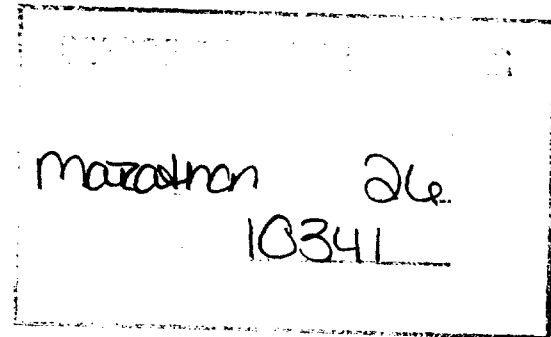




P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

May 9, 1991

Working Interest Owners  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)



Re:   Comments on Proposed Unit Operating Agreement  
     Vote on Adopting Draft 5

Gentlemen:

Set out below is a summary of the various comments regarding the Unit Agreement which have been received from HEYCO, Pennzoil and ARCO, along with Marathon's response. Attached is draft 5 of the Unit Agreement incorporating the changes described below. Also attached is a ballot upon which we would ask you to vote on Marathon's proposal that draft 5 of the Unit Agreement be adopted as the final form Unit Agreement for execution by the parties. Because of the current dispute with BLM over the participation formula, we have omitted the formula from Section 13 and the Tract percentages from Exhibit B.

1. Pennzoil suggests adding a copy of Section 202 of Executive Order 11246 as Exhibit "C" to the Unit Agreement. In that Section 26 of the Unit Agreement provides for compliance by the Unit Operator with Executive Order 11246, Marathon feels this is unnecessary.

2. At Pennzoil's suggestion the word "are" in line two of Section 2 as been changed to "as".

3. Pennzoil has inquired as to what voting percentage would constitute approval by the Working Interest Owners of Tract boundaries as contemplated in Section 3 of the Unit Agreement. Section 4.3 of the Unit Operating Agreement sets out the procedures for votes by the Working Interest Owners for all matters that are not separately addressed within either the Unit Agreement or the Unit Operating Agreement.

4. Pennzoil has requested that the following language be added to the end of the first sentence of Section 4: "provided, however, in such expansion there shall be no retroactive allocation or adjustment of Unit Expense or interests in the Unitized Substances produced or proceeds thereof." This language has been added in draft 5. Also added were the words "when practicable" and "Tract or" in line

Working Interest Owners  
May 10, 1991  
Page 2

2 of Section 4 and "regarded as reasonably" in line 3 of Section 4. In all other places in Section 4 where there was a reference to "Tracts", the reference is now made to "Tract or Tracts".

5. Pennzoil has suggested that (a) under Section 4 be changed to provide that "the Working Interest Owner or Owners of a Tract or Tracts desiring to bring such Tract or Tracts into this unit, shall file an application there for with Unit Operator requesting such admission." It is Marathon's position that the language of draft 4 allows for the Unit itself to seek the addition of new tracts to the Unit on its own without having to wait for the owners of such tracts to approach the Unit for admission. Therefore the language has been left as it originally appeared in draft 4.

6. Pennzoil has suggested that the language be inserted in (b) of Section 4 regarding Unit Operator circulation to the Working Interest Owners of the proposal to expand the Unit and the terms for such expansion. This provision is already set out in (a) in draft 4.

7. Pennzoil has suggested that the approval percentage for Unit expansion set out in (b) of Section 4 be increased to 80% from 75% of Working Interest Owners. Marathon has made this change in draft 5.

8. Pennzoil has asked why Section 4 b.3 has been changed from the form agreement used to put together the Tamano Unit Agreement to delete the requirement of filing joinders with BLM. The whole concept of Tracts qualifying for inclusion in the Unit and of joinder of the Unit is not an appropriate concept with regard to the Tamano project. The plan of operations as previously described to the Working Interest Owners will only work if all Tracts within the proposed area are included in the Unit. It is Marathon's intent and recommendation that unitization of the entire proposed area be sought, using the statutory unitization act in the State of New Mexico, if necessary, to force any owners within the proposed area into the Unit who do not voluntarily join. If we cannot get the necessary agreement from Working Interest Owners and Royalty Owners to the current Unit Area, then we will have to start the program over again with a new Unit Area.

9. Pennzoil has recommended deleting the language "or as amended and agreed to by the A.O. the Division and Unit Operator" from the last paragraph of Section 5. This language is applicable to the situation where the Operator and Working Interest Owners are seeking to expand the Unit using the statutory unitization act. Therefore, this language needs to be kept in the agreement.

10. Pennzoil also asks that the language "preferably the first day of the month subsequent to the date of notice. The revised Tract Participation of the respective Tracts included within the Unit Area prior to such enlargement shall remain the same ratio one to another." be added to the end of the first sentence of the last paragraph of Section 4. The last full sentence of the proposed language is already included in (a) of Section 4. The other proposed language adds needless restrictions on the discretion of the Unit Operator and Working Interest Owners and as been omitted.

11. Both Pennzoil and ARCO have requested that the percentage to remove the Unit Operator as set out in paragraph 2 of Section 7 be lowered from 100%. ARCO proposed 75% and Pennzoil 80%. Draft 5 has used 80% in this paragraph.

12. The word "automatically" has been added in line 2 of paragraph 3 of Section 7.

13. HEYCO has asked that paragraph 2 of Section 8 be changed to read as follows: "In selecting a successor Unit Operator, the affirmative vote of seventy-five percent (75%) of the Working Interest Owners other than the Unit Operator shall prevail". Marathon has left the language of paragraph 2 of Section 8 as set out in draft 4 but has changed the first two percentages described therein to 80% and 20%.

14. Pennzoil has asked how a "plurality vote" as described in line 3 of paragraph 3 of Section 8 is defined. In this context, a candidate for Unit Manager would have a plurality and thus be elected as Unit Manager, if he simply has the most votes casts in the election regardless of what percent of the vote he gets. Any time there is a vote by Working Interest Owners each Working Interest Owner's vote is determined by its Unit Participation.

15. At Pennzoil's request the language "pursuant to the terms of this Agreement" has been added in line 5 of paragraph 2 of Section 13.

16. Pennzoil has suggested that the language "until a revised schedule is approved as hereinabove provided" be deleted from the end of paragraph 2 of Section 13. In that this language provides that revised schedules may themselves be revised, Marathon has left this language in the agreement.

17. At Pennzoil's suggestion the word "camp" has been deleted from line 4 of Section 14.

18. Pennzoil has inquired as to an apparent conflict between paragraphs 1 and 2 of Section 14. Paragraph 1 of Section 14 provides that Unitized Substances produced from the Unit Area will be allocated to the various Tracts according to the respective Tract Participation factors. Once that production has been allocated then paragraph 2 of Section 14 applies to divide the allocated Unitized Substances among the owners of the individual Tracts.

19. The word "factors" has been added in line 7 in paragraph 1 of Section 14.

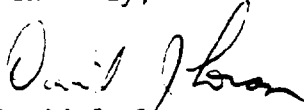
20. Pennzoil has inquired as to what expenses might be incurred if the Unit Operator disposes of a Working Interest Owner's proportionate share of production for that Working Interest Owner. Transportation charges is the item that most readily comes to mind in this regard.

21. Pennzoil has asked how the Working Interest Owner net revenue interests are to be determined and how royalties are to be paid. As provided in paragraph 2 in Section 14, the Unitized Substances allocated to a Tract will be divided among the various interest owners in the Tract according to the leases and other agreements already in place for those Tracts.
22. The word "the" as been added in line 2 of Section 18.
23. The words "State or" have been deleted from line 8 of Section 21.
24. Pennzoil has suggested that paragraph 1 of Section 24 should reflect approval of 75% of the Working Interest Owners and 75% of the Royalty Owners as opposed to all of each of those groups. Section 24 address the situation of a voluntary unit. That is why it provides for approval by all interest owners. Section 39 addresses the situation of statutory unitization.
25. Paragraphs 2 thru 7 of Section 24 still appear in draft 5, contrary to the apparent effect of Marathon's letter to the Working Interest Owners of May 1, 1991.
26. In line 3 of paragraph 2 of Section 24, the phrase " force of effect" has been changed to "force or effect".
27. HEYCO has requested that if the Unit has not become effective the effect of the Unit Agreement shall not continue beyond January 1, 1993, unless 80% of the Working Interest Owners have already approved the Unit. Marathon has incorporated this change.
28. Pennzoil has suggested that Unit Operator's authority to apply to NMOCD for statutory Unitization should also be contingent upon 75% of the Royalty Owners in the Unit Area having become parties to the Agreement. Marathon believes that this is an unnecessary limitation on the Unit Operator's discretion to proceed with statutory unitization and we have not incorporated this change.
29. The proposed changes to the Unit Agreement as set out Marathon's letter of May 1, 1991, to the Working Interest Owners have been incorporated in draft 5. These changes contemplate that a voluntary unit shall be effective January 1, 1992, and that in the event that statutory unitization proceedings are necessary, that Marathon shall seek an effective date of the Unit from the Director of NMOCD of January 1, 1992.

Working Interest Owners  
May 10, 1991  
Page 5

In that Marathon cannot submit the proposed unit to BLM for designation until we have a final Unit Agreement, we would ask that you return the enclosed ballot at the earliest opportunity. Once we have obtained the necessary percentage to pass the ballot, Marathon will execute the Unit Agreement and file it with BLM along with its application for designation of the unit.

Sincerely,

A handwritten signature in dark ink, appearing to read "David J. Loran", written in a cursive style.

David J. Loran  
Engineering Manager  
Midland Operations

TCL27A/1e

MAILING LIST

WORKING INTEREST OWNERS  
PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702  
Attention: Mr. Jim Hubbard  
Telephone No.: (915) 688-5349  
VIA FAX NO.: 915-688-5757

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202  
Attention: Ms. Rosemary T. Avery  
Telephone No.: (505) 623-6601  
VIA FAX NO.: 505-622-4221

Hudson and Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Randall Hudson  
Telephone No.: (817) 336-7109  
VIA FAX NO.: 817-334-0442

Kerr-McGee Corporation  
P. O. Box 11050  
Midland, Texas 79701  
Attention: Ms. Donna Suchy  
Telephone No.: (915) 688-7000  
VIA FAX NO.: 915-688-7056

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702  
Attention: D. D. Taimuty  
Telephone No.: (915) 682-1626  
VIA FAX NO.: 915-687-8287

Moore and Shelton Co., LTD.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore  
Telephone No.: (713) 491-7373

Pennzoil Exploration & Production Company  
P. O. Box 2967  
Houston, Texas 77252  
Attention: R. F. Blucher  
Telephone No.: (713) 546-4000  
VIA FAX NO.: 713-546-6495

Wainoco Oil and Gas Company  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Ray Gasper  
Telephone No.: (713) 658-9900  
VIA FAX NO.: 713-658-8136

Yates Energy Corporation  
500 N. Main, Suite 1010  
P.O. Box 2323  
Roswell, New Mexico 88202  
Attention: Ms. Shari Hamilton  
Telephone No.: (505) 623-4935  
VIA FAX NO.: 505-623-4947

PROPOSAL TO BE VOTED ON BY  
THE WORKING INTEREST OWNERS

ADOPTION OF FORM OF UNIT AGREEMENT

Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
May 10, 1991

Proposal: That the Working Interest Owners of the Proposed Tamano (BSSC) Unit  
adopt Draft 5 of the Unit Agreement as the form to be used in  
preparing the agreement for execution by the Working Interest  
Owners.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: \_\_\_\_\_

COMPANY: \_\_\_\_\_

DATE: \_\_\_\_\_

Please indicate any companies, in addition to your own, that you are  
representing.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



**Marathon  
Oil Company**

P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

May 9, 1991

WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)

RE: Conference with BLM  
May 13, 1991  
Roswell, New Mexico  
1:00 P.M. MDT

Dear Working Interest Owner,

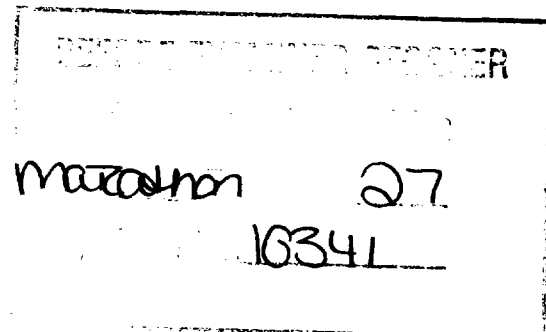
Marathon Oil Company will be meeting with representatives of the BLM at the BLM Office in Roswell, New Mexico at 1:00 P.M. MDT on Monday, May 13, 1991. The purpose of this meeting is to discuss the participation formula for the proposed Tamano (BSSC) Unit. Marathon recommends, and strongly encourages, that you attend the meeting if at all possible.

Please advise if you have any questions or comments. We look forward to seeing you on Monday.

Very truly yours,

MARATHON OIL COMPANY

D. J. Loran  
Engineering Manager  
Midland Operations



DJL/DDT/TAMANO.053/sk

A subsidiary of USX Corporation

An Equal Opportunity Employer





**Marathon  
Oil Company**

P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

May 14, 1991

WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)

RE: Meeting  
Thursday, May 16, 1991  
Midland, Texas

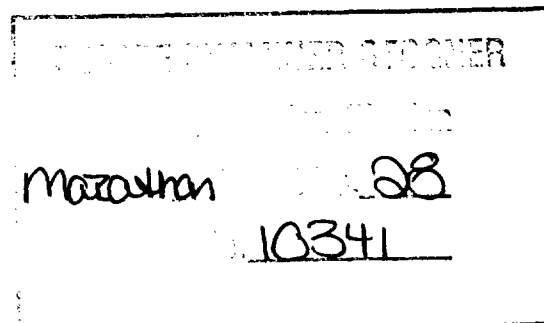
Working Interest Owners,

Marathon Oil Company will hold a meeting of Working Interest Owners of the proposed Tamano (BSSC) Unit on Thursday, May 16, 1991 at 10:00 A.M. in the third floor conference room of Marathon's office in Midland, Texas. The purpose of this meeting is to discuss the feedback Marathon has received from the BLM regarding the participation formula and to further discuss among the Working Interest Owners the merits of the participation formula. You are invited and strongly encouraged to attend.

Thank you for your time and consideration of this matter. We look forward to seeing you on Thursday.

Very truly yours,

D. J. Loran  
Engineering Manager  
Midland Operations





**Marathon  
Oil Company**

P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

May 17, 1991

Overriding Royalty Interest Owners  
Tamano (BSSC) Unit  
Eddy County, New Mexico

Re: Proposed Tamano (BSSC) Unit  
S/2NE/4, SE/4 Section 10 and all of  
Section 11, T-18-S, R-31-E, N.M.P.M.  
Eddy County, New Mexico

Marathon 29  
10341

Dear Unit Interest Owner:

Marathon Oil Company is proposing to unitize the referenced acreage as to the Bone Spring Second Carbonate Formation. Unitization, which is discussed in the following paragraphs, will allow the Working Interest Owners to implement procedures which will enhance the production from the unit area.

The Tamano Field, producing out of the Bone Spring Second Carbonate Formation, is not unlike any other producing field: pressure and, thus, production are beginning to decline. Recently, the Working Interest Owners met to discuss methods which could extend the productive life of the field by recovering oil that would not likely be produced using the present method of operations and existing facilities. The Working Interest Owners have concluded that a unit should be formed which will allow the injection of water into the Bone Spring Second Carbonate Formation to enhance the productive capacity of the field. Marathon estimates that total ultimate recovery of oil from the field will be doubled by waterflooding from 2,250,000 barrels to 4,500,000 barrels.

Unitization is necessary because, with a waterflood program, oil is displaced across lease lines and a number of wells will need to be converted from producing wells to water injection wells. Due to this, it is necessary that all properties be brought together in a manner so that they may be considered and operated as one property. To accomplish this merging of properties, Working Interest Owners and Royalty Interest Owners pool their interests and share in the production from the affected acreage. This pooling and sharing is referred to as "unitization" and the single property formed from the merging of several properties is called a "unit".

Once the unit has been approved by the Bureau of Land Management and the Oil Conservation Division of the State of New Mexico, construction will begin on the facilities needed to implement the waterflood program. The cost to construct the facilities will be borne by the Working Interest Owners in accordance with the provisions of the Unit Operating Agreement. Royalty Owners will never be billed for any unit expenses. However, due to the waterflood program, income to Royalty Owners should be aided by the reversal of the decline in production. Also,

Overriding Royalty Interest Owners - Tamano (BSSC) Unit  
May 17, 1991  
Page 2

unitization enables the Working Interest Owners to consider other enhanced recovery programs in the future. These programs would be implemented once the waterflood program repressurizes the field and could result in the recovery of an even greater amount of oil from the field. Needless to say, more oil recovered from the field means more revenue for all parties concerned in the unit. Also, Marathon Oil Company, the proposed Unit Operator, is a leader in the industry in regard to enhanced recovery and this experience will be a valuable asset to the unit.

Unitization requires cooperation between the various companies involved in the field and the Royalty Owners. When forming a unit, it is necessary for Royalty and Working Interest Owners to join in a written Unit Agreement which sets out the method of calculating each tract's participation in total Unit production and other concerns. By signing a ratification to the agreement, a Royalty Owner is agreeing to the plan of unitization, the waterflood program, the participation formula for the tracts in the unit and his interest in the unit based on the participation formula. You will find the participation formula for the Tamano (BSSC) Unit set out in Section 13 of the enclosed draft Unit Agreement.

Hopefully, this letter has demonstrated that the purpose of unitization and the waterflood program is to increase ultimate production from the field which, in turn, enables the Royalty Owner to receive more revenue while not paying for the cost associated with the unitization and waterflood process.

Please review the enclosed draft Unit Agreement at your earliest convenience. The agreement contains an Exhibit "B" which is a table listing, by tract, all working interest, overriding royalty and royalty owners and their interests. Examine the Exhibit "B" and verify your interest. If you find your interest to be incorrectly stated, please send your corrections and verification of your interest to this office. Once the Unit Agreement is in its final form, a copy will be mailed to you along with a Ratification and Joinder to the unit. In order to proceed with the unitization and waterflood program, it will be requested that you sign, before a Notary Public, the Ratification and Joinder document.

If you should have any questions regarding this matter, please call the undersigned collect at (915) 687-8306.

Very truly yours,

MARATHON OIL COMPANY



Randal P. Wilson  
Landman

Encl.  
RPW25A/1e

UNIT AGREEMENT  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

**DRAFT**



P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1628

May 20, 1991

WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)

VIA TELECOPY ONLY

RE: Unit Agreement Exhibits A & B, Inclusion of Allocation Formula in  
Section 13

Dear Working Interest Owner:

Attached you will find a copy of page 14 of the Unit Agreement which now shows the allocation formula approved at our meeting on May 16, 1991, and copies of what I hope are the final versions of Exhibits A & B of the Unit Agreement. Please examine these at your earliest convenience and let me know if you have any problems.

As a reminder, you are all to let me know before the end of the day on May 21, 1991 if you have any problems with the form of Draft 5 of the Unit Agreement as sent to you on May 9, 1991. If I have received no objections by the end of the day on May 21, I am going to submit the Agreement to BLM along with our application for designation of the unit.

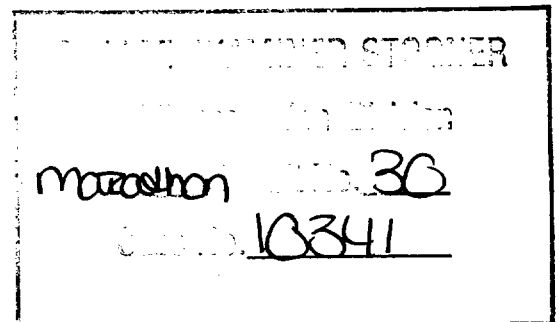
If you have any questions at all, please give me a call.

Sincerely,

*Thomas C. Lowry*  
Thomas C. Lowry  
Attorney

xc: Land Dept.  
D. J. Loran  
D. D. Taimuty

TCL30A/1e





**Marathon  
Oil Company**

P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

May 21, 1991

Yates Energy Corporation  
500 North Main, Suite 1010  
P. O. Box 2323  
Roswell, New Mexico 88202

Attention: Shari Hamilton

RE: Final Participation Formula  
Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico

**RECEIVED**  
MARATHON OIL CO.

**MAY 27 1991**

Region Counsel  
Mid-Continent Region Law Dept.  
Midland, Texas

Dear Ms. Hamilton,

As you are aware, a final participation formula regarding the subject unit was passed by approximately 97.1 percent of the working interest owners. That formula is based on 5 percent surface acreage, 6 percent wellbores, 33 percent remaining primary production from April 1, 1991, and 56 percent average oil rate from October 1, 1990 through March 31, 1991. The block of working interest represented by Yates Energy Corporation has roughly a 2.097 percent working interest using the formula. Because Yates Energy was not represented at the May 16, 1991 meeting, an "abstain" vote has been indicated for your working interest. If you would like to change the "abstain" vote, please do so by signing the appropriate line at the bottom of both originals, and return one signed original to Marathon at the letterhead address.

Please advise if you have any questions or comments regarding this matter. Your time and consideration of this matter are greatly appreciated.

Respectfully,

A handwritten signature in cursive script, appearing to read 'D. J. Loran'.

D. J. Loran  
Engineering Manager  
Midland Operations

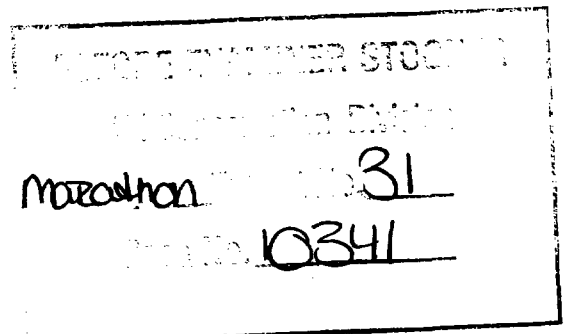
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APPROVED BY

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DISAPPROVED BY

\_\_\_\_\_  
ITS

DDT/TAMANO.059.274/sk

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An Equal Opportunity Employer

LC.  
Wayne Rens  
Bottom  
FAR  
RPW



**Marathon  
Oil Company**

P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

May 24, 1991

RECEIVED

JPB	_____
RTB	_____
RLL	_____
RWK	_____
PMF	_____
GAR	_____
DSW	_____
FILE	_____

Tamano (BSSC) Unit  
Tamano Working Interest Owners  
(Mailing List Attached)

MID-CONTINENT REGION  
LANDS DEPARTMENT  
MIDLAND, TEXAS

Re: Changes Proposed by Working Interest Owners to Unit Operating Agreement for Tamano (BSSC) Unit and Marathon's Response.  
Submission of Draft 4 for Review

Gentlemen:

Summarized below are the comments received from HEYCO, ARCO, Pennzoil, and Kerr-McGee in response to draft 3 of the Unit Operating Agreement for the Tamano Unit which Marathon sent out on April 5, 1991. Following each comment is Marathon's response which has been incorporated in the enclosed draft 4.

1. Pennzoil has proposed adding as an additional Exhibit a form Notice of Unit Operating Agreement Lien.

Response: This recommendation is accepted in principle, however, Marathon believes a simpler form of lien notice than that proposed by Pennzoil can be used. This form will be sent to you next week.

2. Pennzoil proposes that the second paragraph of page 1 of the Operating Agreement be changed to provide that the Working Interest Owners have executed the Unit Agreement on the same date as the Unit Operating Agreement.

Response: The execution of the two Agreements will probably take place on the same day by any particular Working Interest Owner, however, Marathon sees no reason to require in the Unit Operating Agreement that the two documents be executed the same day.

3. HEYCO proposes to add as a defined term, "Unit Remaining Primary Reserves".

Response: In light of the near unanimous agreement of the Working Interest Owners as to the allocation formula, Marathon sees no reason to add this additional term.

MID-CONTINENT REGION	
LANDS DEPARTMENT	
Marathon	32
10341	

RECEIVED  
MAY 24 1991

MID-CONTINENT REGION  
LANDS DEPARTMENT

**Tamano Working Interest Owners**

May 24, 1991

Page 2

4. ARCO has asked for the addition a two new Exhibits, one dealing with non-discrimination and the other consisting of a list of the wells to be included within the Unit.

Response: In that Article 23.2 deals with equal employment opportunity, Marathon sees no reason to add a separate exhibit addressing this issue. However a list of wells has been added in draft 4.

5. 3.2.3 ARCO proposes that the following language be deleted: "Unit Operator shall have the right to shut-in, temporarily abandon, or reactivate a well which was shut-in or temporarily abandoned to its former use, without notification to the Working Interest Owners if doing so is reasonably estimated to require a expenditure not in excess of the expenditure limitation specified in Article 3.2.4 herein below."

Response: This proposal is rejected as being unduly restrictive of the Unit Operator.

6. 3.2.4 ARCO and HEYCO propose changing the dollar limit over which Working Interest Owner approval must be obtained to \$25,000 from \$75,000. Pennzoil proposes changing the figure to \$50,000.

Response: A limit of \$50,000 has been used in draft 4.

7. 3.2.5 HEYCO suggests changing the title of this Article to "Disposition of Surplus Unit Equipment", and both HEYCO and Pennzoil suggest tying the provision to Exhibit "D".

Response: Both suggestions are accepted.

8. 3.2.6. HEYCO suggests changing this Article dealing with appearances before a court or regulatory agency on behalf of the Unit to provide that "a representative" will be appointed by the Working Interest Owners rather than the Unit Operator automatically appearing on behalf of the Working Interest Owners.

Response: This change is accepted.

9. 3.2.9. This Article deals with the Working Interest Owners authorizing charges to the joint account for services provided by consultants or Unit Operator's technical personnel in excess of \$25,000 and not covered by overhead charges provided for in the Accounting Exhibit. HEYCO wants to delete this Article on the grounds that this subject is addressed by the Accounting Exhibit. Pennzoil proposes to reduce the approval amount to \$10,000.



**Tamano Working Interest Owners**

May 24, 1991

Page 3

Response: Marathon has lowered the dollar amount for Working Interest Owner approval to \$20,000 and deleted the phrase "and not covered by the overhead changes provided by Exhibit "D" "while adding the words" but may be charged if approved under Section 3.2.9 of the Unit Operating Agreement" to Exhibit "D" (COPAS) III.1.iii.

10. 4.2. In line 5 before the word "working" HEYCO proposes to insert the phrase " in absence of protest by any qualified member at the meeting."

Response: This proposal is accepted.

11. 4.3.2. This Article deals with the percentages required for the Working Interest Owners to pass any proposal on which they are required to vote. Pennzoil and HEYCO propose that a proposal shall only pass if it receives 80% of total Unit Participation, with three Working Interest Owners voting in favor.

Response: Marathon has left this provision as originally proposed on the basis that the language is standard for these types of agreements and the proposed language is much too restrictive on Unit Operator.

12. 5.2.3. (new article) HEYCO proposes the addition of an Article setting out the right of Working Interest Owners to purchase "production...attributable to the interest owned by said Working Interest Owner".

Response: This proposal appears to give the Working Interest Owners the right to buy something they already have the right to take in-kind under the Unit Agreement. Therefore, this proposal has not been used.

13. 7.9. This Article addresses the dollar limit on Unit Operator expenditures without receiving approval of the Working Interest Owners. HEYCO proposes lowering the limit to \$25,000 while Pennzoil suggests lowering it to \$50,000. With regard to expenditures during emergencies, HEYCO suggests adding the language "which may otherwise cause loss of life or extensive damage to property" after the word emergency in line 5 of the Article.

Response: This limit has been changed to \$50,000. The suggested language change is rejected as too restrictive on Operator.

14. 8.2. Pennzoil suggests that this Article be changed to require that the Unit Operator pay all production, severance, gathering and other taxes and assessments imposed upon production.

Response: Marathon feels these obligations should continue to be borne by the individual Working Interest Owners.

**Tamano Working Interest Owners**

**May 24, 1991**

**Page 4**

15. 10.1.2. HEYCO proposes deleting the following language which begins in line 9: "to each Tract Operator who was responsible for delivery of same to Unit Operator." HEYCO also proposes deleting the language beginning in line 13 of this Article which reads "the individual Operators shall have ninety (90) days from the date of notification in which to remove the surplus property returned to them. Surplus property shall then be disposed of by each Tract Operator in accordance with the respective Joint Operating Agreement which governs each Tract. If the surplus property has not been removed from the Unit Area within the ninety (90) day period, then Unit Operator shall have the right to dispose of the property in a good and workmanlike manner as would a prudent operator under the same or similar circumstances." HEYCO would then replace the deleted language with the following: " the Unit

Operator shall be responsible for the disposal of surplus equipment, following Exhibit "D" ( COPAS) guidelines, and normal practices. Credit then can be given to Working Interest Owners."

Response: This proposal may cause the Unit Operator to have to purchase surplus property from the Working Interest Owners at above market price. Therefore it has been rejected.

Pennzoil proposes to add after the word "disposition" in the next to last line of this Article, the language "in excess of removal or cleanup costs" and to add at the end of the Article the language "any costs in excess of the proceeds credited to the Working Interest Owners will be charged to the Working Interest Owners in the specific Tract."

Response: These proposals are accepted.

16. 10.2. HEYCO proposes to change the word "may" to "shall" in line 13 of this Article. HEYCO also proposes to delete the clause "after the determination by the Unit Operator as to surplus property" which appears in line 18 of this Article.

Response: Both of these changes are rejected.

17. 10.4. HEYCO proposes deleting the last sentence of this Article.

Response: This change is rejected as not making any real change in the meaning of the Article.

18. 11.3. Pennzoil proposes adding the word "itemized" before the word "estimate" in line 11 of this Article.

Response: This change is accepted.

**Tamano Working Interest Owners**

May 24, 1991

Page 5

19. 14.2. This Article has to do with the dollar authority given to Unit Operator to settle claims against the Unit. HEYCO and Pennzoil suggest reducing the authority from \$50,000 to \$25,000.

Response: This change has been used.

20. 17.1. HEYCO proposes that the language "in and to its lease, leases, or other operating rights, insofar and only insofar as said lease, leases or operating rights pertain to the unitized formation" be inserted in line 3 of this Article after the word "Rights".

Response: Because "Oil and Gas Rights" is a defined term which only describes an Interest Owner's rights in the Unitized Formation underlying the Unit Area Marathon sees no reason to add this language.

21. 17.2. Pennzoil proposes to delete the clause " if it's Working Interest is burdened by any royalties, overriding royalties, production payments, net proceeds interest, carried interest, or any other interest created out of the Working Interest in excess one-eighth (1/8) lessors royalty" and replaced it with the language " if such Working Interest Owner creates a carved-out interest as specified under Article 11.7 hereof".

Response: This change is rejected on the basis that the Working Interest Owners should keep the right to reject the tender by another Working Interest Owner of an interest which is heavily burdened, regardless of when that excess burden may have been created.

22. 18.1. Pennzoil proposes to change the language of this Article to give each Working Interest Owner in a Tract the option to take over a well on the Tract.

Response: In that the Unit Operator would have no way to deal with competing elections to take over a well by multiple Working Interest Owners owning in a Tract, Marathon believes this Article should be left as originally written with the option having to be exercised by the Working Interest Owners who own in a Tract as a whole.

18.1 Pennzoil proposes adding as a new second sentence to this Article the following language: "However, such deepening or plug back operations shall be governed by the applicable operating agreement(s) affecting such Tract."

Response: This proposal has been used.

23. 19.1. HEYCO proposes to change the language of this Article dealing with the Effective Date of the Agreement, so that the Agreement is not binding on any party until it has become effective.

Tamano Working Interest Owners

May 24, 1991

Page 6

Response: Marathon feels that once a party executes the Unit Agreement and Unit Operating Agreement it should be committed to the project until the project terminates under the provisions of the Unit Agreement.

19.1. Pennzoil proposes adding the language "which date shall also be the Effective Date of this Agreement" at the end of the Article.

Response: This language is rejected as adding nothing.

24. COPAS I.3.B. Pennzoil proposes changing the time period within which a non-operator shall pay its bills to thirty (30) days instead of fifteen (15) days.

Response: This change is accepted.

25. COPAS IV.2.E. ARCO proposes that we go back to the original language of the COPAS form providing for a charge of \$.25 per hundred weight of tubular good movements.

Response: This change is not used on the grounds that the \$.31 figure is \$.25 escalated from 1985 to present under the provisions of Section III.1.A(3) of COPAS.

26. Exhibit "E", Insurance Requirements: HEYCO proposes that the Operator be required to purchase for the joint account Comprehensive General Public Liability and Automobile Public Liability and Property Damage insurance.

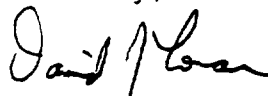
Response: This proposal is rejected on the grounds that Marathon's corporate policy is to remain self-insured whenever possible. Comments submitted by Pennzoil indicate a similar position on the part of that company.

27. Exhibit "F", Gas Balancing Agreement: Pennzoil has proposed certain changes to this Agreement to make it more applicable to Unit Operations.

Response: This proposal is accepted. Attached to draft 4 is a revised Exhibit "F". Underlined are the areas where language has been added or replaced. Asterisks indicate language deletions.

Your early review of draft 4 is requested. A ballot seeking approval of draft 4 will be sent out next week.

Sincerely,



D. J. Loran  
Engineering Manager

xc: D. D. Taimuty  
J. P. Bush

L. Lomas  
B. Loper



P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

Marathon 33  
10341

May 24, 1991

Mr. Armando Lopez, Chief  
Branch of Field Minerals  
U. S. Department of Interior  
Bureau of Land Management  
Roswell District Office  
1717 W. Second  
Roswell, New Mexico 88201

Re: Application for Designation by BLM of the Unit Area for the Proposed  
Waterflood Unit to be known as the Tamano (BSSC) Unit  
All of Section 11, and the SE/4 and the  
S/2NE/4 of Section 10, T-18-S, R-31-E,  
Eddy County, New Mexico

Dear Mr. Lopez:

By this letter Marathon Oil Company formally requests preliminary approval of its proposed Tamano (BSSC) Unit, a secondary recovery unit to be located on the above described lands in Eddy County, New Mexico, and the designation of the lands proposed to be included within the Unit as properly subject to operations under a unit plan. Enclosed you will find two copies of the Unit Agreement for the Tamano (BSSC) Unit which are unsigned, but which have been approved as to form by over ninety percent (90%) of the Working Interest Owners in the Unit. On page 14 of the Unit Agreement you will find the formula by which production will be allocated to the various tracts contained within the Unit. This formula as been approved by over ninety-nine percent (99%) of the Working Interest Owners in the Unit. Attached to the Unit Agreement are Exhibit "A", a plat of the proposed Unit, and Exhibit "B", a schedule showing the oil and gas leases covering each Tract within the Unit, and the ownership of royalty and working interest within each Tract and the Tract decimal for each tract as calculated according to the allocation formula. Please note that all of the lands included within the unit are subject to federal oil and gas leases.

You will also find enclosed two copies of a waterflood feasibility study prepared by Marathon Oil Company and describing in detail why Marathon believes that Unit operations are necessary and feasible. Along with the feasibility study are two copies of a separate engineering analysis describing why, in Marathon's opinion, the proposed Unit allocation formula, which incorporates a factor based on

current well rate, is a fair formula which reasonably reflects the anticipated contribution of each tract to ultimate unit production.

Your office has previously been provided with the following additional data with regard to the wells within the proposed Unit and the reservoir as a whole:

1. Horner plots for the Marathon operated Stetco "10" Federal No. 1 and 3 wells, Johnson "B" Federal No. 4, 5, 6, 7, 8, 9, and 10 wells, and the Shugart "B" No. B-1 and B-2 wells.
2. Production history for all wells in the field.
3. Reservoir pressure information on a well by well basis.
4. Cumulative oil, gas and water on a well by well basis.
5. With regard to the Reservoir as a whole:
  - Oil formation volume factor
  - Gas formation volume factor
  - Water saturation
  - Water compressibility
  - Rock compressibility
  - Reservoir temperature
  - Bubble point pressure
  - API gravity
  - Gas specific gravity
6. Results of two drillstem tests from the Johnson "B" Federal No. 4 well.
7. Core analysis on the Johnson "B" Federal No. 4 and 5, and the Shugart "B" No. 1 and 2 (only wells cored in the field).

Once you have had a chance to review this application if there is anything else you need prior to making your decision on initial designation of the Unit, please let me know as soon as possible. I thank you for your work to date on this project and I hope that we will have smooth sailing from here on out.

Sincerely,

Thomas C. Lowry / by [signature]

Thomas C. Lowry  
Attorney

xc: D. D. Taimuty  
D. J. Loran  
T. B. Robertson

TCL34A/1e

Mid-Continent Region  
Production United States



**Marathon  
Oil Company**

P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

May 24, 1991

WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)

**RECEIVED**  
MARATHON OIL CO.

MAY 28 1991

RE: Minutes  
Proposed Tamano (BSSC) Unit  
Working Interest Owners Meeting  
May 16, 1991

Region Counsel  
Mid-Continent Region Law Dept.  
Midland, Texas

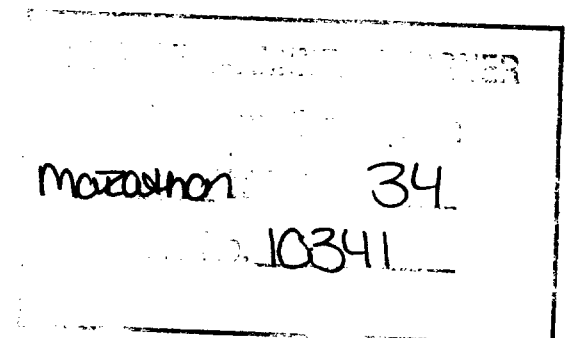
Dear Working Interest Owner,

Please find enclosed the minutes from the above referenced meeting. You are requested to review the minutes for accuracy and completeness. Corrections and comments should be returned to D. D. Taimuty at the letterhead address by 3:00 P.M. CDT on Friday, June 7, 1991. Marathon's Panafax number is (915) 687-8287. If no corrections or comments are received, Marathon will interpret this as your acceptance of the minutes.

Your time and consideration of this matter are greatly appreciated.

Respectfully,

D. J. Loran  
Engineering Manager  
Midland Operations



## MINUTES

### PROPOSED TAMANO (BSSC) UNIT WORKING INTEREST OWNERS MEETING

MAY 16, 1991

- I. Meeting convened at 10:07 A.M. CDT at Marathon Oil Company's office in Midland, Texas. Mr. D. J. Loran, Engineering Manager with Marathon, opened the meeting by welcoming everyone. He continued by reviewing the last Working Interest Owners', WIO, meeting, held on April 23, 1991. The main point was the approval of a final participation formula by approximately 92 percent of the working interest owners.

Mr. Loran then explained that the Bureau of Land Management, BLM, in Roswell, New Mexico reviewed the participation formula and would not approve it as it existed. Marathon and many of the WIO met with BLM engineers and geologists on May 8, 1991 to discuss the formula. A second meeting was held with the BLM on May 13, 1991. In attendance from the BLM were Fran Cherry, Director, and Armando Lopez, Assistant Director. After all WIOs had a chance to speak, Mr. Cherry encouraged the WIOs to hold another meeting in order to resolve any differences. Mr. Loran indicated that a meeting was called based on the BLM's recommendation.

- II. Mr. Loran then invited Ray Nokes of HEYCO to either initiate discussion of the fairness of the final participation formula or to propose an alternative formula.

Mr. Nokes began by stating that HEYCO still believed a 6-month oil rate should not be included in the formula at all, but in the interest of compromising, proposed a formula described on Attachment 1.

Mr. Loran recommended that WIOs under the HEYCO-operated tracts and the WIOs under the Marathon-operated tracts adjourn to separate rooms in order to discuss the proposal set forth by Mr. Nokes. At this suggestion, the WIOs under the HEYCO-operated tracts moved to the annex room adjoining Marathon's conference room.

Four participation formulas were proposed and exchanged between the two groups. These formulas, in order, are described on Attachments 2 through Attachment 5, respectively. After all WIOs involve in the proposed Tamano (BSSC) Unit returned to the main conference room, a vote was held on the participation formula described on Attachment 4. This formula received approval from 97.1 percent of the WIOs. Attached is a copy of the ballot with signatures of representatives from each of the companies.

- III. Discussion then focussed on the Unit Agreement. Mr. T. C. Lowry, attorney for Marathon, changed the word "participations" to "participation factors" in Item 19, Section 14, Paragraph 1. Minor discussion of the Unit Agreement then ensued.



MINUTES  
PROPOSED TAMANO (BSSC) UNIT  
May 16, 1991 Meeting  
Page No. 2

Mr. Lowry indicated that Marathon is seeking approval of the Unit Agreement from WIOs by May 22, 1991 which would enable Marathon to file with the New Mexico Oil Conservation Division by June 4, 1991. A June 4 filing would schedule the hearing on the June 27, 1991 docket.

Ms. Donna Suchy of Kerr-McGee indicated that Kerr-McGee, which had abstained from the vote on the final participation formula, would most likely change that vote to either "approve" or "disapprove" in the near future. With that, the meeting was adjourned.



**Marathon  
Oil Company**

P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

May 21, 1991

Yates Energy Corporation  
500 North Main, Suite 1010  
P. O. Box 2323  
Roswell, New Mexico 88202

Attention: Shari Hamilton

RE: Final Participation Formula  
Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico

Dear Ms. Hamilton,

As you are aware, a final participation formula regarding the subject unit was passed by approximately 97.1 percent of the working interest owners. That formula is based on 5 percent surface acreage, 6 percent wellbores, 33 percent remaining primary production from April 1, 1991, and 56 percent average oil rate from October 1, 1990 through March 31, 1991. The block of working interest represented by Yates Energy Corporation has roughly a 2.097 percent working interest using the formula. Because Yates Energy was not represented at the May 16, 1991 meeting, an "abstain" vote has been indicated for your working interest. If you would like to change the "abstain" vote, please do so by signing the appropriate line at the bottom of both originals, and return one signed original to Marathon at the letterhead address.

Please advise if you have any questions or comments regarding this matter. Your time and consideration of this matter are greatly appreciated.

Respectfully,

A handwritten signature in dark ink, appearing to read 'D. J. Loran'.

D. J. Loran  
Engineering Manager  
Midland Operations

A handwritten signature in dark ink, appearing to read 'Shari Hamilton'.

APPROVED BY

DISAPPROVED BY

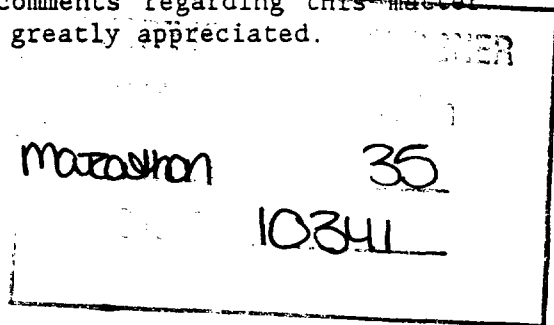
A handwritten signature in dark ink, appearing to read 'Sandman'.

ITS

DDT/TAMANO.059.274/sk

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An Equal Opportunity Employer



RECEIVED

JUN 4 1991

Engineering Department  
Midland District



P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1826

May 31, 1991

Tamano Working Interest Owners  
Tamano (BSSC) Unit

Re: Approval of Draft 4 of the Unit Operating Agreement  
as Form to be Executed

Gentlemen:

As a follow up to Dave Loran's letter of May 24, 1991, Marathon proposes by means of the enclosed Ballot, that Draft 4 of the Unit Operating Agreement be adopted as the final form for execution, with the following additional changes:

1. Add as the third sentence of 4.3.4 the following:

If a Working Interest Owner fails to respond to a matter submitted in writing within 30 days of the proposal being sent, such non-response shall constitute an affirmative vote for the proposal.

2. In the third line of 16.1 after the word "telegram" insert the words "or telefax".
3. Upon further review of the form notice of Unit Operating Agreement Lien previously proposed by Pennzoil, Marathon has decided to adopt Pennzoil's proposed form as Exhibit "G" to the Unit Operating Agreement. A copy of that form is attached.

I would ask that you return the enclosed Ballot to Marathon no later than Thursday June 6, 1991.

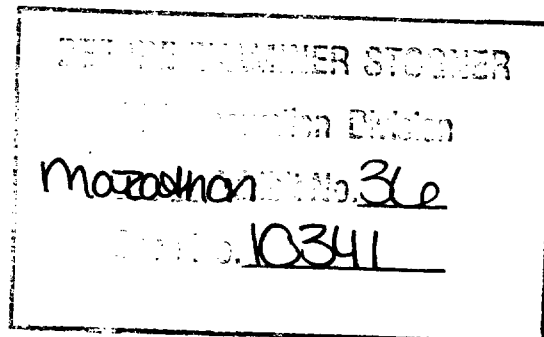
For your information, the applications to the New Mexico Oil Conservation Division for approval of the Tamano (BSSC) Unit will be filed by Tuesday June 4, 1991, enabling the hearing on the applications to go forward on June 27, 1991.

Sincerely,

A handwritten signature in cursive script that reads 'Thomas C. Lowry'.

Thomas C. Lowry  
Attorney

TCL40A/le



MAILING LIST

WORKING INTEREST OWNERS  
PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702  
Attention: Mr. Jim Hubbard  
Telephone No.: (915) 688-5349  
VIA FAX NO.: 915-688-5757

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202  
Attention: Ms. Rosemary T. Avery  
Telephone No.: (505) 623-6601  
VIA FAX NO.: 505-622-4221

Hudson and Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Randall Hudson  
Telephone No.: (817) 336-7109  
VIA FAX NO.: 817-334-0442

Kerr-McGee Corporation  
P. O. Box 11050  
Midland, Texas 79701  
Attention: Ms. Donna Suchy  
Telephone No.: (915) 688-7000  
VIA FAX NO.: 915-688-7056

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702  
Attention: D. D. Taimuty  
Telephone No.: (915) 682-1626  
VIA FAX NO.: 915-687-8287

Moore and Shelton Co., LTD.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore  
Telephone No.: (713) 491-7373

Pennzoil Exploration & Production Company  
P. O. Box 2967  
Houston, Texas 77252  
Attention: R. F. Blucher  
Telephone No.: (713) 546-4000  
VIA FAX NO.: 713-546-6495

Wainoco Oil and Gas Company  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Ray Gasper  
Telephone No.: (713) 658-9900  
VIA FAX NO.: 713-658-8136

Yates Energy Corporation  
500 N. Main, Suite 1010  
P.O. Box 2323  
Roswell, New Mexico 88202  
Attention: Ms. Shari Hamilton  
Telephone No.: (505) 623-4935  
VIA FAX NO.: 505-623-4947

PROPOSAL TO BE VOTED ON BY  
THE WORKING INTEREST OWNERS

ADOPTION OF FORM OF UNIT OPERATING AGREEMENT

Proposed Tamano (BSSC) Unit  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
May 31, 1991

Proposal: That the Working Interest Owners of the Proposed Tamano (BSSC) Unit adopt Draft 4 of the Unit Operating Agreement as amended by Marathon's letter of May 31, 1991 as the form to be used in preparing the agreement for execution by the Working Interest Owners.

APPROVED BY: \_\_\_\_\_

DISAPPROVED BY: \_\_\_\_\_

ABSTAINED BY: \_\_\_\_\_

PRINT/TYPE NAME: \_\_\_\_\_

COMPANY: \_\_\_\_\_

DATE: \_\_\_\_\_

Please indicate any companies, in addition to your own, that you are representing.

_____	_____
_____	_____
_____	_____
_____	_____

EXHIBIT "G"

Attached to and made a part of Unit Operating Agreement, Tamano (BSSC) Unit, Eddy County, New Mexico.

NOTICE OF UNIT OPERATING AGREEMENT - NOTICE OF LIENS  
AND NON-STANDARD FORM FINANCING STATEMENT

This Notice of Unit Operating Agreement - Notice of Liens and Non-Standard Form Financing Statement, ("Notice") is to evidence that the parties hereto executed a Unit Operating Agreement dated \_\_\_\_\_, 1991, ("Operating Agreement") by and between Marathon Oil Company, as Unit Operator and Pennzoil Exploration and Production Company, et al, as Working Interest Owners, both Unit Operator and Working Interest Owners sometimes singly referred to as "party", and collectively as "parties", with COPAS Accounting Procedure attached thereto as Exhibit "D" governing oil and gas exploration and development operations on the following described lands ("Unit Area"):

Township 18 South-Range 31 East  
Section 10: S/2NE/4, SE/4  
Section 11: All  
containing 880.00 acres, more or less

WHEREAS, the Unit Operating Agreement provides in part that the designated Unit Operator and Working Interest Owners under said agreement shall be granted like lien priorities in the Unit Area, together with interest thereon at a rate specified therein, to wit;

Section 11.5. Lien of Unit Operator

"Each Working Interest Owner grants to Unit Operator a lien upon its Oil and Gas Rights in each Tract, and a security interest in its share of Unitized Substances when produced, and its interest in all Unit Equipment, as security for payment of its share of Unit Expense to the full extent allowed by State and Federal Statutes, together with interest thereon at the prime rate charged by Chase Manhattan Bank during the period that such payment remains due, plus one percent (1%) per annum, or the maximum contract rate permitted by the applicable usury laws of the State of New Mexico, whichever is the lesser, plus attorney's fees, court costs and other costs in connection with the collection of unpaid amounts. To the extent that Unit Operator has a security interest under the Uniform Commercial Code, Unit Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of a judgment by Unit Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for payment thereof. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, Unit Operator shall have the right without prejudice to other rights and remedies, to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed by such Working Interest Owner, plus interest as aforesaid, has been paid. Each purchaser shall be entitled to rely upon Unit Operator's written statement concerning the amount of

any default. Unit Operator grants a like lien and security interest to the Working Interest Owners."

WHEREAS, the parties to the Operating Agreement hereby elect to perfect their security interests in the Operating Agreement and to provide notice to all interested third parties of their lien upon and security interest in the Unit Area.

NOW THEREFORE, this Notice is executed and filed with the appropriate authorities and it is hereby noted that this Notice shall apply to the following types of property:

A. All rights, titles, interests and estates now owned or hereafter acquired by each of the parties in and to the oil, hydrocarbons, gaseous hydrocarbons and all products refined therefrom in and under and which may be produced and saved from or attributable to each party's interest in the Unit Area, including all oil in tanks and all profits, proceeds, products, revenues and other income from or attributable to each party's interest in the Unit Area.

B. All rights, titles, interests and estates now owned or hereafter acquired by each party in and to any oil or gas leases covering any or all of the Unit Area or any properties now or hereafter unitized with the Unit Area; all existing or future agreements created thereby (including without limitation all units created under orders, rules or other official acts of any governmental agency having jurisdiction) which may affect all or any portion of the Unit Area; all operating agreements, farmout agreements, contracts and other agreements entered into by any of the parties which relate to any portion of the Unitized Formation of the Unit Area or to the production, sale, purchase, exchange or processing of hydrocarbons from or attributable to the Unit Area.

C. All personal property now owned or hereafter acquired and situated upon, used, held for use, or useful in connection with Unit Operations, including without limitation any and all oil wells, gas wells, injection wells or other wells, buildings, structures, field separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment appliances, tools, implements, cables, wires, towers, casing, tubing and rods, rights-of-ways, easements and servitudes together with all additional, substitution, replacements, accessions and attachments to any and all of the foregoing properties within the Unit Area.

This Notice covers oil, gas and associated minerals in and under the Unit Area, plus proceeds from the sale of oil, gas and associated minerals, plus personal property equipment which are or may become fixtures on the Unit Area. This Notice is to be recorded in the real estate records of the County Recorder for the County in which the Unit Area is located. The record owners of the Unit Area may include parties other than the parties signing below; but for the purposes of this Notice the parties signing below shall be deemed to be the record owners of the collateral relating to the Unit Area which is covered by this Notice.

To the extent the parties have a security interest under the Uniform Commercial

Code of the State ("Code"), parties shall be entitled to exercise the rights and remedies of a secured party under the Code.

In addition to constituting a Notice for the security interest granted by the Operating Agreement, this Notice constitutes a notice of a lien granted to the parties named above, under the terms of the Operating Agreement. The lien granted under the Operating Agreement applies to all the interests of each party in the Unit Area as set forth in subparagraphs (A) (B) and (C) hereof.

The subject Operating Agreement is available for review by any party having a vested interest in the Unit Area at Operator's offices.

This Notice is intended to constitute a notice that a lien exists under the Operating Agreement for operations conducted thereunder, effective as of the date operations benefiting the Unit Area were begun; and that Operator has performed services and furnished materials and labor for the development of the Unit Area, and is continuing to do so on an open account and as part of a continuing contract. Any claim for a lien under the Operating Agreement relates back to, and has priority as of the date the first services, materials or labor benefiting the Unit Area were provided.

This Notice shall remain in full force and effect as long as the Operating Agreement applicable to same is in force. It is agreed, however, that the termination of this Notice shall not relieve any party hereto from any liabilities which have accrued or attached to prior to the date of such termination. A carbon, photographic or other reproduction of this Notice shall be sufficient as a financing statement.

This Notice may be executed in counterparts, no one of which needs to be executed by all parties hereto, and shall be binding upon each party executing same and effective as to the interest of such party, their heirs, successors and assigns with the same force and effect as if all such parties had signed the same document.

IN WITNESS WHEREOF, this Notice of Operating Agreement, Notice of Liens and Non-Standard Form Financing Statement is executed as of this \_\_\_\_ day of \_\_\_\_\_ 19\_\_, but effective between the parties as of the date of the Operating Agreement referred to in Paragraph 1 hereof.

SECURED PARTIES:





P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

June 4, 1991

Overriding Royalty Interest Owners  
Tamano (BSSC) Unit  
Eddy County, New Mexico

Re: Ratification of Unit Agreement  
Notice of Hearing

Dear Overriding Royalty Interest Owner:

Approximately two weeks ago you were sent a letter describing Marathon's proposed Unitization of the Bone Spring Second Carbonate Formation in the Tamano Field in Eddy County, New Mexico, along with a draft Unit Agreement for your review. That draft Unit Agreement has now been approved as to form by the Working Interest Owners in the proposed Unit and as been executed by Marathon. A copy of that executed Unit Agreement is enclosed. Also enclosed is a document entitled "Ratification of Unit Agreement, Tamano (BSSC) Unit, Eddy County, New Mexico". Marathon asks that you execute the Ratification before a Notary Public, utilizing that signature page for the Ratification which is applicable to your situation (individual, trustee or personal representative, partnership, corporation) and return the executed Ratification to me no later than June 21, 1991.

Also enclosed is a copy of Marathon's application to the New Mexico Oil Conservation Division for Statutory Unitization of the Tamano (BSSC) Unit and a Notice that Marathon has set the application, along with its application to institute a pressure maintenance project on the Unit, for hearing. Please take note of the provisions of the Notice and your rights with regard to appearance before the OCD. Please also note that Exhibits "C" and "D" to the application for Statutory Unitization have been omitted. Exhibit "C" is identical to the Unit Agreement referenced above and Exhibit "D" is a copy of the Unit Operating Agreement. A copy of Exhibit "D" will be provided to you upon request.

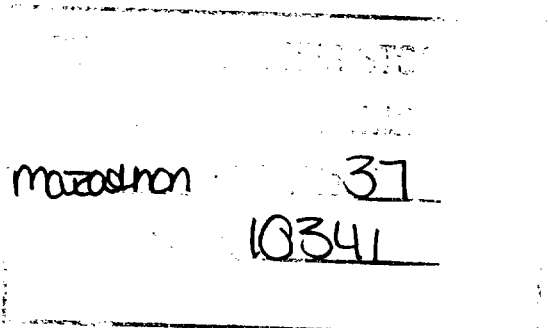
If you have any questions with regard to this matter, please call me collect, at the number shown on the letterhead.

Sincerely,

A handwritten signature in dark ink, appearing to read 'R. P. Wilson'.

Randal P. Wilson  
Landman

TCL43A/1e





P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

June 4, 1991

NOTICE

APPLICATION OF MARATHON OIL COMPANY  
FOR STATUTORY UNITIZATION AND  
AUTHORITY TO INSTITUTE A PRESSURE  
MAINTENANCE PROJECT  
EDDY COUNTY, NEW MEXICO

Lessees of Record, Owners  
of Royalty and Overriding Royalty  
Interests in the Tamano (BSSC) Unit  
Eddy County, New Mexico

Dear Unit Interest Owner:

MARATHON OIL COMPANY has scheduled a hearing with the New Mexico Oil Conservation Division (OCD) on June 27, 1991, in Santa Fe, New Mexico, for Statutory Unitization for enhanced recovery operations, and authority to institute a pressure maintenance project, in the proposed Tamano (BSSC) Unit, Eddy County, New Mexico.

This notification requires no action on your part; however, you have the right to file objection to said applications and appear at the hearing either in support or opposition to the applications. Failure to appear or otherwise become a party of record will preclude you from challenging these applications at a later date. If you plan to make an appearance at the hearing you should file a Pre-hearing Statement with the OCD in Santa Fe by 4:00 PM on Friday, June 21, 1991.

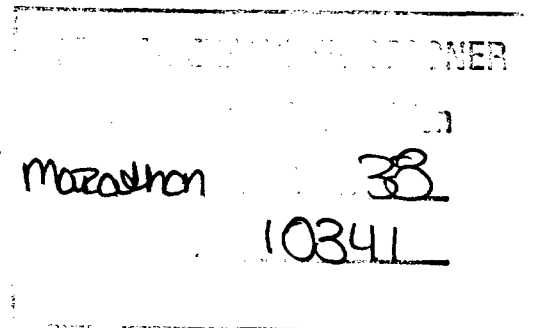
If you have any questions or require additional information, please contact me at (915) 687-8148.

Sincerely,

*Thomas C. Lowry*

Thomas C. Lowry  
Attorney

TCL42A/le



**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
*Quico Oil & Gas Co.*  
*P.O. Box 1610*  
*Midland, TX 79702*

4. Article Number:  
*P 555 984 704*

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☒ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
*X*

6. Signature — Agent  
*X*

7. Date of Delivery  
*14 1991*

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
*Mr. Roger Aston*  
*P.O. Box 1090*  
*Roswell, Nm 88202*

4. Article Number:  
*P 154 192 756*

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
*X*

6. Signature — Agent  
*X*

7. Date of Delivery  
*6/7/91*

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
*Mary Elizabeth Baish*  
*102 Logan Avenue*  
*Altoona, Pennsylvania*  
*16602*

4. Article Number:  
*P 750 420 862*

Type of Service:  
☒ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
*X*

6. Signature — Agent  
*X*

7. Date of Delivery  
*6-1-91*

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

marathon

10341

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
 Bearing Services  
 P.O. Box 100  
 Artesia NM 88210

4. Article Number:  
 P 154 192 784

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
 X *[Signature]*

6. Signature — Agent  
 X

7. Date of Delivery  
 6-6-91

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988

U.S.G.P.O. 1988-212-865

DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
 Braille Institute of America  
 c/o NCB Texas National Bank  
 Trust Out & Gas  
 P.O. Box 842029  
 Dallas, TX 75284

4. Article Number:  
 P 750 420 863

Type of Service:  
☐ Registered ☐ Insured  
☐ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
 X

6. Signature — Agent  
 X *[Signature]*

7. Date of Delivery  
 JUN 07 1991

8. Addressee's Address (ONLY if requested and fee paid)

Form 3811, Mar. 1988

U.S.G.P.O. 1988-212-865

DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
 Karen Elizabeth Charles  
 110 Hudson Avenue  
 Altoona, PA 16602

4. Article Number:  
 P 451 328 565

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☒ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
 X *[Signature]*

6. Signature — Agent  
 X 5-29-91

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

STICK POSTAGE STAMPS TO ARTICLE TO COVER FIRST CLASS POSTAGE. (See front)

CERTIFIED MAIL FEE, AND CHARGES FOR ANY SELECTED OPTIONAL SERVICES.

1. If you want this receipt postmarked, stick the gummed stub to the right of the return address of the article, date, date, and retain the receipt, and mail the article.

2. If you do not want this receipt postmarked, stick the gummed stub to the right of the return address of the article, date, date, and retain the receipt, and mail the article.

3. If you want a return receipt, write the certified mail number and your name and address on a return receipt card Form 3811, and attach it to the front of the article by means of the gummed ends of space provided. Otherwise, affix to back of article. Fold over front of article.

4. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse "RESTRICTED DELIVERY" on the front of the article.

5. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse "RESTRICTED DELIVERY" on the front of the article.

6. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse "RESTRICTED DELIVERY" on the front of the article.

7. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse "RESTRICTED DELIVERY" on the front of the article.

8. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse "RESTRICTED DELIVERY" on the front of the article.

9. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse "RESTRICTED DELIVERY" on the front of the article.

10. If you want delivery restricted to the addressee, or to an authorized agent of the addressee, endorse "RESTRICTED DELIVERY" on the front of the article.

U.S.G.P.O. 1987-178-131

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Charles Kyle Clark  
706 Mann  
Artesia, NM 88210

4. Article Number  
P154 192 754

Type of Service:  
☐ Registered ☐ Insured  
☐ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
X Charles Kyle Clark

6. Signature - Agent  
X

7. Date of Delivery  
6-6-91

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Colkelan Corp.  
906 S. St. Francis  
Suite C  
Santa Fe, NM 87501

4. Article Number  
P154 192 755

Type of Service:  
☐ Registered ☐ Insured  
☐ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
X

6. Signature - Agent  
X John Thompson

7. Date of Delivery  
6-10-91

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Patricia J. Cooper  
1409 S. Sunset  
Roswell, NM 88202

4. Article Number  
P750 420 865

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature - Address  
X

6. Signature - Agent  
X Estela Judson

7. Date of Delivery  
CE 6-5-91

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Evelyn J. Edwards 1000 3rd Street Brownwood, Tx 76801 <i>Evelyn Edwards</i>	4. Article Number P 750 420 864
5. Signature — Address X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature — Agent X	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 6-5-91	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988

\* U.S.G.P.O. 1988-212-865

DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Exby, Ltd. P.O. Box 1933 Roswell, Nm 88201	4. Article Number P 750 420 868
5. Signature — Address X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature — Agent X	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 6-6-91	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988

\* U.S.G.P.O. 1988-212-865

DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Explorers Petroleum Corp. P.O. Box 1933 Roswell, Nm 88201	4. Article Number P 750 420 867
5. Signature — Address X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature — Agent X	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 6-6-91	8. Addressee's Address (ONLY if requested and fee paid)

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge)  
2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
First Interstate Bank of Roswell  
P.O. Box 2057  
Roswell, NM 88202

4. Article Number  
P 750 420 830

Type of Service:  
☐ Registered ☐ Insured  
☐ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and **DATE DELIVERED**.

5. Signature — Address  
X

6. Signature — Agent  
X *Roswell*

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge)  
2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Bearing Services  
Attn: Lay Fletcher  
P.O. Box 100  
Artesia, NM

4. Article Number  
P 154 192 728

Type of Service:  
☐ Registered ☐ Insured  
☐ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and **DATE DELIVERED**.

5. Signature — Address  
X *L. B. Fletcher*

6. Signature — Agent  
X

7. Date of Delivery  
6-6-91

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge)  
2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Mary Fulton  
P.O. Box 1121  
Artesia, NM 88210

4. Article Number  
P 750 420 821

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and **DATE DELIVERED**.

5. Signature — Address  
X

6. Signature — Agent  
X *Stanley*

7. Date of Delivery  
6-5-91

8. Addressee's Address (ONLY if requested and fee paid)

P 154 192 729

## RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, June 1985	Sent to	Lay Fletcher
	Street and No.	P.O. Box 100
	P.O. State and ZIP Code	Artesia NM 88210
	Postage	
	Certified Fee	
	Retinal Delivery Fee	
	Restricted Delivery Fee	
	Return Receipt showing to whom and Date Delivered	
	Return Receipt showing to whom Date and Address of Delivery	
	TOTAL Postage and Fees	\$
Postmark or Date		

P 154 192 729

## RECEIPT FOR CERTIFIED MAIL

NO INSURANCE COVERAGE PROVIDED  
NOT FOR INTERNATIONAL MAIL

(See Reverse)

PS Form 3800, June 1985	Sent to	J.T. JACKSON
	Street and No.	P.O. Box 100
	P.O. State and ZIP Code	Artesia NM 88210
	Postage	
	Certified Fee	
	Retinal Delivery Fee	
	Restricted Delivery Fee	
	Return Receipt showing to whom and Date Delivered	
	Return Receipt showing to whom Date and Address of Delivery	
	TOTAL Postage and Fees	\$
Postmark or Date		



**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Floyd Gentry 1925 Sycamore Abilene, TX 79620	4. Article Number 750 420 822
5. Signature - Address X <i>Floyd Gentry</i>	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature - Agent X	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 6-6-91	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: O.E. Groves 3008 Catalina Roswell, NM 88202	4. Article Number 750 420 823
5. Signature - Address X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature - Agent X <i>B. Dunn</i>	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Bearing Services Attn: James Guy P.O. Box 100 Artesia NM 88210	4. Article Number P154 192 727
5. Signature - Address X <i>J.B. Fletcher</i>	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature - Agent X	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 6-6-91	8. Addressee's Address (ONLY if requested and fee paid)

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Hayco Development Corp  
P.O. Box 1933  
Roswell, Nm 88202

4. Article Number  
P154192763

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X

7. Date of Delivery  
6-6-91

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Hayco Employees Ltd.  
P.O. Box 1933  
Roswell, Nm 88202

4. Article Number  
P750420861

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X

7. Date of Delivery  
6-6-91

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
John W. Higgins  
2502 Quail Point  
Midland, TX 79705

4. Article Number  
P154192730

Type of Service:  
☐ Registered ☐ Insured  
☐ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X

7. Date of Delivery  
6/5/91

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Edward R Hudson  
616 Texas Street  
Fort Worth, TX 76102

4. Article Number:  
P 154 192 731

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X *[Signature]*

7. Date of Delivery  
6-7-91

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Francis H. Hudson  
616 Texas Street  
Fort Worth, TX 76102

4. Article Number:  
P 154 192 732

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X *[Signature]*

7. Date of Delivery  
6-7-91

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Bearing Services  
Attn: J.T. Jackson  
P.O. Box 100  
Artesia, NM 88210

4. Article Number:  
P 154 192 729

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X *[Signature]*

6. Signature — Agent  
X

7. Date of Delivery  
6-6-91

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
S.P. Johnson, III  
P.O. Box 1713  
Roswell, Nm 88201

4. Article Number:  
P154192733

Type of Service:  
☐ Registered ☐ Insured  
☐ Certified ☐ COD  
☒ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X *Tracy Thompson*

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
S.P. Johnson + B.J. Johnson  
P.O. Box 1641  
Roswell, Nm 88201

4. Article Number:  
P154192735

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☒ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X *Tracy Thompson*

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
E. Bernard Johnston  
2715 N. Kentucky Avenue #16  
Roswell, NM 88201

4. Article Number:  
P154192734

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X *E. Bernard Johnston*

6. Signature — Agent  
X

7. Date of Delivery  
6-5-91

8. Addressee's Address (ONLY if requested and fee paid)

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Kerr-McBee Corp. P.O. Box 11050 Midland, TX 79702	4. Article Number P555984716
5. Signature — Address X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature — Agent X <i>[Signature]</i>	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery JUN 17 1991	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Laurelind Corp. P.O. Box 2143 Roswell, Nm 88202	4. Article Number P154192765
5. Signature — Address X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature — Agent X <i>[Signature]</i>	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery JUN 7 1991	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Delmar H. Lewis 616 Texas Street Fort Worth, TX 76102	4. Article Number P154192736
5. Signature — Address X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature — Agent X <i>[Signature]</i>	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 6-7-91	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Lodewick Energy, Inc. 3927 Morningside Dallas, Texas 75206 <i>[Signature]</i>	4. Article Number: P154192737 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature — Address X <i>[Signature]</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X	
7. Date of Delivery 6-7-91	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Laura P. Lodewick 511 Newell Dallas, TX 75223 <i>[Signature]</i>	4. Article Number: P154192740 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature — Address X <i>[Signature]</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X	
7. Date of Delivery 6-8-91	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: John W. Lodewick P.O. Box 1180 Roswell, Nm 88202 <i>[Signature]</i>	4. Article Number: P154192738 Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise Always obtain signature of addressee or agent and DATE DELIVERED.
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>[Signature]</i>	
7. Date of Delivery 6-5-91	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Richard B. Lodewick 2100 W. WADLEY # 21 Midland, TX 79701	4. Article Number P154192741
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED	
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>Dene Casheen</i>	
7. Date of Delivery 6-5-91	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: John W. Lodewick 3305 Wentwood DALLAS, TX 75225	4. Article Number P154192739
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED	
5. Signature — Address X <i>Kaura Lodewick</i>	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X	
7. Date of Delivery JUN 7 - 1991	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Manzano Oil Corp. P.O. Box 571 Roswell, NM 88202	4. Article Number P154192715
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED	
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>Juanita Lopez</i>	
7. Date of Delivery 6/7/91	

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Margaret B. Masters 47 Oakwood Drive Wormley, Sborg, PA 17043	4. Article Number P154192742
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature — Address X Margaret B. Masters	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X	
7. Date of Delivery 6/11/91	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Janice Gentry Middlebrooks P.O. Box 5331 Arlene, Texas 79605	4. Article Number P154192743
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X [Signature]	
7. Date of Delivery 6-6-91	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☒ Restricted Delivery (Extra charge)

3. Article Addressed to: Moore + Shelton, Co, Ltd. P.O. Box 3070 Galveston, TX 77552	4. Article Number P154192744
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X [Signature]	
7. Date of Delivery	



**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
NCOB + C.R. Mallison  
P.O. Box 842029  
Dallas, TX 75284

4. Article Number  
P154192745

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X *e Valentine*

7. Date of Delivery  
JUN 07 1991

8. Addressee's Address (ONLY if requested and fee paid)  
BF

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Sally Meader Roberts  
P.O. Box 8189  
Roswell, NM 88201

4. Article Number  
P154192746

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X *B. Dunn*

7. Date of Delivery  
JUN 10 1991

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
San Diego Trust + Savings  
P.O. Box 8529  
La Jolla, CA 92028

4. Article Number  
P154192747

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X *John A. [Signature]*

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☒ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: <i>Karen Lentz Schuref</i> <i>211 Rosemont Ave.</i> <i>Mill Valley, Ca.</i> <i>94941</i>	4. Article Number <i>P 451328 601</i>
5. Signature - Address <i>X Karen S. Schuref</i>	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature - Agent <i>X</i>	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery <i>5-24-91</i>	8. Addressee's Address (ONLY if requested and fee paid) <i>h</i>

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: <i>Katherine Mary Scott</i> <i>809 Sheridan</i> <i>Altoona, PA 16602</i>	4. Article Number <i>P 154192 748</i>
5. Signature - Address <i>X Katherine Mary Scott</i>	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature - Agent <i>X</i>	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery <i>6-7-91</i>	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: <i>Spindletop Exploration Co.</i> <i>4600 Greenville Avenue</i> <i>Dallas, TX 75206</i>	4. Article Number <i>P 154192 749</i>
5. Signature - Address <i>X [Signature]</i>	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature - Agent <i>X</i>	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery <i>1 2 11/91</i>	8. Addressee's Address (ONLY if requested and fee paid)

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Spiral, Inc. P.O. Box 1933 Roswell, Nm. 88202	4. Article Number P154192750
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>[Signature]</i>	
7. Date of Delivery 6-6-91	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Mr. Tom Stephens P.O. Box 698 Roswell, Nm 88202	4. Article Number P154192716
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>[Signature]</i>	
7. Date of Delivery 6/7/91	

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Betty BAISK Strohmeyer 5362 E. Rosewood Tuscon, Arizona 85711	4. Article Number P154192751
Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
Always obtain signature of addressee or agent and DATE DELIVERED.	
5. Signature — Address X	8. Addressee's Address (ONLY if requested and fee paid)
6. Signature — Agent X <i>[Signature]</i>	
7. Date of Delivery 6-6-91	

● **SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: W.T. Wynn 1603 Dengar Midland, Tx 79704	4. Article Number: P154192752
5. Signature — Address X <i>W. Wynn</i>	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature — Agent X	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 6-5-91	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Yates Energy Corporation Suite 1010 Sunwest Roswell, Nm 88201	4. Article Number: P154192753
5. Signature — Address X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature — Agent X <i>M. Madame</i>	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery	8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to: Mr. James H. Yates 906 St. Francis Suite C Santa Fe Nm 87501	4. Article Number: P154192717
5. Signature — Address X	Type of Service: <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise
6. Signature — Agent X <i>James Yates</i>	Always obtain signature of addressee or agent and DATE DELIVERED.
7. Date of Delivery 6-10-91	8. Addressee's Address (ONLY if requested and fee paid)

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4. Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Pennzoil Exploration + Prod.  
P.O. Box 2968  
Houston, TX 77252

4. Article Number  
R 154 192 719

Type of Service:  
☐ Registered ☐ Insured  
☐ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X

7. Date of Delivery  
JUN 10 1991

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Lead + Stevens, Inc.  
P.O. Box 1578  
Roswell, NM 88201

4. Article Number  
P 154 192 721

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X Bill Brown

6. Signature — Agent  
X

7. Date of Delivery  
JUN 10 1991

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Whitco Del + Gas Co.  
200 Smith Street  
Suite 1500  
Houston, TX 77002

4. Article Number  
P 154 192 725

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X

6. Signature — Agent  
X

7. Date of Delivery  
JUN 10 1991

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT



**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
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1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
ARCO Oil + Gas  
P.O. Box 1610  
Midland, TX 79702

4. Article Number:  
P 154 192 718

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X *[Signature]*

6. Signature — Agent  
X

7. Date of Delivery  
JUN 6 1991

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Harvey E. Yates Co,  
P.O. Box 1933  
Roswell, NM 88201

4. Article Number:  
P 154 192 722

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X *[Signature]*

6. Signature — Agent  
X *[Signature]*

7. Date of Delivery  
JUN 6 1991

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Mar. 1988 \* U.S.G.P.O. 1988-212-865 DOMESTIC RETURN RECEIPT

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Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
QBST Petroleum  
Box 234  
Loco Hills, NM 88255

4. Article Number:  
P 154 192 723

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☐ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Address  
X *[Signature]*

6. Signature — Agent  
X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

Thomas Lowry  
Attorney



**Marathon  
Oil Company**

P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

June 5, 1991

WORKING INTEREST OWNERS  
TAMANO (BSSC) UNIT

Re: Tamano (BSSC) Unit, Eddy County, New Mexico  
Application for Statutory Unitization

Dear Working Interest Owners:

Enclosed you will find a copy of Marathon's Application for Statutory Unitization of the Tamano (BSSC) Unit, which has recently been filed with the New Mexico Oil Conservation Division. Also enclosed is a copy of the Notice of hearing on the Application for Statutory Unitization as well as Marathon's Application for Authority to Institute a Pressure Maintenance Project on the Tamano (BSSC) Unit.

Please note that I have omitted Exhibits "C" and "D" from the Application for Statutory Unitization. Exhibit "C" is a copy of the Unit Agreement, draft 5, which was previously approved as to form by those working Interest Owners who have been attending our Unit meetings, and which has recently been executed by Marathon. In that the Working Interest Owners attending the meetings, were previously provided a copy of draft 5 of the Unit Agreement, I saw no reason to enclose another copy with this letter. Exhibit "D" to the Application is a copy of draft 4 of the Unit Operating Agreement as amended by Marathon's letter of May 31, 1991 in which Marathon also asked the Working Interest Owners who have been participating in the unitization process to vote on adoption of draft 4 as the form for execution. Again because this document has recently been provided to the Working Interest Owners I have not enclosed another copy.

Once the form of the Unit Operating Agreement is finalized I will be sending to you copies of both that Agreement and the Unit Agreement for execution.

If you have any questions with regard to the various agreements or with regard to the upcoming hearing, please let me know.

Sincerely,

A handwritten signature in cursive script that reads 'Thomas C. Lowry'.

Thomas C. Lowry  
Attorney

TCL45A/1e

DEPOSE EXAMINER STROGER
JUN 11 1991
marathon 39
10341



Thomas Lowry  
Attorney



P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

June 5, 1991

OFFSET OPERATORS  
TAMANO (BSSC) UNIT, EDDY COUNTY, NEW MEXICO

Re: Tamano (BSSC) Unit, Eddy County, New Mexico  
Application to New Mexico Oil Conversation Division

Dear Offset Operators:

Enclosed you will find a copy of Marathon's Application to the New Mexico Oil Conservation Division for Authority to Institute a Pressure Maintenance Project on the Tamano (BSSC) Unit, Eddy County, New Mexico, including an increase in the surface injection pressure limitation. A hearing on this Application as well as Marathon's Application for Statutory Unitization has been set for June 27, 1991, in Santa Fe, New Mexico.

This notification requires no action on your part; however you have the right to file an objection to said Application and appear at the hearing. Failure to appear or otherwise become a party of record will preclude you from challenging the application at a later date. If you plan to make an appearance at the hearing you should file a pre-hearing statement with the OCD in Santa Fe by 4:00 p.m. Friday June 21, 1991.

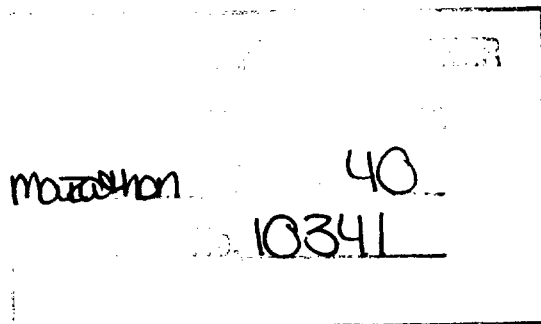
If you have any questions or require any additional information, please contact me at (915) 687-8148.

Sincerely,

Handwritten signature of Thomas C. Lowry in cursive script.

Thomas C. Lowry  
Attorney

TCL46A/le



June 5, 1991

Mr. Armando Lopez, Chief  
Branch of Field Minerals  
U.S. Department of Interior  
Bureau of Land Management  
Roswell District Office  
1717 W. Second  
Roswell, New Mexico 88202

Re: Tamano (BSSC) Unit, Eddy County, New Mexico  
Applications to New Mexico Oil Conservation Division

Dear Mr. Lopez:

Marathon has recently filed with the New Mexico Oil Conservation Division two applications related to the Tamano (BSSC) Unit. The first is an Application for Statutory Unitization of the Unit and the second is an Application for Authority to Institute a Pressure Maintenance Project. Complete copies of both applications are enclosed for your files.

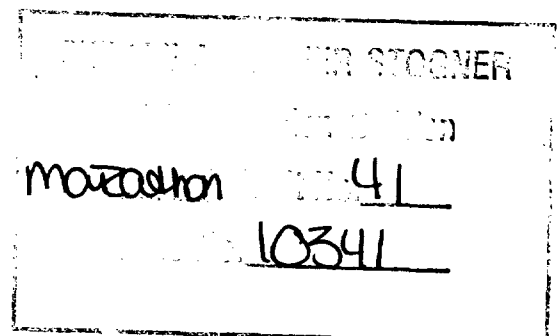
Also enclosed is a copy of the Notice of Hearing which I am sending to all Interest Owners within the Unit.

If you have any questions at all with regard to the upcoming proceedings before NMOCD, please let me know.

Sincerely,

Thomas C. Lowry  
Attorney

TCL44A/1e





United States Department of the Interior  
BUREAU OF LAND MANAGEMENT

Roswell District Office  
P.O. Box 1397  
Roswell, New Mexico 88202-1397



IN REPLY  
REFER TO:

Tamano (BSSC) Unit  
3180 (065)

RECEIVED RECEIVED  
MARATHON OIL CO.

JUN 07 1991

JUN 06 1991

Marathon Oil Company  
Attention: Mr. Thomas C. Lowry  
P. O. Box 552  
Midland, TX 79702

Region Counsel  
Mid-Continent Region Law Dept.  
Midland, Texas  
MARATHON OIL COMPANY  
LAND DEPARTMENT  
MIDLAND, TEXAS  
JUN 05 1991

Gentlemen:

Your application of May 24, 1991, filed with the BLM requests the designation of the Tamano (BSSC) Unit area, embracing 880.00 acres, more or less, Eddy County, New Mexico, as logically subject to secondary operations under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 43 CFR 3180, the land requested as outlined on your plat marked Marathon Oil Company, Tamano (BSSC) Unit, Eddy County, New Mexico, is hereby designated as a logical unit area for the purpose of conducting secondary recovery operations. Waterflooding will be limited to the following interval: That vertical interval underlying the Unit Area, known as the Bone Spring Second Carbonate. This interval is correlative to the interval shown in the type log from the Marathon Johnson "B" Federal No. 4, Section 11, T. 18 S., R. 31 E., Eddy County, New Mexico. This interval is 7,908 feet below KB (-4,156 feet subsea) to 8,190 feet below KB (-4,438 feet subsea). This designation is valid for a period of one year from the date of this letter.

Your basis for allocation of unitized substances and your proposed form of unit agreement are acceptable. Corrections requested by the Bureau of Land Management are shown in red on p. 24 of the Form of Agreement and Tracts 1, 6, 7, 8, and 9 of Exhibit B.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office for preliminary approval.

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

Marathon 42  
10341

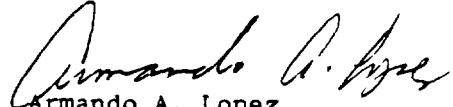
RECEIVED

JUN 12 1991

MARATHON OIL COMPANY  
LAND DEPARTMENT  
MIDLAND, TEXAS

When the executed agreement is transmitted to the BLM for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the reprint of the aforementioned form.

Sincerely,

A handwritten signature in cursive script, appearing to read "Armando A. Lopez".

Armando A. Lopez  
Assistant District Manager,  
Minerals

2 Enclosures:

- 1 - Page 24 of Unit Agreement
- 2 - Exhibit B

SECTION 24. EFFECTIVE DATE AND TERM. This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 a.m. Eddy County, New Mexico local time on the later of (1) January 1, 1992 or (2) the first day of the calendar month next following the approval of this Agreement by all of the Working Interest Owners and all of the Royalty Owners and final approval of this Agreement by the A.O. and the approval of the Plan of Operations by the A.O. and the Division.

If this Agreement does not become effective on or before January 1, 1993, it shall ipso facto expire on said date (hereinafter called "Expiration Date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined Participation of at least eighty percent (80%); and at least seventy-five percent (75%) of such Working Interest Owners committed to this Agreement have decided to extend Expiration Date for a period not to exceed one (1) year (hereinafter called "Extended Expiration Date"). If Expiration Date is so extended and this Agreement does not become effective on or before Extended Expiration Date, it shall ipso facto expire on Extended Expiration Date and thereafter be of no further force and effect.

Unit Operator shall file for record within thirty (30) days after the Effective Date of this Agreement, in the office of the County Clerk of Eddy County, New Mexico, a Certificate of Effectiveness describing the lands and unitized formation committed and stating the effective date of the Agreement.

The term of this Agreement shall be for and during the time that Unitized Substances are produced <sup>in paying quantities</sup> from the unitized land and so long thereafter as drilling, reworking or other operations (including improved recovery operations)

EXHIBIT 'B'

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UTILIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No.	Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit		
1		S/2NE/4 Section 10	80	LC-029388-A	USA 12.5	Francis H. Hudson 50% Delmar H. Lewis 50% <del>Edward R. Hudson, Jr. &amp; William H. Hudson, II, Trustee U/V Edward R. Hudson</del>	John H. Higgins First Interstate Bank of Roswell, Trustee U/V Geraldine O. Johnson S. P. Johnson, III & Patricia J. Conner Trustee U/V of S. P. Johnson, Jr. Lodewick Energy, Inc. Richard B. Lodewick Laura Patricia Lodewick John Videry Lodewick Laura B. Lodewick Spindletop Exploration Co. Mary Elizabeth Balch Katherine Mary Scott Betty Balch Strahmeyer Margaret Balch Masters Ralph A. Shugart, Jr. San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Margaret Jane Johnson HCSB Tx. Nat'l Bank & C. R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 Braille Institute of America Karen Elizabeth Charles	2,375,000 .003333 .125000 .200333 .200334 .625000 .500000 .100000 .100000 .300000 2,400,000 1,250,000  250,000 1,500,000  260,525 231,475 100,000	Marathon Oil Company Permian Exploration & Production Company Ulmaco Oil & Gas Co. Francis H. Hudson Delmar H. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/V Edward R. Hudson Moore & Shelton Co., Ltd.	25.000000 29.200760 20.791240 5.312500 5.312500  10.625000 3.750000	1.74951
42		1-1B-S, R-31-E		12-15-39							

EXHIBIT 'B'

Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
Tract 8	W/2SW/4 Section 11 1-18-S, R-31-E	80	LC-062052 12-15-30 Exchange 12-1-50	USA 12.5	Francis H. Hudson 50 1/2 Delmar H. Lewis 50 1/2 <del>Edward R. Hudson, Jr.</del> <del>William H. Hudson, II,</del> <del>Trustee U/V Edward R.</del> <del>Hudson</del>	Margaret Balish Masters 2.000000 Betty Balish Strohmayer .250000 Karen Elizabeth Charles .083334 Katherine Mary Scott .083333 Mary Elizabeth Balish .083333 Margaret Jane Johnson 1.250000 San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart 1.250000	Naration Oil Company 66.666667 Francis H. Hudson 7.083334 Delmar H. Lewis 7.083333 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/V Edward R. Hudson 14.166667 Moore & Shelton Co. Ltd. 4.999999	12.52620

EDDOY COUNTY, NEW MEXICO

Tract No.	Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lease of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
7	U/2NE/4 Section 11	80	LC-062052	USA 12.5	Francis M. Hudson, 50% Delmar H. Lewis, 50%	<del>Francis M. Hudson, 50% Delmar H. Lewis, 50% William H. Hudson, II, Trustees U/N Edward H. Hudson</del>	Margaret Balish Masters Betty Balish Strohmayer Keren Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balish Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shapiro Francis M. Hudson Delmar H. Lewis Edward H. Hudson, Jr. & William A. Hudson, III, Trustees U/N Edward H. Hudson, Deceased Moore & Shelton Co., Ltd. Sally Meender-Roberts O. E. Groves	2.000000 .250000 .003334 .003333 .003333 1.250000  1.250000 1.250000 1.593750 1.593750 1.593750 1.593750 1.593750 1.125000 1.1	



**EXHIBIT 'B'**  
**SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF**  
**OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA**  
**FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT**  
**EDOT COUNTY, NEW MEXICO**

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit		
A Tract 11 D. 55	NE/4E/4 Section 11 1-10-S, R-31-E	40	LC-062052 12-15-39 Exchange 12-1-50	USA 12.5	Francis H. Hudson Delmar H. Lewis Edward R. Hudson, Jr. William R. Hudson, II, Trustees U/V Edward R. Hudson	Margaret Balish Masters Betty Balish Strickmeyer Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balish Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shupert Francis H. Hudson Delmar H. Lewis Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/V Edward R. Hudson Moore & Shelton Co., Ltd. Sally Reader-Roberts D. E. Groves Explorers Petroleum Corp. Edby, Ltd. Neyco Employees, Ltd. Spiral, Inc. Vates Energy Corp. Neyco Development Corp. U. S. Wynn	2,000,000 .250000 .083334 .083333 .083333 1,250,000   1,250,000 1,250,000 1,593,750 1,593,750   3,187,500 1,125,000 .250000 .250000 .043344 .012500 .012500 .012500 .034844 .157855 .267207 .008750	James H. Vates, Inc. Coltclum Corp. Explorers Pet. Corp. Edby, Ltd. Neyco Employees Ltd. Spiral, Inc. Vates Energy Corp. Neyco Dev. Corp. AMCO Oil & Gas Co.	.075000 .035000 2,469,375 1,250,000 1,250,000 3,719,375 15,785,484 25,420,766 50,000,000	1,44916

12-1-50  
12-15-39  
12-1-50

**EXHIBIT 'B'**  
**SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF**  
**OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA**  
**FOR THE UNITIZED FORMATION FOR THE TAMANO (855C) UNIT**  
**EDDY COUNTY, NEW MEXICO**

Tract No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit	
9	SE/4E/4 Section 11	40	LC-062052	USA (sliding scale)	Francis H. Hudson 50% Belmar N. Lewis 50%	Margaret Balch Masters Betty Balch Strohmeyer Keren Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balch Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart	James H. Yates, Inc. Colleton Corp. Explorers Pet. Corp. Edby, Ltd. Neyco Employees Ltd. Sofrel, Inc. Yates Energy Corp. Neyco Dev. Corp. ARCO Oil & Gas Co.	.035000 .035000 2.449375 1.250000 1.285000 3.719375 15.785404 25.420766 50.000000	
11	1-10-S, 8-31-E		12-15-30		Edward R. Hudson, Jr. William R. Hudson, II, Trustee U/V Edward R. Hudson	Francis H. Hudson Belmar N. Lewis Edward R. Hudson, Jr. & William A. Hudson, III, Trustees U/V Edward R. Hudson, Deceased	1.250000 1.593750 1.593750		
22	Exchange		12-1-50			Moore & Shelton Co., Ltd. Sally Mader-Rederts D. E. Groves Explorers Petroleum Corp. Edby, Ltd. Neyco Employees, Ltd. Sofrel, Inc. Yates Energy Corp. Neyco Development Corp. H. J. Wynn	3.187500 1.125000 .250000 .250000 .024344 .012500 .012500 .034844 .157855 .247287 .000350	10350000 10350000 1024694 1012350 1037194 1254201 1000350 1000350	

RECAPITULATION

TOTAL UNIT ACRES 880.00 ACRES

100% FEDERAL LANDS

RECAPITULATION

TOTAL UNIT ACRES 88000 ACRES

100% FEDERAL LANDS

1007  
1000350

June 20, 1991

Working Interest Owners  
Tamano (BSSC) Unit

Re: Change to Unit Operating Agreement  
Tamano (BSSC) Unit  
Eddy County, New Mexico

To the Working Interest Owners:

In the hopes of achieving 100% sign-up to the Unit Agreement and the Unit Operating Agreement for the Tamano (BSSC) Unit in advance of the New Mexico Oil Conservation Division hearing on June 27, 1991, Marathon has agreed with Pennzoil Exploration and Production Company to change the voting procedure in the Unit Operating Agreement to provide that passage of any item voted on shall only occur upon the affirmative vote of three Working Interest Owners owning 80% of total Unit Participation.

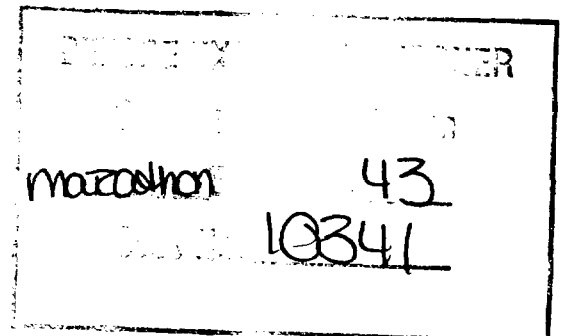
To facilitate this change you will find enclosed replacement pages for pages 6 and 7 of the Unit Operating Agreement sent to you by overnight mail on June 13, 1991. Please remove pages 6 and 7 from the document as originally sent to you and replace them with these two new pages. Please then execute the signature pages for the Unit Operating Agreement, Unit Agreement and Amendment to Unit Agreement as sent to you last week and return them to me. If you have already executed these pages and returned them, and wish to withdraw your execution of any of the documents because of this change, please let me know and I will return your signature pages to you. If I do not hear from you then I will assume you are in agreement with the change. Both Marathon and Pennzoil will be executing the Unit Operating Agreement in this amended form and we would encourage you to do likewise.

If you have any questions at all regarding this change please call me at your earliest convenience.

Very truly yours,

Thomas C. Lowry  
Attorney

TCLLA/le



UNIT AGREEMENT  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

BEFORE EXAMINER STOGNER

Subscribed and sworn to before me on this

Month of March 1944

at 10341

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

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Exhibit "A" (Map of Unit Area)  
Exhibit "B" (Schedule of Ownership and Tract  
Participation)

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 31st day of May, 1991, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil and gas interests in the Unit Area subject to this Agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico is authorized by law (Chapter 70, N.M.S. 1978 Annotated) to approve this Agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interest in the Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through

development and operation of the area subject to this Agreement under the terms, conditions, and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this Agreement their respective interest in the below-defined Unit Area, and agree severally among themselves as follows:

SECTION 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this Agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this Agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the Effective Date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the state in which the non-Federal land is located, are hereby accepted and made a part of this Agreement.

SECTION 2. UNIT AREA AND DEFINITIONS. For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Authorized Officer" or "A.O." is any employee of the Bureau of Land Management who has been delegated the required authority to act on behalf of the BLM.

(b) "Department" is defined as the Department of the Interior of the United States of America.

(c) "Division" is defined as the Oil Conservation Division of the Energy, Minerals and Natural Resources Department of the State of New Mexico.

(d) "Effective Date" is the date determined in accordance with Section 24, or as redetermined in accordance with Section 39.

(e) "Oil and Gas Rights" is the right to explore, develop and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

(f) "Outside Substances" is any substance obtained from any source other than the Unitized Formation and injected into the Unitized Formation.

(g) "Plan of Operations" is defined as that statement of the nature of the operations Unit Operator contemplates conducting in furtherance of the purposes of this Agreement, as approved by Working Interest Owners, the A.O. and the Division.

(h) "Proper BLM Office" is defined as the Bureau of Land Management office having jurisdiction over the federal lands included in the Unit Area.

(i) "Royalty Interest" or "Royalty" is an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved by the lessor or by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for or produce unitized substances.

(j) "Royalty Owner" is the owner of a Royalty Interest.

(k) "Secretary" is defined as the Secretary of the Interior of the United States of America, or his duly authorized delegate.

(l) "Tract" is each parcel of land described as such and given a Tract number in Exhibit "B".

(m) "Tract Operator" is defined as the respective operator of each tract within the Unit Area prior to unitization.



(n) "Tract Participation" is defined as the percentage of participation shown on Exhibit "B" for allocating Unitized Substances to a Tract under this Agreement.

(o) "Unit Area" is defined as those lands described in Exhibit "B" and depicted on Exhibit "A" hereof, and such land is hereby designated and recognized as constituting the Unit Area, containing 880 acres, more or less, in Eddy County, New Mexico.

(p) "Unit Equipment" is all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

(q) "Unit Expense" is all cost, expense, or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this Agreement and the Unit Operating Agreement for or on account of Unit Operations.

(r) "Unit Manager" is any Working Interest Owner appointed by the other Working Interest Owners to perform the duties of Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 7 hereof.

(s) "Unit Operating Agreement" is the agreement entered into by and between the Unit Operator and the Working Interest Owners as provided in Section 9, infra, and shall be entitled "Unit Operating Agreement, Tamano (BSSC) Unit, Eddy County, New Mexico".

(t) "Unit Operations" is any operation conducted pursuant to this Agreement and the Unit Operating Agreement.

(u) "Unit Operator" is the Working Interest Owner designated by the other Working Interest Owners under the Unit Operating Agreement to conduct Unit Operations.

(v) "Unit Participation" is the sum of the percentages obtained by multiplying the Working Interest of a Working Interest Owner in each Tract by the Tract Participation of such Tract.

(w) "Unitized Formation" shall mean that vertical interval underlying the Unit Area, known as the Bone Spring Second Carbonate. This interval is correlative to the interval shown in the type log from the Marathon Johnson "B" Federal No. 4, Section 11, T-18-S, R-31-E, Eddy County, New Mexico. This interval is 7,908 feet below KB (-4,156 feet subsea) to 8,190 feet below KB (-4438 feet subsea).

(x) "Unitized Substances" are all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquidifiable hydrocarbons, other than Outside Substances, within and produced from the Unitized Formation.

(y) "Working Interest" is the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, operating agreement, or otherwise held, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and producing the Unitized Substances from the Unitized Formation and operations thereof hereunder. Provided that any royalty interest created out of a working interest subsequent to the execution of this Agreement by the owner of the working interest shall continue to be subject to such working interest burdens and obligations.

(z) "Working Interest Owner" is any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or

otherwise. The owner of oil and gas rights that are free of lease or other instrument creating a Working Interest in another shall be regarded as a Working Interest Owner to the extent of seven-eighths ( $7/8$ ) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth ( $1/8$ ) interest therein.

SECTION 3. EXHIBITS. The following exhibits are incorporated herein by reference: Exhibit "A" attached hereto is a map showing the Unit Area and the boundaries and identity of tracts and leases in said Unit Area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each Tract, percentages and kind of ownership of oil and gas interests in all land in the Unit Area, and Tract Participation of each Tract. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. The shapes and descriptions of the respective Tracts have been established by using the best information available. Each Working Interest Owner is responsible for supplying Unit Operator with accurate information relating each Working Interest Owner's interests. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the Effective Date hereof, should be divided into more than one Tract, or when any revision is requested by the A.O., or any correction of any error other than mechanical miscalculations or clerical is needed, then the Unit Operator, with the approval of the Working Interest Owners, may correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any reevaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of

an exhibit made prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each other such revision on an exhibit shall be effective at 7:00 a.m., on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit. Not less than four (4) copies shall be filed with the A.O. In any such revision, there shall be no retroactive allocation or adjustment of Unit Expense or of interest in the Unitized Substances produced, or proceeds thereof.

SECTION 4. EXPANSION OF UNIT AREA. The Unit Area may, with the approval of the A.O., be expanded when practicable to include therein any additional Tract or Tracts whenever such expansion is regarded as reasonably necessary or advisable to conform with the purposes of this Agreement provided, however, in any such expansion there shall be no retroactive allocation or adjustment of Unit Expense or interests in the Unitized Substances produced or proceeds thereof. Such expansion may be accomplished either by order of the Division in accordance with Chapter 70, Article 7, N.M.S. 1978, Ann., as heretofore or hereafter amended from time to time, or pursuant to the following procedure:

(a) Unit Operator, acting on behalf of Working Interest Owners, shall negotiate an agreement with the owners of interests in the Tract or Tracts to be added setting out the basis for admission of the additional Tract or Tracts and the Tract Participation to be assigned to each Tract in the enlarged Unit Area. The revised Tract Participation of the respective Tract or Tracts included within the Unit Area prior to such enlargement shall remain in the same ratio one to another. Following commitment of all interests in the Tract or Tracts to be added to the agreement, Unit Operator shall submit the agreement to Working Interest Owners for approval.

(b) If at least three Working Interest Owners having in the aggregate eighty percent (80%) of the Unit Participation then in effect agree to inclusion of such Tract or Tracts in the Unit Area, then Unit Operator shall:

(1) After obtaining preliminary concurrence by the A.O., prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional Tract or Tracts, the Tract Participation to be assigned thereto and the proposed effective date thereof; and

(2) Deliver copies of said notice to the A.O. at the proper BLM Office, each Working Interest Owner and to the last known address of each lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above with the A.O. the following: (a) evidence of mailing or delivering copies of said notice of expansion; (b) an application for approval of such expansion; (c) a copy of all objections received along with Unit Operator's response thereto.

The expansion shall, after due consideration of all pertinent information and approval by the A.O., become effective as of the date prescribed in the notice thereof, or as amended and agreed to by the A.O., the Division and Unit Operator. The effective date of the expansion shall be the date as set out in the Certificate of Effectiveness, which will be filed of record as required in Section 24 hereof.

SECTION 5. UNITIZED LAND. All land committed to this Agreement as to the Unitized Formation shall constitute land referred to herein as "Unitized Land"

or "Land subject to this Agreement". Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation as defined in Section 2(w) of this Agreement.

SECTION 6. UNIT OPERATOR. Marathon Oil Company is hereby designated the Unit Operator, and by signing this instrument as Unit Operator, agrees and consents to accept the duties and obligations of Unit Operator for the operation, development, and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, when such interests are owned by it and the term "Working Interest Owner" when used herein shall include or refer to the Unit Operator as the owner of a Working Interest when such an interest is owned by it.

SECTION 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, and the A.O. unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The Unit Operator shall, upon default or failure in the performance of its duties and obligations hereunder, be subject to removal by Working Interest Owners having the aggregate eighty percent (80%) or more of the Unit Participation then in effect exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the A.O.

If Operator becomes insolvent, bankrupt, is placed in receivership or sells all of its interest in the Unit, it shall be deemed to have automatically resigned without any action by Non-Operators.

In all such instances of effective resignation or removal, until a successor to Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, books and records, materials, appurtenances and any other assets used in connection with the Unit Operations to the new duly qualified successor Unit Operator or to the Unit Manager if no such new Unit Operator is elected. Nothing herein shall be construed as authorizing the removal of any material, equipment or appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator or Unit Manager who resigns or is removed hereunder from any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator as herein provided. Such selection shall not become effective until (a) a Unit

Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the A.O. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the A.O., at his election, may declare this Agreement terminated.

In selecting a successor Unit Operator, the affirmative vote of three (3) or more Working Interest Owners having a total of eighty percent (80%) or more of the total Unit Participation shall prevail; provided that if any one Working Interest Owner has a Unit Participation of more than twenty percent (20%), its negative vote or failure to vote shall not be regarded as sufficient unless supported by the vote of one or more other Working Interest Owners having a total Unit Participation of at least five percent (5%). If the Unit Operator who is removed votes only to succeed itself or fails to vote, the successor Unit Operator may be selected by the affirmative vote of the owners of at least seventy-five percent (75%) of the Unit Participation remaining after excluding the Unit Participation of Unit Operator so removed.

In the event no Working Interest Owner obtains the percentage necessary to become successor Unit Operator under this Section, a Unit Manager shall be selected by a plurality vote of the Working Interest Owners and shall perform the duties of Unit Operator until a successor Unit Operator is elected.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. Costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases



or other contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Agreement or to relieve the Unit Operator of any right or obligation established under this Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the A.O. at the Proper BLM Office as required prior to approval of this Agreement.

SECTION 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto including surface rights which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Upon request, acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this Agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this Agreement the Unit Operator, in its capacity as Unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

SECTION 11. PLAN OF OPERATIONS. It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances or is necessary for Unit

Operations and that the object and purpose of this Agreement is to formulate and to put into effect an improved recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. Unit Operator shall have the right to inject into the Unitized Formation any substances for enhanced recovery or pressure maintenance purposes in accordance with a Plan of Operations approved by the Working Interest Owners, the A.O., and the Division, including the right to drill and maintain injection wells on the unitized Land and completed in the Unitized Formation, and to use abandoned wells or wells producing from the Unitized Formation for said purpose. Subject to like approval, the Plan of Operations may be revised as conditions may warrant.

The initial Plan of Operations shall be filed with the A.O., and the Division concurrently with the filing of this Unit Agreement for final approval. Said initial Plan of Operations and all revisions thereof shall be as complete and adequate as the A.O., and the Division may determine to be necessary for timely operation consistent herewith. Upon approval of this Agreement and the initial plan by the A.O., said plan, and all subsequently approved plans, shall constitute the operating obligations of the Unit Operator under this Agreement. After such operations are commenced, reasonable diligence shall be exercised by the Unit Operator in complying with the obligations of the approved Plan of Operation.

Notwithstanding anything to the contrary herein contained, should the Unit Operator fail to commence Unit Operations for the secondary recovery of Unitized Substances from the Unit Area within eighteen (18) months after the effective date of this Agreement, or any extension thereof approved by the A.O., this Agreement shall terminate automatically as of the date of default.

SECTION 12. USE OF SURFACE AND USE OF WATER. The parties, to the extent

of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area.

Working Interest Owners shall have and are hereby granted free use of water from the Unit Area for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner or surface owner.

Working Interest Owners shall pay the surface owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations and such payments shall be considered items of Unit Expense to be borne by all the Working Interest Owners.

SECTION 13. TRACT PARTICIPATION. In Exhibit "B" attached hereto there are listed and numbered the various Tracts within the Unit Area, and set forth opposite each Tract are figures which represent the Tract Participation, during Unit Operations. The Tract Participation of each Tract as shown in Exhibit "B" was determined in accordance with the following formula:

5% x  $\frac{\text{acres in Tract}}{\text{acres in Unit}}$  plus

6% x  $\frac{\text{usable wellbores in Tract}}{\text{usable wellbores in Unit}}$  plus

56% x  $\frac{\text{sum of active day average oil rates for all wells on Tract for period of Oct. 1, 1990 through March 31, 1991.}}{\text{sum of active day average oil rates for all wells in Unit for period of Oct. 1, 1990 through March 31, 1991.}}$  plus

33% x  $\frac{\text{remaining primary oil under the Tract as of April 1, 1991}}{\text{remaining primary oil under the Unit as of April 1, 1991}}$

If, after the Effective Date of this Agreement, there is any Tract or Tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or if any Tract is excluded from this Agreement as provided

for in Section 21 (Loss of Title), the Schedule of participation as shown in Exhibit "B" shall be revised by the Unit Operator, pursuant to the terms of this Agreement; and the revised Exhibit "B", upon approval by the A.O., shall govern the allocation of production on and after the Effective Date thereof until a revised schedule is approved as hereinabove provided.

SECTION 14. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, and other production or development purposes and for injection or unavoidable loss in accordance with a Plan of Operation approved by the A.O.) shall be apportioned among and allocated to the qualified Tracts in accordance with the respective Tract Participation factors effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit "B". The amount of Unitized Substances so allocated to each Tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract) shall, for all intents, uses and purposes, be deemed to have been produced from such Tract.

The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such Tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

No Tract committed to this Agreement shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances.

If the Working Interest and/or the Royalty Interest in any Tract are divided with respect to separate parcels or portions of such Tract and owned now or hereafter in severalty by different persons, the Tract Participation shall in the absence of a recordable instrument executed by all owners in such Tract and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

SECTION 15. TAKING UNITIZED SUBSTANCES IN KIND. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose within the Unitized Area, provided the same are so constructed, maintained and operated as not to interfere with Unit Operations. Subject to Section 17 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party taking delivery. In the event any Working Interest Owner shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unitized Formation, then so long as such condition continues, Unit Operator, for the account and at the expense of the Working Interest Owner of the Tract or Tracts concerned, and in order to avoid curtailing the operation of the Unit Area, may, but shall not be required to, sell or otherwise dispose of such production to itself or to others, provided that all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year, and at not less than the prevailing market price in the area for like production, and the account

of such Working Interest Owner shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest Owner of the Tract or Tracts concerned. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any Working Interest Owner's share of gas production without first giving such Working Interest Owner thirty (30) days' notice of such intended sale.

Any Working Interest Owner receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any Tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all royalty, overriding royalty and production payments due thereon, and each such party shall hold each other Working Interest Owner harmless against all claims, demands and causes of action by owners of such royalty, overriding royalty and production payments.

SECTION 16. OUTSIDE SUBSTANCES. If gas (including but not limited to carbon dioxide and nitrogen) obtained from formations not subject to this Agreement is introduced into the Unitized Formation for use in repressuring, stimulating production or increasing ultimate recovery which shall be in conformity with a Plan of Operation first approved by the A.O., a like amount of gas with appropriate deduction for loss or depletion from any cause may be withdrawn from unit wells completed in the Unitized Formation royalty free as to dry gas, but not royalty free as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved Plan of Operations or as otherwise may be consented to or prescribed by the A.O. as conforming to good petroleum engineering practices and provided further that such right of withdrawal shall terminate on the termination date of this

Agreement.

SECTION 17. ROYALTY SETTLEMENT. The United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any Tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such Tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, law and regulations. Settlement for Royalty not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for the Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under the leases, except that such Royalty shall be computed on Unitized Substances as allocated to each Tract in accordance with the terms of this Agreement. With respect to Federal leases committed hereto on which the royalty rate depends upon the daily average production per well, such average production shall be determined in accordance with the operating regulations pertaining to Federal leases as though the committed Tracts were included in a single consolidated lease.

If the amount of production or the proceeds thereof accruing to any Royalty Owner (except the United States of America) in a Tract depends upon the average production per well or the average pipeline runs per well from such Tract during any period of time, then such production shall be determined from and after the Effective Date hereof by dividing the quantity of Unitized Substances allocated hereunder to such Tract during such period of time by the number of wells located thereon capable of producing Unitized Substances as of the Effective Date hereof,

provided that any Tract not having any well so capable of producing Unitized Substances on the Effective Date hereof shall be considered as having one such well for the purpose of this provision.

All royalty due the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective Tract or Tracts committed hereto, in lieu of actual production from such Tract or Tracts.

With the exception of Federal requirements to the contrary, Working Interest Owners may use or consume Unitized Substances for Unit Operation and no Royalty, overriding royalty, production or other payments shall be payable on account of Unitized Substances used, lost, or consumed in Unit Operations.

Each Royalty Owner (other than the United States of America) that executes this Agreement represents and warrants that it is the owner of a Royalty Interest in a Tract or Tracts within the Unit Area as its interest appears in Exhibit "B" attached hereto. If any Royalty Interest in a Tract or Tracts should be lost by title failure or otherwise in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interests of all parties shall be adjusted accordingly.

SECTION 18. RENTAL SETTLEMENT. Rentals or minimum Royalties due on the leases committed hereto shall be paid by the Working Interest Owners responsible therefor under existing contracts, laws and regulations provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum Royalty in lieu thereof, due under their leases. Rental or minimum Royalty for lands of the United States of America subject to this Agreement shall be paid at the rate



specified in the respective leases from the United States of America, unless such rental or minimum Royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 19. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal and State laws and regulations.

SECTION 20. DRAINAGE. The Unit Operator shall take all reasonable and prudent measures to prevent drainage of Unitized Substances from unitized land by wells on land not subject to this Agreement.

The Unit Operator, upon approval by the Working Interest Owners, and the A.O., is hereby empowered to enter into a borderline agreement or agreements with working interest owners of adjoining lands not subject to this Agreement with respect to operation in the border area for the maximum economic recovery, conservation purposes and proper protection of the parties and interest affected.

SECTION 21. LOSS OF TITLE. In the event title to any Tract of unitized land shall fail and the true owner cannot be induced or compelled to join in this Agreement, such Tract shall be automatically regarded as not committed hereto, and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title to any Royalty, Working Interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal lands or leases, no payments of funds due the United States shall be withheld, but such funds shall be deposited as directed by the A.O. to be held as unearned money pending final settlement of the title dispute, and then applied as earned

or returned in accordance with such final settlement.

If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the direction of Working Interest Owners shall either:

(a) require that the party to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid furnish security for the proper accounting therefor to the rightful owner if the title or right of such party fails in whole or in part, or

(b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgement of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the party rightfully entitled thereto.

Each Working Interest Owner shall indemnify, hold harmless, and defend all other Working Interest Owners against any and all claims by any party against the interest attributed to such Working Interest Owner on Exhibit "B".

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

SECTION 22. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary shall and by his approval hereof, or by the approval hereof by his

duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum Royalty and Royalty requirements of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this Agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each Tract subject to this Agreement, regardless of whether there is any development of any Tract of the Unit Area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling, producing or improved recovery operations performed hereunder shall be deemed to be performed upon and for the benefit of each Tract, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations within the Unit Area pursuant to direction or consent of the A.O., or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each Tract within the Unitized Area.

(d) Each lease, sublease, or contract relating to the exploration, drilling, development, or operation for oil and gas which by its terms might expire prior to the termination of this Agreement, is hereby extended beyond any such term so provided therein, so that it shall be continued in full force and effect for and during the term of this Agreement.

(e) The segregation of any Federal lease committed to this Agreement is governed by the following provision in the fourth paragraph of Section 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization; provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

SECTION 23. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this Agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument or transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument or transfer.

SECTION 24. EFFECTIVE DATE AND TERM. This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 a.m. Eddy County, New Mexico local time on the later of (1) January 1, 1992 or (2) the first day of the calendar month next following the approval of this Agreement by all of the Working Interest Owners and all of the Royalty Owners and final approval of this Agreement by the A.O. and the approval of the Plan of Operations by the A.O. and the Division.

If this Agreement does not become effective on or before January 1, 1993, it shall ipso facto expire on said date (hereinafter called "Expiration Date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined Participation of at least eighty percent (80%); and at least seventy-five percent (75%) of such Working Interest Owners committed to this Agreement have decided to extend Expiration Date for a period not to exceed one (1) year (hereinafter called "Extended Expiration Date"). If Expiration Date is so extended and this Agreement does not become effective on or before Extended Expiration Date, it shall ipso facto expire on Extended Expiration Date and thereafter be of no further force and effect.

Unit Operator shall file for record within thirty (30) days after the Effective Date of this Agreement, in the office of the County Clerk of Eddy County, New Mexico, a Certificate of Effectiveness describing the lands and unitized formation committed and stating the effective date of the Agreement.

The term of this Agreement shall be for and during the time that Unitized Substances are produced from the unitized land and so long thereafter as drilling, reworking or other operations (including improved recovery operations)

are prosecuted thereon without cessation of more than ninety (90) consecutive days unless sooner terminated as herein provided.

This Agreement may be terminated with the approval of the A.O. by Working Interest Owners owning eighty percent (80%) of the Unit Participation then in effect whenever such Working Interest Owners determine that Unit Operations are no longer profitable, or in the interest of conservation. Upon approval, such termination shall be effective as of the first day of the month after said Working Interest Owners' determination. Notice of any such termination shall be filed by Unit Operator in the office of the County Clerk of Eddy County, New Mexico, within thirty (30) days of the effective date of termination.

Upon termination of this Agreement, the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts just as if this Agreement had never been entered into.

Notwithstanding any other provision in the leases unitized under this Agreement, Royalty owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit Operations.

SECTION 25. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The A.O. is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Division to alter or modify the quantity and rate of production under this Agreement, such authority being hereby limited to alteration or modification in the public interest, the

purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification.

Powers in this Section vested in the A.O. shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice, and thereafter subject to administrative appeal before becoming final.

SECTION 26. NONDISCRIMINATION. Unit Operator in connection with the performance of work under this Agreement relating to leases of the United States, agrees to comply with all of the provisions of Section 202(1) to (7) inclusive of Executive Order 11246, (30 F.R. 12319), which are hereby incorporated by reference in this Agreement.

SECTION 27. APPEARANCES. Unit Operator shall have the right to appear for or on behalf of any interests affected hereby before the Department, and the Division, and to appeal from any order issued under the rules and regulations of the Department or the Division, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Department or the Division or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 28. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified or registered mail, addressed to such party or parties at their last known address set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the

notice, demand or statement.

SECTION 29. NO WAIVER OF CERTAIN RIGHTS. Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said Unitized Lands are located, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive, provided, however, each party hereto covenants that it will not resort to any action to partition the Unitized Land or the Unit Equipment.

SECTION 30. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY. Each Working Interest Owner has heretofore placed and used on its Tract or Tracts committed to this Agreement various well and lease equipment and other property, equipment and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unitized Land as now or hereafter constituted. Therefore, for all purposes of this Agreement, any such equipment shall be considered to be personal property and not fixtures attached to realty. Accordingly, said well and lease equipment and personal property is hereby severed from the mineral estates affected by this Agreement, and it is agreed that any such equipment and personal property shall be and remain personal property of the Working Interest Owners for all purposes.

SECTION 31. UNAVOIDABLE DELAY. All obligations under this Agreement requiring the Unit Operator to commence or continue improved recovery operations or to operate on or produce Unitized Substances from any of the lands covered by this Agreement shall be suspended while, but only so long as, the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State



or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials or equipment in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 32. JOINDER. Joinder to this Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Agreement.

SECTION 33. COUNTERPARTS. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and may be ratified or consented to by separate instrument in writing, specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the land within the described Unit Area. Furthermore, this Agreement shall extend to and be binding on the parties hereto, their successors, heirs and assigns.

SECTION 34. JOINDER IN DUAL CAPACITY. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests owned or controlled by such party; provided, that if the party is the owner of a Working Interest, he must also execute the Unit Operating Agreement.

SECTION 35. TAXES. Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the Unitized Land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account

of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No taxes shall be charged to the United States, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 36. NO PARTNERSHIP. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This Agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligation as herein provided.

SECTION 37. PRODUCTION AS OF THE EFFECTIVE DATE. Unit Operator shall make a proper and timely gauge of all leases and other tanks within the Unit Area in order to ascertain the amount of merchantable oil above the pipeline connection, in such tanks as of 7:00 a.m. on the Effective Date hereof. All such oil which has then been produced in accordance with established allowables shall be and remain the property of the Working Interest Owner entitled thereto, the same as if the unit had not been formed; and the responsible Working Interest Owner shall promptly remove said oil from the Unitized Land. Any such oil not so removed shall be sold by Unit Operator for the account of such Working Interest Owners, subject to the payment of all Royalty to Royalty Owners under the terms hereof. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after Effective Date hereof.

If, as of the Effective Date hereof, any Tract is over-produced with

respect to the allowable of the wells on that Tract and the amount of over-production has been sold or otherwise disposed of, which over-production shall be regarded as a part of the Unitized Substances produced after the Effective Date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

SECTION 38. NO SHARING OF MARKET. This Agreement is not intended to provide and shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale or marketing of Unitized Substances.

SECTION 39. STATUTORY UNITIZATION. It is the intent of the Working Interest Owners to utilize the New Mexico Statutory Unitization Act in the formation of this Unit, if necessary. Following execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners owning at least seventy-five percent (75%) Unit Participation, Unit Operator may, if in its sole judgment such is necessary to the formation of the Unit, apply to the Division for statutory unitization of the uncommitted interest pursuant to Chapter 70, Article 7, N.M.S. 1978, Annotated. Unit Operator shall seek in its application for statutory unitization an effective date for the Unit of January 1, 1992. If such application is made and statutory unitization is approved by the Division, then effective as of the date of the Division's order approving statutory unitization, this Agreement and/or the Unit Operating Agreement will automatically be revised and/or amended in accordance with the following:

(1) Section 24 of this Agreement shall be revised by substituting for the first three paragraphs of said section the following:

"SECTION 24. EFFECTIVE DATE AND TERM. If and when the Working Interest Owners owning at least seventy-five percent (75%) Unit Participation and Royalty Owners owning at least seventy-five percent (75%) Royalty Interest have become

parties to this Agreement, and such Working Interest Owners have also in a like manner become parties to the Unit Operating Agreement, this Agreement shall become effective on the date and time indicated in the Division's order, or supplemental order approving the Unit, said date being mutually agreed upon by the A.O., the Division and the Unit Operator. In order for this Agreement to become effective, it must receive approval from the A.O., and the Division. The Division's order approving statutory unitization based upon the terms and conditions of this Agreement, as amended (if any amendment is necessary to conform to the Division's order) shall be referenced by Unit Operator when filing this Agreement or notice thereof for record in the office of the County Clerk of Eddy County, New Mexico. Unit Operator shall notify the Working Interest Owners of the effective date of this Agreement."

Unit Operator shall, within thirty (30) days after the Effective Date of this Agreement, file for record in the office of the County Clerk of Eddy County, New Mexico, a certificate to the effect that this Agreement has become effective in accordance with its terms, therein identifying the Division's order approving statutory unitization and stating the Effective Date."

(2) This Agreement and/or the Unit Operating Agreement shall be amended in any and all respects necessary to conform to the Division's order approving statutory unitization.

Any and all amendments of this Agreement and/or the Unit Operating Agreement that are necessary to conform said agreements to the Division's order approving statutory unitization shall be deemed to be hereby approved in writing by the parties hereto without any necessity for further approval by said parties, except as follows:

(a) If any amendment of this Agreement has the effect of reducing any

Royalty Owner's participation in the production of Unitized Substances, such Royalty Owner shall not be deemed to have hereby approved the amended agreement without the necessity of further approval in writing by said Royalty Owner; and

(b) If any amendment of this Agreement and/or the Unit Operating Agreement has the effect of reducing any Working Interest Owner's participation in the production of Unitized Substances or increasing such Working Interest Owner's share of Unit Expense, such Working Interest Owner shall not be deemed to have hereby approved the amended agreements without the necessity of further approval in writing by said Working Interest Owner.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and have set opposite their respective names the date of execution.

Date of Execution:

5-31-91

MARATHON OIL COMPANY

By:

R. S. Keisler  
R. S. Keisler  
Attorney-In-Fact



Date of Execution:

\_\_\_\_\_

Pennzoil Exploration & Producing  
Company

By:

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Wainoco Oil & Gas Company

By:

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Francis H. Hudson

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Delmar H. Lewis

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Edward R. Hudson, Jr., & William  
A. Hudson, II, Trustees U/W  
Edward R. Hudson

By: \_\_\_\_\_  
Edward R. Hudson, Jr.

\_\_\_\_\_  
William A. Hudson, II

Date of Execution:

\_\_\_\_\_

Moore & Shelton Co., Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

James H. Yates, Inc.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Colkelan Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Explorers Petroleum Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Exby, Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Heyco Employees Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Spiral, Inc.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Yates Energy Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Heyco Development Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Atlantic Richfield Co.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Laurelind Corporation

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Tom Stephens

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Rogers Aston

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Bearing Services

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Manzano Oil Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

James Guy

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Loy Fletcher

\_\_\_\_\_



Date of Execution:

\_\_\_\_\_

J. T. Jackson

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Kerr-McGee Corp.

By: \_\_\_\_\_

State of Texas           §  
                              § ss.  
County of Midland       §

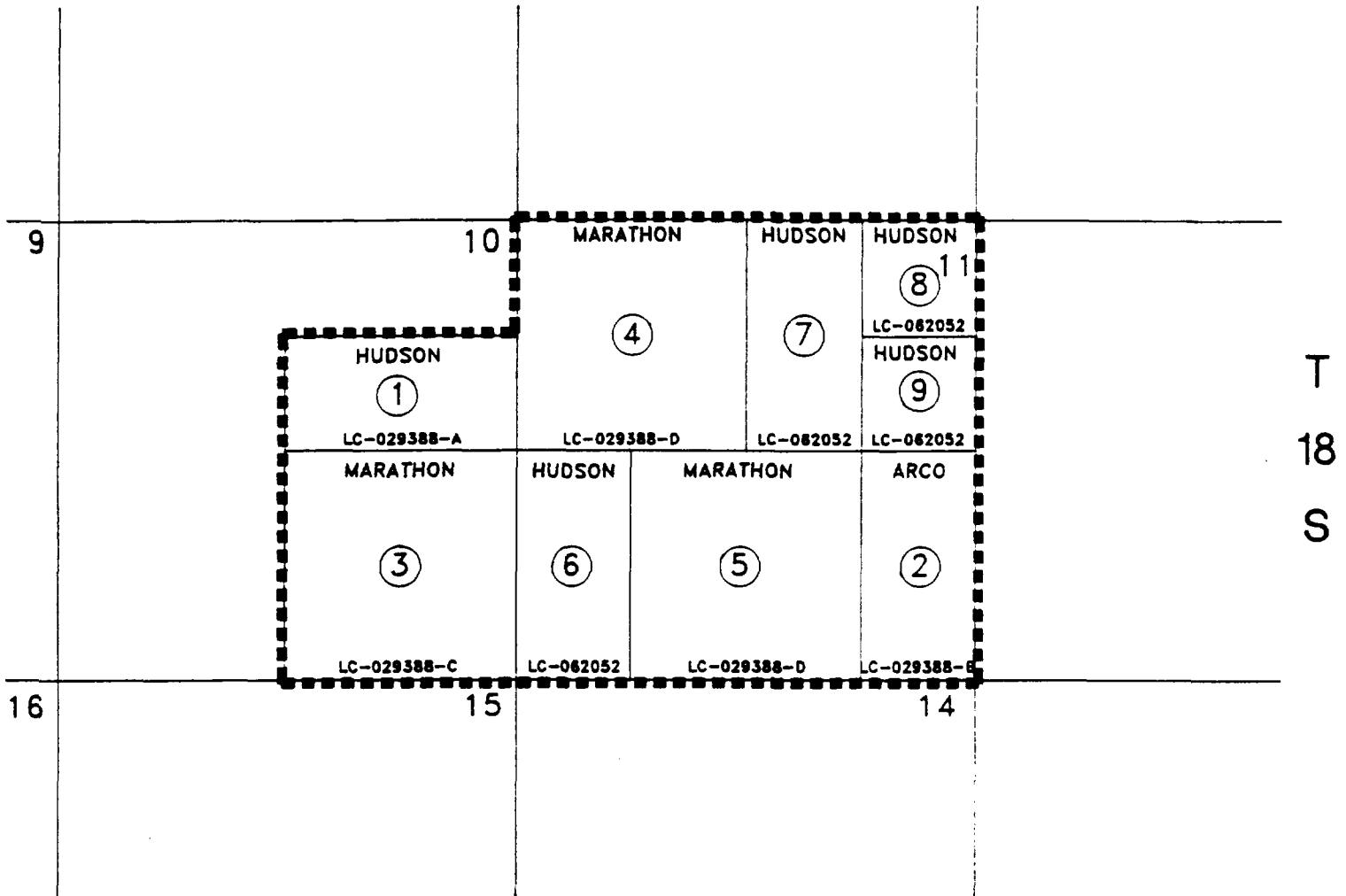
The "Unit Agreement, Tamano (BSSC) Unit, Eddy County, New Mexico" was  
acknowledge before me by R. S. Keisler, Attorney-in-Fact for Marathon Oil  
Company, this 31st day of May, 1991.

Witness my hand and official seal.

*Dan A. Hest*  
Notary Public

My commission expires: 4-27-93

R - 31 - E



# LEGEND

----- UNIT BOUNDARY

① TRACT NUMBER

## EXHIBIT "A" TAMANO (BSSC) UNIT

EDDY COUNTY, NEW MEXICO

UNIT AREA - 880.00 ACRES  
(ALL FEDERAL LANDS)

SCALE: 1" = 2000'

## EDDY COUNTY, NEW MEXICO

[illegible]

**EDDY COUNTY, NEW MEXICO**

Tract No.	Description of Land	Acres	Serial No. & Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
2	E/28E/4 Section 11	80	LC-029388-8	USA	AMCO Oil & Gas Co.	Evelyn Jackson Edwards Floyd Gentry Karen Gentry Schaeig Janice Gentry Middlebrooks Harry C. Fulton Charles Kyle Clark	James H. Yates, Inc. Colbath Corp. Explorers Pat. Corp. Edco, Ltd. Decca Employees Ltd. Spiral, Inc. Yates Energy Corp. Decca Dev. Corp.	.053600 .035600 2.669375 1.250000 1.265600 3.719375 15.785486 23.420766
A. J. 11 Fed.	E-18-S, R-31-E		12-15-39	(oldling scale)			AMCO Oil & Gas Co.	50.000000

**EDDY COUNTY, NEW MEXICO**

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
3	SE/4 Section 10	160	LC-029308-C	USA 12.5	Merathon Oil Company	John W. Hingine 1.125000 Patricia J. Cooper, Trustee of the PJC Revocable Trust U/A dated 12/30/89 1.062500 S. P. Johnson, III, and Barbara Jo Johnson, Trustee of the S. P. Johnson, III and Barbara Jo Johnson Trust U/A dated 1/26/85 1.062500 S. P. Johnson, III, and Patricia J. Cooper, Trustee U/W S. P. Johnson Jr. 2.125000 Lodewick Energy, Inc. .083333 Richard B. Lodewick .125000 Laura Patricia Lodewick .208333 John Widney Lodewick .208334 Laura B. Lodewick .625000 Spindletop Exploration Co. .500000 Henry Elizabeth Balish .016666 Katherine Mary Scott .016667 Betty Balish Strechmeyer .050000 Margaret Balish Masters .400000 San Diego Trust & Savings Bank Trustee U/A dated 5/26/85 for Ralph A. Shugart .250000 Margaret Jane Johnston WCM Tr. Nat'l Bank & C.R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 .266525 Breitlle Institute of America .231675 Karen Elizabeth Charles .016666	Merathon Oil Company 25.000000 Permcoil Exploration & Production Co. 29.208760 Valinco Oil & Gas Co. 20.791240 Francis H. Hudson 5.312500 Deltair H. Lewis 5.312500 Edward R. Hudson, Jr. & William A. Hudson, II, Trustee U/W Edward R. Hudson 10.625000 Moore & Sholtan Co. Ltd. 3.750000	30.91362
Steers 10 Fed. #1 & 3	SE/4 Section 10 T-18-S, R-31-E	160	LC-029308-C 12-28-39	USA 12.5	Merathon Oil Company			

**EXHIBIT 'B'**  
**SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF**  
**OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA**  
**FOR THE UTILIZED FORMATION FOR THE TOWN AND (BSEE) UNIT**  
**EDDY COUNTY, NEW MEXICO**

Tract No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
4	W/4 Section 11	160	LC-029380-0	USA 12.5	Merathon Oil Company	None	Merathon Oil Company 100.0	22.4994
Tract Name	T-10-S, R-31-E		12-20-39					
Section 8, Fed.								
ct. #1								

**EXHIBIT 'B'**  
**SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF**  
**OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA**  
**FOR THE UNITIZED FORMATION FOR THE TAMAHO (BSSC) UNIT**  
**EDDY COUNTY, NEW MEXICO**

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
5 Johnson B Federal	E/234/4, W/234/4 Section 11 T-18-S, R-31-E	160	LC-029380-B 12-28-39	USA 12.5	Merathon Oil Company	None	Merathon Oil Company 66.66667 Francis R. Hudson 7.083334 Delmar R. Lewis 7.083333 Edward R. Hudson, Jr. & William A. Hudson, II. Trustees V.V. Edward R. Hudson 14.166667 Moore & Shelton Co. Ltd. 4.999999	23.05599



EXHIBIT 'B'  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMMO (BSSC) UNIT  
EDOT COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
6	U/239/4 Section 11	80	LC-042052	USA 12.5	Francis R. Hudson Delmar R. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/W Edward R. Hudson	Margaret Balish Masters Betty Balish Strohmyer Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balish Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/63 for Ralph A. Shugart	Northen Oil Company Francis R. Hudson Delmar R. Lewis Edward R. Hudson, Jr. & William A. Hudson, II, Trustee U/W Edward R. Hudson Moore & Shelton Co., Ltd.	12.32820
Tract 8	T-18-S, R-31-E		12-15-39 Exchange 12-1-59			2.000000 .250000 -.003334 -.003333 -.003333 1.250000	66.644447 7.003334 7.003333 14.164447	
						1.250000	4.999999	

**ENJOY COUNTRY, NEW MEXICO**

Traet No.	Description of Land	Acreage	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessor of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Traet in Unit	
7	N/2NE/4 Section 11 T-18-S, R-31-E	00	LC-062052 12-15-39	USA 12.5	Francis M. Hudson Delmar H. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustees U/V Edward R. Hudson	Margaret Balish Masters Betty Balish Strickmeyer Kerren Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balish Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Francis M. Hudson Delmar H. Lewis Edward R. Hudson, Jr. & William A. Hudson, III, Trustees U/V Edward R. Hudson, deceased Moore & Shelton Co., Ltd. Bally Needer-Roberts O. E. Groves	Explorers Petroleum Corp. Edby, Ltd. Laurieland Corporation Neyco Employees Ltd. Spiral, Inc. James N. Yates, Inc. Colleton Corporation Kerr-Mcree Corp. Yates Energy Corp. Tom Stephens Bequa Asten Bearng Services Marano Oil Corp. Neyco Development Corp. James Guy Lev Fletcher J. T. Jackson	4.166756 1.250000 2.000000 2.378000 5.038750 .070000 .070000 20.000000 17.820969 2.500000 2.500000 2.625000 1.750000 33.241531 1.750000 .075000 1.750000	4.032110
Hudson 11 Vol. 63 & 6									

EXHIBIT 'B'  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TOWN AND (SSSC) UNIT  
EBOY COUNTY, NEW MEXICO

Tract No. A Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
B	NE/4NE/4 Section 11	40	LC-062052	USA 12.5	Francis R. Hudson Belmar R. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustees U/W Edward R. Hudson	Margaret Balch Masters Betty Balch Strickmeyer Keren Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balch Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart	Jama R. Yates, Inc. Colleton Corp. Explorers Pet. Corp. Edby, Ltd. Meyco Employees Ltd. Spiral, Inc. Yates Energy Corp. Meyco Dev. Corp. MCO Oil & Gas Co.	.035000 .035000 2.469375 1.250000 1.285000 3.719375 15.785484 25.420764 50.000000
Mudon 11 Fed. 05	T-18-S, R-31-E Exchange 12-1-59		12-15-39					

EXHIBIT 'G'  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UTILIZED FORMATION FOR THE TOWN AND (SSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit		
9 Tract 11 Fed. #2	SE/4NE/4 Section 11 T-18-S, R-31-E	40	LC-062052 12-15-39 Exchange 12-1-59	USA (alliding scale)	Francis R. Hudson Delmar R. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/V Edward R. Hudson	Margaret Balish Masters Betty Balish Stridmeyer Kerren Elizabeth Charles Katherine Mary Scott Nery Elizabeth Balish Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Francis R. Hudson Delmar R. Lewis Edward R. Hudson, Jr. & William A. Hudson, III, Trustees U/V Edward R. Hudson, Decedent Moore & Shelton Co., Ltd. Sally Meader-Roberts O. E. Groves Explorers Petroleum Corp. Eddy, Ltd. Hwyco Employees, Ltd. Spiral, Inc. Vates Energy Corp. Hwyco Development Corp. W. T. Wynn	2.000000 .250000 .003334 .003333 .003333 1.250000 San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Francis R. Hudson Delmar R. Lewis Edward R. Hudson, Jr. & William A. Hudson, III, Trustees U/V Edward R. Hudson, Decedent Moore & Shelton Co., Ltd. Sally Meader-Roberts O. E. Groves Explorers Petroleum Corp. Eddy, Ltd. Hwyco Employees, Ltd. Spiral, Inc. Vates Energy Corp. Hwyco Development Corp. W. T. Wynn	James R. Vates, Inc. Colleen Corp. Explorers Pet. Corp. Eddy, Ltd. Hwyco Employees Ltd. Spiral, Inc. Vates Energy Corp. Hwyco Dev. Corp. AMCO Oil & Gas Co.	.035000 .035000 2.449375 1.250000 1.250000 3.719375 15.785486 25.420766 50.000000	1.00235

RATIFICATION OF UNIT AGREEMENT  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

WHEREAS, the Tamano (BSSC) Unit covers lands described as follows: All of Section 11 and S/2NE/4, SE/4 Section 10, T18S, R31E, Eddy County, New Mexico;

WHEREAS, an agreement entitled "Unit Agreement, Tamano (BSSC) Unit, Eddy County, New Mexico", dated May 31, 1991, provides that owners of working, royalty or other oil and gas interests in the Unit Area may become parties to the Agreement by executing a separate instrument ratifying or consenting to the Agreement; and

WHEREAS, the undersigned own(s) an Overriding Royalty Interest in one or more of the Tracts described in said Unit Agreement;

NOW, THEREFORE, in consideration of the mutual agreements of the parties to the Unit Agreement, the undersigned Overriding Royalty Interest Owner(s) hereby agree(s) to become party/parties to and hereby adopt, ratify and confirm the Unit Agreement with respect to all of her, his, its or their Oil and Gas Rights in all of the Tracts described in said Unit Agreement.

The undersigned Overriding Royalty Interest Owner(s) hereby acknowledge receipt of a copy of the Unit Agreement, together with all Exhibits thereto.

IN WITNESS WHEREOF, the undersigned has/have executed this instrument on the date set forth next to her, his, its or their signature(s). This instrument may be signed in counterparts.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

STATE OF \_\_\_\_\_)

COUNTY OF \_\_\_\_\_)

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1991, by \_\_\_\_\_.

\_\_\_\_\_  
Notary Public for \_\_\_\_\_  
County, \_\_\_\_\_

My Commission Expires:  
\_\_\_\_\_

**Tamano (BSSC) Unit Ratification - Execution by Trustee or Personal Representative**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Entity (name of trust or estate)

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1991, by \_\_\_\_\_ as \_\_\_\_\_ on behalf of \_\_\_\_\_

\_\_\_\_\_  
Notary Public for \_\_\_\_\_

County, \_\_\_\_\_

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Entity (name of trust or estate)

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1991, by \_\_\_\_\_ as \_\_\_\_\_ on behalf of \_\_\_\_\_

\_\_\_\_\_  
Notary Public for \_\_\_\_\_

County, \_\_\_\_\_

My Commission Expires:  
\_\_\_\_\_

**Tamano (BSSC) Unit Ratification - Execution by Partnership**

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name of Partnership

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1991, by \_\_\_\_\_ as the \_\_\_\_\_ on behalf of \_\_\_\_\_ a partnership.

\_\_\_\_\_  
Notary Public for \_\_\_\_\_

County, \_\_\_\_\_

My Commission Expires:

\_\_\_\_\_

Tamano (BSSC) Unit Ratification - Execution by Corporation

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Printed Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Corporation

The foregoing instrument was acknowledged before me this \_\_\_\_ day of \_\_\_\_\_, 1991, by \_\_\_\_\_ as \_\_\_\_\_ of \_\_\_\_\_ a corporation on behalf of the corporation.

\_\_\_\_\_  
Notary Public for \_\_\_\_\_

County, \_\_\_\_\_

My Commission Expires:  
\_\_\_\_\_



FIRST AMENDMENT TO  
UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

This Amendment, entered into as of the \_\_\_\_\_ day of June, 1991, by and between the parties to the "Unit Agreement For The Development and Operation Of The Tamano (BSSC) Unit, Eddy County, New Mexico",

WITNESSETH:

WHEREAS the Bureau of Land Management of the United States Department of the Interior has approved the form of the "Unit Agreement For The Development and Operation Of The Tamano (BSSC) Unit, Eddy County, New Mexico", subject to certain revisions being made to Section 24 of the Agreement and to Exhibit "B", the parties to the Unit Agreement hereby agree as follows:

1. The language of paragraph 4 of Section 24 of the Agreement is changed to insert the words "in paying quantities" after the words "Substances are produced" in line 2 of that paragraph.
2. Exhibit "B" is revised to reflect Francis H. Hudson and Delmar H. Lewis as each being the lessee of record of a 50% interest in the leases covering Tracts 1, 6, 7, 8, and 9 of the Tamano (BSSC) Unit. Exhibit "B", First Revision, is attached to this Amendment and adopted in its entirety as the current effective Exhibit "B" to the Unit Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and have set opposite their names the date of execution.

Date of Execution:

6/21/91

MARATHON OIL COMPANY

By: A. R. Kukla  
A. R. Kukla  
Attorney-In-Fact

Date of Execution:

\_\_\_\_\_

Pennzoil Exploration & Producing  
Company

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Wainoco Oil & Gas Company

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Francis H. Hudson

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Delmar H. Lewis

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Edward R. Hudson, Jr., & William  
A. Hudson, II, Trustees U/W  
Edward R. Hudson

By: \_\_\_\_\_  
Edward R. Hudson, Jr.

\_\_\_\_\_  
William A. Hudson, II

Date of Execution:

\_\_\_\_\_

Moore & Shelton Co., Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

James H. Yates, Inc.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Colkelan Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Explorers Petroleum Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Exby, Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Heyco Employees Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Spiral, Inc.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Yates Energy Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Heyco Development Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

ARCO Oil & Gas Co.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Laurelind Corporation

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Tom Stephens

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Rogers Aston

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Bearing Services

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Manzano Oil Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

James Guy

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Loy Fletcher

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

J. T. Jackson

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Kerr-McGee Corp.

By: \_\_\_\_\_

State of Texas

§

County of Midland

§ ss.

§

The "First Amendment To Unit Agreement For The Development And Operation  
Of The Tamano (BSSC) Unit, Eddy County, New Mexico" was acknowledge before me by  
A. R. Kukla, Attorney-in-Fact for Marathon Oil Company, this 21<sup>ST</sup> day of June,  
1991.

Witness my hand and official seal.

*David A. Littel*  
Notary Public

My commission expires: 4-27-93

EXHIBIT 'B', FIRST REVISION  
THE PERCENTAGE AND KIND OF CUMER  
BISTS IN ACCORDANCE WITH THE PARTIC  
NEED FORMATION FOR THE TAMANO (BSS  
EDDY COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record and Percentage	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit			
1	S/2NE 1/4 Section 10	60	LC-029386-A	USA 12.5	Francis M. Hudson Delmar N. Lewis	John U. Higgins First Interstate Bank of Roswell, Trustee U/V Geraldine O. Johnson S. P. Johnson, III & Patricia J. Cooper Trustee U/V of S. P. Johnson, Jr. Lodewick Energy, Inc. Richard B. Lodewick Laura Patricia Lodewick John Widney Lodewick Laura B. Lodewick Spindletop Exploration Co. Mary Elizabeth Balish Katherine Mary Scott Betty Balish Stridmeyer Margaret Balish Masters Ralph A. Shugart, Jr. San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Margaret Jane Johnson RCMB Tr. Not'1 Bank & C. R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 Braille Institute of America Karen Elizabeth Charles	50.0% 50.0%	3.75000  2.125000  2.125000  2.125000 2.08333 .125000 .208333 .208334 .625008 .500000 .100008 .100000 .300000 2.400000 1.250000  .250000 1.500000  .266725 .231675 .100000	Merathon Oil Company Permian Exploration & Production Company Valinco Oil & Gas Co. Francis M. Hudson Delmar N. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/V Edward R. Hudson Moore & Shelden Co., Ltd.	25.000000 29.208760 20.791240 5.312500 5.312500  10.625000 3.750000	1.74951

EXHIBIT 'B', FIRST REVISION  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDOY COUNTY, NEW MEXICO

Tract No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Leasee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
2	E/2SE/4 Section 11	80	LC-029386-8	USA	AMCO Oil & Gas Co.	Evelyn Jackson Edwards Floyd Gentry Karen Gentry Schurig Janice Gentry Middlebrooks Mary C. Fulton Charles Kyle Clerk	James H. Vates, Inc. Coltelian Corp. Explorers Pet. Corp. Enby, Ltd. Merco Employees Ltd. Spiral, Inc. Vates Energy Corp. Merco Dev. Corp. AMCO Oil & Gas Co.	.035000 .035000 2.469375 1.250000 1.285000 3.719375 15.785486 25.420766 50.000000
J. 11 Fed.	1-18-S, R-31-E		12-15-39	(standing scale)		1.500000 .750000 .750000 1.875000 1.875000		2.60945



EXHIBIT 'B', FIRST REVISION  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNUNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
3 Tract 10 -d. #1 & 3	SE/4 Section 10 T-18-S, R-31-E	160	LC-029388 C 12-28-39	USA 12.5	Marathon Oil Company	John W. Higgins Patricia J. Cooper, Trustee of the PJC Revocable Trust U/A dated 12/30/89 1.062500 S. P. Johnson, III, and Barbara Jo Johnson, Trustee of the S. P. Johnson, III and Barbara Jo Johnson Trust U/A dated 1/24/85 1.062500 S. P. Johnson, III, and Patricia J. Cooper, Trustees U/A S. P. Johnson Jr. 2.125000 Lodewick Energy, Inc. .083333 Richard B. Lodewick .125000 Laura Patricia Lodewick .208333 John Widney Lodewick .208334 Laura B. Lodewick .625000 Spindletop Exploration Co. .500000 Mary Elizabeth Balish .016666 Katherine Mary Scott .016667 Betty Balish Strohmyer .050000 Margaret Balish Masters .400000 San Diego Trust & Savings Bank Trustee U/A dated 5/26/83 for Ralph A. Shugart .250000 Margaret Jane Johnston MCMB Tr. Mat'l Bank & C.R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 .266525 Braille Institute of America .231475 Karen Elizabeth Charles .016666	Marathon Oil Company Pennzoil Exploration & Production Co. 29.268760 Valinco Oil & Gas Co. 20.791240 Francis R. Hudson 5.312500 Delmar R. Lewis 5.312500 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/A Edward R. Hudson 10.625000 Moore & Shelton Co. Ltd. 3.750000	30.91362

EXHIBIT 'B', FIRST REVISION  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDOY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
6 Johnson B. Fed. Tract #1	W1/4 Section 11 T-18-S, R-31-E	160	LC-029388-D 12-28-39	USA 12.5	Marathon Oil Company	None	Marathon Oil Company 100.0	22.49964

EXHIBIT 'B', FIRST REVISION  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
5 Section 11 T-18-S, R-31-E	E/2SW/4, W/2SE/4	160	LC-029309-D 12-28-39	USA 12.5	Marathon Oil Company	None	Marathon Oil Company 66.66667 Francis R. Hudson 7.083334 Delmar N. Lewis 7.083333 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U.V Edward R. Hudson 14.166667 Moore & Shelton Co. Ltd. 4.999999	23.05399

EXHIBIT 'B', FIRST REVISION  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record and Percentage	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
6 Hugert 8	W/2SW/4 Section 11 T-18-S, R-31-E	80	1C-062052 12-15-39 Exchange 12-1-59	USA 12.5	Francis H. Hudson 50.0% Delmar H. Lewis 50.0%	Margaret Balsh Masters Betty Balsh Strohmyer Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balsh Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart	Merathon Oil Company Francis H. Hudson Delmar H. Lewis Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/A Edward R. Hudson Moore & Shelton Co. Ltd. 4.999999	12.52820
						2.000000 .250000 .003334 .003333 .003333 1.250000	66.666667 7.003334 7.003333 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/A Edward R. Hudson Moore & Shelton Co. Ltd. 4.999999	
						1.250000		

EXHIBIT 'R', FIRST REVISION  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UTILIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDOY COUNTY, NEW MEXICO

Tract No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty and Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage	Percentage Participation of Tract in Unit
7	U/2NE/4 Section 11	80	LC-062052	USA 12.5	Francis N. Hudson 50.0%	Margaret Balsh Masters 2.000000	Explorers Petroleum Corp. 4.188750	4.03210
from 11	1-18-S, R-31-E		12-15-39		Delmar N. Lewis 50.0%	Betty Balsh Strohmeyer .250000	Enby, Ltd. 1.250000	
1, 85 & 4			Exchange			Karen Elizabeth Charles .083334	Laurelind Corporation 2.000000	
			12-1-59			Katherine Mary Scott .083333	Merco Employees Ltd. 1.722894	
						Mary Elizabeth Balsh .083333	Spiral, Inc. 5.038750	
						Margaret Jane Johnson 1.250000	James N. Yates, Inc. .070000	
						San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart 1.250000	Colleen Corporation 20.000000	
						Francis N. Hudson 1.593750	Kerr-McCree Corp. 17.820949	
						Delmar N. Lewis 1.593750	Yates Energy Corp. 2.500000	
						Edward N. Hudson, Jr. & William A. Hudson, III, Trustees U/A Edward R. Hudson, Deceased 3.187500	Tom Stephens 2.500000	
						Moore & Shelton Co., Ltd. 1.125000	Rogers Aston 2.500000	
						Sally Reader-Roberts .500000	Bearing Services 2.625000	
						O. E. Groves .500000	Manzano Oil Corp. 1.750000	
							Merco Development Corp. 34.086537	
							James Guy 1.750000	
							Loy Fletcher .875000	
							J. T. Jackson 1.750000	

EXHIBIT 'B', FIRST REVISION  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE JAMANO (BSSC) UNIT  
EDDY COUNTRY, NEW MEXICO

Tract No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record and Percentage	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
8	NE/4NE/4 Section 11	40	1C-062052	USA 12.5	Francis N. Hudson 50.0%	Margaret Balish Masters 2.000000	James N. Yates, Inc. .035000	1.44914
Tract 11 of 85	1-18-5, R-31-E		12-15-39 Exchange 12-1-59		Delmar N. Lewis 50.0%	Betty Balish Strömeyer .250000 Karen Elizabeth Charles .083334 Katherine Mary Scott .083333 Merry Elizabeth Balish .083333 Margaret Jane Johnson 1.250000 San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart 1.250000 Francis N. Hudson 1.593750 Delmar N. Lewis 1.593750 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/A Edward R. Hudson 3.187500 Hudson Moore & Shelton Co., Ltd. 1.125000 Sally Header-Roberts .250000 O. E. Groves .250000 Explorers Petroleum Corp. .024694 Edby, Ltd. .012500 Meyco Employees, Ltd. .012850 Spiral, Inc. .037194 Yates Energy Corp. .157855 Meyco Development Corp. .254207 James N. Yates, Inc. .000350 Colletan Corp. .000350	Colletan Corp. .035000 Explorers Pet. Corp. 2.469375 Edby, Ltd. 1.250000 Meyco Employees Ltd. 1.285000 Spiral, Inc. 3.719375 Yates Energy Corp. 15.785484 Meyco Dev. Corp. 25.420766 AMCO Oil & Gas Co. 50.000000	

EXHIBIT 'B', FIRST REVISION  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UTILIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDOY COUNTRY, NEW MEXICO

Tract No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record and Percentage	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
0	SE/4NE/4 Section 11	40	LC-062052	USA (sliding scale)	Francis N. Hudson 50.0%	Margaret Balsh Westers 2.000000 Betty Balsh Strohmeyer .250000 Keren Elizabeth Charles .003334 Katherine Mary Scott .003333 Nery Elizabeth Balsh .003333 Margaret Jane Johnson 1.250000 San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart 1.250000 Francis N. Hudson 1.593750 Delmar N. Lewis 1.593750	James N. Yates, Inc. .035000 Colleen Corp. .035000 Explorers Pet. Corp. 2.469375 Edby, Ltd. 1.250000 Neyco Employees Ltd. 1.265000 Spiral, Inc. 3.719375 Yates Energy Corp. 15.785484 Neyco Dev. Corp. 25.420766 AMCO Oil & Gas Co. 50.000000	1.00235
Tract Name								
Tract #2	T-10-S, R-31-E		12-15-39 Exchange 12-1-59		Francis N. Hudson 50.0%	Delmar N. Lewis 50.0%		
						Edward R. Hudson, Jr. & William A. Hudson, III, Trustees U/A Edward R. Hudson, Deceased 3.107500 Moore & Shelton Co., Ltd. 1.125000 Sally Header-Roberts .250000 O. E. Groves .250000 Explorers Petroleum Corp. .024694 Edby, Ltd. .012500 Neyco Employees, Ltd. .012650 Spiral, Inc. .037199 Yates Energy Corp. .157853 Neyco Development Corp. .254207 James N. Yates, Inc. .000350 Colleen Corp. .000350		

UNIT OPERATING AGREEMENT  
TAMANO (BSSC) UNIT  
Eddy COUNTY, NEW MEXICO

BEFORE EXAMINER STOGNER

Oil and Gas Division

Marathon

45

10341



UNIT OPERATING AGREEMENT  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

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UNIT OPERATING AGREEMENT  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the \_\_\_\_ day of \_\_\_\_\_, 1991, by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof;

W I T N E S S E T H ;

WHEREAS, the parties hereto as Working Interest Owners have executed, an agreement entitled, "Unit Agreement, Tamano (BSSC) Unit, Eddy County, New Mexico," herein referred to as "Unit Agreement", which, among other things, provides for a separate agreement to be entered into by and between Working Interest Owners to provide for Unit Operations as therein defined;

NOW THEREFORE, in consideration of the mutual agreements herein set forth, it is agreed as follows:

ARTICLE I

CONFIRMATION OF UNIT AGREEMENT AND ADOPTION OF DEFINITIONS

1.1 Confirmation of Unit Agreement. The Unit Agreement and all exhibits attached thereto or any revisions thereof are hereby confirmed and by reference made a part of this Agreement. If there is any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall govern.

1.2 Adoption of Definitions. The definitions in the Unit Agreement are adopted for all purposes of this Agreement.

ARTICLE 2

EXHIBITS

2.1 Exhibits. The following exhibits are incorporated herein by reference:

2.1.1 Exhibits "A" and "B" of the Unit Agreement.

2.1.2 Exhibit "C", attached hereto, which is a summary showing each Working Interest Owner's Working Interest in each Tract, the percentage of total Unit Participation attributable to each such interest, and the total Unit Participation of each Working Interest Owner. Exhibit "C", or a revision thereof, shall not be conclusive as to the information therein, however it may be relied on as to the Unit Participation of Working Interest Owners for purposes of this Agreement until shown to be in error or revised as herein authorized.

2.1.3 Exhibit "D", attached hereto, which is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this Agreement and Exhibit "D", this Agreement shall govern.

2.1.4 Exhibit "E", attached hereto, which contains the insurance provisions applicable to Unit Operations.

2.1.5 Exhibit "F", attached hereto, which is the Gas Balancing Agreement applicable to Unit Operations.

2.1.6 Exhibit "G", attached hereto, which is the Notice of Unit Operating Agreement Lien.

2.1.7 Exhibit "H", attached hereto, which is a list of the wells included in the Unit.

2.2 Revision of Exhibits. Whenever Exhibit "A" or Exhibit "B" is revised, Exhibit "C" shall be revised accordingly and shall be effective as of the same date. Unit Operator shall also revise Exhibit "C" from time to time as required to conform to changes in ownership of which Unit Operator has been notified as provided in the Unit Agreement.

2.3 Reference to Exhibits. When reference is made herein to an exhibit,

it is to the exhibit as originally attached or, if revised, to the last revision.

### ARTICLE 3

#### SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS

3.1 Overall Supervision. Subject to the other terms and provisions of this Agreement and of the Unit Agreement, Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations pursuant to this Agreement and the Unit Agreement. In the exercise of such authority, each Working Interest Owner shall act solely in its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.

3.2 Particular Powers and Duties. The Working Interest Owners, using the voting procedures given in Article 4.3, unless otherwise specifically provided in this Agreement or in the Unit Agreement, shall decide matters pertaining to Unit Operations which include, but are not limited, to the following:

3.2.1. Method of Operation. The method of operation, including any type of pressure maintenance, secondary recovery, or other recovery program to be employed.

3.2.2. Drilling of Wells. The drilling, deepening, or sidetracking of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

3.2.3 Well Workovers and Conversion of Wells. The reworking, recompleting or repairing of any well for the purpose of production of Unitized Substances reasonably estimated to require an expenditure in excess of the expenditure limitation specified in Section 3.2.4 hereinbelow and the abandonment or conversion of the use of any well from one purpose to another or the use of any such well for injection or any other purpose other than production. Unit Operator shall have

the right to shut-in, temporarily abandon, or reactivate a well which was shut-in or temporarily abandoned to its former use, without notification to the Working Interest Owners if doing so is reasonably estimated to require an expenditure not in excess of the expenditure limitation specified in Article 3.2.4 hereinbelow.

3.2.4 Expenditures. The making of any single expenditure in excess of Fifty Thousand Dollars (\$50,000.00), subject, however, to the provisions of Article 7.9 hereof; provided, that approval by Working Interest Owners of the drilling, sidetracking, reworking, deepening, or plugging back of any well shall include approval of all necessary expenditures required therefore, and for completing, testing and equipping the same, including necessary flow lines, separators and lease tankage.

3.2.5 Disposition of Surplus Unit Equipment. The Unit Operator shall have the right to sell or otherwise dispose of any item of surplus Unit Equipment, according to the provisions of Exhibit "D".

3.2.6 Appearance Before a Court or Regulatory Agency. The designation of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; provided, however, that such designation shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf.

3.2.7 Audits. The auditing of the accounts of Unit Operator pertaining to Unit Operations hereunder according to the provisions of Exhibit "D"; provided that, the audits shall:

(a) not be conducted more than once each year except upon the



resignation or removal of Unit Operator and;

- (b) be made upon the approval of the Owner or Owners of a majority of Working Interest other than that of Unit Operator, at the expense of all Working Interest Owners other than Unit Operator, or;
- (c) be made at the expense of those Working Interest Owners requesting such audit if owners of less than a majority of Working Interest, other than that of Unit Operator, request such audit, and;
- (d) be made upon not less than thirty (30) days written notice to Unit Operator.

3.2.8 Inventories. The taking of periodic inventories under the terms of Exhibit "D".

3.2.9 Technical Services. The authorizing of charges to the Joint Account for services by consultants or Unit Operator's technical personnel in excess of \$20,000.00.

3.2.10 Assignments to Committees. The appointment of committees to study any problems in connection with Unit Operations.

3.2.11 The removal of Unit Operator and the selection of a successor.

3.2.12 The enlargement of the Unit Area.

3.2.13 The adjustment and readjustment of investments.

3.2.14 The termination of the Unit Agreement.

3.2.15 The authorization of Border Agreements.

3.2.16 Amendment of Overhead Rates. The amendment of overhead rates as provided for in Section III of Exhibit "D".

## ARTICLE 4

### MANNER OF EXERCISING SUPERVISION

4.1 Designation of Representatives. Not later than thirty (30) days after the effective date hereof, each Working Interest Owner shall inform Unit Operator in writing of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to Unit Operator.

4.2 Meetings. All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of two (2) or more Working Interest Owners having a total Unit Participation of not less than ten percent (10%). No meeting shall be called on less than fourteen (14) days advance written notice, and an agenda for the meeting shall be attached. In absence of protest by any qualified member at the meeting Working Interest Owners who attend the meeting may amend items included in the agenda and may act upon an amended item or other items presented at the meeting. The representative of Unit Operator shall be chairman of each meeting.

4.3 Voting Procedure. Working Interest Owners shall decide all matters coming before them as follows:

4.3.1 Voting Interest. Each Working Interest Owner shall have a voting interest equal to its Unit Participation in effect at the time of the vote.

4.3.2 Vote Required - Generally. Unless otherwise provided herein or in the Unit Agreement, all matters shall be decided by an affirmative vote of at least three Working Interest Owners having in the aggregate eighty percent (80%) or more total Unit Participation. Such



non-response shall constitute an affirmative vote for the proposal. Unit Operator will give prompt notice of the results of such vote to all Working Interest Owners.

## ARTICLE 5

### INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS

5.1 Reservation of Rights. Working Interest Owners severally reserve to themselves all their rights, except as otherwise provided in this Agreement and the Unit Agreement.

5.2 Specific Rights. Each Working Interest Owner shall have, among others, the following specific rights:

5.2.1 Access to Unit Area. Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells, and the records and data pertaining thereto.

5.2.2 Reports. The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner who requests the information.

## ARTICLE 6

### UNIT OPERATOR

6.1 Initial Unit Operator. Marathon Oil Company is hereby designated as Unit Operator.

6.2 Resignation or Removal and Selection of Successor. Unit Operator may

resign at any time. The resignation or removal of Unit Operator and the selection of a successor shall be governed by the provisions of the Unit Agreement.

#### ARTICLE 7

##### AUTHORITIES AND DUTIES OF UNIT OPERATOR

7.1 Exclusive Right to Operate Unit. Subject to the provisions of this Agreement and to the orders, directions and limitations rightfully given or imposed by Working interest Owners, Unit Operator shall have the exclusive right and shall be obligated to conduct Unit Operations.

7.2 Workmanlike Conduct. Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with Working Interest Owners and keep them informed of all matters which Unit Operator, in the exercise of its best judgement, considers important. Unit Operator shall not be liable to Working Interest Owners for damages, unless such damages result from its gross negligence or willful misconduct.

7.3 Liens and Encumbrances. Unit Operator shall endeavor to keep the lands and leases in the Unit Area and the Unit Equipment free from all liens and encumbrances occasioned by Unit Operations, except the lien and security interest of Unit Operator and Working Interest Owners granted hereunder.

7.4 Employees. The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor and compensation shall be determined by Unit Operator. Such employees shall be employees of Unit Operator.

7.5 Records. Unit Operator shall keep correct books, accounts and records of Unit Operations.

7.6 Reports to Working Interest Owners. Unit Operator shall furnish to

Working Interest Owners periodic reports of Unit Operations.

7.7 Reports of Governmental Authorities. Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.

7.8 Engineering and Geological Information. Unit Operator shall furnish to each Working Interest Owner, upon its written request, a copy of all logs and other engineering and geological data pertaining to wells drilled for Unit Operations.

7.9 Expenditures. Unit Operator is authorized to make single expenditures not in excess of Fifty Thousand Dollars (\$50,000.00) without prior approval of Working Interest Owners. If an emergency occurs, Unit Operator may immediately make or incur such expenditures as in its opinion are required to deal with the emergency. Unit Operator shall report to Working Interest Owners, as promptly as possible, the nature of the emergency and the action taken.

7.10 Wells Drilled by Unit Operator. All wells drilled by Unit Operator shall be at the usual rates prevailing in the area. Unit Operator may employ its own tools and equipment, but the charge therefor shall not exceed the usual prevailing rate in the area, and the work shall be performed by Unit Operator under the same terms and conditions as are usual in the area in contracts of independent contractors doing work of a similar nature.

7.11 Border Agreements. The Unit Operator, after approval by Working Interest Owners, may enter into a border protection agreement or agreements with working interest owners of the adjacent lands along the exterior boundary of the Unit area with respect to any cooperative operations in the border area for the proper protection of the parties and interests.

## ARTICLE 8

### TAXES

8.1 Ad Valorem Taxes. Beginning with the first calendar year after the Effective Date hereof, Unit Operator shall make and file all necessary ad valorem tax renditions and returns with the proper taxing authorities with respect to all property of each Working Interest Owner used or held by Unit Operator for Unit Operations. Unit Operator shall settle assessments arising therefrom. All such ad valorem taxes shall be paid by Unit Operator and charged to the Joint Account; however, if the interest of a Working Interest Owner is subject to a separately assessed overriding royalty interest, production payment, or other interest in excess of one-eighth (1/8) royalty, such Working Interest Owner shall notify Unit Operator of such interest prior to the rendition date and shall be given credit for the reduction in taxes paid resulting therefrom. Any Working Interest Owner dissatisfied with any assessment of its interest in real or personal property shall have the right, at its own expense, and after due notice to Unit Operator, to protest and resist any such assessment. If the ad valorem taxes are based in whole or in part upon separate valuation of each party's Working Interest, then notwithstanding anything to the contrary herein, charges to the joint account shall be made and paid by the parties hereto in accordance with the percentage of tax value generated by each party's Working Interest.

8.2 Other Taxes. Each Working Interest Owner shall pay or cause to be paid all production, severance, gathering, and other taxes and assessments imposed upon or in respect of the production or handling of its share of Unitized Substances.

## ARTICLE 9

### INSURANCE

9.1 Insurance. Unit Operator, with respect to Unit Operations and at Unit Expense, shall do the following:

9.1.1 Comply with the Workman's Compensation Act of the State of New Mexico.

9.1.2 Carry Employer's Liability and other insurance as required by the laws of the State of New Mexico.

9.1.3 Provide insurance as set forth in Exhibit "E".

## ARTICLE 10

### ADJUSTMENT OF INVESTMENTS

10.1 Personal Property Taken Over. Upon the effective date hereof, Working Interest Owners shall deliver to Unit Operator the following:

10.1.1 Wells. All wells completed in the Unitized Formation.

10.1.2 Well and Lease Equipment. The casing and tubing in each such well, all subsurface equipment therein including sucker rods and pumps, the wellhead connections thereon, and all other well and lease equipment that is used in the operation of such wells which Unit Operator determines is necessary or desirable for conducting Unit Operations. Unit Operator shall have up to six (6) months after the effective date in which to make such determination, and all such property that is determined to be surplus shall be returned in the same condition less usual depreciation to each Tract Operator who was responsible for delivery of same to Unit Operator. There shall be no charge to the Unit for the use of any such surplus property during this six (6) month period. The individual Operators shall have ninety



(90) days from the date of notification in which to remove the surplus property returned to them. Surplus property shall then be disposed of by each Tract Operator in accordance with the respective Joint Operating Agreement which governs each Tract. If the surplus property has not been removed from the Unit Area within the ninety (90) day period, then Unit Operator shall have the right to dispose of the property in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Any proceeds received upon disposition in excess of removal or cleanup costs will be credited to the Working Interest Owners in the specific Tract. Any costs in excess of the proceeds credited to the Working Interest Owners will be charged to the Working Interest Owners in the specific Tract.

10.1.3 Records. A copy of all production and well records that pertain to such wells.

10.2 Inventory and Evaluation of Personal Property. The Working Interest Owners shall appoint an inventory committee which shall, as of the Effective Date or as soon thereafter as feasible, cause to be taken under the supervision of the Unit Operator at Unit Expense, joint physical inventories of lease and well equipment within the Unit Area, which inventories shall be used as a basis for determining the controllable items of equipment to be taken over by the Unit Operator hereunder. In the absence of an inventory committee, Unit Operator shall engage at Unit Expense a qualified independent firm to serve in place of an inventory committee. Such inventories shall include and be limited to those items of equipment normally considered controllable by operators of oil and gas properties except that certain items of equipment normally considered noncontrollable, such as sucker rods, subsurface pumps and other items as

determined by the Working Interest Owners may be included in the inventories in order to insure a more equitable adjustment of investment. All other noncontrollable items of lease and well equipment installed within the Unit Area, although excluded from the inventories, which the Unit Operator decides are necessary and usable in Unit Operations, shall nevertheless be taken over by the Unit Operator. After the determination by Unit Operator as to surplus property, such inventories covering equipment taken over by the Unit Operator under Article 10.1.2 and retained for Unit Operations, shall be priced in accordance with the provision of Exhibit "D", Accounting Procedure. Casing shall be included in the inventory for record purposes but shall be excluded from pricing and investment adjustment. After completion of the inventory and evaluation of property Unit Operator shall submit to each Working Interest Owner a copy of the inventory and valuations thereon together with a letter ballot for approval of such inventory and valuations.

10.3 Investment Adjustment. As soon as practicable after approval by Working Interest Owners of the inventory and evaluation, each Working Interest Owner shall be credited with the value, as determined in accordance with Article 10.2 above, of its interest in all personal property taken over by Unit Operator under Article 10.1.2, and charged with an amount equal to that obtained by multiplying the total value of all such personal property taken over by Unit Operator under Article 10.1.2 by such Working Interest Owner's Unit Participation, as shown on Exhibit "C". If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be paid and in all other respects be treated as any other item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the

amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above.

10.4 General Facilities. The acquisition of general facilities which service more than one lease and which are necessary for Unit Operations shall be by negotiation between the owners thereof and Unit Operator, subject to the approval of Working Interest Owners. There shall be no adjustment for lease roads or appurtenances thereto. General facilities which are owned one-hundred percent (100%) by the Unit Operator shall be acquired by negotiation between the Unit Operator and the Working Interest Owners.

10.5 Exchange of Interest in and Ownership of Personal Property and Facilities. Each Working Interest Owner hereby exchanges, and agrees to exchange, its interest in all of the personal property and facilities described in Article 10.1.2 above for its proportionate interest, as shown on Exhibit C, from and after the time the same may hereafter become effective, in all such personal property and facilities described in Article 10.1.2. Each Working Interest Owner, individually, shall by virtue hereof own an undivided interest in all personal property and facilities taken over or otherwise acquired by Unit Operator pursuant to this agreement equal to its Unit Participation.

## ARTICLE 11

### DEVELOPMENT AND OPERATING COSTS

11.1 Basis of Charge to Working Interest Owners. Unit Operator initially shall pay and discharge all Unit Expense including all preunitization expenses required for organization and/or formation of the unit. Each Working Interest Owner shall reimburse Unit Operator for its share of Unit Expense in proportion to the respective Unit Participation of the parties hereto. All charges,

credits, and accounting for Unit Expense shall be in accordance with Exhibit "D", Accounting Procedure.

11.2 Budgets. Before or as soon as practical after the Effective Date hereof, Unit Operator shall prepare a budget of estimated Unit Expense for the remainder of the calendar year, and, on or before, the first day of each September thereafter, shall prepare such a budget for the ensuing calendar year. A budget shall set forth the estimated Unit Expense by quarterly periods. Budgets shall be estimates only, and shall be adjusted or corrected whenever an adjustment or correction is proper. A copy of each budget and adjusted budget shall promptly be furnished to each Working Interest Owner.

11.3 Advance Billings. Unit Operator shall have the right without prejudice to any other rights or remedies, at its option, to require Working Interest Owners to advance their respective proportions of Unit Expense by submitting to Working Interest Owners, on or before the 15th day of any month, an itemized estimate of Unit Expense for the succeeding month with a request for payment in advance. If such advance is requested as to operating costs and expenses, the Working Interest Owner's proportionate shares thereof shall be deemed to be the same as for the preceding month, with an adjustment to be made on the basis of their actual proportionate shares thereof as determined at the end of the period for which such advance was requested. Within fifteen (15) days of receipt of said itemized estimate, each Working Interest Owner shall pay to Unit Operator its proportionate part of such estimate. Adjustment between estimates and the actual costs shall be made by Unit Operator at the close of each calendar month, and the accounts of the Working Interest Owners shall be adjusted accordingly.

11.4 Commingling of Funds. No funds received by Unit Operator under this agreement need be segregated or maintained by it as separate funds, but may be commingled with its own funds.

11.5 Lien of Unit Operator. Each Working Interest Owner grants to Unit Operator a lien upon its Oil and Gas Rights in each Tract, and a security interest in its share of Unitized Substances when produced, and its interest in all Unit Equipment, as security for payment of its share of Unit Expense to the full extent allowed by State and Federal Statutes, together with interest thereon at the prime rate charged by Chase Manhattan Bank during the period that such payment remains due, plus one percent (1%) per annum, or the maximum contract rate permitted by the applicable usury laws of the State of New Mexico, whichever is the lesser, plus attorney's fees, court costs and other costs in connection with the collection of unpaid amounts. To the extent that Unit Operator has a security interest under the Uniform Commercial Code, Unit Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Unit Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, Unit Operator shall have the right without prejudice to other rights and remedies, to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed by such Working Interest Owner, plus interest as aforesaid, has been paid. Each purchaser shall be entitled to rely upon Unit Operator's written statement concerning the amount of any default. Unit Operator grants a like lien and security interest to the Working Interest Owners.

11.6 Unpaid Unit Expense. If any Working Interest Owner fails to pay its share of Unit Expense within sixty (60) days after rendition of a statement therefor by Unit Operator, the non-defaulting Interest Owners, shall, upon request by Unit Operator, pay their proportionate part of the unpaid share of Unit Expense of the defaulting Working Interest Owner. The non-defaulting Working Interest Owners that pay their share of Unit Expense of a defaulting Working Interest Owner shall be reimbursed by the Unit Operator for the amount so paid, plus any interest collected thereon, upon receipt by Unit Operator of any past due amount collected from the defaulting Working Interest Owner. Any non-defaulting Working Interest Owner so paying a defaulting Working Interest Owner's share of Unit Expense shall be subrogated to the lien and rights herein granted Unit Operator. A defaulting Working Interest Owner shall lose its voting interest (as defined in Section 4.3.1) during its period of default. Its voting rights shall be shared proportionately and exercised by each of the non-defaulting Working Interest Owner paying their share of the defaulting Working Interest Owner's share of Unit Expense.

11.7 Carved-out Interest. If any working Interest Owner shall, after executing this Agreement, create an overriding royalty, production payment, net profits, or carried interest, or any other interest out of its Working Interest then subject to this Agreement, such carved-out interest shall be subject to the terms and provisions of this Agreement, specifically including, but without limitation, Article 11.5 hereof. If the Working Interest Owner creating such carved-out interest (i) fails to pay any Unit Expense chargeable to such Working Interest Owner under this Agreement and the production of Unitized Substances accruing to the credit of such Working Interest Owner is insufficient for that purpose, or (ii) withdraws from this Agreement under the terms and provisions of

Article 17 hereof, the carved-out interest shall be chargeable with a pro-rata portion of all Unit Expense incurred hereunder and Unit Operator shall have the right to enforce against such carved-out interest the lien and all other rights granted in said Article 11.5 for the purpose of collecting the Unit Expense chargeable to said carved-out interest.

11.8 Rentals and Minimum Royalties. The Working Interest Owner in each Tract shall, at its own expense, pay any and all rentals required to continue its lease in force, and any and all minimum royalties payable thereunder. Upon request of Unit Operator, each such Working Interest Owner shall furnish Unit Operator satisfactory evidence as to the payment of such rentals not less than thirty (30) days prior to the rental payment date and as to the payment of such minimum royalty payments when same are due. Unit Operator shall have the right, but shall be under no obligation, to pay any and all such rentals and minimum royalties on behalf of each Working Interest Owner, and any and all amounts so paid by Unit Operator shall be charged solely to the account of such Working Interest Owner. In the event the Working Interest Owner in any Tract fails to pay any rental required to continue its lease in force as to such Tract or any minimum royalties payable under such lease and as a result said lease terminates or is cancelled as to such Tract, the termination or cancellation of said lease as to such Tract shall be considered for all purposes of this agreement and the Unit Agreement to be a failure of title to said lease for reasons other than Unit Operations.

## ARTICLE 12

### OPERATION OF NON-UNITIZED FORMATIONS

12.1 Right to Operate in Non-Unitized Formations. Any Working Interest Owner that now has, or hereafter acquires the right to drill for and produce oil,

gas or other minerals, from a formation underlying the Unit Area other than the Unitized Formation, shall have the right to do so notwithstanding this Agreement or the Unit Agreement. In exercising said right, however, such Working Interest Owner shall exercise every reasonable precaution to prevent unreasonable interference with Unit Operations hereunder. No Working Interest Owner (other than Unit Operator) shall produce Unitized Substances through any well drilled or operated by it. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected during drilling operations in a manner satisfactory to Unit Operator, and following drilling operations, the Unitized Formation shall be protected by cement or by casing and cement and shall otherwise be protected in such a manner that the Unitized Formation and the production of Unitized Substances will not be adversely affected.

12.2 Multiple Completions. No well now or hereafter completed in Unitized Formation shall ever be completed as a multiple completion in any other formation or formations unless such multiple completion and the subsequent handling of the multiple completion is approved by Working Interest Owners in accordance with Article 4.3 of this Agreement.

## ARTICLE 13

### TITLES

13.1 Warranty and Indemnity. Each Working Interest Owner represents and warrants that it is the owner of the respective working interests set forth opposite its name in Exhibit "B" of the Unit Agreement and hereby agrees to indemnify and hold harmless the other Working Interest Owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising out of Unit Operations; provided that, such indemnity



shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed to the Interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this Agreement is concerned, as of 7:00 a.m. the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense, or retroactive allocation of Unitized Substances or the proceeds therefrom, as a result of title failure.

13.2 Failure of Title Because of Unit Operations. The failure of title to any Working Interest in any Tract because of Unit Operations, including nonproduction from such Tract, shall not change the Unit Participation of the Working Interest Owner whose title failed in relation to the Unit Participations of the other Working Interest Owners at the time of the title failure.

#### ARTICLE 14

##### LIABILITY, CLAIMS AND SUITS

14.1 Individual Liability. The duties, obligations and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, association or trust among Working Interest Owners.

14.2 Settlements. Unit Operator may settle any single damage claim or suit involving Unit Operations if the expenditure does not exceed Twenty-five Thousand Dollars (\$25,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above specified amount, Unit Operator shall notify Working Interest Owners and shall continue handling the claim or suit unless such authority is expressly denied by Working Interest Owners after notification. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense.

If a claim is made against any Working Interest Owner or if any Working Interest Owner is sued on account of any matter arising from Unit Operations over which such Working Interest Owner individually has no control because of the rights given Working Interest Owners and Unit Operator by this Agreement and the Unit Agreement, the Working Interest Owner shall immediately notify the Unit Operator, and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

## ARTICLE 15

### INTERNAL REVENUE PROVISION

15.1 Internal Revenue Provision. Notwithstanding any provisions herein that the rights and liabilities of the parties hereunder are several and not joint or collective or that this Agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes this Agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all of the the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, as permitted and authorized by Section 761 of said Code and the regulations promulgated thereunder. Unit Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United States or by the Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements and the data required by the Internal Revenue Service or as may be necessary to evidence this election. Should there be any requirement that each Party hereto give further evidence of this election, each such Party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary

to evidence this election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the State in which the property covered by this Agreement is located, or any future income tax laws of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1986, under which an election similar to that provided by Section 761 of said Subchapter K is permitted, each of the parties hereto hereby makes such election or agrees to make such election as may be permitted or required by such laws. In making this election, each of the parties hereto hereby states that the income derived by it from the operations under this Agreement can be adequately determined without the computation of partnership taxable income.

#### ARTICLE 16

##### NOTICES

16.1 Notices. All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by certified mail ("return receipt requested") or telegram or telefax to the address of the representative of each Working Interest Owner as furnished to Unit Operator in accordance with Article 4.

#### ARTICLE 17

##### WITHDRAWAL OF WORKING INTEREST OWNER

17.1 Withdrawal. A Working Interest Owner may withdraw from this Agreement by transferring, without warranty of title, either express or implied, to the other Working Interest Owners, ("transferees"), all its Oil and Gas Rights, exclusive of Royalty Interests, together with its interest in all Unit Equipment and in all wells used in Unit Operations. The instrument of transfer shall be

delivered to Unit Operator for the transferees. Such transfer shall not relieve the Working Interest Owner from any obligation or liability incurred prior to the date of the delivery of the instrument of transfer. The tender must be accepted unless Working Interest Owners decide within ninety (90) days of tender to terminate the Unit. The interest transferred shall be owned by the transferees in proportion to their respective Unit Participations then in effect. The transferees, in proportion to the respective interest so acquired, shall pay transferor for its interest in Unit Equipment the net salvage value thereof less its share of the estimated cost of salvaging same and of plugging and abandoning all wells then being used or held for Unit Operations and of restoring the surface of the Unit Area upon Unit abandonment, as determined by Working Interest Owners. In the event such withdrawing party's interest in the aforesaid salvage value is less than the withdrawing party's share of the estimated costs, the withdrawing party, as a condition precedent to its withdrawal, shall pay the Unit Operator, for the benefit of Working Interest Owners succeeding to its interest, a sum equal to the deficiency.

Within sixty (60) days after receiving delivery of the transfer, Unit Operator shall render a final statement to the withdrawing owner for its share of Unit Expense, including any deficiency in salvage value, as determined by Working Interest Owners, incurred as of the first day of the month following the date of receipt of the transfer. Provided all Unit Expense, including any deficiency hereunder, due from the withdrawing owner has been paid in full within thirty (30) days after the rendering of such final statement by Unit Operator, the transfer shall be effective the first day of the month following its receipt by Unit Operator and, as of such effective date, the withdrawing Working Interest Owner shall be relieved from all further obligations and liabilities hereunder

and under the Unit Agreement, and the rights of the withdrawing Working Interest Owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred.

17.2 Limitation on Withdrawal. Notwithstanding anything set forth in Article 17.1, Working Interest Owners may refuse to permit the withdrawal of a Working Interest Owner if its Working Interest is burdened by any royalties, overriding royalties, production payments, net proceeds interest, carried interest, or any other interest created out of the Working Interest in excess of one-eighth (1/8) lessor's royalty, unless the other Working Interest Owners willing to accept the assignment agree to accept the Working Interest subject to such burdens.

## ARTICLE 18

### ABANDONMENT OF WELLS

18.1 Rights of Former Owners. If Working Interest Owners decide to abandon permanently any well completed in the Unitized Formation within the Unit Area prior to termination of the Unit Agreement, Unit Operator shall give written notice thereof to the Working Interest Owners of the Tract on which the well is located, and they shall have the option for a period of ninety (90) days after the sending of such notice to notify Unit Operator in writing of their election to take over and own the well and to deepen or plug back the well to a formation other than the Unitized Formation. Such deepening or plugging back operations shall be governed by the applicable operating agreement(s) affecting such Tract. Within ten (10) days after the Working Interest Owners of the Tract have notified Unit Operator of their election to take over the well, they shall pay Unit Operator, for credit to the Joint Account, the amount estimated by Working Interest Owners to be the salvage value of the equipment in and on the well,

except casing and other equipment originally contributed at no cost less salvage costs. The Working Interest Owners of the Tract, by taking over the well, agree to seal off effectively and protect the Unitized Formation, in a manner satisfactory to Working Interest Owners, and upon abandonment to plug the well in compliance with applicable laws and regulations.

18.2 Plugging. If the Working Interest Owners of a Tract do not elect to take over a well located thereon that is proposed for abandonment, Unit Operator shall plug and abandon the well at Unit expense in compliance with applicable laws and regulations.

## ARTICLE 19

### EFFECTIVE DATE AND TERM

19.1 Effective Date. This agreement shall be binding on each party who executes or ratifies the same as of the date of execution or ratification by such party, but shall not become effective for the purpose of conducting Unit Operations hereunder until the effective date of the Unit Agreement.

19.2 Term. This Agreement shall continue in full force and effect so long as the Unit Agreement remains in force and effect, and thereafter until (a) all Unit Wells have been abandoned and plugged or turned over to the Working Interest Owners in accordance with Article 18, (b) all Unit Equipment and real property acquired for the Joint Account have been disposed of by the Unit Operator in accordance with the instructions of the Working Interest Owners, and (c) there has been a final accounting.

## ARTICLE 20

### ABANDONMENT OF OPERATIONS

20.1 Termination. Upon termination of the Unit Agreement, the following will occur:

20.1.1 Oil and Gas Rights. The Oil and Gas Rights in and to each separate Tract shall no longer be affected by this Agreement, and thereafter the parties shall be governed by the terms and provisions of the leases, contracts, and other instruments affecting the separate Tracts.

20.1.2 Right to Operate. Working Interest Owners of any Tract that desire to take over and continue to operate wells located thereon may do so by paying Unit Operator, for credit to the Joint Account, the net salvage value of the casing and equipment in and on the wells taken over, except the casing therein if contributed by such Working Interest Owners under Article 10.1.1 less salvage costs as estimated by Working Interest Owners, and by agreeing upon abandonment to plug each well in compliance with applicable laws and regulations.

20.1.3 Salvaging Wells. Unit Operator shall salvage as much of the casing and equipment in or on wells not taken over by Working Interest Owners of separate Tracts as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned in compliance with applicable laws and regulations.

20.1.4 Cost of Salvaging & Distribution of Assets. Working Interest Owners shall share the cost of salvaging and abandonment, as well as distribution of assets and properties used in Unit Operation, in proportion to their respective Unit Participations.

## ARTICLE 21

### EXECUTION

21.1 Execution by Separate Counterparts or Ratifications. This Agreement may be executed in any number of counterparts, and each executed counterpart shall have the same force and effect as an original instrument and as if all parties to the aggregate counterparts had signed the same instrument, or may be ratified by a separate instrument in writing referring to this Agreement, each such ratification having the force and effect of an executed counterpart hereof and in effect incorporating by reference all of the provisions hereof.

## ARTICLE 22

### SUCCESSORS AND ASSIGNS

22.1 Successors and Assigns. This Agreement shall constitute a covenant running with the lands and leases covered hereby, and shall be binding upon and inure to the benefit of the heirs, devisees, legal representatives, successors and assigns of the parties hereto, respectively. Each assignment or other transfer of Working Interest by any party hereof shall be made expressly subject to this Agreement and shall provide expressly that the transferee shall assume and be bound by all obligations accruing hereunder in respect to the Working Interest transferred from and after the assignment or other transfer.

22.2 Notice of Transfer. An assignment or other transfer of Working Interest that is subject to this Agreement shall not be binding upon Unit Operator and shall not relieve the transferor of obligations accruing hereunder, until the first day of the calendar month next succeeding receipt by Unit Operator of written notice of such assignment or transfer accompanied by certified copy of the recorded instrument evidencing the transfer.



ARTICLE 23

GOVERNMENTAL REGULATIONS

23.1 Governmental Regulations. Working Interest Owners agree to release Unit Operator from any and all losses, damages, injuries, claims and causes of action arising out of, incident to, or resulting directly or indirectly from Unit Operator's interpretation or application of rules, regulations, or orders of any governmental agency or predecessor agencies to the extent Unit Operator's interpretation or application of such rules, rulings, regulations, or orders were made in good faith. Working Interest Owners further agree to reimburse Unit Operator for their proportionate share of any amounts Unit Operator may be required to refund, rebate or pay as a result of an incorrect interpretation or application of the above noted rules, rulings, regulations, or orders, together with their proportionate part of interest and penalties owed by Unit Operator as a result of such incorrect interpretation or application of such rules, ruling, regulations or orders.


23.2 Equal Employment Opportunity. Unless this Agreement is within one of the exemptions provided for in Executive Order 11246, effective September 24, 1965, as amended by Executive Order 11375 signed October 13, 1967, each of the parties hereto shall comply with paragraphs (1) through (7) of Section 202 of Executive Order 11246 (as amended) which are incorporated herein by reference.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the dates opposite their respective signatures.

MARATHON OIL COMPANY

Date of Execution:

10/21/91

By:   
A. R. Kukla  
Attorney-in-Fact

Date of Execution:

\_\_\_\_\_

Pennzoil Exploration & Producing  
Company

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Wainoco Oil & Gas Company

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Francis H. Hudson

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Delmar H. Lewis

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Edward R. Hudson, Jr., & William  
A. Hudson, II, Trustees U/W  
Edward R. Hudson

By: \_\_\_\_\_  
Edward R. Hudson, Jr.

\_\_\_\_\_  
William A. Hudson, II

Date of Execution:

\_\_\_\_\_

Moore & Shelton Co., Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

James H. Yates, Inc.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Colkelan Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Explorers Petroleum Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Exby, Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Heyco Employees Ltd.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Spiral, Inc.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Yates Energy Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Heyco Development Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

ARCO Oil & Gas Co.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Laurelind Corporation

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Tom Stephens

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Rogers Aston

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Bearing Services

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Manzano Oil Corp.

By: \_\_\_\_\_

Date of Execution:

\_\_\_\_\_

James Guy

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Loy Fletcher

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

J. T. Jackson

\_\_\_\_\_

Date of Execution:

\_\_\_\_\_

Kerr-McGee Corp.

By: \_\_\_\_\_

State of Texas           §  
                              § ss.  
County of Midland       §

The "Unit Operating Agreement, Tamano (BSSC) Unit, Eddy County, New Mexico"

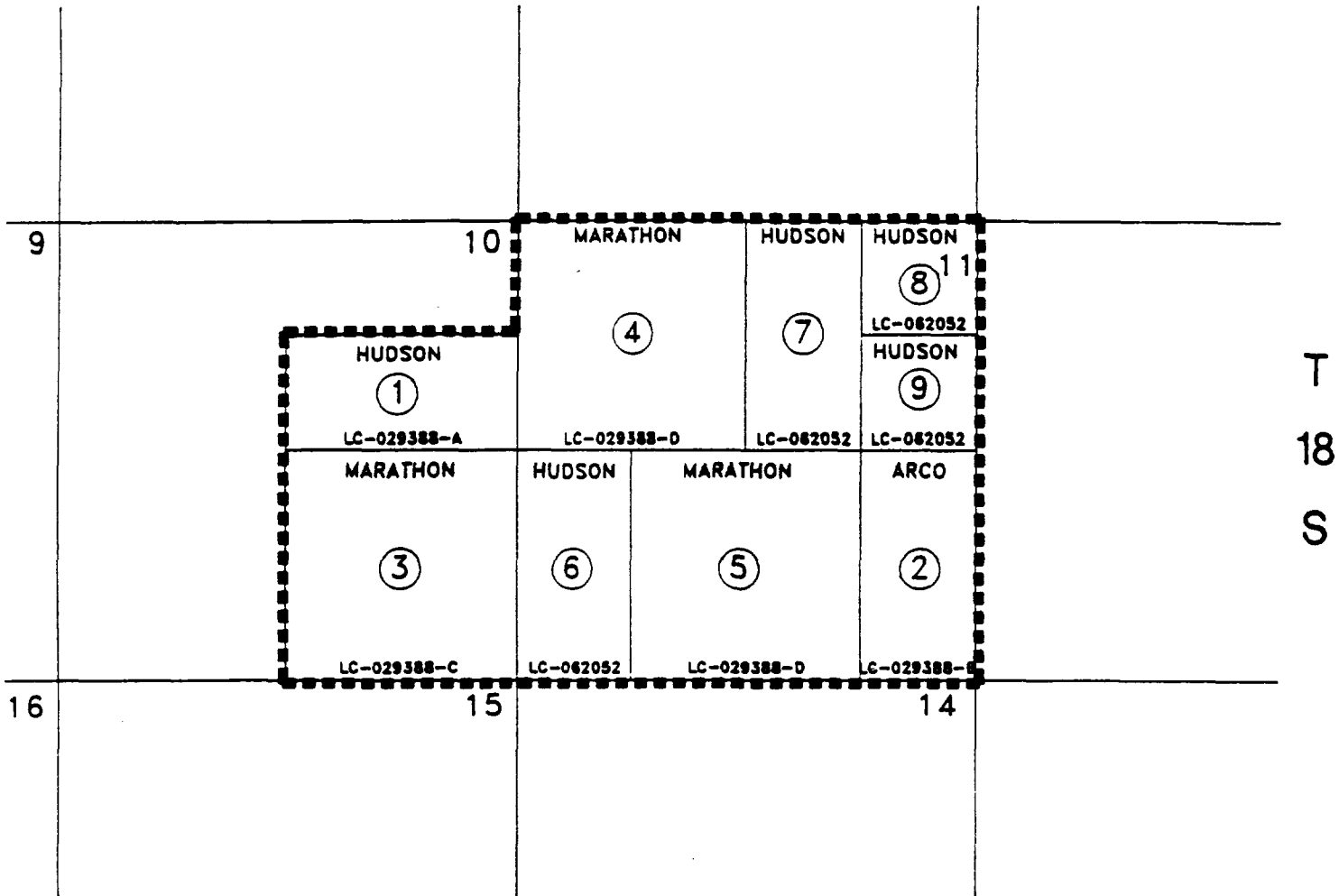
was acknowledge before me by A. R. Kukla, Attorney-in-Fact for Marathon Oil  
Company, this 21<sup>st</sup> day of June 1991.

Witness my hand and official seal.

*Mike A. Hirtel*  
Notary Public

My commission expires: 4-27-93

R - 31 - E



LEGEND

■■■■■■■■ UNIT BOUNDARY

① TRACT NUMBER

EXHIBIT "A"  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

UNIT AREA - 880.00 ACRES  
(ALL FEDERAL LANDS)

SCALE: 1" = 2000'

EXHIBIT 'B'

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMMO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
1	S/2NE/4 Section 10 T-18-S, R-31-E	80	LC-029388-A 12-15-39	USA 12.5	Francis M. Hudson Belmar M. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/M Edward R. Hudson	John V. Higgins First Interstate Bank of Roswell, Trustee U/M Geraldine O. Johnson S. P. Johnson, III & Patricia J. Cooper Trustee U/M of S. P. Johnson, Jr. Lodwick Energy, Inc. Richard B. Lodwick Laura Patricia Lodwick John Widney Lodwick Laura B. Lodwick Spindletop Exploration Co. Mary Elizabeth Balch Katherine Mary Scott Betty Balch Strohmeyer Margaret Balch Masters Ralph A. Shugart, Jr. San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Margaret Jane Johnson MCHB TX. Nat'l Bank & C. R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 Braille Institute of America Karen Elizabeth Charles	Marathon Oil Company 25.000000 Petrozoi Exploration & Production Company 29.208760 Mainaco Oil & Gas Co. 20.791240 Francis M. Hudson 5.312500 Belmar M. Lewis 5.312500 Edward R. Hudson, Jr., & William A. Hudson, II, Trustees U/M Edward R. Hudson 10.625000 Moore & Shelton Co., Ltd. 3.750000	1.74951
Stetco 10 Fed #2								



Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
2 A. J. 11 fed.	E/2SE/4 Section 11 T-18-S, R-31-E	80	LC-029308-B 12-15-39	USA (sliding scale)	ARCO Oil & Gas Co.	Evelyn Jackson Edwards Floyd Gentry Karen Gentry Schurig Janice Gentry Middlebrooks Mary C. Fulton Charles Kyle Clark	James H. Yates, Inc. Colketan Corp. Explorers Pet. Corp. Esby, Ltd. Keyco Employees Ltd. Spiral, Inc. Yates Energy Corp. Keyco Dev. Corp. ARCO Oil & Gas Co.	2.68945 .035000 .035000 2.469375 1.250000 1.285000 3.719375 15.785486 25.420766 50.000000

EXHIBIT 'B'

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
3 etco 10 -d. #1 & 3	SE/4 Section 10 T-18-S, R-31-E	160	LC-029388-C 12-28-39	USA 12.5	Marathon Oil Company	John W. Wiggins Patricia J. Cooper, Trustee of the PJC Revocable Trust U/A dated 12/30/89 S. P. Johnson, III, and Barbara Jo Johnson, Trustee of the S. P. Johnson, III and Barbara Jo Johnson Trust U/A dated 1/26/85 S. P. Johnson, III, and Patricia J. Cooper, Trustees U/M S. P. Johnson Jr. Lodewick Energy, Inc. Richard B. Lodewick Laura Patricia Lodewick John Widney Lodewick Laura B. Lodewick Spindletop Exploration Co. Mary Elizabeth Balish Katherine Mary Scott Betty Balish Strohmyer Margaret Balish Masters San Diego Trust & Savings Bank Trustee U/A dated 5/26/83 for Ralph A. Shugart Margaret Jane Johnston MCHB Tr. Nat'l Bank & C.R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 Braille Institute of America Karen Elizabeth Charles	Marathon Oil Company Pennzoil Exploration & Production Co. Weinoco Oil & Gas Co. Francis H. Hudson Delmar H. Lewis Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U/M Edward R. Hudson Moore & Shelton Co. Ltd.	25.000000 29.208760 20.791240 5.312500 5.312500 10.625000 30.91342

EXHIBIT 'B'

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMMO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
4 Johnson B. Fed. Acct. #1	NW/4 Section 11 T-18-S, R-31-E	160	LC-029388-D 12-28-39	USA 12.5	Marathon Oil Company	None	Marathon Oil Company 100.0	22.49964

**EXHIBIT 'B'**  
**SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF**  
**OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA**  
**FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT**  
**EDDY COUNTY, NEW MEXICO**

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
5	E/2SW/4, W/2SE/4 Section 11 T-10-S, R-31-E	160	LC-029388-0 12-28-39	USA 12.5	Marathon Oil Company	None	Marathon Oil Company 66.666667 Francis H. Hudson 7.083334 Delmer H. Lewis 7.083333 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U.M. Edward R. Hudson 14.166667 Moore & Shelton Co. Ltd. 4.999999	23.05599

[illegible]

EXHIBIT 'B'

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMMO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
7 Hudson 11 Fed. 83 & 4	W/2NE/4 Section 11 T-18-S, R-31-E	80	LC-062052 12-15-39 Exchange 12-1-39	USA 12.5	Francis H. Hudson Delmer H. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustees U/M Edward R. Hudson	Margaret Balsh Masters Betty Balsh Strohmyer Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balsh Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Francis H. Hudson Delmer H. Lewis Edward R. Hudson, Jr. & William A. Hudson, III, Trustees U/M Edward R. Hudson, Deceased Moore & Shelton Co., Ltd. Sally Meader-Roberts O. E. Groves	Explorers Petroleum Corp. Exby, Ltd. Laurelind Corporation Keyco Employees Ltd. Spiral, Inc. James H. Yates, Inc. Colleen Corporation Kerr-McGee Corp. Yates Energy Corp. Tom Stephens Rogers Aston Bearing Services Manzano Oil Corp. Keyco Development Corp. James Guy Loy Fletcher J. T. Jackson	4.188750 1.250000 2.000000 2.570000 5.038750 .070000 20.000000 17.820969 2.500000 2.500000 2.625000 1.750000 33.241531 1.750000 .875000 1.750000

EXHIBIT 'B'  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation of Tract in Unit
8 Hudson 11 Fed. #5	NE/4NE/4 Section 11 T-18-S, R-31-E	40	LC-062052 12-15-39 Exchange 12-1-59	USA 12.5	Francis M. Hudson Delmar M. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustees U/M Edward R. Hudson	Margaret Balish Masters Betty Balish Strohmeier Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balish Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Francis M. Hudson Delmar M. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustees U/M Edward R. Hudson Moore & Shelton Co., Ltd. Sally Header-Roberts O. E. Groves Explorers Petroleum Corp. Exby, Ltd. Meyco Employees, Ltd. Spiral, Inc. Yates Energy Corp. Meyco Development Corp. W. T. Wynn	James M. Yates, Inc. Colkelan Corp. Explorers Pet. Corp. Exby, Ltd. Meyco Employees Ltd. Spiral, Inc. Yates Energy Corp. Meyco Dev. Corp. ARCO Oil & Gas Co.	.035000 .035000 2.469375 1.250000 1.285000 3.719375 15.785484 25.420766 50.000000

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Participation of Tract in Unit
9	SE/4NE/4 Section 11	40	LC-062052	USA (sliding scale)	Francis H. Hudson	Margaret Balish Masters	James H. Yates, Inc.	.035000
Hudson 11	1-18-S, R-31-E		12-15-39		Delmar M. Lewis	Betty Balish Strahmeyer	Colkelan Corp.	.035000
Fed. #2			Exchange		Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/M Edward R. Hudson	Karen Elizabeth Charles	Explorers Pet. Corp.	2.469375
			12-1-59			Katherine Mary Scott	Exby, Ltd.	1.250000
						Mary Elizabeth Balish	Wayco Employees Ltd.	1.285000
						Margaret Jane Johnson	Spiral, Inc.	3.719375
						San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart	Yates Energy Corp.	15.785484
						Francis H. Hudson	Wayco Dev. Corp.	25.420766
						Delmar M. Lewis	ARCO Oil & Gas Co.	50.000000
						Edward R. Hudson, Jr. & William A. Hudson, III, Trustees U/M Edward R. Hudson, Deceased		
						Moore & Shelton Co., Ltd.		
						Sally Meader-Roberts		
						O. E. Groves		
						Explorers Petroleum Corp.		
						Exby, Ltd.		
						Wayco Employees, Ltd.		
						Spiral, Inc.		
						Yates Energy Corp.		
						Wayco Development Corp.		
						M. T. Wynn		



EXHIBIT "C"  
WORKING INTEREST OWNER SUMMARY - TAMANO (BCCS) UNIT  
EDDY COUNTY, NEW MEXICO

<u>Working Interest Owner</u>	<u>Tract</u>	<u>Unit Participation</u>
ARCO Oil & Gas Company	2	1.344725
	8	.724570
	9	<u>.541175</u>
	Total	2.610470
Rogers Aston	7	.100802
Bearing Services		.105843
Colkelan Corp.	2	.000941
	7	.002822
	8	.000507
	9	<u>.000379</u>
	Total	.004649
Exby, Ltd.	2	.033618
	7	.050402
	8	.018115
	9	<u>.013529</u>
	Total	.115664
Explorers Pet. Corp.	2	.066413
	7	.168895
	8	.035785
	9	<u>.026727</u>
	Total	.297820
Loy Fletcher	7	.035281
James Guy	7	.070562
HEYCO Development Corp.	2	.683679
	7	1.340332
	8	.368382
	9	<u>.275142</u>
	Total	2.667535
HEYCO Employees Ltd.	2	.034559
	7	.103625
	8	.018621
	9	<u>.013908</u>
	Total	.170713

EXHIBIT "C"  
 WORKING INTEREST OWNER SUMMARY - TAMANO (BCCS) UNIT  
 EDDY COUNTY, NEW MEXICO

<u>Working Interest Owner</u>	<u>Tract</u>	<u>Unit Participation</u>
Edward R. Hudson, Jr., &	1	.185885
William A. Hudson, II,	3	3.284572
Trustees U/W Edward R.	5	3.266265
Hudson	6	<u>1.774828</u>
	Total	8.511550
Francis H. Hudson	1	.092943
	3	1.642286
	5	1.633133
	6	<u>.887415</u>
	Total	4.255777
J. T. Jackson	7	.070562
James H. Yates, Inc.	2	.000941
	7	.002822
	8	.000507
	9	<u>.000379</u>
	Total	.004649
Kerr-McGee Corp.	7	.806420
Laurelind Corp.	7	.080642
Delmar H. Lewis	1	.092943
	3	1.642286
	5	1.633133
	6	<u>.887415</u>
	Total	4.255777
Manzano Oil Corp.	7	.070562
Marathon Oil Co.	1	.437377
	3	7.728405
	4	22.499640
	5	15.370660
	6	<u>8.352133</u>
	Total	54.388215
Moore & Shelton Co., Ltd.	1	.065607
	3	1.159261
	5	1.152799
	6	<u>.626409</u>
	Total	3.004076

EXHIBIT "C"  
 WORKING INTEREST OWNER SUMMARY - TAMANO (BCCS) UNIT  
 EDDY COUNTY, NEW MEXICO

<u>Working Interest Owner</u>	<u>Tract</u>	<u>Unit Participation</u>
Pennzoil Exploration & Prodcution Co.	1	.511010
	3	<u>9.029485</u>
	Total	9.540495
Spiral, Inc.	2	.100031
	7	.203167
	8	.053899
	9	<u>.040257</u>
	Total	.397354
Tom Stephens	7	.100802
Wainoco Oil & Gas Co.	1	.363745
	3	<u>6.427325</u>
	Total	6.791070
Yates Energy Corp.	2	.424543
	7	.718559
	8	.228754
	9	<u>.170854</u>
	Total	1.542710

## EXHIBIT

" D "

Attached to and made a part of the Unit Operating Agreement, Tamano (BSSC) Unit, Eddy County,  
New Mexico.

## ACCOUNTING PROCEDURE JOINT OPERATIONS

### I. GENERAL PROVISIONS

#### 1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the Parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies.

#### 2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

#### 3. Advances and Payments by Non-Operators

A. Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation within fifteen (15) days after receipt of the billing or by the first day of the month for which the advance is required, whichever is later. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

B. Each Non-Operator shall pay its proportion of all bills within ~~fifteen (15)~~ <sup>thirty (30)</sup> days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the prime rate in effect at Chase Manhattan Bank-New York on the first day of the month in which delinquency occurs plus 1% or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

#### 4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

## 5. Audits

- A. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator. The audits shall not be conducted more than once each year without prior approval of Operator, except upon the resignation or removal of the Operator, and shall be made at the expense of those Non-Operators approving such audit.
- B. The Operator shall reply in writing to an audit report within 180 days after receipt of such report.

## 6. Approval By Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

## II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

### 1. Ecological and Environmental

Costs incurred for the benefit of the Joint Property as a result of governmental or regulatory requirements to satisfy environmental considerations applicable to the Joint Operations. Such costs may include surveys of an ecological or archaeological nature and pollution control procedures as required by applicable laws and regulations.

### 2. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

### 3. Labor

- A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of First Level Supervisors in the field.
- (3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the overhead rates.
- (4) Salaries and wages of Technical Employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from the overhead rates.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II. Such costs under this Paragraph 3B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 3A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II.
- D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 3A of this Section II.

### 4. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 3A and 3B of this Section II shall be Operator's actual cost not to exceed the percent most recently recommended by the Council of Petroleum Accountants Societies.

### 5. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

### 6. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store where like material is normally available or railway receiving point nearest the Joint Property unless agreed to by the Parties.

- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store where like material is normally available, or railway receiving point nearest the Joint Property unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.
- C. In the application of subparagraphs A and B above, the option to equalize or charge actual trucking cost is available when the actual charge is \$400 or less excluding accessorial charges. The \$400 will be adjusted to the amount most recently recommended by the Council of Petroleum Accountants Societies.

#### 7. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 10 of Section II and Paragraph i, ii, and iii, of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

#### 8. Equipment and Facilities Furnished By Operator

- A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed ten percent (10%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- B. In lieu of charges in paragraph 8A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

#### 9. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

#### 10. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgements and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

#### 11. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties. If the ad valorem taxes are based in whole or in part upon separate valuations of each party's working interest, then notwithstanding anything to the contrary herein, charges to the Joint Account shall be made and paid by the Parties hereto in accordance with the tax value generated by each party's working interest.

#### 12. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Worker's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

#### 13. Abandonment and Reclamation

Costs incurred for abandonment of the Joint Property, including costs required by governmental or other regulatory authority.

#### 14. Communications

Cost of acquiring, leasing, installing, operating, repairing and maintaining communication systems, including radio and microwave facilities directly serving the Joint Property. In the event communication facilities/systems serving the Joint Property are Operator owned, charges to the Joint Account shall be made as provided in Paragraph 8 of this Section II.

#### 15. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III and which is of direct benefit to the Joint Property and is incurred by the Operator in the necessary and proper conduct of the Joint Operations.

### III. OVERHEAD

#### 1. Overhead - Drilling and Producing Operations

- i. As compensation for administrative, supervision, office services and warehousing costs. Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or  
( ) Percentage Basis, Paragraph 1B

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

- ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

( ) shall be covered by the overhead rates, or  
(X) shall not be covered by the overhead rates.

- iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

(X) shall be covered by the overhead rates, ~~or~~ but may be charged if approved under Section 3.2.9 of the Unit Operating Agreement.  
( ) shall not be covered by the overhead rates.

#### A. Overhead - Fixed Rate Basis

- (1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate \$ 5,494.00  
(Prorated for less than a full month)

Producing Well Rate \$ 556.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

##### (a) Drilling Well Rate

- (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.
- (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

##### (b) Producing Well Rates

- (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.
- (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.
- (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.
- (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.
- (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.
- (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

#### B. Overhead - Percentage Basis

- (1) Operator shall charge the Joint Account at the following rates:

(a) Development

Percent (        %) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 10 of Section II and all salvage credits.

(b) Operating

Percent (        %) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 2 and 10 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

(2) Application of Overhead - Percentage Basis shall be as follows:

For the purpose of determining charges on a percentage basis under Paragraph 1B of this Section III, development shall include all costs in connection with drilling, re-drilling, deepening, or any remedial operations on any or all wells involving the use of drilling rig and crew capable of drilling to the producing interval on the Joint Property; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as operating.

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for overhead based on the following rates for any Major Construction project in excess of \$       .

- A.   5   % of first \$100,000 or total cost if less, plus
- B.   3   % of costs in excess of \$100,000 but less than \$1,000,000, plus
- C.   2   % of costs in excess of \$1,000,000.

Total cost shall mean the gross cost of any one project. For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling and workover wells and artificial lift equipment shall be excluded.

3. Catastrophe Overhead

To compensate Operator for overhead costs incurred in the event of expenditures resulting from a single occurrence due to oil spill, blowout, explosion, fire, storm, hurricane, or other catastrophes as agreed to by the Parties, which are necessary to restore the Joint Property to the equivalent condition that existed prior to the event causing the expenditures, Operator shall either negotiate a rate prior to charging the Joint Account or shall charge the Joint Account for overhead based on the following rates:

- A.   5   % of total costs through \$100,000; plus
- B.   3   % of total costs in excess of \$100,000 but less than \$1,000,000; plus
- C.   2   % of total costs in excess of \$1,000,000.

Expenditures subject to the overheads above will not be reduced by insurance recoveries, and no other overhead provisions of this Section III shall apply.

4. Amendment of Rates

The overhead rates provided for in this Section III may be amended from time to time only by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all Material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reasons, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following basis exclusive of cash discounts:



# **A. New Material (Condition A)**

## **(1) Tubular Goods Other than Line Pipe**

- (a) Tubular goods, sized 2½ inches OD and larger, except line pipe, shall be priced at Eastern mill published carload base prices effective as of date of movement plus transportation cost using the 80,000 pound carload weight basis to the railway receiving point nearest the Joint Property for which published rail rates for tubular goods exist. If the 80,000 pound rail rate is not offered, the 70,000 pound or 90,000 pound rail rate may be used. Freight charges for tubing will be calculated from Lorain, Ohio and casing from Youngstown, Ohio.
- (b) For grades which are special to one mill only, prices shall be computed at the mill base of that mill plus transportation cost from that mill to the railway receiving point nearest the Joint Property as provided above in Paragraph 2.A.(1)(a). For transportation cost from points other than Eastern mills, the 30,000 pound Oil Field Haulers Association interstate truck rate shall be used.
- (c) Special end finish tubular goods shall be priced at the lowest published out-of-stock price, f.o.b. Houston, Texas, plus transportation cost, using Oil Field Haulers Association interstate 30,000 pound truck rate, to the railway receiving point nearest the Joint Property.
- (d) Macaroni tubing (size less than 2½ inch OD) shall be priced at the lowest published out-of-stock prices f.o.b. the supplier plus transportation costs, using the Oil Field Haulers Association interstate truck rate per weight of tubing transferred, to the railway receiving point nearest the Joint Property.

## **(2) Line Pipe**

- (a) Line pipe movements (except size 24 inch OD and larger with walls ¼ inch and over) 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
- (b) Line pipe movements (except size 24 inch OD and larger with walls ¼ inch and over) less than 30,000 pounds shall be priced at Eastern mill published carload base prices effective as of date of shipment, plus 20 percent, plus transportation costs based on freight rates as set forth under provisions of tubular goods pricing in Paragraph A.(1)(a) as provided above. Freight charges shall be calculated from Lorain, Ohio.
- (c) Line pipe 24 inch OD and over and ¼ inch wall and larger shall be priced f.o.b. the point of manufacture at current new published prices plus transportation cost to the railway receiving point nearest the Joint Property.
- (d) Line pipe, including fabricated line pipe, drive pipe and conduit not listed on published price lists shall be priced at quoted prices plus freight to the railway receiving point nearest the Joint Property or at prices agreed to by the Parties.
- (3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property.
- (4) Unused new Material, except tubular goods, moved from the Joint Property shall be priced at the current new price, in effect on date of movement, as listed by a reliable supply store nearest the Joint Property, or point of manufacture, plus transportation costs, if applicable, to the railway receiving point nearest the Joint Property. Unused new tubulars will be priced as provided above in Paragraph 2 A (1) and (2).

# **B. Good Used Material (Condition B)**

Material in sound and serviceable condition and suitable for reuse without reconditioning:

## **(1) Material moved to the Joint Property**

At seventy-five percent (75%) of current new price, as determined by Paragraph A.

## **(2) Material used on and moved from the Joint Property**

- (a) At seventy-five percent (75%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as new Material or
- (b) At sixty-five percent (65%) of current new price, as determined by Paragraph A, if Material was originally charged to the Joint Account as used Material.

## **(3) Material not used on and moved from the Joint Property**

At seventy-five percent (75%) of current new price as determined by Paragraph A.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

# **C. Other Used Material**

## **(1) Condition C**

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph A. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.



EXHIBIT "E"

ATTACHED TO AND MADE A PART OF THAT CERTAIN  
UNIT OPERATING AGREEMENT  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

INSURANCE REQUIREMENTS

1. Operator shall carry insurance as follows for the benefit and protection of the Parties to this Agreement:
  - a) Workers' Compensation Insurance in accordance with laws of governmental bodies having jurisdiction and Employers' Liability Insurance. Employers' Liability Insurance shall provide coverage of not less than \$100,000 per accident.
  - b) Operator may include the aforesaid risks under its qualified self-insurance program provided Operator complies with applicable laws, and in such event Operator shall charge to the Joint Account, a premium determined by applying manual insurance rates to the payroll.
2. Operator shall not be obligated or authorized to obtain or carry on behalf of the Joint Account any additional insurance covering the Parties or the operations to be conducted hereunder without the consent and agreement of all Parties. Each Party individually may acquire at its own expense such insurance or may self-insure as it deems proper to protect itself against claims, losses, or damages arising out of the joint operations, and any such insurance policy or self insurance program shall inure solely to the benefit of such Party; provided that such insurance shall include a waiver of subrogation against the other Parties in respect of their interests hereunder. All losses not covered by the insurance carried under 1 above and all damages to jointly owned property shall be borne by the Parties in proportion to their respective interests.
3. Operator shall require all contractors engaged in operations under this Agreement to comply with the applicable Workers' Compensation laws and to maintain such other insurance and in such amounts as Operator deems necessary.

EXHIBIT "F"

ATTACHED TO AND MADE A PART OF THAT CERTAIN  
UNIT OPERATING AGREEMENT  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

GAS BALANCING AGREEMENT

I. OWNERSHIP OF GAS

The parties to the Unit Operating Agreement to which this Gas Balancing Agreement "(Agreement)" is attached own the working interest in the gas rights underlying the Unit Area covered by the Unit Operating Agreement in accordance with the percentages of participation as set forth in Exhibit "C" to the Unit Operating Agreement.

In accordance with the terms of the Unit Agreement for the Tamano (BSSC) Unit, each party shall take in kind its share of gas produced from the Unitized Formation underlying the Unit Area or separately dispose of the same. In the event any party fails to take or market its share of gas or has contracted to sell its share of gas produced from the Unitized Formation underlying the Unit Area to a purchaser which fails to take the full share of gas attributable to the interest of such party, the terms of this Agreement shall automatically become effective.

II. SOURCE OF PRODUCTION

This Agreement shall apply separately to each vintage gas produced from the Unitized Formation underlying the Unit Area and any gas imbalance for any particular vintage gas shall not be used to offset a gas imbalance on any other vintage gas. The term "vintage" as used in this Agreement refers to each separate maximum lawful price category provided for by the Natural Gas Policy Act (NGPA) of 1978, or any amendment thereto, or any subsequent law or regulation which prescribes maximum lawful prices, and the terms of this Agreement shall apply separately to each such pricing category provided by the NGPA. Any gas that is deregulated shall be deemed a separate vintage and all deregulated gas shall constitute one vintage.

III. SALE OF PRODUCTION

During the period or periods when any party hereto fails to market or otherwise take its share of gas produced from the Unitized Formation underlying the Unit Area, the other parties shall have the right and option, but not the obligation to collectively produce each month in addition to their own respective shares of production, that portion of such other party's share which that party fails to market or otherwise take and shall be entitled to take and deliver to their respective purchasers their respective pro rata share of such gas production. All parties hereto shall share in and own the liquid hydrocarbons recovered from such gas by conventional lease separation equipment in accordance with their

respective interests and subject to the Unit Operating Agreement to which this Agreement is attached, but each party taking such gas shall own all of the gas delivered to its purchaser.

#### IV. STORAGE

On a cumulative basis, each party not taking or marketing its full share of the gas produced shall be credited with gas in storage equal to its full share of the gas produced under this agreement, less its share of gas used in Unit operations or vented or lost, and less that portion such party took or delivered to its purchaser.

#### V. STATEMENTS

Each party taking gas shall furnish, or cause to be furnished, to Operator a monthly statement of gas sold for that party's account. Operator will furnish all parties hereto and their purchasers monthly statements showing the total quantity of gas produced, the amount used in Unit operations or vented or lost, the total quantity of gas delivered for sale, the total quantity of liquid hydrocarbons recovered therefrom, and the monthly and cumulative over and under account of each party.

#### VI. VOLUMETRIC BALANCING

To allow for makeup of underproduced gas and to balance the gas account between the parties in accordance with their respective interests, any underproduced party shall, by giving written notice to the Operator fifteen (15) days prior to the beginning of a calendar month, be entitled to take, in addition to its proportional share of gas, an additional fifty percent (50%) of the "offpeak" monthly volume or twenty percent (20%) of the "peak" monthly volume of gas attributable to the working interest of the overproduced party or parties, until it has brought its gas account into balance. During peak months an overproduced party, at its sole option, may make available to underproduced party or parties, gas in excess of such twenty percent (20%). For the purposes of this Agreement, "peak" months are January, February, July, August, November and December; "offpeak" months are March, April, May, June, September and October. The recovery of makeup gas by an underproduced party shall be in the order of accrual in storage (i.e., first-in, first-out basis). In the event that there is more than one underproduced party, each underproduced party's share of makeup gas shall be in the ratio that the underproduction of such underproduced party bears to the total underproduction of all such taking underproduced parties, unless otherwise mutually agreed.

#### VII. PAYMENT OF ROYALTY

Each party hereto shall be solely responsible for settlement with the respective royalty owners to whom it is accountable for royalties, overriding royalties, production payments and similar interest due on the gas so taken or delivered. Each party hereto agrees to hold each other party harmless from any and all claims for royalty payments asserted by royalty owners to whom such party is accountable.

### VIII. REGULATION OF PRODUCTION

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser the full Unit stream for a period not to exceed seventy two (72) hours to meet the deliverability tests required by its purchaser. Operator may also overproduce in any other situation, providing that such overproducing is consistent with prudent operations. Each party hereto shall at all times use its best efforts to regulate its takes and deliveries from the Unit Area, so that no well thereon shall be shut in for overproducing the allowable, if any, assigned thereto by the regulatory authority having jurisdiction.

### IX. PRODUCTION AND SEVERANCE TAXES

Each party shall pay, or cause to be paid, all production, excise, and severance taxes due on all volumes of gas actually utilized or sold for its own account.

### X. CASH SETTLEMENT

A cash settlement of any imbalance of gas production shall be made among the underproduced and overproduced parties whenever gas production from a vintage gas is depleted, or any overproduced party shall sell, assign or otherwise dispose of any portion of its interest (excluding mergers and reorganizations). Within ninety (90) days of the permanent cessation of production or receipt of notice of transfer of interest, Operator shall prepare and furnish to each party a statement of production, which details the allocation of overproduced gas to the underproduced parties on a month by month basis.

Within sixty (60) days after receipt of the Operator's prepared volume statement, each overproduced party pursuant to the conditions established hereinabove, shall be responsible for the valuation of its respective overproduced volumes and shall pay the appropriate underproduced party or parties a cash sum equal to the value of such corresponding cumulative overproduction. If payment is not made within such time, the unpaid balance shall bear interest at a rate not to exceed the lesser of: (a) the prime rate in effect at the Chase Manhattan Bank plus one percent (1%), or (b) the maximum interest rate allowed by law, until paid. The price to be paid for such cash settlement shall be the actual price received for the overproduction by the overproduced party, or parties, less appropriate deductions for taxes and royalties paid on such production by the overproduced party. The price basis shall be the rate collected from time to time, which is not subject to possible refund, as provided by the Federal Energy Regulatory Commission (FERC) pursuant to final order or settlement applicable to the gas sold from such vintage, plus any additional collected amount which is not ultimately required by said Commission to be refunded, such determination is made with respect thereto. In no event shall the overproduced party or parties be required to pay a sum for such makeup gas greater than the maximum lawful price established by FERC or its successor regulatory authority. Gas used off the premises by a party or sold to an affiliate shall be considered gas taken and sold by such party and for the purposes hereof the price to be paid for such adjustment shall be the higher of the price actually received or the weighted

average price received by all other parties for sales to non-affiliates during the period of such overproduction. If from time to time no other parties are making sales to non-affiliates, then the value received shall be deemed to be the greater of the value actually received by the overproduced party or the price upon which the overproduced party remits to its royalty owners.

#### XI. OPERATING COSTS AND LIABILITIES

Nothing herein shall change or affect each party's obligation to pay its proportionate share of all costs and liabilities incurred, as its share thereof is set forth in the Unit Operating Agreement, irrespective of whether all parties are selling or using gas or whether the sales and use of each are in proportion to ownership. Nothing herein shall obligate Operator, or any Non-Operator, to negotiate, consummate or in any way market the production of other parties to this Agreement.

#### XII. EFFECTIVE DATE, SUCCESSORS & ASSIGNS

This Agreement shall become effective in accordance with its terms and shall remain in force and effect as long as the Unit Operating Agreement to which it is attached remains in effect, and thereafter until the gas balance accounts among the parties are settled in full, and shall inure to the benefit of and be binding upon the parties hereto, their heirs, successors, legal representatives and assigns. The parties hereto agree to give notice of the existence of this agreement to any successor in interest and make any transfer of any interest in the Unit or part thereof subject to the terms of this agreement.

#### XIII. INDEMNITY

Each party hereto hereby indemnifies the other parties hereto against all liability for and agrees to defend said other parties against all claims which may be asserted by third parties purchasing gas from the Unit Area who now or hereafter have a contractual relationship with such indemnifying party which arise out of the operation of this Agreement or activities authorized to be conducted by any party under its provisions; and further agrees to save the other parties hereto harmless from all judgments or damages sustained and costs incurred in connection therewith.

EXHIBIT "G"

Attached to and made a part of Unit Operating Agreement, Tamano (BSSC) Unit, Eddy County, New Mexico.

NOTICE OF UNIT OPERATING AGREEMENT - NOTICE OF LIENS  
AND NON-STANDARD FORM FINANCING STATEMENT

This Notice of Unit Operating Agreement - Notice of Liens and Non-Standard Form Financing Statement, ("Notice") is to evidence that the parties hereto executed a Unit Operating Agreement dated \_\_\_\_\_, 1991, ("Operating Agreement") by and between Marathon Oil Company, as Unit Operator and Pennzoil Exploration and Production Company, et al, as Working Interest Owners, both Unit Operator and Working Interest Owners sometimes singly referred to as "party", and collectively as "parties", with COPAS Accounting Procedure attached thereto as Exhibit "D" governing oil and gas exploration and development operations on the following described lands ("Unit Area"):

Township 18 South-Range 31 East  
Section 10: S/2NE/4, SE/4  
Section 11: All  
containing 880.00 acres, more or less

WHEREAS, the Unit Operating Agreement provides in part that the designated Unit Operator and Working Interest Owners under said agreement shall be granted like lien priorities in the Unit Area, together with interest thereon at a rate specified therein, to wit;

Section 11.5. Lien of Unit Operator

"Each Working Interest Owner grants to Unit Operator a lien upon its Oil and Gas Rights in each Tract, and a security interest in its share of Unitized Substances when produced, and its interest in all Unit Equipment, as security for payment of its share of Unit Expense to the full extent allowed by State and Federal Statutes, together with interest thereon at the prime rate charged by Chase Manhattan Bank during the period that such payment remains due, plus one percent (1%) per annum, or the maximum contract rate permitted by the applicable usury laws of the State of New Mexico, whichever is the lesser, plus attorney's fees, court costs and other costs in connection with the collection of unpaid amounts. To the extent that Unit Operator has a security interest under the Uniform Commercial Code, Unit Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of a judgment by Unit Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for payment thereof. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, Unit Operator shall have the right without prejudice to other rights and remedies, to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed by such Working Interest Owner, plus interest as aforesaid, has been paid. Each purchaser shall be entitled to rely upon Unit Operator's written statement concerning the amount of



any default. Unit Operator grants a like lien and security interest to the Working Interest Owners."

WHEREAS, the parties to the Operating Agreement hereby elect to perfect their security interests in the Operating Agreement and to provide notice to all interested third parties of their lien upon and security interest in the Unit Area.

NOW THEREFORE, this Notice is executed and filed with the appropriate authorities and it is hereby noted that this Notice shall apply to the following types of property:

A. All rights, titles, interests and estates now owned or hereafter acquired by each of the parties in and to the oil, hydrocarbons, gaseous hydrocarbons and all products refined therefrom in and under and which may be produced and saved from or attributable to each party's interest in the Unit Area, including all oil in tanks and all profits, proceeds, products, revenues and other income from or attributable to each party's interest in the Unit Area.

B. All rights, titles, interests and estates now owned or hereafter acquired by each party in and to any oil or gas leases covering any or all of the Unit Area or any properties now or hereafter unitized with the Unit Area; all existing or future agreements created thereby (including without limitation all units created under orders, rules or other official acts of any governmental agency having jurisdiction) which may affect all or any portion of the Unit Area; all operating agreements, farmout agreements, contracts and other agreements entered into by any of the parties which relate to any portion of the Unitized Formation of the Unit Area or to the production, sale, purchase, exchange or processing of hydrocarbons from or attributable to the Unit Area.

C. All personal property now owned or hereafter acquired and situated upon, used, held for use, or useful in connection with Unit Operations, including without limitation any and all oil wells, gas wells, injection wells or other wells, buildings, structures, field separators, liquid extraction plants, plant compressors, pumps, pumping units, field gathering systems, tanks and tank batteries, fixtures, valves, fittings, machinery and parts, engines, boilers, meters, apparatus, equipment appliances, tools, implements, cables, wires, towers, casing, tubing and rods, rights-of-ways, easements and servitudes together with all additional, substitution, replacements, accessions and attachments to any and all of the foregoing properties within the Unit Area.

This Notice covers oil, gas and associated minerals in and under the Unit Area, plus proceeds from the sale of oil, gas and associated minerals, plus personal property equipment which are or may become fixtures on the Unit Area. This Notice is to be recorded in the real estate records of the County Recorder for the County in which the Unit Area is located. The record owners of the Unit Area may include parties other than the parties signing below; but for the purposes of this Notice the parties signing below shall be deemed to be the record owners of the collateral relating to the Unit Area which is covered by this Notice.

To the extent the parties have a security interest under the Uniform Commercial

Code of the State ("Code"), parties shall be entitled to exercise the rights and remedies of a secured party under the Code.

In addition to constituting a Notice for the security interest granted by the Operating Agreement, this Notice constitutes a notice of a lien granted to the parties named above, under the terms of the Operating Agreement. The lien granted under the Operating Agreement applies to all the interests of each party in the Unit Area as set forth in subparagraphs (A) (B) and (C) hereof.

The subject Operating Agreement is available for review by any party having a vested interest in the Unit Area at Operator's offices.

This Notice is intended to constitute a notice that a lien exists under the Operating Agreement for operations conducted thereunder, effective as of the date operations benefiting the Unit Area were begun; and that Operator has performed services and furnished materials and labor for the development of the Unit Area, and is continuing to do so on an open account and as part of a continuing contract. Any claim for a lien under the Operating Agreement relates back to, and has priority as of the date the first services, materials or labor benefiting the Unit Area were provided.

This Notice shall remain in full force and effect as long as the Operating Agreement applicable to same is in force. It is agreed, however, that the termination of this Notice shall not relieve any party hereto from any liabilities which have accrued or attached to prior to the date of such termination. A carbon, photographic or other reproduction of this Notice shall be sufficient as a financing statement.

This Notice may be executed in counterparts, no one of which needs to be executed by all parties hereto, and shall be binding upon each party executing same and effective as to the interest of such party, their heirs, successors and assigns with the same force and effect as if all such parties had signed the same document.

IN WITNESS WHEREOF, this Notice of Operating Agreement, Notice of Liens and Non-Standard Form Financing Statement is executed as of this \_\_\_\_ day of \_\_\_\_\_ 19\_\_, but effective between the parties as of the date of the Operating Agreement referred to in Paragraph 1 hereof.

SECURED PARTIES:

Exhibit "H"  
TAMANO (BSSC) UNIT  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
Page 1

Tract No.	Well No.	Original Well Name & No.	Original Operator	Well Location
1	102	Stetco "10" Federal No. 2	Marathon Oil Company	2310' FNL & 660' FEL (H) Section 10-18S-31E
2	201	A. J. "11" Federal No. 1	Harvey E. Yates Co.	560' FSL & 990' FEL (P) Section 11-18S-31E
2	202	A. J. "11" Federal No. 2	Harvey E. Yates Co.	1650' FSL & 660' FEL (I) Section 11-18S-31E
3	301	Stetco "10" Federal No. 1	Marathon Oil Company	1950' FSL & 410' FEL (I) Section 10-18S-31E
3	303	Stetco "10" Federal No. 3	Marathon Oil Company	1980' FSL & 1650' FEL (J) Section 10-18S-31E
4	403	Johnson "B" Fed. A/C 1 No. 3	Marathon Oil Company	660' FNL & 1980' FWL (C) Section 11-18S-31E
4	407	Johnson "B" Fed. A/C 1 No. 7	Marathon Oil Company	2310' FNL & 2160' FWL (F) Section 11-18S-31E
4	409	Johnson "B" Fed. A/C 1 No. 9	Marathon Oil Company	2310' FNL & 600' FWL (E) Section 11-18S-31E
4	410	Johnson "B" Fed. A/C 1 No. 10	Marathon Oil Company	990' FNL & 450' FWL (D) Section 11-18S-31E
5	504	Johnson "B" Fed. No. 4	Marathon Oil Company	1980' FSL & 1980' FWL (K) Section 11-18S-31E
5	505	Johnson "B" Fed. No. 5	Marathon Oil Company	2260' FSL & 1980' FEL (J) Section 11-18S-31E
5	506	Johnson "B" Fed. No. 6	Marathon Oil Company	660' FSL & 1980' FWL (N) Section 11-18S-31E
5	508	Johnson "B" Fed. No. 8	Marathon Oil Company	510' FSL & 2030' FEL (O) Section 11-18S-31E
6	601	Marathon-Shugart "B" No. 1	Marathon Oil Company	660' FWL & 470' FSL (M) Section 11-18S-31E
6	602	Marathon-Shugart "B" No. 2	Marathon Oil Company	1800' FSL & 760' FWL (L) Section 11-18S-31E

Exhibit "H"  
TAMANO (BSSC) UNIT  
Tamano (Bone Spring) Field  
Eddy County, New Mexico  
Page 2

Tract No.	Well No.	Original Well Name & No.	Original Operator	Well Location
7	703	Hudson "11" Federal No. 3	Harvey E. Yates Co.	990' FNL & 1980' FEL (B) Section 11-18S-31E
7	704	Hudson "11" Federal No. 4	Harvey E. Yates Co.	2310' FNL & 2310' FEL (G) Section 11-18S-31E
8	805	Hudson "11" Federal No. 5	Harvey E. Yates Co.	990' FNL & 760' FEL (A) Section 11-18S-31E
9	902	Hudson "11" Federal No. 2	Harvey E. Yates Co.	1930' FNL & 660' FEL (H) Section 11-18S-31E

Tamano (BSSC) Unit  
Interest Owners  
Address List

EXHIBIT "E"

Mr. Rogers Aston  
P. O. Box 1090  
Roswell, New Mexico 88202

ARCO Oil & Gas Co.  
P. O. Box 1610  
Midland, Texas 79702

Mary Elizabeth Baish  
102 Logan Avenue  
Altoona, Pennsylvania 16602

Bearing Services  
P. O. Box 100  
Artesia, New Mexico 88210

Bearing Services  
Attn: James Guy  
P. O. Box 100  
Artesia, New Mexico 88210

Bearing Services  
Attn: Loy Fletcher  
P. O. Box 100  
Artesia, New Mexico 88210

Bearing Services  
Attn: J. T. Jackson  
P. O. Box 100  
Artesia, New Mexico 88210

Braille Institute of America  
c/o NCNB Texas National Bank  
Trust Oil & Gas  
P. O. Box 842029  
Dallas, Texas 75284

Bureau of Land Management  
Roswell District Office  
1717 W. Second  
Roswell, New Mexico 88201

Karen Elizabeth Charles  
110 Hudson Avenue  
Altoona, Pennsylvania 16602

Mazasheon

46

10341

Charles Kyle Clark  
706 Mann  
Artesia, New Meixco 88210

Colkelan Corp.  
906 S. St. Francis Drive  
Suite C  
Santa Fe, New Mexico 87501

Patricia J. Cooper  
Trustee of the PJC Revocable Trust U/A  
dated 12/30/89  
1409 S. Sunset  
Roswell, New Mexico 88202

Evelyn Jackson Edwards  
1000 3rd Street  
Brownwood, Texas 76801

Explorers Petroleum Corporation  
P. O. Box 1933  
Roswell, New Mexico 88202

Exby, Ltd.  
P. O. Box 1933  
Roswell, New Mexico 88202

First Interstate Bank of Roswell,  
Trustee U/W of Geraldine O. Johnson  
P. O. Box 2057  
Roswell, New Mexico 88201

Mary C. Fulton  
P. O. Box 1121  
Artesia, New Mexico 88210

Floyd Gentry  
1925 Sycamore  
Abilene, Texas 79602

O. E. Groves  
3008 Catalina  
Roswell, New Mexico 88202

Heyco Development Corporation  
P. O. Box 1933  
Roswell, New Mexico 88202

Heyco Employees, Ltd.  
P. O. Box 1933  
Roswell, New Meixco 88202

John W. Higgins  
2502 Quail Point  
Midland, Texas 79705

Edward R. Hudson, Jr., and  
William A. Hudson, II,  
Trustees U/W of Edward R. Hudson  
616 Texas Street  
Fort Worth, Texas 76102

Francis H. Hudson  
616 Texas Street  
Fort Worth, Texas 76102

S. P. Johnson, III & Patricia J. Cooper,  
Trustees U/W of S. P. Johnson, Jr.  
P. O. Box 1713  
Roswell, New Mexico 88201

S. P. Johnson, III, and  
Barbara Jo Johnson,  
Trustees of the S.P. Johnson, III and  
Barbara Jo Johnson Trust  
U/A dated 1/24/85  
P. O. Box 1641  
Roswell, New Mexico 88202

E. Bernard Johnston & Mary Ellen Johnston  
Personal Representatives of the  
Margaret Jane Johnston Estate  
2715 N. Kentucky Avenue, #16  
Roswell, New Mexico 88201

Kerr-McGee Corp.  
P. O. Box 11050  
Midland, Texas 79702

Laurelind Corporation  
P. O. Box 2143  
Roswell, New Mexico 88202

Delmar H. Lewis  
616 Texas Street  
Fort Worth, Texas 76102

Lodewick Energy, Inc.  
5927 Morningside  
Dallas, Texas 75206

John W. Lodewick  
Personal Representative for  
Laura B. Lodewick Estate  
P. O. Box 1180  
Roswell, New Mexico 88202

John Widney Lodewick  
3305 Wentwood  
Dallas, Texas 75225

Laura Patricia Lodewick  
511 Newell  
Dallas, Texas 75223

Richard B. Lodewick  
2100 W. Wadley Avenue #21  
Midland, Texas 79701

Manzano Oil Corp.  
P. O. Box 571  
Roswell, New Mexico 88202

Margaret Baish Masters  
47 Oakwood Drive  
Wormleysburg, Pennsylvania 17043

Janice Gentry Middlebrooks  
P. O. Box 5331  
Abilene, Texas 79605

Moore & Shelton Company, Ltd.  
P. O. Box 3070  
Galveston, Texas 77552

NCNB Texas National Bank & C. R. Mallison,  
Trustees of the Selma E. Andrews  
Trust dated 5/8/69  
P. O. Box 842029  
Dallas, Texas 75284

Pennzoil Exploration & Production Co.  
P. O. Box 2967  
Houston, Texas 77252

Sally Meader Roberts  
P. O. Box 8189  
Roswell, New Mexico 88202

San Diego Trust & Savings Bank,  
Trustee U/A dated 5/26/83  
for Ralph A. Shugart (Trust #385839014)  
P. O. Box 8529  
La Jolla, California 92028

Karen Gentry Schuzig  
211 Rosemont Avenue  
Mill Valley, CA 94941



Katherine Mary Scott  
809 Sheridan Street  
Altoona, Pennsylvania 16602

Mr. Tom Stephens  
P. O. Box 698  
Roswell, New Mexico 88202

Spindletop Exploration Co., Inc.  
4600 Greenville Avenue  
Dallas, Texas 75206

Spiral, Inc.  
P. O. Box 1933  
Roswell, New Mexico 88202

Betty Baish Strohmeier  
5362 E. Rosewood  
Tuscon, Arizona 85711

Wainoco Oil & Gas Company  
1200 Smith St.  
Suite 1500  
Houston, Texas 77002

W. T. Wynn  
1603 W. Dengar  
Midland, Texas 79705

Yates Energy Corporation  
P. O. Box 2323  
Suite 1010 Sunwest Centre  
Roswell, New Mexico 88201

James H. Yates, Inc.  
906 St. Francis Dr.  
Suite C  
Santa Fe, New Mexico 87501

EXHIBIT "D"  
OFFSET LEASEHOLD OPERATORS

Read & Stevens, Inc.  
P. O. Box 1518  
Roswell, New Mexico 88201

ARCO Oil & Gas Company  
P. O. Box 1610  
Midland, Texas 79702

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88201

GRSJ Petroleum  
Box 234  
Loco Hills, New Mexico 88255

Yates Energy Corp.  
Suite 1010, Sunwest Centre  
Roswell, New Mexico 88201

Pennzoil Exploration & Production Co.  
P. O. Box 2967  
Houston, Texas 77252

Hudson & Hudson  
616 Texas Street  
Fort Worth, Texas 76102

SURFACE OWNER

Bureau of Land Management  
Roswell District Office  
1717 W. Second  
Roswell, New Mexico 88201

EXHIBIT "C"  
WORKING INTEREST OWNER SUMMARY - TAMANO (BCCS) UNIT  
EDDY COUNTY, NEW MEXICO

<u>Working Interest Owner</u>	<u>Tract</u>	<u>Unit Participation</u>
ARCO Oil & Gas Company	2	1.344725
	8	.724570
	9	<u>.541175</u>
	Total	2.610470
Rogers Aston	7	.100802
Bearing Services	7	.105843
Colkelan Corp.	2	.000941
	7	.002822
	8	.000507
	9	<u>.000379</u>
	Total	.004649
Exby, Ltd.	2	.033618
	7	.050402
	8	.018115
	9	<u>.013529</u>
	Total	.115664
Explorers Pet. Corp.	2	.066413
	7	.168895
	8	.035785
	9	<u>.026727</u>
	Total	.297820
Loy Fletcher	7	.035281
James Guy	7	.070562
HEYCO Development Corp.	2	.683679
	7	1.340332
	8	.368382
	9	<u>.275142</u>
	Total	2.667535
HEYCO Employees Ltd.	2	.034559
	7	.103625
	8	.018621
	9	<u>.013908</u>
	Total	.170713

*Signed CA, UOA & Amended UO*

*Indicated will sign / not received*

RECEIVED BY STOGNER  
 47  
 10341  
 marathon

EXHIBIT "C"  
WORKING INTEREST OWNER SUMMARY - TAMANO (BCCS) UNIT  
EDDY COUNTY, NEW MEXICO

<u>Working Interest Owner</u>	<u>Tract</u>	<u>Unit Participation</u>
Edward R. Hudson, Jr., &	1	.185885
William A. Hudson, II,	3	3.284572
Trustees U/W Edward R.	5	3.266265
Hudson	6	<u>1.774828</u>
	Total	8.511550
Francis H. Hudson	1	.092943
	3	1.642286
	5	1.633133
	6	<u>.887415</u>
	Total	4.255777
J. T. Jackson	7	.070562
James H. Yates, Inc.	2	.000941
	7	.002822
	8	.000507
	9	<u>.000379</u>
	Total	.004649
Kerr-McGee Corp.	7	.806420
Laurelind Corp.	7	.080642
Delmar H. Lewis	1	.092943
	3	1.642286
	5	1.633133
	6	<u>.887415</u>
	Total	4.255777
Manzano Oil Corp.	7	.070562
Marathon Oil Co.	1	.437377
	3	7.728405
	4	22.499640
	5	15.370660
	6	<u>8.352133</u>
	Total	54.388215
Moore & Shelton Co., Ltd.	1	.065607
	3	1.159261
	5	1.152799
	6	<u>.626409</u>
	Total	3.004076

EXHIBIT "C"  
WORKING INTEREST OWNER SUMMARY - TAMANO (BCCS) UNIT  
EDDY COUNTY, NEW MEXICO

<u>Working Interest Owner</u>	<u>Tract</u>	<u>Unit Participation</u>
Pennzoil Exploration & Production Co.	1	.511010
	3	<u>9.029485</u>
	Total	9.540495
Spiral, Inc.	2	.100031
	7	.203167
	8	.053899
	9	<u>.040257</u>
Total	.397354	
Tom Stephens	7	.100802
Wainoco Oil & Gas Co.	1	.363745
	3	<u>6.427325</u>
	Total	6.791070
Yates Energy Corp.	2	.424543
	7	.718559
	8	.228754
	9	<u>.170854</u>
Total	1.542710	

75.013220 % in 1/25/12  
76.55593 % in 1/25/12

Thomas C. Lowry  
Attorney



P.O. Box 552  
Midland, Texas 79702  
Telephone 915/682-1626

*OK*  
*FOR*  
*RPR*

May 20, 1991

WORKING INTEREST OWNERS  
Proposed Tamano (BSSC) Unit  
(Mailing List Attached)

VIA TELECOPY ONLY

RE: Unit Agreement Exhibits A & B, Inclusion of Allocation Formula in  
Section 13

Dear Working Interest Owner:

Attached you will find a copy of page 14 of the Unit Agreement which now shows the allocation formula approved at our meeting on May 16, 1991, and copies of what I hope are the final versions of Exhibits A & B of the Unit Agreement. Please examine these at your earliest convenience and let me know if you have any problems.

As a reminder, you are all to let me know before the end of the day on May 21, 1991 if you have any problems with the form of Draft 5 of the Unit Agreement as sent to you on May 9, 1991. If I have received no objections by the end of the day on May 21, I am going to submit the Agreement to BLM along with our application for designation of the unit.

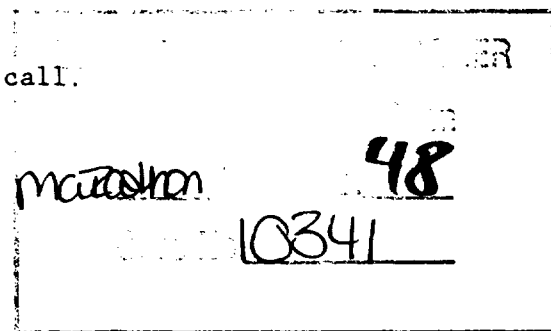
If you have any questions at all, please give me a call.

Sincerely,

*Thomas C Lowry*  
Thomas C. Lowry  
Attorney

xc: Land Dept.  
D. J. Loran  
D. D. Taimuty

TCL30A/1e



RECEIVED

MAY 21 1991  
MARATHON OIL COMPANY  
LAND DEPARTMENT  
MIDLAND, TEXAS

## MAILING LIST

### WORKING INTEREST OWNERS PROPOSED TAMANO (BSSC) UNIT

ARCO Oil and Gas Company  
P. O. Box 1610  
Midland, Texas 79702  
Attention: Mr. Jim Hubbard  
Telephone No.: (915) 688-5349  
VIA FAX NO.: 915-688-5757

Harvey E. Yates Company  
P. O. Box 1933  
Roswell, New Mexico 88202  
Attention: Ms. Rosemary T. Avery  
Telephone No.: (505) 623-6601  
VIA FAX NO.: 505-622-4221

Hudson and Hudson  
616 Texas Street  
Fort Worth, Texas 76102-4216  
Attention: Mr. Ed Hudson  
Telephone No.: (817) 336-7109  
VIA FAX NO.: 817-334-0442

Kerr-McGee Corporation  
P. O. Box 11050  
Midland, Texas 79701  
Attention: Ms. Donna Suchy  
Telephone No.: (915) 688-7000  
VIA FAX NO.: 915-688-7056

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79702  
Attention: D. D. Taimuty  
Telephone No.: (915) 682-1626  
VIA FAX NO.: 915-687-8287

Moore and Shelton Co., LTD.  
1414 Sugarcreek Blvd.  
Sugarland, Texas 77478  
Attention: Mr. Donald B. Moore  
Telephone No.: (713) 491-7373

Pennzoil Exploration & Production Company  
P. O. Box 2967  
Houston, Texas 77252  
Attention: R. F. Blucher  
Telephone No.: (713) 546-4000  
VIA FAX NO.: 713-546-6495

Wainoco Oil and Gas Company  
1200 Smith Street, Suite 1500  
Houston, Texas 77002  
Attention: Mr. Grant Rice  
Telephone No.: (713) 658-9900  
VIA FAX NO.: 713-658-8136

Yates Energy Corporation  
500 N. Main, Suite 1010  
Roswell, New Mexico 88201  
Attention: Mr. Brian K. Luginbill  
Telephone No.: (505) 623-4935  
VIA FAX NO.: 505-623-4947

of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for Unit Operations and the removal of Unitized Substances from the Unit Area.

Working Interest Owners shall have and are hereby granted free use of water from the Unit Area for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner or surface owner.

Working Interest Owners shall pay the surface owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations and such payments shall be considered items of Unit Expense to be borne by all the Working Interest Owners.

SECTION 13. TRACT PARTICIPATION. In Exhibit "B" attached hereto there are listed and numbered the various Tracts within the Unit Area, and set forth opposite each Tract are figures which represent the Tract Participation, during Unit Operations. The Tract Participation of each Tract as shown in Exhibit "B" was determined in accordance with the following formula:

$$5\% \times \frac{\text{acres in Tract}}{\text{acres in Unit}} \text{ plus}$$

$$6\% \times \frac{\text{usable wellbores in Tract}}{\text{usable wellbores in Unit}} \text{ plus}$$

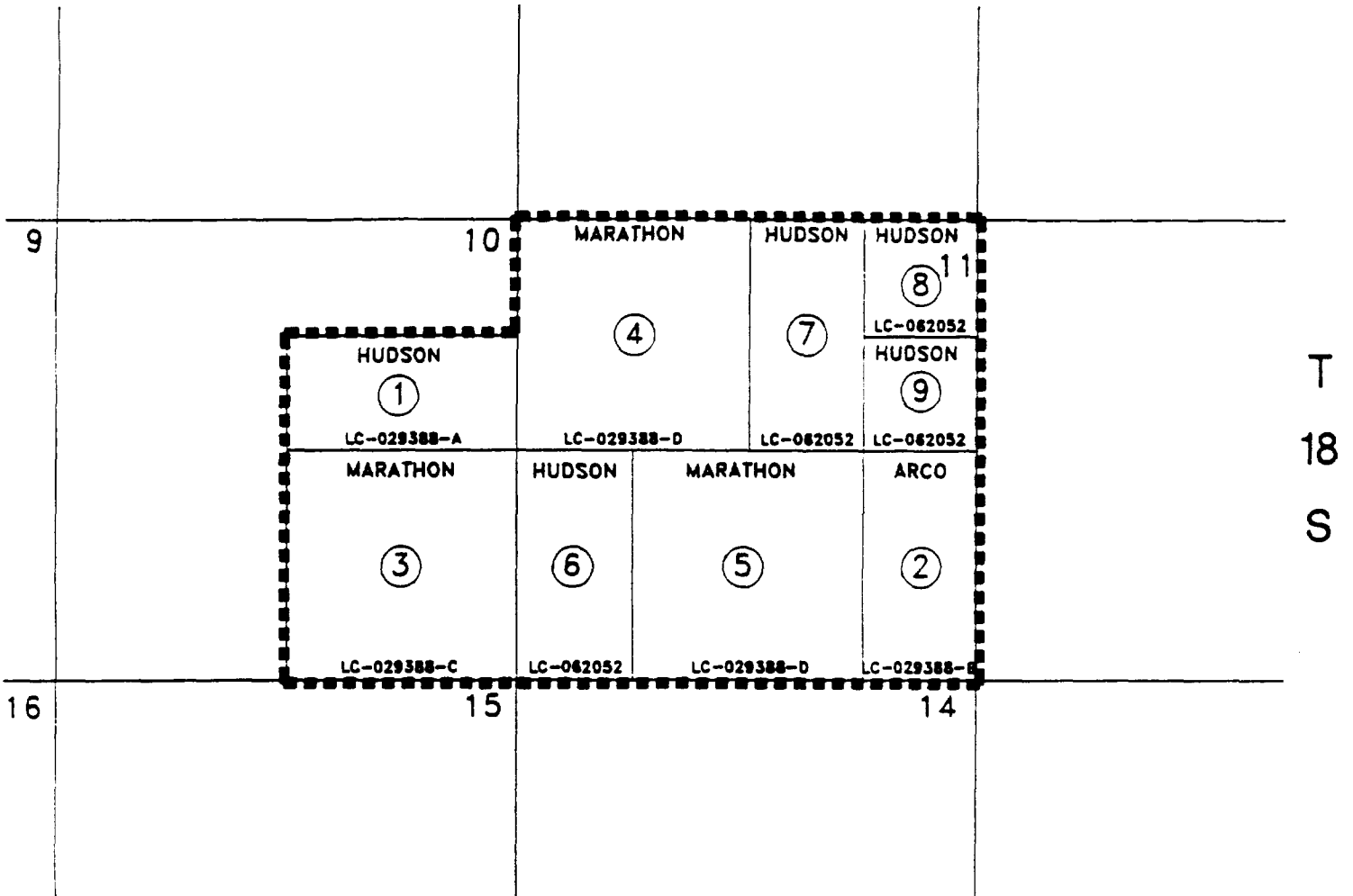
$$56\% \times \frac{\text{sum of active day average oil rates for all wells on Tract for period of Oct. 1, 1990 through March 31, 1991.}}{\text{sum of active day average oil rates for all wells in Unit for period of Oct. 1, 1991 through March 31, 1991.}} \text{ plus}$$

$$33\% \times \frac{\text{remaining primary oil under the Tract as of April 1, 1991}}{\text{remaining primary oil under the Unit as of April 1, 1991}}$$

If, after the Effective Date of this Agreement, there is any Tract or Tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or if any Tract is excluded from this Agreement as provided



R - 31 - E



LEGEND

----- UNIT BOUNDARY

① TRACT NUMBER

EXHIBIT "A"  
TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

UNIT AREA - 880.00 ACRES  
(ALL FEDERAL LANDS)

SCALE: 1" = 2000'

EXHIBIT 'B'  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percent Participant Tract in		
1	5/2NE/4 Section 10	80	LC-029388-A	USA 12.5	Francis M. Hudson Delmar W. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/W Edward R. Hudson	John W. Higgins First Interstate Bank of Roswell, Trustee U/W Geraldine O. Johnson S. P. Johnson, III & Patricia J. Cooper Trustee U/W of S. P. Johnson, Jr. Lodewick Energy, Inc. Richard B. Lodewick Laura Patricia Lodewick John Wilkey Lodewick Laura B. Lodewick Spiritletop Exploration Co. Mary Elizabeth Balish Katherine Mary Scott Betty Balish Strohmeyer Margaret Balish Masters Ralph A. Shugart, Jr. San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Margaret Jane Johnson MCNB Tx. Nat'l Bank & C. R. Mallison, Trustees of the Selma E. Andrews Trust dated 5/8/69 Braille Institute of America Karen Elizabeth Charles	2.125000 .083333 .125000 .208333 .208334 .625000 .500000 .100000 .100000 .300000 2.400000 1.250000  2.250000 1.500000 2.268525 2.231675 2.100000	Marathon Oil Company Pennzoil Exploration & Production Company Valero Oil & Gas Co. Francis M. Hudson Delmar W. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustees U/W Edward R. Hudson Moore & Shelton Co., Ltd.	25.000000 29.208760 20.791240 5.312500 5.312500  10.625000 3.750000	1.74%

600

EXHIBIT 'B'  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No. 2	Description of Land E/2SE/4 Section 11 T-18-S, R-31-E	Acres 80	Serial No. & Eff. Date LC-029388-B 12-15-39	Basic Royalty Owner and Percentage USA 12.5	Lessee of Record Atlantic Richfield Company	Overriding Royalty Owner and Percentage Evelyn Jackson Edwards 1.500000 Floyd Gentry .750000 Karen Gentry Schurig .750000 Janice Gentry Middlebrooks .750000 Mary C. Fulton 1.875000 Charles Kyle Clark 1.875000	Working Interest Owner and Percentage James H. Yates, Inc. .035000 Coltclain Corp. .035000 Explorers Pet. Corp. 2.469375 Exby, Ltd. 1.250000 Meyco Employees Ltd. 1.285000 Spiral, Inc. 3.719375 Yates Energy Corp. 15.785484 Meyco Dev. Corp. 25.420766 Atlantic Richfield Co. 50.000000	Percentage Participati Tract in
----------------	---	-------------	--	---	---	---	---	---------------------------------------

75 000

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percent Participat Tract in
3	SE/4 Section 10	160	LC-029388-C	USA 12.5	Marathon Oil Company	John W. Higgins 1.125000	Marathon Oil Company 25.000000	30.9134
Section 10	T-18-S, R-31-E		12-28-39			Patricia J. Cooper, Trustee of the PLC Revocable	Pennco Exploration & Production Co. 29.208760	
and #1 & 3								

[illegible]

EXHIBIT 'B'  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
 OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
 FOR THE UNITIZED FORMATION FOR THE TAMANO (SSSC) UNIT  
 EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participatio Tract in U
4 Johnson R. Fed. ct. #1	MU/4 Section 11 T-18-S, R-31-E	160	LC-029388-0 12-28-39	USA 12.5	Marathon Oil Company	None	Marathon Oil Company 100.0	22.49964

EXHIBIT 'B'  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. R. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participant Tract in
5 Johnson R Tract A	E/2SW/4, W/2SE/4 Section 11 T-18-S, R-31-E	160	LC-029308-0 12-28-39	USA 12.5	Marathon Oil Company	None	Marathon Oil Company 66.666667 Francis H. Hudson 7.083334 Delmar W. Lewis 7.083333 Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U.W Edward R. Hudson 14.166667 Moore & shetton Co. Ltd. 4.999999	23.05599

EXHIBIT 'B'  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMANO (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. & Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participati Tract in
6	W/2SW/4 Section 11	80	LC-062052	USA 12.5	Francis M. Hudson	Margaret Balish Masters	Marathon Oil Company	66.666667 12.52820
Tract 8	T-18-S, R-31-E		12-15-39		Delmer M. Lewis	Delmy Balish Strohmeyer	Francis M. Hudson	7.083334
	Exchange		12-1-59		Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/W Edward R. Hudson	Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balish	Delmer M. Lewis	7.083333
						Margaret Jane Johnson	Edward R. Hudson, Jr. & William A. Hudson, II, Trustees U.W Edward R. Hudson	16.166667
						San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart	Moore & Shelton Co. Ltd. 4.999999	
								1.250000

1.2

EXHIBIT 'B'  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF  
OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA  
FOR THE UNITIZED FORMATION FOR THE TAMAND (BSSC) UNIT  
EDDY COUNTY, NEW MEXICO

Tract No. Tract Name	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Perc Partic Tract		
7	W/2NE/4 Section 11	80	LC-062052	USA 12.5	Francis M. Hudson Delmar M. Lewis Edward R. Hudson, Jr., & William A. Hudson, II, Trustees U/V Edward R. Hudson	Margaret Balsh Masters Betty Balsh Strohmeier Karen Elizabeth Charles Katherine Mary Scott Mary Elizabeth Balsh Margaret Jane Johnson San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart Francis M. Hudson Delmar M. Lewis Edward R. Hudson, Jr., & William A. Hudson, III, Trustees U/V Edward R. Hudson, Deceased Moore & Shelton Co., Ltd. Sally Meader-Roberts O. E. Groves	2.000000 .250000 .003334 .003333 .003333 1.250000 1.250000 1.250000 1.593750 1.593750 1.593750 1.750000 3.187500 1.125000 .500000 .500000	Explorers Petroleum Corp. Exby, Ltd. Laurelind Corporation Neyco Employees Ltd. Spiral, Inc. James M. Yates, Inc. Colkelan Corporation Kerr-McBee Corp. Yates Energy Corporation Tom Stephens Rogers Aston Bearling Services Menzano Oil Corp. Neyco Development Corp. James Guy Loy Fletcher J. T. Jackson	4.188750 1.250000 2.000000 2.570000 5.038750 .070000 20.000000 17.820969 2.500000 2.500000 2.625000 1.750000 33.261531 1.750000 .875000 1.750000	4.03
W/2NE/4 Section 11			12-15-39							
1-10-S, R-31-E			Exchange							
W/2NE/4 Section 11			12-1-59							

97-105  
(100000)



## EDDY COUNTY, NEW MEXICO

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**EXHIBIT 'B'**  
**SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF**  
**OIL AND GAS INTERESTS IN ACCORDANCE WITH THE PARTICIPATION FORMULA**  
**FOR THE UNITIZED FORMATION FOR THE TANAMO (BSSC) UNIT**  
**EDDY COUNTY, NEW MEXICO**

Tract No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner and Percentage	Lessee of Record	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage	Percentage Participation Tract in Unit
9	E/2NE/4 Section 11	80	LC-062052	USA (sliding scale)	Francis M. Hudson	Margaret Balish Masters	James M. Yates, Inc.	.035000
11	1-18-S, R-31-E		12-15-39		Delmar M. Lewis	Betty Balish Strohmeyer	Coleman Corp.	.035000
12	1-1-S9		Exchange		Edward R. Hudson, Jr., & William A. Hudson, II, Trustee U/V Edward R. Hudson	Karen Elizabeth Charles	Explorers Pet. Corp.	2.469375
						Katherine Mary Scott	Exby, Ltd.	1.250000
						Mary Elizabeth Balish	Neyco Employees Ltd.	1.205000
						Margaret Jane Johnson	Spiral, Inc.	3.719375
						San Diego Trust & Savings Bank, Trustee U/A dated 5/26/83 for Ralph A. Shugart	Vates Energy Corp.	15.785484
						Francis M. Hudson	Neyco Dev. Corp.	25.420766
						Delmar M. Lewis	Atlantic Richfield Co.	50.000000
						Edward R. Hudson, Jr. & William A. Hudson, III, Trustees U/V Edward R. Hudson, Deceased		
						Moore & Shelton Co., Ltd.		3.187500
						Sally Meader-Roberts		1.125000
						W. E. Groves		.250000
						Explorers Petroleum Corp.		.024344
						Exby, Ltd.		.012500
						Neyco Employees, Ltd.		.012500
						Spiral, Inc.		.036644
						Vates Energy Corp.		.157855
						Neyco Development Corp.		.247207
						W. T. Wynn		.008750

7-1-83