

BEFORE THE  
OIL CONSERVATION DIVISION  
NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION  
OF ARCO OIL AND GAS COMPANY  
FOR STATUTORY UNITIZATION OF THE  
SOUTH JUSTIS UNIT AREA,  
LEA COUNTY, NEW MEXICO.

RECEIVED

AUG 25 1980

OIL CONSERVATION DIVISION CASE NO. 10553

**APPLICATION**

ARCO OIL AND GAS COMPANY, ("ARCO"), pursuant to the provisions of the New Mexico Statutory Unitization Act (Sections 70-7-1 through 70-7-21, N.M.S.A. 1978 Comp.) hereby applies to the Oil Conservation Division for an order unitizing the South Justis Unit, Lea County, New Mexico, and in support of its application states:

1. ARCO is a Delaware corporation authorized to transact business in the State of New Mexico and is engaged in the business of, among other things, producing and selling oil and gas.

2. ARCO seeks an order pursuant to the Statutory Unitization Act providing for unitized management, operation and further development of the proposed South Justis Unit Area which consists of 5360 acres, more or less, of Federal, State and Fee lands located in Lea County, New Mexico, and is more particularly described as follows:

**TOWNSHIP 25 SOUTH, RANGE 37 EAST, N.M.P.M.**

Section 11: N/2, SE/4, E/2 SW/4  
Section 12: W/2, W/2 SE/4  
Section 13: All  
Section 14: E/2, E/2 W/2  
Section 23: E/2, E/2 NW/4, NE/4 SW/4  
Section 24 and 25: All  
Section 26: NE/4, N/2 SE/4, SE/4 SE/4  
Section 35: E/2 NE/4  
Section 36: All

**TOWNSHIP 25 SOUTH, RANGE 38 EAST, N.M.P.M.**

Section 19: W/2 W/2  
Section 30: W/2 W/2  
Section 31: W/2 W/2

**TOWNSHIP 26 SOUTH, RANGE 37 EAST, N.M.P.M.**

Section 1: N/2 NE/4

A map of the proposed Unit Area is attached to this application as Exhibit A.

3. The vertical limits of the formations to be included within the proposed Unit Area extends from an upper limit which is the top of the Justis Blinebry Pool to a lower limit at the top of the Abo formation, as seen on the Type Log from the ARCO Ida Wimberley No. 4 located 660 feet from the South line and 990 feet from the West line (Unit M) of Section 24, Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and is that interval from 4,980 feet to 6,180 feet below the surface measured from the kelly bushing. The Blinebry marker has been defined by the Division at a depth of 4,980 feet (elevation 3,081 feet sub-sea datum 1988) in this well.

4. The portions of the formations involved in this application have been defined

by development.

5. The type of operations to be conducted in this unit initially include secondary recovery by means of waterflooding. At a later date, carbon dioxide flooding or other methods of secondary and tertiary recovery may be conducted in the proposed unit.

6. Attached to this application as Exhibit "B" and incorporated herein is a copy of the proposed plan of unitization which ARCO considers fair, reasonable and equitable.

7. Attached to this application as Exhibit "C" and incorporated herein is a copy of the proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid.

8. ARCO further states:

- a. Unitized management, operating and further development of the portion of the Blinebry formation (Justis Blinebry Pool) and Tubb and Drinkard formations (Justis Tubb/Drinkard Pool) which are the subject of this application, is reasonably necessary in order to effectively carry on secondary recovery operations and to substantially increase the ultimate recovery of oil from the unitized portion of the pools.
- b. Unitized methods of operation applied to these portions of these pools are feasible, will prevent

waste and will result with reasonable probability in the increased recovery of substantially more oil from the pools than would otherwise be recovered.

- c. The estimated additional costs, if any, of conducting such operations will not exceed the estimated value of additional oil recovered plus reasonable profit.
- d. Unitization and adoption of unitized methods of operation will benefit the working interest owners and the royalty owners of the oil and gas rights within the unitized portions of each of the pools.
- e. ARCO, as operator, has made a good faith effort to secure voluntary unitization within the portion of each pool affected by this application.
- f. The participation formula contained in the unitization agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the Unit Area on a fair, reasonable and equitable basis.

- 9. Statutory unitization of the proposed South Justis Unit Area, is in the best



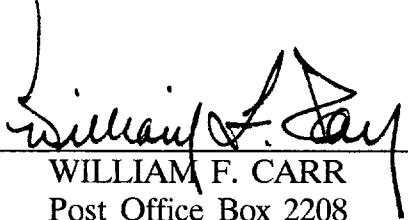
interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, ARCO Oil and Gas Company, respectfully requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on September 17, 1992, and that, after notice and hearing as required by law and the rules of the Division, the Division enter its order granting this application statutorily unitizing the South Justis Unit Area, Lea County, New Mexico.

Respectfully submitted,

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.

By:

A handwritten signature in black ink, appearing to read "William F. Carr", is written over a horizontal line.

WILLIAM F. CARR

Post Office Box 2208

Santa Fe, New Mexico 87504

Telephone: (505) 988-4421

ATTORNEYS FOR ARCO OIL AND  
GAS COMPANY

BEFORE THE  
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION  
OF ARCO OIL AND GAS COMPANY  
FOR STATUTORY UNITIZATION OF THE  
SOUTH JUSTIS UNIT AREA,  
LEA COUNTY, NEW MEXICO.

RECEIVED

AUG 22 1992

CASE NO. 10553

OIL CONSERVATION DIVISION

APPLICATION

ARCO OIL AND GAS COMPANY, ("ARCO"), pursuant to the provisions of the New Mexico Statutory Unitization Act (Sections 70-7-1 through 70-7-21, N.M.S.A. 1978 Comp.) hereby applies to the Oil Conservation Division for an order unitizing the South Justis Unit, Lea County, New Mexico, and in support of its application states:

1. ARCO is a Delaware corporation authorized to transact business in the State of New Mexico and is engaged in the business of, among other things, producing and selling oil and gas.

2. ARCO seeks an order pursuant to the Statutory Unitization Act providing for unitized management, operation and further development of the proposed South Justis Unit Area which consists of 5360 acres, more or less, of Federal, State and Fee lands located in Lea County, New Mexico, and is more particularly described as follows:

**TOWNSHIP 25 SOUTH, RANGE 37 EAST, N.M.P.M.**

Section 11: N/2, SE/4, E/2 SW/4  
Section 12: W/2, W/2 SE/4  
Section 13: All  
Section 14: E/2, E/2 W/2  
Section 23: E/2, E/2 NW/4, NE/4 SW/4  
Section 24 and 25: All  
Section 26: NE/4, N/2 SE/4, SE/4 SE/4  
Section 35: E/2 NE/4  
Section 36: All

**TOWNSHIP 25 SOUTH, RANGE 38 EAST, N.M.P.M.**

Section 19: W/2 W/2  
Section 30: W/2 W/2  
Section 31: W/2 W/2

**TOWNSHIP 26 SOUTH, RANGE 37 EAST, N.M.P.M.**

Section 1: N/2 NE/4

A map of the proposed Unit Area is attached to this application as Exhibit A.

3. The vertical limits of the formations to be included within the proposed Unit Area extends from an upper limit which is the top of the Justis Blinebry Pool to a lower limit at the top of the Abo formation, as seen on the Type Log from the ARCO Ida Wimberley No. 4 located 660 feet from the South line and 990 feet from the West line (Unit M) of Section 24, Township 25 South, Range 37 East, N.M.P.M., Lea County, New Mexico, and is that interval from 4,980 feet to 6,180 feet below the surface measured from the kelly bushing. The Blinebry marker has been defined by the Division at a depth of 4,980 feet (elevation 3,081 feet sub-sea datum 1988) in this well.

4. The portions of the formations involved in this application have been defined

by development.

5. The type of operations to be conducted in this unit initially include secondary recovery by means of waterflooding. At a later date, carbon dioxide flooding or other methods of secondary and tertiary recovery may be conducted in the proposed unit.

6. Attached to this application as Exhibit "B" and incorporated herein is a copy of the proposed plan of unitization which ARCO considers fair, reasonable and equitable.

7. Attached to this application as Exhibit "C" and incorporated herein is a copy of the proposed operating plan covering the manner in which the unit will be supervised and managed and costs allocated and paid.

8. ARCO further states:

- a. Unitized management, operating and further development of the portion of the Blinebry formation (Justis Blinebry Pool) and Tubb and Drinkard formations (Justis Tubb/Drinkard Pool) which are the subject of this application, is reasonably necessary in order to effectively carry on secondary recovery operations and to substantially increase the ultimate recovery of oil from the unitized portion of the pools.
- b. Unitized methods of operation applied to these portions of these pools are feasible, will prevent

waste and will result with reasonable probability in the increased recovery of substantially more oil from the pools than would otherwise be recovered.

- c. The estimated additional costs, if any, of conducting such operations will not exceed the estimated value of additional oil recovered plus reasonable profit.
- d. Unitization and adoption of unitized methods of operation will benefit the working interest owners and the royalty owners of the oil and gas rights within the unitized portions of each of the pools.
- e. ARCO, as operator, has made a good faith effort to secure voluntary unitization within the portion of each pool affected by this application.
- f. The participation formula contained in the unitization agreement allocates the produced and saved unitized hydrocarbons to the separately owned tracts in the Unit Area on a fair, reasonable and equitable basis.

- 9. Statutory unitization of the proposed South Justis Unit Area, is in the best

interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, ARCO Oil and Gas Company, respectfully requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on September 17, 1992, and that, after notice and hearing as required by law and the rules of the Division, the Division enter its order granting this application statutorily unitizing the South Justis Unit Area, Lea County, New Mexico.

Respectfully submitted,

CAMPBELL, CARR, BERGE  
& SHERIDAN, P.A.

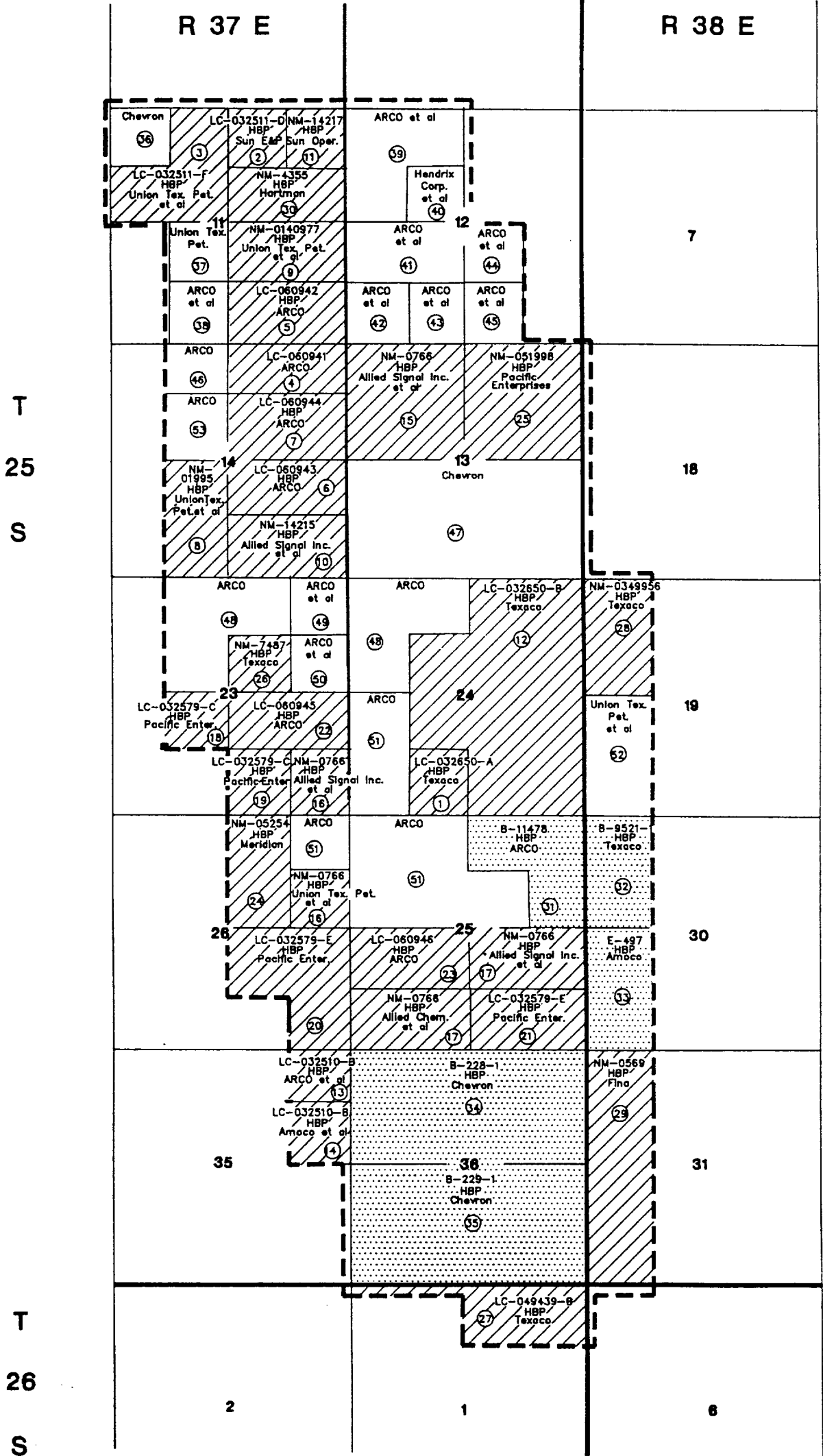
By: 

WILLIAM F. CARR  
Post Office Box 2208  
Santa Fe, New Mexico 87504  
Telephone: (505) 988-4421

ATTORNEYS FOR ARCO OIL AND  
GAS COMPANY

**EXHIBIT A**

**MAP OF THE PROPOSED UNIT AREA**



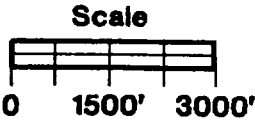
# **Exhibit A To Unit Agreement**

**ARCO Oil & Gas**  
**South Justis Unit**  
 Lea County, New Mexic  
 Scale: 1"-3000'  
 By: R. Pyle  
 Date: 8-92  
 Dept: Exploration  
 Drawn By: RGJ  
 Date: 8-92  
 Dwg. No. SJU37G

## **Legend**

- Unit Boundry
- ⑤ Tract Number

- Patented
- Federal
- State



	Acreage	Percentage
Patented	1,640.0	30.60
Federal	2,800.0	52.24
State	920.0	17.16
<b>Total</b>	<b>5,360.0</b>	<b>100.00</b>



**EXHIBIT B**

**UNIT AGREEMENT**

**SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO**

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
SOUTH JUSTIS UNIT  
COUNTY OF LEA  
STATE OF NEW MEXICO

<u>Section</u>		<u>Page</u>
	Preliminary Recitals .....	2
1	Enabling Act and Regulations.....	3
2	Unit Area and Definitions.....	3
3	Exhibits .....	5
4	Expansion.....	5
5	Unitized Land.....	6
6	Unit Operator .....	6
7	Resignation or Removal of Unit Operator.....	6
8	Successor Unit Operator .....	7
9	Accounting Provisions and Unit Operating Agreement.....	7
10	Rights and Obligations of Unit Operator.....	7
11	Plan of Operations .....	7
12	Use of Surface and Use of Water .....	8
13	Tract Participation .....	8
14	Tracts Qualified for Participation.....	9
15.A.	Allocation of Unitized Substances .....	10
15.B.	Windfall Profit Tax .....	10
15.C.	Imputed Newly Discovered Crude Oil .....	10
15.D.	Imputed Stripper Crude Oil .....	11
15.E.	Excess Imputed Newly Discovered Crude Oil.....	11
15.F.	Excess Imputed stripper Crude Oil .....	11
15.G.	Taking Unitized Substances in Kind .....	12
16	Outside Substances .....	12
17	Royalty Settlement .....	12
18	Rental Settlement.....	13
19	Conservation.....	13
20	Drainage.....	13
21	Loss of Title .....	14
22	Leases and Contracts Conformed and Extended.....	14
23	Covenants Run with Land.....	15
24	Effective Date and Term.....	16
25	Rate of Prospecting, Development and Production .....	16
26	Nondiscrimination .....	17
27	Appearances .....	17
28	Notices .....	17
29	No Waiver of Certain Rights .....	17
30	Equipment and Facilities Now Fixtures Attached to Realty.....	17
31	Unavoidable Delay .....	17
32	Nonjoinder and Subsequent Joinder.....	17
33	Counterparts .....	18
34	Joinder in Dual Capacity.....	18
35	Taxes.....	18
36	No Partnership.....	18
37	Production as of the Effective Date.....	19
38	No Sharing of Market.....	19
39	Statutory Unitization.....	19

Exhibit "A": Map of Unit Area

Exhibit "B": Schedule of Ownership of the Unit Area

Exhibit "C": Tract Participation within the Unit Area

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57  
58  
59  
60

**UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO**

THIS AGREEMENT, entered into as of the 1st day of September, 1992, 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 Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 88, laws 1943, as amended by Section 1 of Chapter 176, Laws of 1961) (Chapter 19, Article 10, Section 45, New Mexico Statutes 1978 Annotated), to consent to and approve the development of operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 88, laws 1943, as amended by Section 1, Chapter 162, laws of 1951) (Chapter 19, Article 10, Section 47, New Mexico Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Division of the State of New Mexico (hereinafter referred to as the "Division") is authorized by an Act of the Legislature (Chapter 72, Laws of 1935 as amended) (Chapter 70, Article 2, Section 2 et seq., New Mexico Statutes 1978 Annotated) to approve this Agreement and the conservation provisions hereof; and

WHEREAS, the Oil Conservation Division of the Energy and Minerals Department of the State of New Mexico is authorized by law (Chapter 65, Article 3, and Article 14, N.M.S. 1953 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 reasonable 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 interests in the below-defined unit area, and agree severally among themselves as follows:

1           **1. ENABLING ACT AND REGULATIONS.** The Mineral Leasing Act of  
2 February 25, 1920, as amended, supra, and all valid, pertinent regulations, including operating  
3 and unit plan regulations, heretofore issued thereunder or valid, pertinent and reasonable  
4 regulations hereafter issued thereunder are accepted and made a part of this agreement as to  
5 Federal Lands, provided such regulations are not inconsistent with the terms of this agreement;  
6 and as to Non-Federal Lands, the oil and gas operating regulations in effect as of the effective  
7 date hereto governing drilling and producing operations, not inconsistent with the terms hereof  
8 or the laws of the state in which the non-Federal land is located, are hereby accepted and made a  
9 part of this Agreement.

10  
11           **2. UNIT AREA AND DEFINITIONS.**

- 12  
13           (a) "Unit Area" is defined as those lands described in Exhibit "B" and depicted on  
14 Exhibit "A" hereof and such land is hereby designated and recognized as  
15 constituting the Unit Area, containing 5,360 acres, more or less, in Lea County,  
16 New Mexico.
- 17  
18           (b) "Land Commissioner" is defined as the Commissioner of Public Lands of the State  
19 of New Mexico.
- 20  
21           (c) "Division" is defined as the Oil Conservation Division of the Department of Energy  
22 and Minerals of the State of New Mexico.
- 23  
24           (d) "Authorized Officer" or "A.O." is any employee of the Bureau of Land  
25 Management who has been delegated the required authority to act on behalf of the  
26 BLM.
- 27  
28           (e) "Secretary" is defined as the Secretary of the Interior of the United States of  
29 America, or his duly authorized delegate.
- 30  
31           (f) "Department" is defined as the Department of the Interior of the United States of  
32 America.
- 33  
34           (g) "Proper BLM Office" is defined as the Bureau of Land Management office having  
35 jurisdiction over the federal lands included in the Unit Area.
- 36  
37           (h) "Unitized Formation" shall mean that interval underlying the Unit Area, the vertical  
38 limits of which extended from an upper limit which is the top of the Justis Blinbry  
39 Field to a lower limit at the top of the Abo formation, as seen on the Type Log  
40 from the Amerada Hess Ida Wimberley #4 located at 660' FSL and 990' FWL,  
41 Section 24, T-25-S, R-37-E, and is that interval which is correlative to the interval  
42 from 4,980' to 6,180' below the surface measured from the kelly bushing. The  
43 Blinbry marker has been defined by the New Mexico Oil Conservation  
44 Commission (NMOCC) at a depth of 4,980 feet (elevation 3,081' sub-sea datum-  
45 1899) in Amerada's Ida Wimberley #4, located in SW/4 SW/4 of Section 24, T-25-  
46 S, R-37-E, Lea County, New Mexico.
- 47  
48           (i) "Unitized Substances" are all oil, gas, gaseous substances, sulphur contained in gas,  
49 condensate, distillate and all associated and constituent liquid or liquefiable  
50 hydrocarbons, other than outside substances, within and produced from the  
51 Unitized Formation.
- 52  
53           (j) "Tract" is each parcel of land described as such and given a Tract number in  
54 Exhibit "B".
- 55  
56           (k) "Tract Participation" is defined as the percentage of participation shown on Exhibit  
57 "C" for allocating Unitized Substances to a Tract under this Agreement.
- 58  
59           (l) "Unit Participation" is the sum of the percentages obtained by multiplying the  
60 Working Interest of a Working Interest Owner in each Tract by the Tract  
61 Participation of such Tract.

- 1  
2 (m) "Working Interest" is the right to search for, produce and acquire Unitized  
3 Substances whether held as an incident of ownership of mineral fee simple title,  
4 under an oil and gas lease, operating agreement, or otherwise held, which interest is  
5 chargeable with and obligated to pay or bear, either in cash or out of production, or  
6 otherwise, all or a portion of the cost of drilling, developing and producing the  
7 Unitized Substances from the Unitized Formation and operations thereof hereunder.  
8 Provided that any royalty interest created out of a working interest subsequent to  
9 the execution of this Agreement by the owner of the working interest shall continue  
10 to be subject to such working interest burdens and obligations.  
11  
12 (n) "Working Interest Owner" is any party hereto owning a Working Interest, including  
13 a carried working interest owner, holding an interest in Unitized substances by  
14 virtue of a lease, operating agreement, fee title or otherwise. The owner of oil and  
15 gas rights that are free of lease or other instrument creating a Working Interest in  
16 another shall be regarded as a Working Interest Owner to the extent of seven-  
17 eighths (7/8ths) of his interest in Unitized Substances, and as a Royalty Owner with  
18 respect to his remaining one-eighth (1/8th) interest therein.  
19  
20 (o) "Royalty Interest" or "Royalty" is an interest other than a Working Interest in or  
21 right to receive a portion of the Unitized Substances or the proceeds thereof and  
22 includes the royalty interest reserved by the lessor or by an oil and gas lease and  
23 any overriding royalty interest, oil payment interest, net profit contracts, or any  
24 other payment or burden which does not carry with it the right to search for and  
25 produce unitized substances.  
26  
27 (p) "Royalty Owner" is the owner of a Royalty Interest.  
28  
29 (q) "Unit Operating Agreement" is the agreement entered into by and between the Unit  
30 Operator and the Working Interest Owners as provided in Section 9, *infra*, and shall  
31 be styled "Unit Operating Agreement, South Justis Unit, Lea County, New  
32 Mexico".  
33  
34 (r) "Oil and Gas Rights" is the right to explore, develop and operate lands within the  
35 Unit Area for the production of Unitized Substances, or to share in the production  
36 so obtained or the proceeds thereof.  
37  
38 (s) "Outside Substances" is any substance obtained from any source other than the  
39 Unitized Formation and injected into the Unitized Formation.  
40  
41 (t) "Unit Manager" is any person or corporation appointed by Working Interest  
42 Owners to perform the duties of Unit Operator until the selection and qualification  
43 of a successor Unit Operator as provided for in Section 7 hereof.  
44  
45 (u) "Unit Operator" is the party designated by Working Interest Owners under the Unit  
46 Operating Agreement to conduct Unit Operations.  
47  
48 (v) "Unit Operations" is any operation conducted pursuant to this Agreement and the  
49 Unit Operating Agreement.  
50  
51 (w) "Unit Equipment" is all personal property, lease and well equipment, plants, and  
52 other facilities taken over or otherwise acquired for the joint account for use in Unit  
53 Operations.  
54  
55 (x) "Unit Expense" is all cost, expense, or indebtedness incurred by Working Interest  
56 Owners or Unit Operator pursuant to this Agreement and the Unit Operating  
57 Agreement for or on account of Unit Operations.  
58  
59 (y) "Effective Date" is the date determined in accordance with Section 24, or as  
60 redetermined in accordance with Section 39.  
61

1  
2       **3. EXHIBITS.** The following exhibits herein are incorporated being by reference:  
3 Exhibit "A" attached hereto is a map showing the Unit Area and the boundaries and identity of  
4 tracts and leases in said Unit Area to the extent known to the Unit Operator. Exhibit "B"  
5 attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage  
6 comprising each Tract, percentages and kind of ownership of oil and gas interests in all land in  
7 the Unit Area. Exhibit "C" lists Tract Participation of each Tract. However, nothing herein or  
8 in said schedule or map shall be construed as a representation by any party hereto as to the  
9 ownership of any interest other than such interest or interests as are shown in said map or  
10 schedule as owned by such party. The shapes and descriptions of the respective Tracts have  
11 been established by using the best information available. Each Working Interest Owner is  
12 responsible for supplying Unit Operator with accurate information relating to each Working  
13 Interest Owner's interest. If it subsequently appears that any Tract, because of diverse royalty or  
14 working interest ownership on the Effective Date hereof, should be divided into more than one  
15 Tract, or when any revision is requested by the A.O., or any correction of any error other than  
16 mechanical miscalculations or clerical is needed, then the Unit Operator, with the approval of the  
17 Working Interest Owners, may correct the mistake by revising the exhibits to conform to the  
18 facts. The revision shall not include any reevaluation of engineering or geological  
19 interpretations used in determining Tract Participation. Each such revision of an exhibit made  
20 prior to thirty (30) days after the Effective Date shall be effective as of the Effective Date. Each  
21 other such revision of an exhibit shall be effective at 7:00 a.m. on the first day of the calendar  
22 month next following the filing for record of the revised exhibit or on such other date as may be  
23 determined by Working Interest Owners and set forth in the revised exhibit. Copies of such  
24 revision shall be filed with the Land Commissioner, and not less than four (4) copies shall be  
25 filed with the A.O. In any such revision, there shall be no retroactive allocation or adjustment of  
26 Unit Expense or of working interest revenues in the Unitized Substances produced, or proceeds  
27 thereof.  
28

29       **4. EXPANSION.** The above described Unit Area may, with the approval of the A.O.  
30 and Land Commissioner, when practicable be expanded to include therein any additional Tract  
31 or Tracts regarded as reasonably necessary or advisable for the purposes of this Agreement  
32 provided however, in such expansion there shall be no retroactive allocation or adjustment of  
33 Unit Expense or of interests in the Unitized Substances produced, or proceeds thereof. Pursuant  
34 to Subsection (b), the Working Interest Owners may agree upon an adjustment of investment by  
35 reason of the expansion. Such expansion shall be effected in the following manner:  
36

- 37       (a) The Working Interest Owner or Owners of a Tract or Tracts desiring to bring such  
38 Tract or Tracts into this unit, shall file an application therefor with Unit Operator  
39 requesting such admission.  
40  
41       (b) Unit Operator shall circulate a notice of the proposed expansion to each Working  
42 Interest Owner in the Unit Area and in the Tract proposed to be included in the  
43 unit, setting out the basis for admission, the Tract Participation to be assigned to  
44 each Tract in the enlarged Unit Area and other pertinent data. After negotiation (at  
45 Working Interest Owners' meeting or otherwise) if at least three (3) Working  
46 Interest Owners having in the aggregate seventy-five percent (75%) of the Unit  
47 Participation then in effect have agreed to inclusion of such Tract or Tracts in the  
48 Unit Area, then Unit Operator shall:  
49  
50       (1) After obtaining preliminary concurrence by the A.O. and Land  
51 Commissioner, prepare a notice of proposed expansion describing the  
52 contemplated changes in the boundaries of the Unit Area, the reason therefor,  
53 the basis for admission of the additional Tract or Tracts, the Tract  
54 Participation to be assigned thereto and the proposed effective date thereof;  
55 and  
56  
57       (2) Deliver copies of notice to Land Commissioner, the A.O. at the proper BLM  
58 Office, each Working Interest Owner and to the last known address of each  
59 lessee and lessor whose interests are affected, advising such parties that thirty  
60 (30) days will be allowed for submission to the Unit Operator of any  
61 objection to such proposed expansion; and

- 1  
2 (3) File, upon the expiration of said thirty (30) day period as set out in (2)  
3 immediately above with the Land Commissioner and A.O. the following: (a)  
4 evidence of mailing or delivering copies of said notice of expansion; (b) an  
5 application for approval of such expansion; (c) an instrument containing the  
6 appropriate joinders in compliance with the participation requirements of  
7 Section 14, Section 32, and Section 34, infra; and (d) a copy of all objections  
8 received along with the Unit Operator's response thereof.  
9

10 The expansion shall, after due consideration of all pertinent information and approval by  
11 the Land Commissioner and the A.O., become effective as of the date prescribed in the notice  
12 thereof, preferably the first day of the month subsequent to the date of notice. The revised Tract  
13 Participation of the respective Tracts included within the Unit Area prior to such enlargement  
14 shall remain the same ratio one to another.  
15

16 5. **UNITIZED LAND.** All land committed to this Agreement as to the Unitized  
17 Formation shall constitute land referred to herein as "Unitized Land" or "Land subject to this  
18 Agreement". Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas  
19 and other minerals contained in or that may be produced from any formation other than the  
20 Unitized Formation as defined in Section 2(h) of this Agreement.  
21

22 6. **UNIT OPERATOR.** Atlantic Richfield Company is hereby designated the Unit  
23 Operator, and by signing this instrument as Unit Operator, agrees and consents to accept the  
24 duties and obligation of Unit Operator for the operation, development, and production of  
25 Unitized Substances as herein provided. Whenever reference is made herein to the Unit  
26 Operator, such reference means the Unit Operator acting in that capacity and not as an owner of  
27 interests in Unitized Substances, when such interest are owned by it and the term "Working  
28 Interest Owner" when used herein shall include or refer to the Unit Operator as the owner of a  
29 Working Interest when such an interest is owned by it.  
30

31 Unit Operator shall have a lien upon interests of Working Interest Owners in the Unit  
32 Area to the extent provided in the Unit Operating Agreement.  
33

34 7. **RESIGNATION OR REMOVAL OF UNIT OPERATOR.** Unit Operator shall  
35 have the right to resign at any time, but such resignation shall not become effective so as to  
36 release Unit Operator from the duties and obligations of Unit Operator and terminate Unit  
37 Operator's rights as such for a period of six (6) months after written notice of intention to resign  
38 has been given by Unit Operator to all Working Interest Owners, the Land Commissioner and  
39 the A.O. unless a new Unit Operator shall have taken over and assumed the duties and  
40 obligations of Unit Operator prior to the expiration of said period.  
41

42 The Unit Operator shall, upon default or failure in the performance of its duties and  
43 obligations hereunder, be subject to removal by two (2) or more Working Interest Owners  
44 having in the aggregate eighty percent (80%) or more of the Unit Participation then in effect  
45 exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be  
46 effective upon notice thereof to the Land Commissioner and the A.O.  
47

48 In all such instances of effective resignation or removal, until a successor to Unit  
49 Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be  
50 jointly responsible for the performance of the duties of the Unit Operator and shall, not later than  
51 thirty (30) days before such resignation or removal become effective, appoint a Unit Manager to  
52 represent them in any action to be taken hereunder.  
53

54 The resignation or removal of Unit Operator under this Agreement shall not terminate its  
55 right, title or interest as the owner of a Working Interest or other interest in Unitized Substances,  
56 but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator  
57 shall deliver possession of all wells, equipment, books and records, materials, appurtenances and  
58 any other assets used in connection with the Unit Operations to the new duly qualified successor  
59 Unit Operator or to the Unit Manager if no such new Unit Operator is elected. Nothing herein  
60 shall be construed as authorizing the removal of any material, equipment or appurtenances  
61 needed for the preservation of any wells. Nothing herein contained shall be construed to relieve

1 or discharge any Unit Operator or Unit Manager who resigns or is removed hereunder from any  
2 liability or duties accruing or performable by it prior to the effective date of such resignation or  
3 removal.  
4

5 **8. SUCCESSOR UNIT OPERATOR.** Whenever the Unit Operator shall tender its  
6 resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest  
7 Owners shall select a successor Unit Operator as herein provided. Such selection shall not  
8 become effective until (a) a Unit Operator so selected shall accept in writing the duties and  
9 responsibilities of Unit Operator, and (b) the selection shall have been approved by the Land  
10 Commissioner and the A.O. If no successor Unit Operator or Unit Manager is selected and  
11 qualified as herein provided, the Land Commissioner and/or the A.O., at their election, may  
12 declare this Agreement terminated.  
13

14 In selecting a successor Unit Operator, the affirmative vote of three (3) or more Working  
15 Interest Owners having a total of sixty-five percent (65%) or more of the total Unit Participation  
16 shall prevail; provided that if any one Working Interest Owner has a Unit Participation of more  
17 than thirty-five percent (35%), its negative vote or failure to vote shall not be regarded as  
18 sufficient unless supported by the vote of one or more other Working Interest Owners having a  
19 total Unit Participation of at least five percent (5%). If the Unit Operator who is removed votes  
20 only to succeed itself or fails to vote, the successor Unit Operator may be selected by the  
21 affirmative vote of the owners of at least seventy-five percent (75%) of the Unit Participation  
22 remaining after excluding the Unit Participation of Unit Operator so removed.  
23

24 **9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.**  
25 Costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be  
26 paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit  
27 Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which  
28 the Working Interest Owners shall be entitled to receive their respective proportionate and  
29 allocated share of the benefits accruing hereto in conformity with their underlying operating  
30 agreements, leases or other contracts and such other rights and obligations as between Unit  
31 Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the  
32 Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either  
33 to modify any of the terms and conditions of this Agreement or to relieve the Unit Operator of  
34 any right or obligation established under this Agreement, and in case of any inconsistency or  
35 conflict between this Agreement and the Unit Operating Agreement, this Agreement shall  
36 prevail. Copies of any Unit Operating Agreement executed pursuant to this Section shall be  
37 filed with the Land Commissioner and with the A.O. at the proper BLM Office as required prior  
38 to approval of this Agreement.  
39

40 **10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR.** Except as otherwise  
41 specifically provided herein, the exclusive right, privilege and duty of exercising any and all  
42 rights of the parties hereto including surface rights which are necessary or convenient for  
43 prospecting for, producing, storing, allocating and distributing the Unitized Substances are  
44 hereby delegated to and shall be exercised by the Unit Operator as herein provided. Upon  
45 request by Unit Operator, acceptable evidence of title (sufficient to show ownership by the  
46 Working Interest Owners of the affected tracts, at the expense of the Working Interest  
47 Owner of said tracts) shall be deposited with said Unit Operator, and together with this  
48 Agreement, shall constitute and define the rights, privileges and obligations of Unit Operator.  
49 Nothing herein, however, shall be construed to transfer title to any land or to any lease or  
50 operating agreement, it being understood that under this Agreement the Unit Operator, in its  
51 capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties  
52 hereto only for the purposes herein specified.  
53

54 **11. PLAN OF OPERATIONS.** It is recognized and agreed by the parties hereto that  
55 all of the land subject to this Agreement is reasonably proved to be productive of Unitized  
56 Substances and that the object and purpose of this Agreement is to formulate and to put into  
57 effect an improved recovery project in order to effect additional recovery of Unitized  
58 Substances, prevent waste and conserve natural resources. Unit Operator shall have the right to  
59 inject into the Unitized Formation any substances for secondary recovery or enhanced recovery  
60 purposes in accordance with a plan of operation approved by the Working Interest Owners, the  
61 A.O., the Land Commissioner and the Division, including the right to drill and maintain



1 injection wells on the Unitized Land and completed in the Unitized Formation, and to use  
2 abandoned well or wells producing from the Unitized Formation for said purpose. Subject to like  
3 approval, the Plan of Operation may be revised as conditions may warrant.  
4

5 The initial Plan of Operation shall be filed with the A.O., the Land Commissioner and  
6 the Division concurrently with the filing of this Unit Agreement for final approval. Said initial  
7 Plan or Operation and all revisions thereof shall be as complete and adequate as the A.O., the  
8 Land Commissioner and the Division may determine to be necessary for timely operation  
9 consistent herewith. Upon approval of this Agreement and the initial plan by the A.O. and  
10 Commissioner, said plan, and all subsequently approved plans, shall constitute the operating  
11 obligations of the Unit Operator under this Agreement for the period specified therein.  
12 Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall  
13 submit for like approval a plan for an additional specified period of operations. After such  
14 operations are commenced, reasonable diligence shall be exercised by the Unit Operator in  
15 complying with the obligations of the approved Plan of Operation.  
16

17 Notwithstanding anything to the contrary herein contained, should the Unit Operator fail  
18 to commence Unit Operations for the secondary recovery of Unitized Substances from the Unit  
19 Area within eighteen (18) months after the effective date of this Agreement, or any extension  
20 thereof approved by the A.O., this Agreement shall terminate automatically as of the date of  
21 default.  
22

23 **12. USE OF SURFACE AND USE OF WATER.** The parties to the extent of their  
24 rights and interests, hereby grant to Unit Operator the right to use as much of the surface,  
25 including the water thereunder, of the Unitized Land as may reasonably be necessary for Unit  
26 Operations.  
27

28 Unit Operator's free use of water or brine or both for Unit Operations, shall not include  
29 any water from any well, lake, pond or irrigation ditch of a surface owner, unless approval for  
30 such use is granted by the surface owner.  
31

32 Unit Operator shall pay the surface owner for damages to growing crops, fences,  
33 improvements and structures on the Unitized Land that result from Unit Operations, and such  
34 payments shall be considered as items of unit expense to be borne by all the Working Interest  
35 Owners of lands subject hereto.  
36

37 **13. TRACT PARTICIPATION.** In Exhibit "C" attached hereto there are listed and  
38 numbered the various Tracts within the Unit Area, and set forth opposite each Tract are figures  
39 which represent the Tract Participation, during Unit Operations if all Tracts in the Unit Area  
40 qualify as provided herein. The Tract Participation of each Tract as shown in Exhibit "C" was  
41 determined in accordance with the following formula:  
42

43 **TRACT PARTICIPATION** = 1% A/B + 4% C/D + 21% E/F + 34% G/H + 40% I/J  
44

45 A = The Tract surface acres in the Unit Area.

46 B = The total Unit Area surface acres.

47 C = The Tract hydrocarbon production from the Unitized Interval for the twelve  
48 (12) months prior to January 1, 1990, in barrels of oil equivalent (BOE)  
49 using a 10 MCF of gas production per one (1) barrel of oil production  
50 equivalency.

51 D = The total Unit Area hydrocarbon production from the Unitized Interval for  
52 the twelve (12) months prior to January 1, 1990, in barrels of oil equivalent  
53 (BOE) using a 10 MCF of gas production per one (1) barrel of oil production  
54 equivalency.

55 E = The Tract cumulative hydrocarbon recovery from the Unitized Interval as of  
56 December 31, 1989, in barrels of oil equivalent (BOE) using a 10 MCF of  
57 gas production per one (1) barrel of oil production equivalency.

58 F = The total Unit Area cumulative hydrocarbon recovery from the Unitized  
59 Interval as of December 31, 1989, in barrels of oil equivalent (BOE) using  
60 10 MCF of gas production per one (1) barrel of oil production equivalency.

- 1 G = The Tract estimated remaining primary oil production from the Unitized  
2 Interval from January 1, 1990.  
3 H = The total Unit Area estimated remaining primary oil production from the  
4 Unitized Interval from January 1, 1990.  
5 I = The Tract estimated ultimate primary hydrocarbon recovery from the  
6 Unitized Interval in barrels of oil equivalent (BOE) using 10 MCF of gas  
7 production per one (1) barrel of oil production equivalency.  
8 J = The total Unit Area estimated ultimate primary hydrocarbon recovery from  
9 the Unitized Interval in barrels of oil equivalent (BOE) using 10 MCF of gas  
10 production per one (1) barrel of oil production equivalency.  
11

12 In the event less than all Tracts are qualified on the Effective Date hereof, the Tract  
13 Participation shall be calculated on the basis of all such qualified Tracts rather than all tracts in  
14 the Unit Area.  
15

16 **14. TRACTS QUALIFIED FOR PARTICIPATION.** On and after the Effective  
17 Date hereof, the Tracts within the Unit Area which shall be entitled to participation in the  
18 production of Unitized Substances shall be those Tracts more particularly described in Exhibit  
19 "C" that corner or have a common boundary (Tracts separated only by a public road or a railroad  
20 right-of-way shall be considered to have a common boundary), and that otherwise qualify as  
21 follows:  
22

- 23 (a) Each Tract as to which Working Interest Owners owning one hundred percent  
24 (100%) of the Working Interest have become parties to this Agreement and as to  
25 which Royalty Owners owning seventy-five percent (75%) or more of the Royalty  
26 Interest have become parties to this Agreement.  
27  
28 (b) Each Tract as to which Working Interest Owners owning one hundred percent  
29 (100%) of the Working Interest have become parties to this Agreement, and as to  
30 which Royalty Owners owning less than seventy-five percent (75%) of the Royalty  
31 Interest have become parties to this Agreement, and as to which (1) the Working  
32 Interest Owner who operates the Tract and Working Interest Owners owning at  
33 least seventy-five percent (75%) of the remaining Working Interest in such Tract  
34 have joined in a request for the inclusion of such Tract, and as to which (2)  
35 Working Interest Owners owning at least seventy-five percent (75%) of the  
36 combined Unit Participation in all Tracts that meet the requirements of Section  
37 14(a) above have voted in favor of the inclusion of such tract.  
38  
39 (c) Each Tract as to which Working Interest Owners owning less than one hundred  
40 percent (100%) of the Working Interest have become parties to this Agreement,  
41 regardless of the percentage of Royalty Interest therein that is committed hereto;  
42 and as to which (1) the Working Interest Owner who operates the Tract and  
43 Working Interest Owner owning at least seventy-five percent (75%) of the  
44 remaining Working Interest in such Tract, who have become parties to this  
45 Agreement, have joined in a request for inclusion of such Tract, and have executed  
46 and delivered, or obligated themselves to execute and deliver an indemnity  
47 agreement indemnifying and agreeing to hold harmless the other owners of  
48 committed Working Interests, their successors and assigns, against all claims and  
49 demands that may be made by the owners of Working Interest in such Tract who  
50 are not parties to this Agreement, and which arise out of the inclusion of the Tract;  
51 and as to which (2) Working Interest Owners owning at least seventy-five percent  
52 (75%) of the Unit Participation in all Tracts that meet the requirements of Section  
53 14(a) and 14(b) have voted in favor of the inclusion of such Tract and to accept the  
54 indemnity agreement. Upon the inclusion of such a Tract, the Tract Participations  
55 which would have been attributed to the nonsubscribing owners of Working  
56 Interest in such Tract, had they become parties to this Agreement and the Unit  
57 Operating Agreement, shall be attributed to the Working Interest Owners in such  
58 Tract who have become parties to such agreements, and joined in the indemnity  
59 agreement, in proportion to their respective Working Interests in the Tract.  
60

1 If on the Effective Date of this Agreement there is any Tract or Tracts which have not  
2 been effectively committed to or made subject to this Agreement by qualifying as above  
3 provided, then such Tract or Tracts shall not be entitled to participate hereunder. Unit Operator  
4 shall, when submitting this Agreement for final approval by the Land Commissioner and the  
5 A.O., file therewith a schedule of those tracts which have been committed and made subject to  
6 this Agreement and are entitled to participate in Unitized Substances. Said schedule shall set  
7 forth opposite each such committed Tract the lease number or assignment number, the owner of  
8 record of the lease, and the percentage participation of such tract which shall be computed  
9 according to the participation formula set forth in Section 13 (Tract Participation) above. This  
10 schedule of participation shall be revised Exhibit "C" and upon approval thereof by the Land  
11 Commissioner and the A.O., shall become a part of this Agreement and shall govern the  
12 allocation of production of Unitized Substances until a new schedule is approved by the Land  
13 Commissioner and A.O.  
14

15 **15.A. ALLOCATION OF UNITIZED SUBSTANCES.** All Unitized Substances  
16 produced and saved (less, save and except any part of such Unitized Substances used in  
17 conformity with good operating practices on unitized land for drilling, operating, camp and other  
18 production or development purposes and for injection or unavoidable loss in accordance with a  
19 Plan of Operation approved by the A.O. and Land Commissioner) shall be apportioned among  
20 and allocated to the qualified Tracts in accordance with the respective Tract Participations  
21 effective hereunder during the respective periods such Unitized Substances were produced, as set  
22 forth in the schedule of participation in Exhibit "C". The amount of Unitized Substances so  
23 allocated to each Tract, and only that amount (regardless of whether it be more or less than the  
24 amount of the actual production of Unitized Substances from the well or wells, if any, or such  
25 Tract) shall, for all intents, uses and purposes, be deemed to have been produced from such  
26 Tract.  
27

28 The Unitized Substances allocated to each Tract shall be distributed among, or accounted  
29 for, to the parties entitled to share in the production from such Tract in the same manner, in the  
30 same proportions, and upon the same conditions, as they would have participated and shared in  
31 the production from such Tracts, or in the proceeds thereof, had this Agreement not been entered  
32 into; and with the same legal force and effect.  
33

34 No Tract committed to this Agreement and qualified for participation as above provided  
35 shall be subsequently excluded from participation hereunder on account of depletion of Unitized  
36 Substances.  
37

38 If the Working Interest and/or the Royalty Interest in any Tract are divided with respect to  
39 separate parcels or portions of such Tract and owned now or hereafter in severalty by different  
40 persons, the Tract Participation shall in the absence of a recordable instrument executed by all  
41 owners in such Tract and furnished to Unit Operator fixing the divisions of ownership, be  
42 divided among such parcels or portions in proportion to the number of surface acres in each.  
43

44 **15.B. WINDFALL PROFIT TAX.** In order to comply with the Windfall Profit Act of  
45 1980, as amended, and applicable regulations and to ensure that interest owners of each Tract  
46 retain the Windfall Profit Tax benefits accruing to each Tract prior to joining the Unit, for  
47 Windfall Profit Tax purposes only, crude oil shall be allocated to individual Tracts as follows:  
48

49 **15.C. IMPUTED NEWLY DISCOVERED CRUDE OIL.** Each Tract contributing  
50 newly discovered crude oil to the Unit Area, that is, each Tract certified as a newly discovered  
51 property for Windfall Profit Tax purposes prior to joining the Unit (Newly Discovered Tract),  
52 shall be allocated imputed newly discovered crude oil in the proportion that the Tract  
53 Participation of such Tract bears to the total of the Tract Participations of all Newly discovered  
54 Tracts; provided, however, that imputed newly discovered crude oil allocated to any Tract under  
55 this Subsection 15.C. shall not exceed, in any month, the total number of barrels of crude oil  
56 allocable out of unit production to such Tract in accordance with its Tract Participation. In the  
57 event a Newly Discovered Tract is so allocated a number of barrels of imputed newly discovered  
58 crude oil which is less than the total number of barrels of crude oil allocable out of unit  
59 production to such Tract in accordance with its Tract Participation, then such Newly Discovered  
60 Tract shall be allocated any remaining unallocated newly discovered crude oil in the proportion  
61 that the Tract Participation of such Tract bears to the total of the Tract Participations of all

Newly Discovered Tracts not previously so allocated the total number of barrels allocable out of unit production in accordance with their Tract Participations. This additional allocation process shall continue to be repeated, as outlined in the preceding sentence, until such time as:

(a) all Newly Discovered Tracts have been so allocated a number of barrels of imputed newly discovered crude oil equal to the total number of barrels of crude oil allocable out of unit production to such Tracts in accordance with their Tract Participations; or

(b) there is no imputed newly discovered crude oil remaining to be allocated,

whichever occurs first.

Any imputed newly discovered crude oil in excess of the amount of all allocable to a Tract in accordance with this Subsection 15.C. shall be termed excess imputed newly discovered crude oil.

**15.D. IMPUTED STRIPPER CRUDE OIL.** Each Tract contributing stripper crude oil to the Unit Area, that is, each Tract certified as a stripper property for Windfall Profit Tax purposes prior to joining the Unit (Stripper Tract), shall be allocated imputed stripper crude oil in the proportion that the Tract Participation of such tract bears to the total of the Tract Participations of all Stripper Tracts; provided, however, that imputed stripper crude oil allocated to any Tract under this Subsection 15.D. shall not exceed, in any month, the total number of barrels of crude oil allocable out of unit production to such Tract in accordance with its Tract Participation. In the event a Stripper Tract is so allocated a number of barrels of imputed stripper crude oil which is less than the total number of barrels of crude oil allocable out of unit production to such Tract in accordance with its Tract Participation, then such Stripper Tract shall be allocated any remaining unallocated imputed stripper crude oil in the proportion that the Tract Participation of such Tract bears to the total of the Tract Participations of all Stripper Tracts not previously so allocated the total number of barrels allocable out of unit production in accordance with their Tract Participations. This additional allocation process shall continue to be repeated, as outlined in the preceding sentence, until such time as:

(a) all Stripper Tracts have been so allocated a number of barrels of imputed stripper crude oil equal to the total number of barrels of crude oil allocable out of unit production to such Tracts in accordance with their Tract Participations; or

(b) there is no imputed stripper crude oil remaining to be allocated,

whichever comes first.

Any imputed stripper crude oil in excess of the amount of oil allocable to a Tract in accordance with this Subsection 15.D. shall be termed excess imputed stripper crude oil.

**15.E. EXCESS IMPUTED NEWLY DISCOVERED CRUDE OIL.** Each Tract shall be allocated any excess imputed newly discovered crude oil in the proportion that its Tract Participation bears to the total of the Tract Participations of all Tracts not previously allocated the total number of barrels of crude oil allocable to these Tracts out of unit production in accordance with the Tract Participations of such Tracts; provided, however, that excess imputed newly discovered crude oil allocated to each such Tract, when added to the total number of barrels of imputed newly discovered crude oil previously allocated to it, shall not exceed, in any month, the total number of barrels of oil allocable to it out of unit production in accordance with its Tract Participation.

**15.F. EXCESS IMPUTED STRIPPER CRUDE OIL.** Each Tract shall be allocated any excess imputed stripper crude oil in the proration that its Tract Participation bears to the total of the Tract Participations of all Tracts not previously allocated the total number of crude oil barrels allocable to these Tracts out of unit production in accordance with the Tract Participations of such Tracts; provided, however, that excess imputed stripper crude oil allocated to each such Tract, when added to the total number of barrels of imputed stripper crude oil

1 previously allocated to it, shall not exceed, in any monthly, the total number of barrels of oil  
2 allocable to it out of unit production in accordance with its Tract Participation.  
3

4 **15.G. TAKING UNITIZED SUBSTANCES IN KIND.** The Unitized Substances  
5 allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by  
6 virtue of the ownership of oil and gas rights therein. Each such party shall have the right to  
7 construct, maintain and operate all necessary facilities for the purpose within the Unitized Area,  
8 provided the same are so constructed, maintained and operated as not to interfere with Unit  
9 Operations. Subject to Section 17 hereof, any extra expenditure incurred by Unit Operator by  
10 reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the  
11 party taking delivery. In the event any Working Interest Owner shall fail to take or otherwise  
12 adequately dispose of its proportionate share of the production from the Unitized Formation,  
13 then so long as such condition continues, Unit Operator, for the account and at the expense of  
14 the Working Interest Owner of the Tract or tracts concerned, and in order to avoid curtailing the  
15 operation of the Unit Area, may, but shall not be required to, sell or otherwise dispose of such  
16 production to itself or to others, provided that all contracts of sale by Unit Operator of any other  
17 party's share of Unitized Substances shall be only for such reasonable periods of time as are  
18 consistent with the minimum needs of the industry under the circumstances, but in no event shall  
19 any such contract be for a period in excess of one (1) year, and at not less than the prevailing  
20 market price in the area for like production, and the account of such Working Interest Owner  
21 shall be charged therewith as having received such production. The net proceeds, if any, of the  
22 Unitized Substances so disposed of by Unit Operator shall be paid to the Working Interest  
23 Owner of the Tract or Tracts concerned. Notwithstanding the foregoing, Unit Operator shall not  
24 make a sale into interstate commerce of any Working Interest Owner's share of gas production  
25 without first giving such Working Interest Owner sixty (60) days notice in such intended sale.  
26

27 Any Working Interest Owner receiving in kind or separately disposing of all or any part of  
28 the Unitized Substances allocated to any Tract, or receiving the proceeds therefrom if the same is  
29 sold or purchased by Unit Operator, shall be responsible for the payment of all royalty,  
30 overriding royalty and production payments due thereon, and each such party shall hold each  
31 other Working Interest Owner harmless against all claims, demands and causes of action by  
32 owners of such royalty, overriding royalty and production payments.  
33

34 If, after the Effective Date of this Agreement, there is any Tract of Tracts that are  
35 subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any tract or  
36 Tracts within the Unit Area not committed hereto as of the Effective date hereof but which are  
37 subsequently committed hereto under the provisions of Section 14 (Tracts Qualified for  
38 Participation) and Section 32 (Nonjoinder and Subsequent Joinder); or if any Tract is excluded  
39 from this Agreement as provided for in Section 21 (Loss of Title), the schedule of participation  
40 as shown in Exhibit "C" shall be revised by the Unit Operator; and the revised Exhibit "C", upon  
41 approval by the Land Commissioner and the A.O., shall govern the allocation of production on  
42 and after the effective date thereof until a revised schedule is approved as hereinabove provided.  
43

44 **16. OUTSIDE SUBSTANCES.** If gas, including but not limited to CO<sub>2</sub> and  
45 Nitrogen, obtained from formations not subject to this Agreement is introduced into the Unitized  
46 formation for use in repressuring, stimulating of production or increasing ultimate recovery  
47 which shall be in conformity with a Plan of Operation first approved by the Land Commissioner  
48 and the A.O., a like amount of gas with appropriate deduction for loss or depletion from any  
49 cause may be withdrawn from unit wells completed in the Unitized Formation royalty free as to  
50 dry gas, but not royalty free as to the products extracted therefrom; provided that such  
51 withdrawal shall be at such time as may be provided in the approved Plan of Operation or as  
52 otherwise may be consented to or prescribed by the Land Commissioner and the A.O. as  
53 conforming to good petroleum engineering practices and provided further that such right of  
54 withdrawal shall terminate on the termination date of this Agreement.  
55

56 **17. ROYALTY SETTLEMENT.** The State of New Mexico and United States of  
57 America and all Royalty Owners who, under an existing contract, are entitled to take in kind a  
58 share of the substances produced from any Tract unitized hereunder, shall continue to be entitled  
59 to such right to take in kind their share of the Unitized Substances allocated to such Tract, and  
60 Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the  
61 applicable contracts, laws 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 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 State of New Mexico and 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 and State requirements to the contrary, Working Interest Owners may use or consume Unitized Substances for Unit Operations 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 State of New Mexico and 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.

**18. RENTAL SETTLEMENT.** Rentals or minimum Royalties due on the leases committed hereto shall be paid by 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 for lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. 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.

**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.

**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, the A.O. and the Land Commissioner, 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.

**21. LOSS OF TITLE.** In the event title to a Tract of unitized land shall fail and the true owner cannot be induced 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 State or Federal lands or leases, no payments of funds due the United States or the State of New Mexico shall be withheld, but such funds shall be deposited as directed by the A.O. or Land Commissioner (as the case may be) 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 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 judgment 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.

**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 and the Land Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum Royalty and Royalty requirements of Federal and State 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



1 be deemed to expire by reason of failure to drill or produce wells situated on the  
2 land therein embraced.

3  
4 (c) Suspension of drilling or producing operations within the Unit Area pursuant to  
5 direction or consent of the Land Commissioner and the A.O., or their duly  
6 authorized representatives, shall be deemed to constitute such suspension pursuant  
7 to such direction or consent as to each Tract within the Unitized Area.

8  
9 (d) Each lease, sublease, or contract relating to the exploration, drilling, development,  
10 or operation for oil and gas which by its terms might expire prior to the termination  
11 of this Agreement, is hereby extended beyond any such term so provided therein,  
12 so that it shall be continued in full force and effect for and during the term of this  
13 Agreement.

14  
15 (e) Any lease embracing lands of the State of New Mexico which is made subject to  
16 this Agreement shall continue in force beyond the term provided therein as to the  
17 lands committed hereto until the termination hereof.

18  
19 (f) Any lease embracing lands of the State of New Mexico having only a portion of its  
20 land committed hereto shall be segregated as to that portion committed and that not  
21 committed, and the terms of such lease shall apply separately to such segregated  
22 portions commencing as of the Effective Date hereof. Provided, however, that  
23 notwithstanding any of the provisions of this Agreement to the contrary, such lease  
24 (including both segregated portions) shall continue in full force and effect beyond  
25 the term provided therein as to all lands embraced in such lease if oil or gas is, or  
26 has heretofore been discovered in paying quantities on some part of the lands  
27 embraced in such lease committed to this Agreement or, so long as a portion of the  
28 Unitized Substances produced from the Unit Area is, under the terms of this  
29 Agreement, allocated to the portion of the lands covered by such lease committed  
30 to this Agreement, or, at any time during the term hereof, as to any lease that is  
31 then valid and subsisting and upon which the lessee or the Unit Operator is then  
32 engaged in bona fide drilling, reworking, or improved recovery operations on any  
33 part of the lands embraced in such lease, then the same as to all lands embraced  
34 therein shall remain in full force and effect so long as such operations are diligently  
35 prosecuted, and if they result in the production of oil or gas, said lease shall  
36 continue in full force and effect as to all of the lands embraced therein, so long  
37 thereafter as oil or gas in paying quantities is being produced from any portion of  
38 said lands.

39  
40 (g) The segregation of any Federal lease committed to this Agreement is governed by  
41 the following provision in the fourth paragraph of Section 17(j) of the Mineral  
42 Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any  
43 (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing  
44 lands that are in part within and in part outside of the area covered by any such plan  
45 shall be segregated into separate leases as to the lands committed and the lands not  
46 committed as of the effective date of unitization; provided, however, that any such  
47 lease as to the nonunitized portion shall continue in force and effect for the term  
48 thereof by for not less than two (2) years from the date of such segregation and so  
49 long thereafter as oil or gas is produced in paying quantities."

50  
51 **23. COVENANTS RUN WITH LAND.** The covenants herein shall be construed to  
52 be covenants running with the land with respect to the interest of the parties hereto and their  
53 successors in interest until this Agreement terminates, and any grant, transfer or conveyance of  
54 interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption  
55 of all privileges and obligations hereunder by the grantee, transferee or other successor in  
56 interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon  
57 Unit Operator until the first day of the calendar month after Unit Operator is furnished with the  
58 original, or acceptable photostatic or certified copy, of the recorded instrument or transfer; and  
59 no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the  
60 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.

**24. EFFECTIVE DATE AND TERM.** This Agreement shall be binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective on the first day of the calendar month next following the approval of this Agreement by the A.O., the Land Commissioner and the Commission.

If this Agreement does not become effective on or before September 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 seventy-five percent (75%); 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 Lea County, New Mexico, where a counterpart of this Agreement is recorded, 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.

The terms 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 Land Commissioner and 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 Lea 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.

**25. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION.** All production and the disposal thereof shall be in conformity with allocation 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 or her 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; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Land Commissioner and as to any lands in the State of New Mexico or privately-owned lands subject to this Agreement or to the quantity and rate of production from such lands in the absence of specific written approval thereof by the Division.

1 Powers in this Section vested in the A.O. shall only be exercised after notice to Unit  
2 Operator and opportunity for hearing to be held not less than fifteen (15) days from notice, and  
3 thereafter subject to administrative appeal before becoming final.  
4

5 **26. NONDISCRIMINATION.** Unit Operator in connection with the performance of  
6 work under this Agreement relating to leases of the United States, agrees to comply with all of  
7 the provisions of Section 202(1) to (7) inclusive of Executive Order 11246, (30 F.R. 12319),  
8 which are hereby incorporated by reference in this Agreement.  
9

10 **27. APPEARANCES.** Unit Operator shall have the right, in the absence of the  
11 designation of a different representative by the working interest owners, to appear for or on  
12 behalf of any interests affected hereby before the Land Commissioner, the Department, and the  
13 Division, and to appeal from any order issued under the rules and regulations of the Land  
14 Commissioner, the Department or the Division, or to apply for relief from any of said rules and  
15 regulations or in any proceedings relative to operations before the Land Commissioner, the  
16 Department or the Division or any other legally constituted authority; provided, however, that  
17 any other interested party shall also have the right at its own expense to be heard in any such  
18 proceeding.  
19

20 **28. NOTICES.** All notices, demands, objections or statements required hereunder to  
21 be given or rendered to the parties hereto shall be deemed fully given if made in writing and  
22 personally delivered to the party or parties or sent by postpaid certified or registered mail,  
23 addressed to such party or parties at their last known address set forth in connection with the  
24 signatures hereto or to the ratification or consent hereof or to such other address as any such  
25 party or parties may have furnished in writing to the party sending the notice, demand or  
26 statement.  
27

28 **29. NO WAIVER OF CERTAIN RIGHTS.** Nothing in this Agreement contained  
29 shall be construed as a waiver by any party hereto of the right to assert any legal or  
30 constitutional right or defense as to the validity or invalidity of any law of the State wherein said  
31 Unitized Lands are located, or regulations issued thereunder in any way affecting such party, or  
32 as a waiver by any such party of any right beyond his or its authority to waive; provided,  
33 however, each party hereto covenants that it will not resort to any action to partition the Unitized  
34 Land or the Unit Equipment.  
35

36 **30. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO**  
37 **REALTY.** Each Working Interest Owner has heretofore placed and used on its Tract or Tracts  
38 committed to this Agreement various well and lease equipment and other property, equipment  
39 and facilities. It is also recognized that additional equipment and facilities may hereafter be  
40 placed and used upon the Unitized Land as now or hereafter constituted. Therefore, for all  
41 purposes of this Agreement, any such equipment shall be considered to be personal property and  
42 not fixtures attached to realty. Accordingly, said well and lease equipment and personal  
43 property is hereby severed from the mineral estates affected by this Agreement, and it is agreed  
44 that any such equipment and personal property shall be and remain personal property of the  
45 Working Interest Owners for all purposes.  
46

47 **31. UNAVOIDABLE DELAY.** All obligations under this Agreement requiring the  
48 Unit Operator to commence or continue improved recovery operations or to operate on or  
49 produce Unitized Substances from any of the lands covered by this Agreement shall be  
50 suspended while, but only so long as, the Unit Operator, despite the exercise of due care and  
51 diligence, is prevented from complying with such obligations, in whole or in part, by strikes,  
52 acts of God, Federal, State or municipal law or agency, unavoidable accident, uncontrollable  
53 delays in transportation, inability to obtain necessary materials or equipment in open market, or  
54 other matters beyond the reasonable control of the Unit Operator whether similar to matters  
55 herein enumerated or not.  
56

57 **32. NONJOINDER AND SUBSEQUENT JOINDER.** Joinder by any Royalty  
58 Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working  
59 Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively  
60 committed. Joinder to this Agreement by a Working Interest Owner, at any time, must be

1 accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest  
2 to be regarded as effectively committed to this Agreement.  
3

4 Any oil or gas interest in the Unitized Formations not committed hereto prior to  
5 submission of this Agreement to the Land Commissioner and the A.O. for final approval may  
6 thereafter be committed hereto upon compliance with the applicable provisions of this Section  
7 and of Section 14 (Tracts Qualified for Participation) hereof, at any time up to the Effective  
8 Date hereof on the same basis of Tract Participation as provided in Section 13, by the owner or  
9 owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the  
10 interest is a Working Interest, by the owner of such interest subscribing also to the Unit  
11 Operating Agreement.  
12

13 It is understood and agreed, however, that from and after the Effective Date hereof the  
14 right of subsequent joinder as provided in this Section shall be subject to such requirements or  
15 approvals and on such basis as may be agreed upon by Working Interest Owners owning not less  
16 than seventy-five percent (75%) of the Unit Participation then in effect, and approved by the  
17 Land Commissioner and A.O. Such subsequent joinder by a proposed Working Interest Owner  
18 must be evidenced by his execution or ratification of this Agreement and the Unit Operating  
19 Agreement and, where State or Federal land is involved, such joinder must be approved by the  
20 Land Commissioner or A.O. Such joinder by a proposed Royalty Owner must be evidenced by  
21 his execution, ratification or consent of this Agreement and must be consented to in writing by  
22 the Working Interest Owner responsible for the payment of any benefits that may accrue  
23 hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein  
24 provided, subsequent joinder to this Agreement shall be effective as of the first day of the month  
25 following the filing with the Land Commissioner and A.O. of duly executed counterparts of any  
26 and all documents necessary to establish effective commitment of any Tract or interest to this  
27 Agreement, unless objection to such joinder by the Land Commissioner or the A.O., is duly  
28 made sixty (60) days after such filing.  
29

30 **33. COUNTERPARTS.** This Agreement may be executed in any number of  
31 counterparts, no one of which needs to be executed by all parties and may be ratified or  
32 consented to by separate instrument in writing, specifically referring hereto, and shall be binding  
33 upon all those parties who have executed such a counterpart, ratification or consent hereto with  
34 the same force and effect as if all parties had signed the same document, and regardless of  
35 whether or not it is executed by all other parties owning or claiming an interest in the land within  
36 the described Unit Area. Furthermore, this Agreement shall extend to and be binding on the  
37 parties hereto, their successors, heirs and assigns.  
38

39 **34. JOINDER IN DUAL CAPACITY.** Execution as herein provided by any party as  
40 either a Working Interest Owner or a Royalty Owner shall commit all interests owned or  
41 controlled by such party; provided, that if the party is the owner of a Working Interest, he must  
42 also execute the Unit Operating Agreement.  
43

44 **35. TAXES.** Each party hereto shall, for its own account, render and pay its share of  
45 any taxes levied against or measured by the amount or value of the Unitized Substances  
46 produced from the unitized land; provided, however, that if it is required or if it be determined  
47 that the Unit Operator or the several Working Interest Owners must pay or advance said taxes  
48 for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or  
49 advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty  
50 Owners, who may be responsible for the taxes on their respective allocated share of said  
51 Unitized Substances. No taxes shall be charged to the United States or to the State of New  
52 Mexico, nor to any lessor who has a contract with a lessee which requires his lessee to pay  
53 such taxes.  
54

55 **36. NO PARTNERSHIP.** The duties, obligations and liabilities of the parties hereto  
56 are intended to be several and not joint or collective. This Agreement is not intended to create,  
57 and shall not be construed to create, an association or trust, or to impose a partnership duty,  
58 obligation or liability with regard to any one or more of the parties hereto. Each party hereto  
59 shall be individually responsible for its own obligation as herein provided.  
60

1           **37. PRODUCTION AS OF THE EFFECTIVE DATE.** Unit Operator shall make a  
2 proper and timely gauge of all leases and other tanks within the Unit Area in order to ascertain  
3 the amount of merchantable oil above the pipeline connection, in such tanks as of 7:00 a.m. on  
4 the Effective Date hereof. All such oil which has then been produced in accordance with  
5 established allowables shall be and remain the property of the Working Interest Owner entitled  
6 thereto, the same as if the unit had not been formed; and the responsible Working Interest  
7 Owner shall promptly remove said oil from the Unitized Land. Any such oil not so removed  
8 shall be sold by Unit Operator for the account of such Working Interest Owners, subject to the  
9 payment of all Royalty to Royalty Owners under the terms hereof. The oil that is in excess of  
10 the prior allowable of the wells from which it was produced shall be regarded as Unitized  
11 Substances produced after Effective Date hereof.  
12

13           If, as of the Effective Date hereof, any Tract is over-produced with respect to the  
14 allowable of the wells on that Tract and the amount of over-production has been sold or  
15 otherwise disposed of, such over-production shall be regarded as a part of the Unitized  
16 Substances produced after the Effective Date hereof and shall be charged to such Tract as  
17 having been delivered to the parties entitled to Unitized Substances allocated to such Tract.  
18

19           **38. NO SHARING OF MARKET.** This Agreement is not intended to provide and  
20 shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale  
21 or marketing of Unitized Substances.  
22

23           **39. STATUTORY UNITIZATION.** If and when Working Interest Owners owning at  
24 least seventy-five percent (75%) Unit Participation and Royalty Owners owning at least  
25 seventy-five percent (75%) Royalty interest have become parties to this Agreement or have  
26 approved this Agreement in writing and such Working Interest Owners have also become  
27 parties to the Unit Operating Agreement, Unit Operator may make application to the Division  
28 for statutory unitization of the uncommitted interests pursuant to the Statutory Unitization Act  
29 (Chapter 65, Article 14, N.M.S. 1953 Annotated). If such application is made and statutory  
30 unitization is approved by the Division, then effective as of the date of the Division's order  
31 approving statutory unitization, this Agreement and/or the Unit Operating Agreement shall  
32 automatically be revised and/or amended in accordance with the following:  
33

- 34           (1) Section 14 of this Agreement shall be revised by substituting for the entire said  
35 section the following:  
36

37           **"14. TRACTS QUALIFIED FOR PARTICIPATION.** On or after the Effective  
38 Date hereof, all Tracts within the Unit Area shall be entitled to participation in the  
39 production of Unitized Substances."  
40

- 41           (2) Section 24 of this Agreement shall be revised by substituting for the first three (3)  
42 paragraphs of said section the following:  
43

44           **"24. EFFECTIVE DATE AND TERM.** This Agreement shall become effective  
45 on the first day of the calendar month next following the effective date of the  
46 Division's order approving statutory unitization upon the terms and conditions of  
47 this Agreement, as amended (if any amendment is necessary) to conform to the  
48 Division's order; approval of this Agreement, as so amended, by the Land  
49 Commissioner; and the A.O. and the filing by Unit Operator of this Agreement or  
50 notice thereof for record in the office of the County Clerk of Lea County, New  
51 Mexico. Unit Operator shall not file this Agreement or notice thereof for record,  
52 and hence this Agreement shall not become effective, unless within ninety (90)  
53 days after the date all other prerequisites for effectiveness of this Agreement have  
54 been satisfied, such filing is approved by Working Interest Owners owning a  
55 combined Unit Participation of at least sixty-five percent (65%) as to all Tracts  
56 within the Unit Area.  
57

58           "Unit Operator shall, within thirty (30) days after the Effective Date of this  
59 Agreement, file for record in the office of the County Clerk of Lea County, New  
60 Mexico, a certificate to the effect that this Agreement has become effective in

1 accordance with its terms, therein identifying the Division's order approving  
2 statutory unitization and stating the Effective Date."

- 3  
4 (3) This Agreement and/or the Unit Operating Agreement shall be amended in any and  
5 all respects necessary to conform to the Division's order approving statutory  
6 unitization.

7 Any and all amendments of this Agreement and/or the Unit Operating Agreement that are  
8 necessary to conform said agreements to the Division's order approving statutory unitization  
9 shall be deemed to be hereby approved in writing by the parties hereto without any necessity  
10 for further approval by said parties, except as follows:

- 11  
12 (a) If any amendment of this Agreement has the effect of reducing any Royalty  
13 Owner's participation in the production of Unitized Substances, such Royalty  
14 Owner shall not be deemed to have hereby approved the amended agreement  
15 without the necessity of further approval in writing by said Royalty owner; and  
16  
17 (b) If any amendment of this Agreement and/or the Unit Operating Agreement has the  
18 effect of reducing any Working Interest Owner's participation in the production of  
19 Unitized Substances or increasing such Working Interest Owner's share of Unit  
20 Expense, such Working Interest Owner shall not be deemed to have hereby  
21 approved the amended agreements without the necessity of further approval in  
22 writing by said Working Interest Owner.

23  
24 Executed as of the day and year first above written.

25  
26  
27 ATLANTIC RICHFIELD COMPANY

28  
29  
30 Date: \_\_\_\_\_

31 By: \_\_\_\_\_  
32 T. L. Holland  
33 Attorney-in-Fact  
34  
35  
36  
37  
38

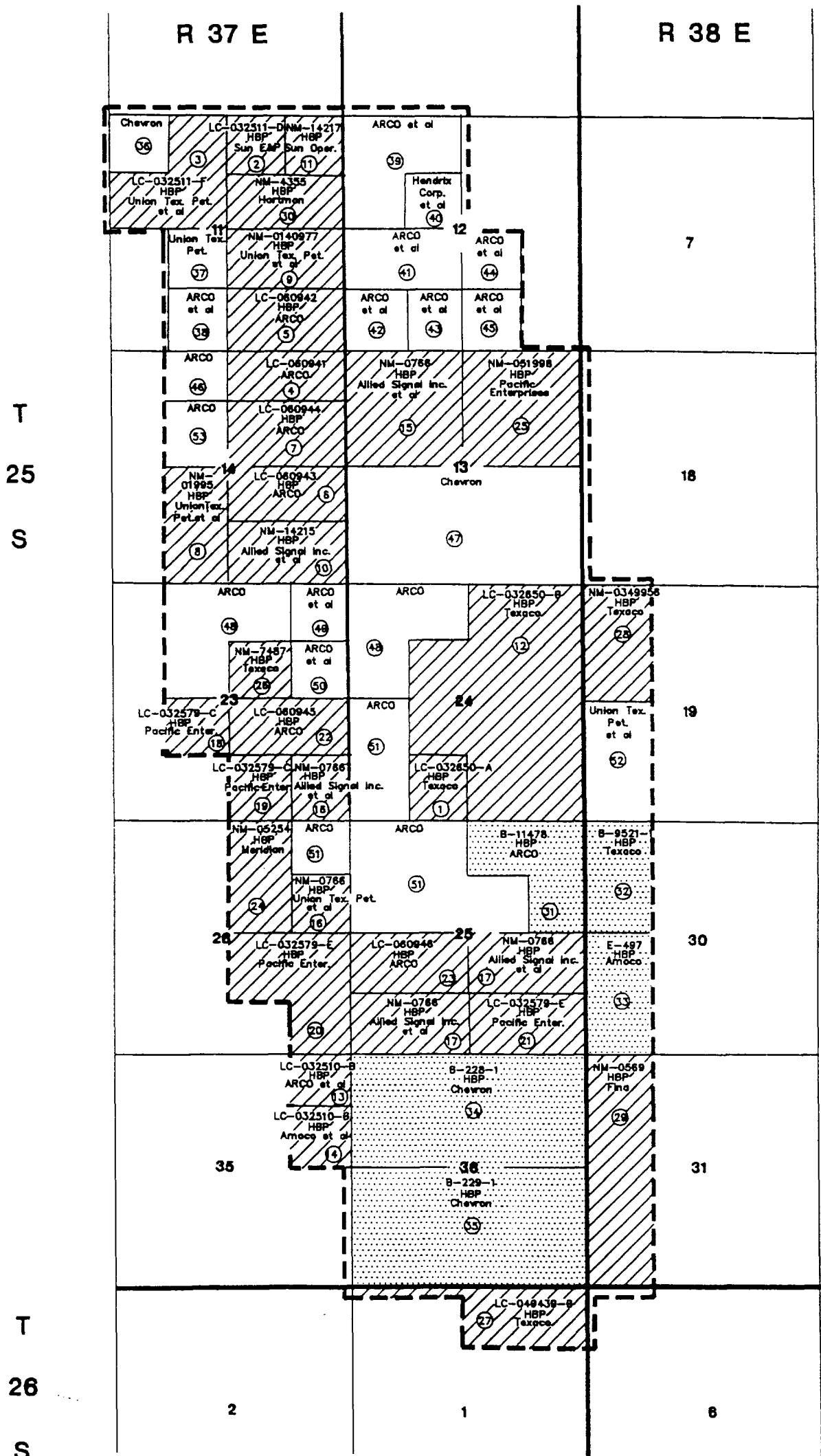
1  
2  
3 STATE OF TEXAS §  
4 §  
5 COUNTY OF MIDLAND §  
6

7 This instrument was acknowledged before me on this \_\_\_\_ day of  
8 \_\_\_\_\_, 1992, by T. L. HOLLAND, as Attorney-in-Fact of ATLANTIC  
9 RICHFIELD COMPANY, a Delaware corporation, on behalf of said corporation.  
10


11 \_\_\_\_\_  
12 \_\_\_\_\_  
13 (Print Name)  
14  
15  
16




17 My Commission Expires:  
18 \_\_\_\_\_

Notary Public in and for the State of Texas



**Exhibit A  
To Unit  
Agreement**

**ARCO Oil & Gas**   
**South Justis Unit**  
 Lea County, New Mexico  
 Scale: 1"=3000'  
 By: R. Pyle  
 Date: 8-92  
 Dept: Exploration  
 Drawn By: RGJ  
 Date: 8-92  
 Dwg. No. SJU37G

Legend		Acreage	Percentage
	Patented	1,840.0	30.60
	Federal	2,800.0	52.24
	State	920.0	17.16
<b>Total</b>		<b>5,360.0</b>	<b>100.00</b>

--- Unit Boundary  
 ⑤ Tract Number  
 Scale  
 0 1500' 3000'

## EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner Percentage	Owner	Lessee of Record Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage		
FEDERAL LANDS										
1	SE/4 SW/4 Section 24, T-25-S, R-37-E, Leo County, New Mexico	40	LC-032650-A 7/20/35 HBP	United States - Bureau of Land Management	Schedule "B"	Texaco Expl. & Prod., Inc.	100.0000%	Texaco	100%	
2	NW/4 NE/4 Section 11, T-25-S, R-37-E, Leo County, New Mexico	40	LC032511-D 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	Sun Expl. & Prod. Co. Lowell S. Dunn, Sr.	58.33400% 41.66600%	Ernest E. Richeieu, Trustee Interfirst Bank of Ft. Worth	1.562500% ARCO	100%
3	SW/4 NW/4, E/2 NW/4 Section 11, T-25-S, R-37-E, Leo County, New Mexico	120	LC032511-F 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	Union Texas Pet. Corp. Sun Expl. & Prod. Co.	83.33300% 16.66700%	Ernest E. Richeieu, Trustee Interfirst Bank of Ft. Worth	1.562500% Meridian Oil Production, Inc.	100%
4	N/2 NE/4 Section 14, T-25-S, R-37-E, Leo County, New Mexico	80	LC-060941 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	Hondo Oil & Gas Co.	100.0000%	The Aurand Company Miriam B. Johnson Alice Robertson William E. Thomas, II	0.390600% ARCO	100%
5	S/2 SE/4 Section 11, T-25-S, R-37-E, Leo County, New Mexico	80	LC-060942 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	ARCO Union Texas Pet. Corp. Texas Pacific Oil Co.	50.00000% 31.25000% 18.75000%	The Aurand Company Miriam B. Johnson, General Partner of the Miriam B. Johnson Partnership Amoco Production Co. Alice N. Robertson William E. Thomas II William E. Thomas II	0.390625% ARCO	81.250000% 18.750000%



EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner Percentage	Sliding Scale	Lessee of Record Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage
6	N/2 SE/4 Section 14, T-25-S, R-37-E, Lea County, New Mexico	80	LC-060943 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	ARCO	William E. Thomas, II  0.390600%	ARCO  100%
7	S/2 NE/4 Section 14, T-25-S, R-37-E, Lea County, New Mexico	80	LC-060944 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	ARCO	The Aurand Company Miriam B. Johnson MW Petroleum Corp. Alice N. Robertson William E. Thomas, II  0.390600% 0.390600% 0.390700% 0.390600%	ARCO  100%
8	E/2 SW/4 Section 14, T-25-S, R-37-E, Lea County, New Mexico	80	NM01995 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	Union Texas Pet. Corp. Sun Expl. & Prod. Co.	J. Steve Anderson III Thomas W. Anderson Carlo L. Austin Belly Lou Linehon Barbara Jean Rolliff Alfred B. Karnes, Jr  0.227860% 0.227860% 0.227870% 0.683590% 0.683590% 1.562500%	Meridian Oil Production, Inc.  100%
9	N/2 SE/4 Section 11, T-25-S, R-37-E, Lea County, New Mexico	80	NM 0140977 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	Union Texas Pet. Corp. Doyle Hartman Headington Minerals Inc.	J. Steve Anderson III Thomas W. Anderson Carlo L. Austin Belly Lou Linehon Barbara Jean Rolliff Alice N. Robertson William E. Thomas II The Aurand Company Miriam B. Johnson Partnership  0.683590% 0.683590% 0.683600% 1.025390% 1.025390% 0.390630% 0.390630% 0.390620% 0.390620%	Meridian Oil Production, Inc. ARCO Headington Minerals, Inc. Doyle Hartman & wife, Margaret M. Hartman James A. Davidson, single Lorry A. Nerny, single James E. Burr & wife, Lo Vela F. Burr Jack Fletcher & wife, Delphia Fletcher  62.500000% 12.597656% 12.500000% 8.886719% 3.125000% 0.195313% 0.097656% 0.097656% 0.097656%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. &	Basic Royalty Owner	Lessee of Record	Overriding Royalty Owner	Working Interest Owner
			Eff. Date		Percentage	Percentage	Percentage
10	S/2 SE/4 Section 14, T-25-S, R-37-E, Lea County, New Mexico	80	NM-14215 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	Allied Signal, Inc. Sun Expl. & Prod. Co.	83.333333% 16.66667%
						J. Steve Anderson III Thomas W. Anderson Carla L. Austin Betty Lou Linehan Barbara Jean Raliff Alice N. Robertson William E. Thomas II The Aurand Company Miriam B. Johnson Partnership	0.455730% 0.455730% 0.455730% 1.367190% 1.367190% 0.390630% 0.390630% 0.390620% 0.390620%
						Meridian Oil Production, Inc. Caspian Oil, Inc.	83.33% 16.67%
11	NE/4 NE/4 Section 11, T-25-S, R-37-E, Lea County, New Mexico	40	NM-14217 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	Sun Operating Limited Partnership Union Texas Pet. Corp.	58.333333% 41.66667%
						Ernest E. Richelieu, Trustee Interfirst Bank of Ft. Worth	1.562500%
						ARCO	100%
12	E/2, SE/4 NW/4, NE/4 SW/4 Section 24, T-25-S, R-37-E, Lea County, New Mexico	400	LC-032650-8 4/24/36 HBP	United States - Bureau of Land Management	Sliding Scale	Texaco Expl. & Prod., Inc.	100.00000%
						Texaco	100%
13	NE/4 NE/4 Section 35, T-25-S, R-37-E, Lea County, New Mexico, between the subsurface depths of 3,500 feet and 6,025 feet	40	LC-032510-B 7/29/37 HBP	United States - Bureau of Land Management	Sliding Scale	ARCO Amoco Production Co.	50.00000% 50.00000%
						The Aurand Company Amoco Production Co. Miriam B. Johnson Alice B. Robertson William E. Thomas, II	0.390600% 3.437600% 0.390600% 0.390600% 0.390600%
						ARCO	100.00%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date		Basic Royalty Owner Percentage		Lessee of Record Percentage		Overriding Royalty Owner Percentage		Working Interest Owner Percentage	
14	SE/4 NE/4 Section 35, T-25-S, R-37-E, Lea County, New Mexico	40	LC-032510-8	7/29/37	United States - Bureau of Land Management	HBP	Amoco Production Co. Allied Signal Inc. Sun Operating Ltd. Partnership	50.00000% 41.66670% 08.33330%	J. Steve Anderson III Carla Louise Austin Thomas W. Anderson Barbara Jeanne Roliff Betty Lou Linehon William E. Thomas Alice N. Robertson The Aurand Company Marion B. Johnson Partnership	0.227860% 0.227870% 0.227860% 0.683590% 0.683590% 0.390630% 0.390630% 0.390620% 0.390620%	Meridian Oil Production, Inc. Caspian Oil, Inc.	91.666670% 8.333000%
15	NW/4 Section 13, T-25-S, R-37-E, Lea County, New Mexico, between the subsurface depths of 4,000 feet and 6,100 feet	160	NM-0766	11/8/37	United States - Bureau of Land Management	HBP	Allied Signal Inc. Sun Operating Limited Partnership	83.33333% 16.66667%	J. Steve Anderson III Thomas W. Anderson Carla L. Austin Jack Linehon & Betty Lou Linehon Barbara Jean Roliff	0.455730% 0.455730% 0.455730% 1.367190% 1.367190%	Meridian Oil Production, Inc.	100%
16	SE/4 SE/4, Section 23 SE/4 NE/4, Section 26, T-25-S, R-37-E, Lea County, New Mexico	80	NM-0766	11/8/37	United States - Bureau of Land Management	HBP	Allied Signal Inc. Sun Expl. & Prod. Co.	83.33333% 16.66667%	J. Steve Anderson III Thomas W. Anderson Carla L. Austin Betty Lou Linehon Barbara Jean Roliff	0.455730% 0.455730% 0.455730% 1.367190% 1.367190%	Meridian Oil Production, Inc. Headington Minerals, Inc.	83.33% 16.67%
17	S/2 SW/4, N/2 SE/4 Section 25, T-25-S, R-37-E, Lea County, New Mexico	160	NM-0766	11/8/37	United States - Bureau of Land Management	HBP	Allied Signal Inc. Sun Expl. & Prod. Co.	83.33333% 16.66667%	J. Steve Anderson III Thomas W. Anderson Carla L. Austin Betty Lou Linehon Barbara Jean Roliff	0.455730% 0.455730% 0.455730% 1.367190% 1.367190%	Meridian Oil Production, Inc. Headington Minerals, Inc.	83.33% 16.67%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Serial No. & Eff. Date		Basic Royalty Owner Percentage		Lessee of Record Percentage		Overriding Royalty Owner Percentage		Working Interest Owner Percentage	
		Acres									
18	NW/4 SW/4 Section 23, T-25-S, R-37-E, Lea County, New Mexico	40	LC-032579-C	United States - Bureau of Land Management HBP	Sliding Scale	Pacific Enterprises Oil Company	100.0000%	Pacific Enterprises Oil Co. Marathon	3.992852% 1.522223%	American Exploration Co. Company Marathon	70.00%  30.00%
19	SW/4 SE/4 Section 23, T-25-S, R-37-E, Lea County, New Mexico, 4,898 feet to 7,212 feet	40	LC-032579-C	United States - Bureau of Land Management HBP	Sliding Scale	Pacific Enterprises Oil Company	100.0000%	Pacific Enterprises Oil Co. Marathon	2.851852% 1.222223%	American Production Partnership VI Ltd. American Exploration Company American Exploration Acquisition VI Corp. American Production Partnership VII Ltd. New York Life Oil & Gas Production Partnership II-G New York Life Oil & Gas Prod. Production Partnership II-E New York Life Oil & Gas Production Partnership II-F New York Life Oil & Gas Production Partnership III-B	52.083700%  1.819401%  12.426200%  4.548503%  11.345223%  9.983413%  4.676366%  3.117194%
20	NW/4 SE/4, E/2 SE/4 Section 26, T-25-S, R-37-E, Lea County, New Mexico	120	LC-032579-E	United States - Bureau of Land Management HBP	Sliding Scale	Pacific Enterprises Oil Company	100.0000%	Pacific Enterprises Oil Co. Marathon	2.667504% 1.143216%	ARCO	100.000000%
21	S/2 SE/4 Section 25, T-25-S, R-37-E, Lea County, New Mexico	80	LC-032579-E	United States - Bureau of Land Management HBP	Sliding Scale	Pacific Enterprises Oil Company	100.0000%	Pacific Enterprises Oil Co. Marathon	2.667504% 1.143216%	ARCO	100.000000%

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner	Lessee of Record	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage	Percentage
22	N/2 SE/4 Section 23, T-25-S, R-37-E, Lea County, New Mexico	80	LC-060945 12/8/37 HBP	United States - Bureau of Land Management	Schedule "B"	ARCO	100.0000%
						Diane Rene Stewart Boord of Trustees of the Leland Stanford Junior University Sathya Isaacson Reuel A. Young Nancy Chandler Cathie F. Simonieg Pacific Enterprises Oil Co. Pacific Enterprises Oil Co. J. Ruel Armstrong L. E. Armstrong, Jr. Joan Bowen Horner Joan Bowen Horner Pauson Oil Company Pauson Oil Company Anno Moy Rosmussen Anno Moy Rosmussen Marathon Oil Company	0.171400% ARCO 100%
23	N/2 SW/4 Section 25, T-25-S, R 37-E, Lea County, New Mexico	80	LC-060946 12/8/37 HBP	United States - Bureau of Land Management	Sliding Scale	ARCO	100%
24	W/2 NE/4 Section 26, T-25-S, R-37-E, Lea County, New Mexico	80	NM-05254 12/8/37 HBP	United States - Bureau of Land Management	Sliding Scale	Meridian Oil Production Inc.	100.0000%
						ARCO Meridian Oil Production, Inc. Larry A. Nerny	50.000000% 49.218750% 0.781250%

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of land	Acres	Serial No. & Eff. Date		Basic Royalty Owner Percentage		Lessee of Record Percentage		Overriding Royalty Owner Percentage		Working Interest Owner Percentage	
25	NE/4 Section 13, T-25-S, R-37-E, Lea County, New Mexico	160	NM-051998 12/8/37 HBP		United States - Bureau of Land Management	Sliding Scale	Pacific Enterprises Oil Company	100.0000%			Pacific Enterprises Oil Company Marathon	70% 30%
26	SW/4 NE/4 Section 23, T-25-S, R-37-E, Lea County, New Mexico	40	NM-7487 2/1/88 (renewal)		United States - Bureau of Land Management	12.500000%	Texaco USA	100.0000%	Martha Johns Densmore Nancy Johns Deryl Grace B. Bockmon	2.500000% 2.500000% 2.500000%	Texaco	100%
27	N/2 NE/4 Section 1, T-26-S, R-37-E, Lea County, New Mexico	80	IC-049439-B 10/3/38 HBP		United States - Bureau of Land Management	Sliding Scale	Texaco Expl. & Prod. Inc.	100.0000%	Ronald K. DeFord George D. & Edith G. Riggs Living Trust Wills Royally Inc.	0.625000% 0.625000% 0.625000%	Texaco	100%
28	W/2 NW/4 Section 19, T-25-S, R-38-E, Lea County, New Mexico Insofar as the Blintry Formation only	80	NM-034956 6/1/47 HBP		United States - Bureau of Land Management	12.500000%	Texaco Expl. & Prod. Inc.	100.0000%	John M. Loffland, Jr. T. A. Pedley, Jr. c/o Thomas J. Hayes Effie E. Valantine c/o United California Bank First Interstate Bank of Denver NA, Account No. 120003306 James N. Coll Charles H. Coll Max W. Coll II Jon F. Coll RepublicBank Dallas MA Trustee U/W/O Selma E. Andrews, Trust #5188 Franz R. Lupton, Jr.	0.125000% 0.015630% 0.007810% 0.214840% 0.014650% 0.014650% 0.014640% 0.014650% 0.268530%	Texaco	100%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

It. No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner Percentage	Lessee of Record Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage			
28A	W/2 NW/4 Section 19, T-25-S, R-38-E, Lea County, New Mexico Insofar as the Tubb/Drinkard formation only	80	NM-0349556 6/1/47 HBP	United States - Bureau of Land Management	12.500000%	Texaco Expl. & Prod. Inc.	100.0000%	c/o Lupton Enterprises Inc.	0.007810%	
								Julie Ann Lupton	0.007810%	
								c/o World Savings & Loan	0.015620%	
								Bradshaw Bobb Lupton		
								Charles T. Lupton, Jr.		
								c/o Bank of America, Arroyo Grande Branch	0.015630%	
								Lawrence L. Pedley	0.005210%	
								John C. Pedley	0.005210%	
								David M. Pedley	0.005210%	
								Marth L. Schneidewind	0.015630%	
	Braille Institute of America									
	c/o Republic National Bank									
	Dallas, Agency #631-00	0.231470%								
	Patricia Penrose Schieffer									
	Successor Trustee U/W/O									
	Neville G. Penrose									
	c/o J. Thomas Schieffer	0.125000%								
	Lucy O. Ross	0.125000%								
	John M. Lofland, Jr.	0.125000%								
	T. A. Pedley, Jr.									
	c/o Thomas J. Hoyer	0.015630%								
	Effie E. Volintine									
	c/o United California Bank	0.007810%								
	First Interstate Bank of									
	Denver NA, Account									
	No. 120003306	0.214840%								
	First Interstate Bank Denver									
	Trustee of the Estate of									
	Charles T. Lupton									

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Page 9



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

It. No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner Percentage	Owner	Lessee of Record Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage			
30	S/2 NE/4 Section 11, T-25-S, R-37-E, Lea County, New Mexico	80	NM 4355 4/1/56 HBP	United States - Bureau of Land Management	Sliding Scale	Doyle Hartman	100.0000%	Marshall & Winston	0.125000%	ARCO Doyle Hartman & wife Margaret M. Hartman James A. Davidson, single Larry A. Nerny, single James E. Burr & wife, Lo Veto F. Burr Jack Fletcher & wife, Delphio Fletcher	50.390625%
								Rubie C. Bell	0.125000%		
								Braille Institute of America	0.231500%		
								Stanley W. Crosby, III	0.125000%		
								George H. Elz, Sr.	0.125000%		
								Elz Oil Properties	0.125000%		
								The Aurand Company	0.390625%		
								Miriam B. Johnson, General Partner of the Miriam B. Johnson Partnership	0.390625%		
								Amoco Production Co.	4.687500%		
								Alice N. Robertson	0.390625%		
								William E. Thomas II	0.390625%		
TOTAL FEDERAL ACRAGE - 2,800.00      PERCENTAGE OF UNIT (SURFACE ACRES) - 52.24%											

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Percentage	Owner	Lessee of Record	Overriding Royalty Percentage	Working Interest Owner Percentage
STATE LANDS								
31	N/2 NE/4, SE/4 NE/4 Section 25, T-25-S, R-37-E Lea County, New Mexico	120	B-11478 9/11/44 HBP	Commissioner of Public Lands - State of New Mexico	12.500000%	ARCO		ARCO 100%
32	W/2 NW/4 Section 30, T-25-S, R-38-E Lea County, New Mexico	80	B9521-1 2/10/42 HBP	Commissioner of Public Lands - State of New Mexico	12.500000%	Texaco Inc.	Texaco Inc.	100%
33	W/2 SW/4 Section 30, T-25-S, R-38-E Lea County, New Mexico	80	E-497-1 8/10/37 HBP	Commissioner of Public Lands - State of New Mexico	12.500000%	MW Petroleum Corp.	Apache	100%
34	N/2 Section 36, T-25-S, R-37-E Lea County, New Mexico	320	B-229-1 9/10/31 HBP	Commissioner of Public Lands - State of New Mexico	12.500000%	Chevron USA	ARCO	100%
35	S/2 Section 36, T-25-S, R-37-E Lea County, New Mexico	320	B-228-1 9/10/31 HBP	Commissioner of Public Lands - State of New Mexico	12.500000%	Chevron USA	ARCO	100%
TOTAL STATE ACREAGE - 920.0				PERCENTAGE OF UNIT (SURFACE ACRES) - 17.16%				

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner	Percentage	Owner	Percentage	Owner
PATENTED LANDS									
36	NW/4 NW/4 Section 11, T-25-S, R-37 E Lea County, New Mexico	40	HBP	0.067400%	Chevron USA Inc.	0.612700%	ARCO Petr. Products Co. Div. of Atlantic Richfield Co.	100%	ARCO
				1.004500%	Anoco Production Company				
				0.032200%	Atlantic Richfield Company				
				0.104100%	Theodore G. Bales				
				0.059600%	Warren J. Bales				
				0.029800%	Charles T. Bales, Jr.				
				0.020400%	James Henry Beary				
				0.020400%	Elizabeth Beary Dudly				
				0.097200%	Lucille Chism Bales				
				0.067500%	Wilma Chism Lain				
				0.669600%	Mary Helen Seaton				
				0.015500%	Elinor C. Shaughnessy				
				1.339300%	Amerado Hess Corporation				
				0.015500%	Ellis Rudy				
				0.644900%	Ritts Royalty Company				
				0.223200%	Thomas G. Voss				
				0.041000%	Judd Moore				
				0.139500%	Marion U. & Donald B. Heard				
				0.008860%	Mildred Smith Rowls				
				0.008860%	Mogobel Smith Rule				
				0.009960%	Cassius L. Smith				
				0.009410%	Rosa Lee Smith Johnson				
				0.008860%	Katie Smith Hazelhurst				
				0.008860%	Eva W. Graham				
				0.008860%	Mary Smith Bowers				
				0.007480%	Richard L. Cromatie, Jr.				
				0.010240%	Jane Cromatie Williams				
				0.008860%	T. L. Woolen				

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY , NEW MEXICO

Tr. No.	Description of land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage		Percentage		Percentage	
	John D. Atkins			0.020500%					
	Lillian Smith Ward			0.004430%					
	Betty S. Warren			0.001100%					
	Frank L. Smith			0.008860%					
	H. Winfield Smith, Jr.			0.008860%					
	Harry E. Smith			0.004430%					
	Harry Eldon Smith			0.000550%					
	Mary M. Smith			0.008860%					
	Moude S. Smith			0.008860%					
	R. P. Smith			0.009960%					
	Robert H. Smith			0.001100%					
	Dudley M. Smith			0.000550%					
	Phillip Julian Erickson			0.005170%					
	John Warren Erickson			0.005160%					
	Mary Elinor Erickson Knox			0.005170%					
	Don J. Robertson			0.223200%					
	Romo A. Syfert			0.034730%					
	Rosdind Liethold			0.002170%					
	William M. Diltner, Sr.			0.002170%					
	John A. Diltner			0.002170%					
	Albert Diltner			0.002900%					
	Charles A. Burgess			0.034730%					
	Ellen E. Booker			0.002170%					
	Luella Boes Forwarder			0.011580%					
	Donald Woods			0.011580%					
	Helen Lee Voss Brander			0.111600%					
	F. Kieffer Voss			0.111600%					
	W. M. Riddle & Betty J. Riddle			0.004980%					
	Archie D. Smith & Clarabelle								
	Beals Trust dtd. 12-9-70								
	Archie D. Smith Jr, Trustee			0.644800%					

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Page 3

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Son Angelo, Trustee, FBO Noel C. Warwick Texas Commerce Bank of Son Angelo, Trustee, FBO			0.074930%		
	Mary Joseph Texas Commerce Bank of Son Angelo, Trustee, FBO			0.074930%		
	Vernice Boyle Texas Commerce Bank of Son Angelo, Trustee, FBO			0.247290%		
	Dorothy Boyle Texas Commerce Bank of Son Angelo, Trustee, FBO			0.247290%		
	Oleta Perkins Boyle Trust Texas Commerce Bank of Son Angelo, Trustee, FBO			0.209820%		
	William C. Wright Texas Commerce Bank of Son Angelo, Trustee, FBO			0.209820%		
	Robert G. Wright Belly L. Aronle Dorothy Hoburo Revocable Management Trust, Texas Commerce Bank of Son Angelo, Trustee			0.209820% 0.004430%		
	John O. Boyle, Jr. Trust Texas Commerce Bank of Son Angelo, Trustee			0.074930%		
	Steven R. Fine Kathleen F. Smith Thomas J. Galbroith Char. Tr.			0.247290% 0.004980% 0.008860%		

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner	
				Percentage	Percentage	Percentage	
37	NE 1/4 SW/4 Section 11, 1-25-5, R-37-1 Lea County, New Mexico	40	HBP	Fst Intst Bk Az, Suc Trsle			
				Fst Intst Bk Ok, Agent			
				Acct #49-8093-00-4			
				0.669600%			
				Joe & Jessie Crump Fund	Cathie Cone Avinsshine	Meridian Oil Production, Inc.	100%
				Jessie B. Crump, David	Clifford Cone	0.078130%	
				C. Blevins & Texas American	Donna Frost & Leon Binkley		
				Bank of Fort Worth, Trustees	Personal Representatives		
				Texas Commerce Bank N. A.	Kathleen Cone Estate	0.390600%	
				Agent & A/I/F for Mary	Tom R. Cone	0.078130%	
Moran Togan,	Kenneth G. Cone	0.078130%					
Trust Sec. 63140	June D. Speight	2.343740%					
Jessie B. Crump Trust 1069							
c/o NCNB Texas and J. B. Crump							
1.562500%							
Eunice James Gray							
0.781250%							
Hendrick Medical Center							
3.125000%							
Stephen N. James							
0.781250%							
J. Hiram Moore, Betty Jane							
Moore and Michael Harrison, Trustees							
3.906250%							
Liberly Nat'l Bk & Trust Co.							
. Charles Pille, Trustee							
Trust #142836006							
1.562500%							
Betty Moran Rice							
1.562500%							
John J. Moran Trust							
R. J. Moran & I. E. Swill, Trustees							
3.125000%							
First City Texas-Midland Trustee,							

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
38	SE/4 SW/4 Section 11, T-25-S, R-37-E Lea County, New Mexico	40	HBP	Donna Cowden Mgmt. Trust		
				A/C 30-1576-00	0.781250%	
				D. C. Trust,		
				Marilyn Cone, Trustee	0.078130%	
				James G. Bruton	0.781250%	
				Virginia L Bruton		
				c/o Portland Properties	0.625000%	
				Elsie Lee Brown Trust,		
				James G. Bruton & Virginia		
				Bruton, Trustees	0.001563%	
				Laura R. Stuart	0.076039%	
				Anne Stuart Marble	0.076039%	
				Deso L. Lee Lord	0.260430%	
				Maurine Johnson, Trustee	0.062502%	
				John J. Redfern III		
				Ind. Executor of the Estate		
				of John J. Redfern, Jr.	0.234374%	
				Lillie M. Yates, Frank W. Yates		
				and S. P. Yates, Personal		
				Representatives O/E/O		
				Martin Yates III	0.219440%	
				NCNB Texas National Bank		
				Trustee of the Donald L.		
				Jones Trust	0.260422%	
				NCNB Texas National Bank		
				Trustee of the Lottie O.		
				Jones Trust	0.260422%	
				Rosalind Redfern	0.234374%	
				Judy Slovall	0.468751%	
					ARCO Oil and Gas	0.031250%
					ARCO	82.50%
					Estate of Kathleen Cone,	
					Deceased	12.50%
					Kenneth Cone	2.50%
					Clifford Cone	2.50%



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Leon Binkley and Donna Frost as Personal Representatives of the Estate of Kathleen Cone			0.520833%		
	Wendall W. Iverson, as Trustee for the S.J.L. Jr. Trust			0.071129%		
	Wendall W. Iverson, as Trustee for the P.I.P. 1990 Trust			0.071129%		
	Wendall W. Iverson, as Trustee for the W.W.I. 1990 Trust			0.071129%		
	Charlotte H. Stuart			0.152082%		
	Patsy Ann Iverson Page			0.071134%		
	B. Broodrick			1.302080%		
	Wendall Welch Iverson			0.071133%		
	S. E. Cone, Jr.			0.694441%		
	B. B. Ginsberg			0.187502%		
	S. J. Iverson, Jr.			0.071133%		
	Marjorie Cone Kaslman			0.694444%		
	Lovelace Foundation for Medical Education and Research			0.468751%		
	John A. Yoles			0.437531%		
	Frank W. Yoles, Jr., A/I/F for Little M. Yoles			0.212944%		
	Estelle Andrews Mehthop			1.302160%		
	ARCO			0.312500%		
	Dorlho Stuart Bruno			0.152082%		
	Kenneth G. Cone			0.104168%		
	Clifford Cone			0.104168%		
	Avril Stuart Dew			0.152082%		
	J. H. Herd			0.468751%		

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage		Percentage		Percentage	
39	W/2 NW/4 Section 17, 1-25-S, R-37-T, Lea County, New Mexico, between the subsurface depths of 5,000 feet and 5,500 feet	80	HBP	Katherine Adeline Cone Keck	0.694444%				
				Phoebe Shelton	0.21340%				
				Irene Stuart Small	0.152082%				
				W. L. Stuart	0.152082%				
				Ira J. Stuart	0.152082%				
				D. C. Stuart	0.152082%				
				John A. Stuart	0.152082%				
				Garland Stuart	0.152082%				
				Harvey E. Yates	0.425886%				
				S. P. Yates	0.425886%				
				Frank O. Elliot, as Surviving Trustee of the Frank O. Elliot Living Trust	1.562500%			ARCO	99.707031%
				Edna Ione Hall, as Trustee of the Edna Ione Hall Living Trust	1.562500%			Meridian Oil Production Inc	0.292969%
				Fina Oil and Chemical Company	3.125000%				
				Lee M. Bass, Inc.	0.390625%				
				Sid R. Bass, Inc.	0.390625%				
				Keystone, Inc.	0.390625%				
				Thru Line, Inc.	0.390625%				
				C. W. Samuels	0.390625%				
				Nationsbank of Texas, NA (as successor), Escrow Agent - Sabine Royalty Trust	1.562500%				
				Atlantic Richfield Company	10.625000%				

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
39A	NE/4 NW/4, Section 12, T-25-S, R 37-E, Lea County, New Mexico, between the subsurface depths of 5,000 feet and 5,500 feet	40	HBP	Frank O. Elliot, as Surviving Trustee of the Frank O. Elliot Living Trust		ARCO • Meridian Oil Production Inc
				Edno lone holl, as Trustee of the Edno lone Holl Living Trust		99.707031% 0.292969%
39B	W/2 NW/4, NE/4 NW/4 Section 12, T-25-S, R 37-E, Lea County, New Mexico, between the subsurface depths of 5,500 feet and 6,300 feet	120	HBP	Fino Oil and Chemical Company		
				Lee M. Boss, Inc.		
				Sid R. Boss, Inc.		
				Keystone, Inc.		
				Thru line, Inc.		
				C. W. Samuels		
				Nationsbank of Texas, NA (as successor), Escrow Agent-		
				Sabine Royalty Trust		
				Atlantic Richfield Company		
39B	W/2 NW/4, NE/4 NW/4 Section 12, T-25-S, R 37-E, Lea County, New Mexico, between the subsurface depths of 5,500 feet and 6,300 feet	120	HBP	Frank O. Elliot, as Surviving Trustee of the Frank O. Elliot Living Trust		ARCO Meridian Oil Production, Inc.
				Edno lone Holl, as Trustee of the Edno lone Holl Living Trust		75.000000% 25.000000%
				Fino Oil and Chemical Company		
				Lee M. Boss, Inc.		
				Sid R. Boss, Inc.		
				Keystone, Inc.		
				Thru line, Inc.		
				C. W. Samuels		
				Nationsbank of Texas, NA		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage		Percentage		Percentage	
40	SE/4 NW/4 Section 12, T-25-S, R-37-E, Lea County, New Mexico between the subsurface depths of 4,200 feet and 5,500 feet	40	HBP	(as successor), Escrow Agent- Sabine Royalty Trust Atlantic Richfield Company		1.562500%	10.625000%	ARCO • Meridian Oil Production Inc	99.707031% 0.292969%
				Frank O. Elliot, as Surviving Trustee of the Frank O. Elliot Living Trust Edna Ione Hall, as Trustee of the Edna Ione Hall Living Trust		1.562500%			
				Fina Oil and Chemical Company Lee M. Boss, Inc. Sid R. Boss, Inc. Keystone, Inc. Thru line, Inc. C. W. Samuels Notionsbank of Texas, NA (as successor), Escrow Agent- Sabine Royalty Trust Atlantic Richfield Company		1.562500%	3.125000%		
						0.292969%			
						0.292969%			
						0.292969%			
						0.292968%			
						0.390625%			
						1.562500%			
						10.625000%			
40A	SE/4 NW/4 Section 12, T-25-S, R-37-E, Lea County, New Mexico, between the subsurface depths of 5,500 feet and 6,300 feet	40	HBP	Frank O. Elliot, as Surviving Trustee of the Frank O. Elliot Living Trust Edna Ione Hall, as Trustee of the Edna Ione Hall Living Trust Fina Oil and Chemical Company Lee M. Boss, Inc.		1.562500%	3.125000%	ARCO	100%
				Atlantic Richfield Company		11.250000%			

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of land	Acres	Lease Status	Basic Royalty Owner Percentage			Overriding Royalty Owner Percentage		Working Interest Owner Percentage	
41	N/2 SW/4 Section 13, T 25-S, R 37-E, Lea County, New Mexico, between the surface depths of 5,000 feet and 6,250 feet	80	HBP	Sid R. Boss, Inc.	0.292969%				ARCO	45.312500%
				Keystone, Inc.	0.292969%				Meridian Oil Production Inc.	15.38059%
				Thru Line, Inc.	0.292968%				Lee M. Boss, Inc.	2.343750%
				C. W. Samuels	0.39067%				Sid R. Boss Inc.	2.343750%
				Nationsbank of Texas, NA					Keystone Inc.	2.343750%
				(as successor), Escrow Agent -	1.562500%				Thru Line Inc.	2.343750%
				Sabine Royalty Trust					H.B. Fuguo, Trustee under the	
				Atlantic Richfield Company	10.625000%				Lost Will and Testament of	
									Dolores Mooers, Dec'd	8.750000%
									First National Bank of	
				Deltex Royalty Co., Inc	0.878906%				Fl. Worth, Trustee	5.625000%
				Way Enterprises, Inc.	0.878906%				ORyx Energy Company	4.687500%
				Thomas H. Low, Hamilton					Mooers Oil Corporation	4.375000%
				Rodgers & Margaret Snider					Deltex Royalty Company, Inc	3.125000%
				for Nancy S. Tilly Snyder	0.781250%				Way Enterprises, Inc.	3.125000%
				Beverly Anne Carter	0.878906%				Meridian Oil Production Inc	0.244141%
				Joyce Ann Brown	0.585938%					
				B.A. Christmos, Jr.	0.292969%					
				Bradford Ace Christmos	0.073242%					
				Mary I. Christmos Holladay	0.073242%					
				Candy Christmos	0.073242%					
				Helen Jane Christmos Borby	0.073242%					
				Heirs or devisees of Alma	0.073242%					
				Pearl Eaton Hughes Watkins,						
				Deceased	1.562500%					
				First National Bank of Lubbock						
				Successor Trustee of Beulah						
				H. Simmons Trust B F/B/O						
				Mary Jane Hand	0.219727%					
				First Natl. Bank of Lubbock						
				Successor Trustee of						

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
47	SW/4 SW/4 Section 12, T 25-S, R-37-E, Lea County, New Mexico.	40	HBP	J.E. Simmons Trust B - F/B/O Mary Jane Hond	0.219727%	
				First NII, Bank of Lubbock		
				Successor Trustee of Beulah		
				H. Simmons Trust A F/B/O		
				Jean Shipley Sullivan	0.219726%	
				First NII, Bank of Lubbock		
				Successor Trustee of		
				J.E. Simmons Trust A		
				F/B/O Jean		
				Shipley Sullivan	0.219727%	
				Sid R. Boss, Inc.	0.292969%	
				Keystone, Inc.	0.292969%	
				Thru Line	0.292969%	
				Lee M. Boss	0.292968%	
				Moers Oil Corporation	0.546875%	
				Alma E.H. Molkins	1.562500%	
				Rose Conn	0.390626%	
				Charlene Rogers	0.390624%	
				Teambank, N.A.	1.093750%	
				Successor Trustee U/W/O		
				Dolores Moers, Acct. #5976		
				MCNB Texas, Trustee of		
				the Moers Trust,		
				Trustee #1311	0.703125%	
				ARCO	3.125000%	
				Sid R. Boss, Inc.	0.292969%	
				Keystone, Inc.	0.292969%	
				Thru Line	0.292969%	
47	SW/4 SW/4 Section 12, T 25-S, R-37-E, Lea County, New Mexico.	40	HBP			ARCO
						Meridian Oil Production Inc.
						Lee M. Boss, Inc.
						45.312500%
						15.380859%
						2.343750%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner	Percentage	Owner	Percentage	Owner
5,500 feet between the sub-surface depths of 5,000 feet and 5,500 feet.				0.292968%	Lee M. Bass			2.343750%	Sid R. Bass Inc
				0.546875%	Moers Oil Corporation			2.343750%	Keystone Inc.
				1.562500%	Alma E.H. Watkins			2.343750%	Thru Line Inc.
				0.390626%	Rose Gann				H.B. Fuqua, Trustee under the
				0.390624%	Charlene Rogers				Lost Will and Testament of
				1.093750%	Teambank, N.A.			8.750000%	Dolores Moers, Dec'd
					Successor Trustee U/W/O				First National Bank of
					Dolores Moers, Acct. #5976				Fl. Worth, Trustee
					NCNB Texas, Trustee of				ORXX Energy Company
					the Moers Trust,				Moers Oil Corporation
					Trustee #1311	0.703125%		3.125000%	Dellx Royalty Company, Inc
					ARCO	3.125000%		3.125000%	Woy Enterprises, Inc.
					First NLL Bank of Lubbock			0.244141%	*Meridian Oil Production Inc.
					Successor Trustee of				
					J.E. Simmons Trust A				
					F/B/O Jean				
				0.219727%	Shipley Sullivan				
					First NLL Bank of Lubbock				
					Successor Trustee of Beulah				
					H. Simmons Trust A F/B/O				
				0.219726%	Jean Shipley Sullivan				
					First National Bank of Lubbock				
					Successor Trustee of Beulah				
					H. Simmons Trust B F/B/O				
				0.219727%	Mary Jane Hand				
					First NLL Bank of Lubbock				
					Successor Trustee of				
					J.E. Simmons Trust B -				
				0.219727%	F/B/O Mary Jane Hand				
				0.878906%	Dellx Royalty Co., Inc				
				0.878906%	Woy Enterprises, Inc.				

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY , NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
42A	SW/4 SW/4 Section 12, 1-25-S, R-37-T, Lea County, New Mexico, between the subsurface depths of 5,500 feet and 6,250 feet	40	HBP	Thomas H. Low, Hamilton Rodgers & Margueret Snider for Nancy S. Lilly Snyder		
				0.781250%		
				0.878906%		
				0.781250%		
				0.585938%		
				0.292969%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		
				Heirs or devisees of Alma Pearl Edon Hughes Watkins, Deceased		
				1.562500%		
				Sid R. Boss, Inc. Keystone, Inc. Thru line		
				0.292969%		
				0.292969%		
				0.292969%		
				0.292968%		
				0.546875%		
				1.562500%		
				0.390626%		
				0.390624%		
				1.093750%		
				Successor Trustee U/W/O Dolores Mooers, Accl. #5976 NCNB Texas, Trustee of the Mooers Trust, Trustee #1311 ARCO		
				0.703125%		
				3.125000%		
				ARCO Lee M. Boss, Inc. Sid R. Boss Inc. Keystone Inc. Thru line Inc. H.B. Fuqua, Trustee under the Lost Will and Testament of Dolores Mooers, Dec'd First National Bank of Ft. Worth, Trustee ORYX Energy Company Mooers Oil Corporation Deltex Royalty Company, Inc. Way Enterprises, Inc. MeridianOil Production Inc.		
				60.693360%		
				2.343750%		
				2.343750%		
				2.343750%		
				2.343750%		
				2.343750%		
				8.750000%		
				5.625000%		
				4.687500%		
				4.375000%		
				3.125000%		
				3.125000%		
				0.244140%		



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	First NII, Bank of Lubbock Successor Trustee of J.E. Simmons Trust A F/B/O Jeon			0.219727%		
	Shipley Sullivan First NII, Bank of Lubbock Successor Trustee of Beulah H. Simmons Trust A F/B/O Jeon Shipley Sullivan			0.219726%		
	First National Bank of Lubbock Successor Trustee of Beulah H. Simmons Trust B F/B/O Mary Jane Hand			0.219727%		
	First NII, Bank of Lubbock Successor Trustee of J.E. Simmons Trust B - F/B/O Mary Jane Hand Deltex Royally Co., Inc Way Enterprises, Inc.			0.219727%		
	Thomas H. Low, Hamilton Rodgers & Margaret Snider for Nancy S. Tilly Snyder Beverly Anne Carter			0.781250%		
				0.878906%		
	Joyce Ann Brown B.A. Christmas, Jr. Bradford Ace Christmas Mary I. Christmas Holladay Candy Christmas Helen Jane Christmas Barb Herrs or Devises of Alma			0.585938%		
				0.292969%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
43	SE/4 SW/4 Section 12, 1-25-S, R-37 T, Lea County, New Mexico, between the surface depths of 5,000 feet and 6,250 feet	40	HBP	Pearl Eaton Hughes Molkins, Deceased		
				1.562500%		
				Sid R. Bass, Inc.		ARCO
				0.292969%		60.693360%
				Keystone, Inc.		lee M. Bass, Inc.
				0.292969%		2.343750%
				Thru Line		Sid R. Bass Inc.
				0.292968%		2.343750%
				lee M. Bass		Keystone Inc.
				0.546875%		2.343750%
				Moers Oil Corporation		Thru line Inc.
				Alma E.H. Molkins		H.B. Fuqua, Trustee under the
				1.562500%		last Will and Testament of
				Rose Gann		Dolores Moers, Dec'd
				0.390626%		8.750000%
				Charlene Rogers		First National Bank of
				1.093750%		Fl. Worth, Trustee
				Teirbank, N.A.		ORX Energy Company
				Successor Trustee U/W/O		4.687500%
				Dolores Moers, Accl. #5976		Moers Oil Corporation
				NCNB Texas, Trustee of		4.375000%
				the Moers Trust,		Delltex Royalty Company, Inc
				Trustee #1311		3.125000%
				0.703125%		Way Enterprises, Inc.
				ARCO		3.125000%
				3.125000%		*Meridian Oil Production Inc.
				First NII, Bank of Lubbock		0.244140%
				Successor Trustee of		
				J.E. Simmons Trust A		
				F/B/O Jean		
				Shipley Sullivan		
				0.219727%		
				First NII, Bank of Lubbock		
				Successor Trustee of Beulah		
				H. Simmons Trust A F/B/O		
				Jean Shipley Sullivan		
				0.219726%		
				First National Bank of Lubbock		
				Successor Trustee of Beulah		
				H. Simmons Trust B F/B/O		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
44	NW/4 SE/4 Section 12, 1-25-S, R-37-E, Lea County, New Mexico.	40	HBP	Mary Jane Hand	0.219727%	
				First NII, Bank of Lubbock		
				Successor Trustee of		
				J.E. Simmons Trust B -		
				F/B/O Mary Jane Hand	0.219727%	
				Dellex Royally Co., Inc	0.878906%	
				Way Enterprises, Inc.	0.878906%	
				Thomas H. Low, Hamilton		
				Rodgers & Margaret Snider		
				for Nancy S. Tilly Snyder	0.781250%	
				Beverly Anne Corler	0.878906%	
				Joyce Ann Brown	0.585938%	
				B.A. Christmas, Jr.	0.292969%	
				Bradford Ace Christmas	0.073242%	
				Mary T. Christmas Holladay	0.073242%	
				Candy Christmas	0.073242%	
				Helen Jane Christmas Barbry	0.073242%	
				Herrs or Deviseses of Alma		
				Pearl Edlon Hughes Molkins,		
				Deceased	1.562500%	
				First NII, Bank of Lubbock		
				Successor Trustee under the		
				lost Wills and Testaments		
				of J.E. Simmons and Beulah		
				Simmons, Deceased	0.878906%	
				Sid R. Boss, Inc.	0.292969%	
				Keystone, Inc.	0.292969%	
				Thru line	0.292969%	
				ARCO		32.812500%
				Lee M. Boss, Inc.		2.343750%
				Sid R. Boss Inc.		2.343750%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY , NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner			Overriding Royalty Owner		Working Interest Owner	
				Percentage			Percentage		Percentage	
between the sub-surface depths of 5,000 feet and 5,450 feet				Lee M. Boss		0.292968%			Keystone Inc.	2.343750%
				Moers Oil Corporation		0.546875%			Thru Line Inc.	2.343750%
				Alma E.H. Watkins		1.562500%			H.B. Fuqua, Trustee under the	
				Rose Gann		0.390626%			Last Will and Testament of	
				Charlene Rogers		0.390624%			Dolores Moers, Dec'd	8.750000%
				Leombank, N.A.		1.093750%			First National Bank of	
				Successor Trustee U/W/O					Ft. Worth, Trustee	5.625000%
				Dolores Moers, Acct. #5976					ORXX Energy Company	4.687500%
				NCNB Texas, Trustee of					Moers Oil Corporation	4.375000%
				the Moers Trust,					Deltex Royalty Company, Inc	3.125000%
				Trustee #1311		0.703125%			Woy Enterprises, Inc.	3.125000%
				ARCO		3.125000%			Meridian Oil Production Inc	0.439454%
				First Ntl. Bank of Lubbock						
				Successor Trustee of						
				J.E. Simmons Trust A						
				F/B/O Jean						
				Shipley Sullivan		0.219727%				
				First Ntl. Bank of Lubbock						
				Successor Trustee of Beulah						
				H. Simmons Trust A F/B/O						
				Jean Shipley Sullivan		0.219726%				
				First National Bank of Lubbock						
				Successor Trustee of Beulah						
				H. Simmons Trust B F/B/O						
				Mary Jane Hand		0.219727%				
				First Ntl. Bank of Lubbock						
				Successor Trustee of						
				J.E. Simmons Trust B -		0.219727%				
				F/B/O Mary Jane Hand		0.878906%				
				Deltex Royalty Co., Inc		0.878906%				
				Woy Enterprises, Inc.						

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Thomas H. Low, Hamilton Rodgers & Margaret Snider for Nancy S. Tilly Snyder			0.781250%		
	Beverly Anne Carter			0.878906%		
	Joyce Ann Brown			0.585938%		
	B.A. Christmas, Jr.			0.292969%		
	Bradford Ace Christmas			0.073242%		
	Mary T. Christmas Holladay			0.073242%		
	Candy Christmas			0.073242%		
	Helen Jane Christmas Barbry			0.073242%		
	Heirs or Devisees of Alma					
	Pearl Eaton Hughes Watkins,					
	Deceased			1.757813%		
	William Riley Eaton			1.302083%		
	Kathryn Pearl Gordon			0.156250%		
	Marilyn Joan Craig			0.156250%		
	Air Wonda Jean Stutzman			0.156250%		
	Raymond Harrison Eaton			0.156250%		
	Helen May Hamilton			0.156250%		
	Doisey Elma Turner			2.083333%		
	Collie Eaton Pyeatt			0.260417%		
	Jennie Lois Eaton Hodges			0.195313%		
	William Henry Eaton			0.195313%		
	Charlie Ireview Eaton			0.195313%		
	Lincy Hompie Eaton			0.195313%		
	Clarence Victor Eaton			0.195313%		
	Artie Moe Eaton Wilson			0.195313%		
	Charlie E. Eaton			0.195313%		

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
TLCa COUNTY , NEW MEXICO

Tr. No.	Description of land	Acres	Lease Status	Basic Royalty Owner Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage	
44A	NW/4 SE/4 Section 12, 1-25-S, R-37-E, Lea County, New Mexico, below 5,450 feet	40	HBP	Sid R. Boss, Inc.	0.292969%	ARCO	59.746796%
				Keystone, Inc.	0.292969%	Lee M. Boss, Inc.	2.343750%
				Thru line	0.292969%	Sid R. Boss Inc.	2.343750%
				Lee M. Boss	0.292968%	Keystone Inc.	2.343750%
				Moers Oil Corporation	0.546875%	Thru line Inc.	2.343750%
				Alma E.H. Watkins	1.562500%	H.B. Fuqua, Trustee under the	
				Rose Gann	0.390626%	lost Will and Testament of	
				Charlene Rogers	0.390624%	Dolores Moers, Dec'd	8.750000%
				Teambank, N.A.	1.093750%	First National Bank of	
				Successor Trustee U/W/O		Fl. Worth, Trustee	5.625000%
				Dolores Moers, Accl. #5976		Moers Oil Corporation	4.375000%
				NCNB Texas, Trustee of		Deltex Royalty Company, Inc	3.125000%
				the Moers Trust,		Way Enterprises, Inc.	3.125000%
				Trustee #1311	0.703125%	First National Bank of	
				ARCO	3.125000%	Lubbock, Successor	
				First NII, Bank of Lubbock		Trustee under the lost Will	
				Successor Trustee of		Testament of J. E. Simmons,	
				J.E. Simmons Trust A		and Beulah H. Simmons,	
F/B/O Jean		Deceased	3.125000%				
Shipley Sullivan	0.219727%	ORXX Energy Company	2.343750%				
First NII, Bank of Lubbock		*Meridian Oil Production Inc.	0.439454%				
Successor Trustee of Beulah							
H. Simmons Trust A F/B/O							
Jean Shipley Sullivan	0.219726%						
First National Bank of Lubbock							
Successor Trustee of Beulah							
H. Simmons Trust B F/B/O							
Mary Jane Hand	0.219727%						
First NII, Bank of Lubbock							
Successor Trustee of							
J.E. Simmons Trust B -							

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty		Overriding Royalty		Working Interest	
				Owner	Percentage	Owner	Percentage	Owner	Percentage
	F/B/O Mary Jane Hand				0.219727%				
	Dellex Royalty Co., Inc				0.878906%				
	Way Enterprises, Inc.				0.878906%				
	Thomas H. Low, Hamilton								
	Rodgers & Margaret Snider								
	for Nancy S. Tilly Snyder				0.781250%				
	Beverly Anne Carter				0.878906%				
	Joyce Ann Brown				0.585938%				
	B.A. Christmas, Jr.				0.292969%				
	Brodford Ace Christmas				0.073242%				
	Mary I. Christmas Hollday				0.073242%				
	Candy Christmas				0.073242%				
	Helen Jane Christmas Barby				0.073242%				
	Heirs or Devisees of Almo								
	Pearl Eaton Hughes Watkins,								
	Deceased				1.562500%				
	William Riley Eaton				1.302083%				
	Kathryn Pearl Gordon				0.156250%				
	Marilyn Joan Croig				0.156250%				
	Air Wonda Jean Stutzman				0.156250%				
	Raymond Harrison Eaton				0.156250%				
	Helen May Hamilton				0.156250%				
	Daisey Elmo Turner				2.083333%				
	Callie Eaton Pyeall				0.260417%				
	Jennie Lois Eaton Hodges				0.195313%				
	William Henry Eaton				0.195313%				
	Charlie Trevor Eaton				0.195313%				
	Linzzy Harmpie Eaton				0.195313%				
	Heirs or Devisees of Almo								
	Pearl Eaton Hughes Watkins,								

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage		Percentage		Percentage	
45	SW/4 SE/4 Section 12, 1-25-S, R-37-E, Lea County, New Mexico, between the subsurface depths of 5,000 feet and 5,500 feet	40	HBP	Deceased	0.195313%			ARCO	32.812500%
				Clarence Victor Eaton	0.195313%			Meridian Oil Production, Inc	27.685547%
				Arlie Mae Eaton Wilson	0.195313%			Lee M. Boss, Inc.	2.343750%
				Charlie E. Eaton	0.195313%			Sid R. Boss Inc.	2.343750%
								Keystone Inc.	2.343750%
								Thru Line Inc.	2.343750%
				Sid R. Boss, Inc.	0.292969%			H.B. Fuqua, Trustee under the	
				Keystone, Inc.	0.292969%			lost will and Testament of	
				Thru line	0.292969%			Dolores Mooers, Dec'd	8.750000%
				Lee M. Boss	0.292968%			First National Bank of	
				Mooers Oil Corporation	0.546875%			Fl. Worth, Trustee	5.625000%
				Almo E.H. Watkins	1.562500%			ORYX Energy Company	4.687500%
				Rose Gann	0.390626%			Mooers Oil Corporation	4.375000%
				Charlene Rogers	0.390624%			Dellex Royally Company, Inc	3.125000%
				Teombank, N.A.	1.093750%			Way Enterprises, Inc.	3.125000%
				Successor Trustee U/W/O Dolores Mooers, Accl. #5976				*Meridian Oil Production Inc.	0.439453%
				NCNB Texas, Trustee of the Mooers Trust, Trustee #1311	0.703125%				
				ARCO	3.125000%				
				First NII, Bank of Lubbock					
				Successor Trustee of J.E. Simmons Trust A F/B/O Jean					
				Shipley Sullivan	0.219777%				
				First NII, Bank of Lubbock					
				Successor Trustee of Beulah H. Simmons Trust A F/B/O Jean Shipley Sullivan					
				First National Bank of Lubbock	0.219726%				



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY , NEW MEXICO

Tr. No.	Description of land	Acres	lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Successor Trustee of Beulah H. Simmons Trust B F/B/O Mary Jane Hand			0.219727%		
	First NII, Bank of Lubbock Successor Trustee of J.E. Simmons Trust B - F/B/O Mary Jane Hand			0.219727%		
	Dellex Royally Co., Inc Way Enterprises, Inc.			0.878906%		
	Thomas H. Low, Hamilton Rodgers & Margaret Snider for Nancy S. Tilly Snyder			0.781250%		
	Beverly Anne Corler			0.878906%		
	Joyce Ann Brown B.A. Christmos, Jr. Bradford Ace Christmos Mary T. Christmos Holladay Candy Christmos Helen Jone Christmos Borby Heirs or Deviseses of Alma Pearl Eaton Hughes Matkins, Deceased			0.585938% 0.292969% 0.073242% 0.073242% 0.073242% 0.073242% 0.073242%		
	William Riley Eaton Kathryn Pearl Gordon Marilyn Jeon Craig Air Wanda Jeon Stutzman Roymond Harrison Eaton Helen Moy Hamilton Dorsey Elmo Turner Collie Eaton Pyeatt			1.562500% 1.302083% 0.156250% 0.156250% 0.156250% 0.156250% 0.156250% 2.083333% 0.260417%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner	Working Interest Owner	
				Percentage	Owner		Percentage	Owner
45A	SW/4 SE/4 Section 17, 1-25-S, R-37-T, Lea County, New Mexico, between the sub-surface depths of 5,500 feet and 6,352 feet	40	HBP	Jennie Lois Eaton Hodges	0.195313%			
				William Henry Eaton	0.195313%			
				Charlie Trevor Eaton	0.195313%			
				Lindy Harriple Eaton	0.195313%			
				Heirs or devisees of Alma				
				Pearl Eaton Hughes Watkins, Deceased	0.195313%			
				Clarence Victor Eaton	0.195313%			
				Arlie Mae Eaton Wilson	0.195313%			
				Charlie E. Eaton	0.195313%			
				Sid R. Boss, Inc.	0.292969%			
				Keystone, Inc.	0.292969%			
				Thru line	0.292969%			
				Lee M. Boss	0.292968%			
				Mooers Oil Corporation	0.546875%			
Alma E.H. Watkins	1.562500%							
Rose Gann	0.390626%							
Charlene Rogers	0.390624%							
Teambank, N.A.	1.093750%							
Successor Trustee U/W/O Dolores Mooers, Accl. #5976								
NCNB Texas, Trustee of the Mooers Trust, Trustee #1311	0.703125%							
ARCO	3.125000%							
First NBL Bank of Lubbock								
Successor Trustee of J.E. Simmons Trust A F/B/O Jean								
				ARCO	32.812500%			
				Meridian Oil Production, Inc	27.685547%			
				Lee M. Boss, Inc.	2.343750%			
				Sid R. Boss Inc.	2.343750%			
				Keystone Inc.	2.343750%			
				Thru line Inc.	2.343750%			
				H.B. Fuqua, Trustee under the last Will and Testament of Dolores Mooers, Dec'd	8.750000%			
				First National Bank of Fl. Worth, Trustee	5.625000%			
				ORXX Energy Company	4.687500%			
				Mooers Oil Corporation	4.375000%			
				Delltex Royally Company, Inc	3.125000%			
				Way Enterprises, Inc.	3.125000%			
				* Meridian Oil Production Inc	0.439453%			

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Shipley Sullivan First NII, Bank of Lubbock Successor Trustee of Beulah H. Simmons Trust A F/B/O Jean Shipley Sullivan First National Bank of Lubbock Successor Trustee of Beulah H. Simmons Trust B F/B/O Mary Jane Hand First NII, Bank of Lubbock Successor Trustee of J.E. Simmons Trust B - F/B/O Mary Jane Hand Delltex Royally Co., Inc Way Enterprises, Inc. Thomas H. Low, Hamilton Rodgers & Margaret Snider for Nancy S. Tilly Snyder Beverly Anne Carter			0.219727%		
	Joyce Ann Brown B.A. Christmos, Jr. Bradford Ace Christmos Mary T. Christmos Holladay Candy Christmos Helen Jane Christmos Borby Heirs or Devises of Alma Pearl Eaton Hughes Matkins, Deceased William Riley Eaton Kathryn Pearl Gorden			0.585938% 0.292969% 0.073242% 0.073242% 0.073242% 0.073242% 0.073242% 1.562500% 1.302083% 0.156250%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY , NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage
46	NE/4 NW/4 Section 14, T-25-S, R-37-E Lea County, New Mexico	40	HBP	Marilyn Joan Craig	0.156250%	
				Air Wanda Jean Stutzman	0.156250%	
				Raymond Harrison Eaton	0.156250%	
				Helen May Hamilton	0.156250%	
				Doisey Elma Turner	2.083333%	
				Collie Eaton Pyrell	0.260417%	
				Jennie Lois Eaton Hodges	0.195313%	
				William Henry Eaton	0.195313%	
				Charlie Trevor Eaton	0.195313%	
				Lindy Hampie Eaton	0.195313%	
				Heirs or Devises of Alma		
				Pearl Eaton Hughes Watkins, Deceased	0.195313%	
				Clarence Victor Eaton	0.195313%	
				Arlie Mae Eaton Wilson	0.195313%	
				Charlie E. Eaton	0.195313%	

ARCO

100%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

It. No.	Description of land	Acres	lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Jones Trust			0.260422%		
	MCNB Texas National Bank					
	Trustee of the Lottie D.					
	Jones Trust			0.260422%		
	Rosalind Redfern			0.234374%		
	Judy Slovall			0.468751%		
	Leon Binkley and Donna Frost					
	as Personal Representatives					
	of the Estate of Kathleen					
	Cone			0.520833%		
	Wendall W. Iverson, as Trustee					
	for the S.J.L. Jr., Trust			0.071129%		
	Wendall W. Iverson, as Trustee					
	for the P.I.P. 1990 Trust			0.071129%		
	Wendall W. Iverson, as Trustee					
	for the W.W.I. 1990 Trust			0.071129%		
	Charlotte H. Stuart			0.152082%		
	Patsy Ann Iverson Page			0.071134%		
	B. Broodrick			1.302080%		
	Wendall Welch Iverson			0.071133%		
	S. E. Cone, Jr.			0.694441%		
	B. B. Ginsberg			0.187502%		
	S. J. Iverson, Jr.			0.071133%		
	Marjorie Cone Kostmon			0.694444%		
	Lovelace Foundation for					
	Medical Education and					
	Research			0.468751%		
	John A. Yates			0.437531%		
	Frank W. Yates, Jr., A/I/F					
	for Lillie M. Yates			0.212944%		
	Estelle Andrews Mehkop			1.302160%		

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

—

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Ameroda Hess Corporation			3.125000%		
	Earle M. Simon			0.002400%		
	Harry Levy			0.002400%		
	Yeva K. Nelson			0.009800%		
	Margaret R. Ellison			0.001200%		
	C. S. Daley			0.002500%		
	Joseph Nelson			0.004900%		
	Ellis Rudy			0.018100%		
	Ritts Royalty Company					
	Bank of Oklahoma Tulsa NA					
	Agent & Ally-in-fact			0.752300%		
	Joy Rene Pope			0.048900%		
	Goylene Ashcroft			0.048800%		
	Beverly B. Nelson			0.002400%		
	Judd Moore			0.047700%		
	Marion U. & Donald B. Heard			0.162700%		
	Mildred Smith Rowls			0.010330%		
	Margabel Smith Rule			0.010330%		
	Cassius L. Smith			0.011620%		
	Rosa Lee Smith Johnson			0.010990%		
	Katie Smith Hazelhurst			0.010330%		
	Evo W. Grohm			0.010330%		
	Mary Smith Bowers			0.010330%		
	Richard L. Cromartie, Jr.			0.008720%		
	Jane Cromartie Williams			0.011950%		
	T. L. Wooten			0.010330%		
	Lillian Smith Ward			0.005170%		
	Betty S. Warren			0.001300%		
	Frances Woolen Scott			0.005170%		
	Frank L. Smith			0.010330%		
	H. Winfield Smith, Jr.			0.010330%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
				0.005170%		
	Harry E. Smith			0.000650%		
	Harry Eldon Smith			0.010330%		
	Mary M. Smith			0.010330%		
	Moude S. Smith			0.010330%		
	R. P. Smith			0.011620%		
	Robert H. Smith			0.001300%		
	Dudley M. Smith			0.000650%		
	Lena Ann Blake			0.001200%		
	Philip Julian Erickson			0.006040%		
	John Warren Erickson			0.006030%		
	Mary Elinor Erickson Knox			0.006030%		
	Mary A. Fosken			0.002400%		
	Roma A. Syfert			0.040500%		
	Rosalind Liethold			0.002530%		
	William M. Diltmer, Sr.			0.002530%		
	John A. Diltmer			0.002530%		
	Albert Diltmer			0.003380%		
	Charles A Burgess			0.040500%		
	Ellen E. Booker			0.002530%		
	Luella Boes Forwolder			0.013500%		
	Donald Woods					
	c/o Penny Roofing Company			0.013500%		
	Joe William Gray			0.097600%		
	W. M. Riddle & Betty J. Riddle			0.005810%		
	Archie D. Smith & Clarabelle					
	Beals Trust dtd 12-9-70					
	Archie D. Smith, Jr., Trustee			0.752300%		
	Sarah S. Smith			0.011620%		
	O. W. Skivin Test Trust					
	American National Bank					
	Co Trustee			0.217000%		



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	G. T. Blankenship Texas American Bank, Successor Trustee U/W/O Dolores Moores, Acct #5976			0.605500%		
	MCNB Texas National Bank of Ft. Worth, Trustee U/A of the Conkey Hanger et al Moore's Trust			0.989100%		
	Richard A. Whittington O. V. Thompson			0.635850%		
	c/o Richard A. Whittington American State Bank and Mortgage Company, Co- Trustees of the Hattie C. Williams Trust U/W dated 8-10-81			0.000320%		
	Betty L. Aronle Beams Minerals Company			0.195300%		
	Susan Lomb Griffith John Austin Rittenhouse			0.005170%		
	Judith Rittenhouse Thomas W. Tucker			0.039200%		
	c/o Susan L. Griffith April Elizabeth Tucker			0.000300%		
	Floyd M. Melton, Jr. Guardian for Molly Catherine Lomb			0.000300%		
	Floyd M. Melton, Jr. Guardian for Loren Lynet Lomb			0.000060%		
	Libby L. Underwood Morrish			0.000060%		
				0.002400%		

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LFA COUNTY, NEW MEXICO

Page 32

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage
	B. Law, Co. Trustees of the Marilyn M. Law Revocable Trust			0.146473%		
	Douglas Cone Trust, Marilyn Cone Trustee The New Mexico Co P.O. Box 2479			0.089840%		
	Leon Binkley & Donna Frost as Personal Rep's of the Estate of Kathleen Cone			0.130212%		
	Amonillo NAT BK as Trustee for Sudo Willis Dies			0.449200%		
	Revocable Trust Emil Mosbacher Jr. "C" Acct.			0.113300%		
	c/o R. Bruce Mosbacher Emil Mosbacher Jr. "A" Acct.			0.046900%		
	c/o R. Bruce Mosbacher Emil Mosbacher Jr. "B" Acct.			0.046800%		
	c/o R. Bruce Mosbacher Jo Ann Seevers			0.469000%		
	Kanoly Trust Co. as Successor Corporate Trustee of the Lyeth Oil Trust			0.906360%		
	North Central Oil Corp. Southland Royalty Co. Jo Ann Seevers Trustee of the Trust created in the w/o James N. Seevers			0.585900%		
				1.093700%		
				1.562500%		
				0.022659%		
	S.F. Cone Jr.			0.833330%		

EXHIBIT "g"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Lease No	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Marjorie Cone Kostman			0.833330%		
	Christine Toles Elliott			0.065100%		
	Eunice Cone Gibson			0.156300%		
	Marybeth Toles Monquim			0.065100%		
	Robert Mosbacher I Accl.			0.046900%		
	J. Penrod Toles and Sally Toles, Trustees of the J. Penrod Toles Trust					
	Atlantic Richfield Company			0.063100%		
	Cathie Auvenshine			0.781200%		
	Stewart Bochman, Jr.			0.089840%		
	Kenneth G. Cone			0.101570%		
	Clifford Cone			0.089840%		
	Tom R. Cone			0.089840%		
	Allyne Kelly Fuller			0.089840%		
	John H. Hendrix Corp.			0.037763%		
	Katherine Adeline Cone Keck			0.260425%		
	Robert Jackson Kelly, III			0.833340%		
	Phillip Lewis Lee			0.018887%		
	Randolph Palmer Lee			0.130200%		
	Edwin D. Lee			0.260400%		
	Robert Mosbacher A Ac			0.130200%		
	Robert Mosbacher I Ac			0.046900%		
	Robert Mosbacher K Ac			0.046900%		
	Ora Lee Nislor			0.046900%		
	American Sl. Bk. & Ora Lee Nislor Co-Trustees of the O.L. Nislor, Jr. Trust			0.195300%		
	American Sl. Bk & Ora Lee Nislor Co-Trustees of the Robert Nislor Trust			0.097650%		
				0.097650%		

XIII "B"

TO UNIT AGREEMENT, SOUTH JOSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	WNB Texas III LLC as Trustee 11/7/1975, et al.			0.113210%		
	Mary Beth Kelly Trust			0.018867%		
	Nino Jean Stevens Scott as Trustee under Trust Agreement executed by Nino Jean Stevens Scott as Grantor and Stewart Bochman Jr as Trustee dated 7/27/1975.			0.113295%		
	Barbara Mosbacher B AC			0.046800%		
	Barbara Mosbacher C AC			0.046800%		
	Barbara Mosbacher S AC			0.046900%		
	Mary Louise Stanger			0.03763%		
	Headington Minerals			0.651042%		
	Phillip Lewis Lee			0.130208%		
	Randolph P. Lee			0.130208%		
	Edward David Lee			0.130208%		
	Mrs. E.A. Kelly			0.113281%		
	Kops Oil Co.			0.554681%		
	Jimmy Morey Revocable Trust, Jimmy D. Morey and Mary Morey, Trustees			0.146484%		
	Marilyn D. Low Revocable Trust, Marilyn Low and James B. Low, Trustees			0.146484%		
	A.L. Mangum			0.008138%		
	JMO Trust, A.L. Mangum, Trustee			0.008138%		
	SEM Trust, A.L. Mangum, Jr., Trustee			0.008138%		

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner	Percentage	Owner	Percentage	Owner
40	H&A 141/4 Section 14, T 23S, R 37E, Lea County, New Mexico	40	H&P		Lyneth Oil Trust	0.585938%			
					Joe L. Elliot	0.010851%			
					F A. Trust, Joe L Elliot and				
					Christine L Elliot, Trustees	0.010851%			
					Loles-CDM Ltd	0.065104%			
					Katherine Lone Keck	0.833333%			
					Joon Brown Trust, American				
					SI Bk and Jerry N Nislor,				
					Trustee	0.039063%			
					Niky Rollitt, Nancy Wallace				
					and Joel Nislor Trust,				
					American Sto SI Bk and				
					Jerry Nislor, Co-Trustees	0.019531%			
					Joe S. Nislor Estate	0.078173%			
					Joe L. Nislor and American				
					SI Bk, Co-Trustees	0.039063%			
					Sharon Antonette Dumas	0.0520850%			ARCO
					Jerry N. Nislor	0.0039075%			Doyle Hartman and wife,
					Mildred Nislor	0.0078150%			Margaret Hartman
					Joon N. Brown	0.0039075%			James A. Davidson, separate
					Mark A. Hannlin	0.130213%			property
					American State Bk and				Larry A. Nernyr, separate
					Mortha McEvoy Pope,				property
					Co-Trustees of the				James E. Burr and wife,
					Hattie C. Williams Trust	0.781300%			Lafeta Burr
					Louella M. Kelly,				Jack Fletcher and wife,
					Life Estate	0.113270%			Delphia Fletcher
					James M. Morey and				
					The Liberty NIT BK,				

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JOSHUA UNIT  
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Acres	Lease Status	Basic Royalty Owner Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage
	Co-Trustees of the Dwyer Norman Rooney Testamentary Trust, Trust # 1143074008			0.292950%		
	Jimmy D. Morey and Mary M. Morey, Co-Trustees of the Jimmy D. Morey Revocable Trust			0.146475%		
	Marilyn M. Low and James B. Low, Co-Trustees of the Marilyn M. Low Revocable Trust			0.146475%		
	Douglas Cone Trust, Marilyn Cone Trustee The New Mexico Co P.O. Box 2479			0.130212%		
	Leon Binkley & Donna Frost as Personal Reps. of the Estate of Kathleen Cone			0.449200%		
	Amarillo NAT Bk as Trustee for Suda Willis (Mrs) Revocable Trust			0.113300%		
	Emil Mosbacher Jr. "C" Acct c/o R. Bruce Mosbacher Emil Mosbacher Jr. "A" Acct c/o R. Bruce Mosbacher			0.046900%		
	Emil Mosbacher Jr. "B" Acct. c/o R. Bruce Mosbacher Jo Ann Seewers			0.469000%		
				0.906360%		

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Konody Trust Co. as Successor Corporate Trustee of the Lyeth Oil Trust			0.585900%		
	North Central Oil Corp			1.093700%		
	Southland Royalty Co			1.562500%		
	Jo Ann Seewers Trustee of the Trust created in the w/o James N. Seewers			0.022659%		
	S.E. Cone Jr.			0.833330%		
	Marjorie Cone Kastman			0.833330%		
	Christine Toles Elliott			0.065100%		
	Eunice Cone Gibson			0.156300%		
	Maybeth Toles Monum			0.065100%		
	Robert Mosbacher I Accl.			0.046900%		
	J. Penrod Toles and Solly Toles, Trustees of the					
	J. Penrod Toles Trust			0.065100%		
	Atlantic Richfield Company			0.781200%		
	Cathie Auvenshine			0.089840%		
	Stewart Bochman, Jr.			0.101570%		
	Kenneth G. Cone			0.089840%		
	Clifford Cone			0.089840%		
	Tom R. Cone			0.089840%		
	Allyne Kelly Fuller			0.037763%		
	John H. Hendrix Corp.			0.260425%		
	Katherine Adeline Cone Keck			0.833340%		
	Robert Jackson Kelly, III			0.018887%		
	Phillip Lewis Lee			0.130200%		
	Randolph Palmer Lee			0.260400%		
	Edwin D. Lee			0.130200%		



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
ITTA COUNTY, NEW MEXICO

Tr No	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Robert Mosbacher A AC			0.046900%		
	Robert Mosbacher I AC			0.046900%		
	Robert Mosbacher K AC			0.046900%		
	Oro Lee Nislor			0.195300%		
	American SL Bk & Oro Lee Nislor Co - Trustees of the O.L. Nislor, Jr. Trust			0.097650%		
	American SL Bk & Oro Lee Nislor Co - Trustees of the Robert Nislor Trust			0.097650%		
	MCNB Texas MII Bk as Trustee U/W Paul S. Oles			0.113270%		
	Mary Beth Kelly Ping			0.018887%		
	Nino Jeon Seewers Scott as Trustee under Trust Agreement executed by Nino Jeon Seewers Scott as Grantor and Stewart Bochman Jr. as Trustee dated 7/27/1975.			0.113295%		
	Barbara Mosbacher B AC			0.046800%		
	Barbara Mosbacher C AC			0.046800%		
	Barbara Mosbacher S AC			0.046900%		
	Mary Louise Stringer			0.037763%		
	Headington Minerals			0.651042%		
	Phillip Lewis Lee			0.130208%		
	Randolph P. Lee			0.130208%		
	Edward David Lee			0.130208%		
	Mrs. E.A. Kelly			0.113281%		
	Kops Oil Co.			0.554681%		
	Jimmy Morey Revocable					

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

[illegible]

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Joon N. Brown			0.0039075%		Joe Mabee, marital status
	Mark A. Honnlin			0.130213%		unknown
	American State BK and					Apache
	Martha McEvoy Pope,					6.250000%
	Co-trustees of the					Heddington Minerals, Inc
	Hollie C. Williams Trust			0.781300%		5.555600%
	Louella M. Kelly,					James A Davidson, separate
	Life Estate					property
	James M. Morey and			0.113270%		Meridian Oil Production, Inc.
	The Libery M1 BK,					4.340250%
	Co-trustees of the Onez					411 Puso Production Co.
	Norman Rooney					3.551100%
	Testamentary Trust,					Kelly Lou Linehan, separate
	Trust # 114.3074008			0.292950%		property
	Jimmy D. Morey and					3.125000%
	Mary M. Morey,					Barbara Lu Rollif, separate
	Co-trustees of the					property
	Jimmy D. Morey					J. Steve Anderson, marital
	Revocable Trust					status unknown
	Marilyn M. Low and James			0.146475%		2.000000%
	B. Low, Co-trustees of the					J. L. Burkhardt, marital status
	Marilyn M. Low Revocable					unknown
	Trust			0.146475%		Terry A. Nermy, as his
	Douglas Cone Trust,					separate property
	Marilyn Cone Trustee			0.089840%		James E. Burr and wife,
	The New Mexico Co.					Lovelo Burr
	P.O. Box 2479			0.130212%		0.161051%
	Leon Binkley & Donna					Jock Fletcher and wife,
	Frost as Personal Rep.s					Delphia Fletcher
	of the Estate of					0.161051%
	Kathleen Cone			0.449200%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JOSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No	Description of Land	Acres	Lease Status	Basic Royalty Owner			Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner		Percentage	Owner	Percentage	Owner
	Arroyillo NE 1/4 Bk as Trustee for Sudio Willis Dies			0.113300%						
	Revocable Trust									
	Emil Mosbacher Jr. "C" Accl.			0.113300%						
	c/o R. Bruce Mosbacher			0.046900%						
	Emil Mosbacher Jr. "A" Accl									
	c/o R. Bruce Mosbacher			0.046800%						
	Emil Mosbacher Jr. "B" Accl									
	c/o R. Bruce Mosbacher			0.469000%						
	Jo Ann Seevers			0.906360%						
	Kanoly Trust Co. as Successor Corporate Trustee of the Lyeth Oil Trust			0.585900%						
	North Central Oil Corp.			1.093700%						
	Southland Royalty Co.			1.562500%						
	Jo Ann Seevers Trustee of the Trust created in the w/o James N. Seevers			0.022659%						
	S.F. Cone Jr.			0.833330%						
	Morjorie Cone Kaslmon			0.833330%						
	Christine Toles Elliott			0.065100%						
	Eunice Cone Gibson			0.156300%						
	Marybeth Toles Mangum			0.065100%						
	Robert Mosbacher L Accl.			0.046900%						
	J. Penrod Toles and Solly Toles, Trustees of the									
	J. Penrod Toles Trust			0.065100%						
	Atlantic Richfield Company			0.781200%						
	Colbie Auvershine			0.089840%						
	Stewart Bochman, Jr.			0.101570%						

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUISIS UNIT  
TEA COUNTY, NEW MEXICO

Tr. No	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Kenneth G. Cone			0.089840%		
	Clifford Cone			0.089840%		
	Tom R. Cone			0.089840%		
	Allyne Kelly Fuller			0.037763%		
	John H. Hendrix Corp.			0.260425%		
	Katherine Adeline Cone Keck			0.833340%		
	Robert Jackson Kelly, III			0.018887%		
	Phillip Lewis Lee			0.130200%		
	Randolph Palmer Lee			0.260400%		
	Edwin D. Lee			0.130200%		
	Robert Mosbacher A Ac			0.046900%		
	Robert Mosbacher I Ac			0.046900%		
	Robert Mosbacher K Ac			0.046900%		
	Ora Lee Nistor			0.195300%		
	American St. Bk. & Ora Lee Nistor Co - Trustees of the					
	O.J. Nistor, Jr. Trust			0.097650%		
	American St. Bk & Ora Lee Nistor Co - Trustees of the					
	Robert Nistor Trust			0.097650%		
	NCNB Texas NH Bk as Trustee U/W Paul S. Oles			0.113270%		
	Mary Beth Kelly Ping			0.018887%		
	Nino Jean Seever's Scott as Trustee under Trust Agreement executed by Nino Jean Seever's Scott as Grantor and Stewart Bachman Jr. as Trustee dated 7/27/1975.			0.113295%		
	Barbara Mosbacher B AC			0.046800%		

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Barbara Mosbacher C AC			0.046800%		
	Barbara Mosbacher S AC			0.046900%		
	Mary Louise Stringer			0.037763%		
	Heddington Minerals			0.651042%		
	Philip Lewis Lee			0.130208%		
	Randolph P. Lee			0.130208%		
	Edward David Lee			0.130208%		
	Mrs F A Kelly			0.113281%		
	Kops Oil Co.			0.554681%		
	Jimmy Morey Revocable Trust, Jimmy D. Morey and Mary Morey, Trustees			0.146484%		
	Marilyn D. Low Revocable Trust, Marilyn Low and James B. Low, Trustees			0.146484%		
	A.L. Mongum			0.008138%		
	JMD Trust, A.L. Mongum, Trustee			0.008138%		
	SEM Trust, A.L. Mongum, Jr., Trustee			0.008138%		
	Lyeth Oil Trust			0.585938%		
	Ira L. Elliott			0.010851%		
	E.A. Trust, Ira L. Elliott and Christine J. Elliott, Trustees			0.010851%		
	Loes-COM Ltd.			0.065104%		
	Katherine Cone Keck			0.833333%		
	Joan Brown Trust, American Sl Bk and Jerry N. Nislar, Trustee			0.039063%		
	Niky Roloff, Nancy Wallace and Joel Nislar Trust,					

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Lease No	Description of Land	Acres	Lease Status	Basic Royalty Owner Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage	
53	W/2 SW/4, NE/4 NE/4 Section 24, T2N 10S, R. 3E, S. 4E Lea County, New Mexico	320	HBP	American Std Oil Bk and Jerry Nislar, Co-Trustees	0.019531%	ARCO	100%
				Joe S. Nislar Estate	0.078125%		
				Ora L. Nislar and American Std Oil Co-Trustees	0.039063%		
				Ernie W. Turner	0.520710%		
				Leck A. Jones	0.520710%		
				Lara Alison Wimberley Trust	0.032550%		
				Clay David Wimberley Trust	0.032550%		
				Laura Hedley Wimberly Trust	0.032560%		
				Emily Ann Wimberley Trust	0.032550%		
				Jesse Jameson Berg Trust	0.032550%		
54	W/2 SW/4, NE/4 NE/4 Section 24, T2N 10S, R. 3E, S. 4E Lea County, New Mexico	80	HBP	Mary Megan Berg Trust	0.032550%	Texaco Meridian Oil Production, Inc. (Operator) Cospen Oil Inc. Elliott Oil Co. ARCO Kathleen Cone J. R. Cone, et ux A. L. Cone Partnership Ann H. Taylor	35.000000%
				Alice W. Nielson	0.585940%		
				Leue-Lane Wimberley Trust	2.604680%		
				Lewis Woodrow Wimberley	1.041410%		
				Benito Jeon Birmingham	0.781250%		
				Lillian Bell	0.015700%		
				Beatrice Brog Blackburn	0.019530%		
				G. T. Blankenship	0.781250%		
				J. O. Burlington	0.015700%		
				Mollie Burlington Estate	0.036620%		
55	W/2 SW/4 Section 19, T. 2S, S. R. 38-1, Lea County, New Mexico, below 5,000 feet			Pansy Weaver Administrator	0.036620%		
				Texas State Treasurer F/A/O			
				W. T. Burlington	0.015700%		
				William W. Corlin	0.781250%		
				John J. Christmann	0.024410%		

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tract No	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner	
				Percentage	Percentage	Percentage	
	Michael R. Collins			0.195310%		First Century Oil, Inc.	0.694850%
	J. Ferrell Payne			0.097650%		Fortuna Petroleum Services	0.501850%
	Paul L. Davis, Jr			0.097660%		Daughes Cone	0.468750%
	Lanway Oil & Gas Company			0.024410%		Clifford Cone	0.468750%
	The Helmer Company			0.468750%		Thomas R. Cone	0.468750%
						Kenneth G. Cone	0.468750%
	Jock Markham			0.024410%		Cathie Cone Auvestine	0.468750%
	J. Hiram Moore, Betty Jane					Colleen M. Wallace	0.386050%
	Moore and Michael Harrison					Robert L. McPherson	0.386050%
	Moore, Trustees			0.146480%		Charles B. Reed	0.386050%
	United NM Trust Co. Trustee					Donaldson Brown Trust A/C	0.347450%
	for Nevada Childrens					W.K. Byrom	3.088240%
	Foundation Inc., Reno Cancer						
	Center & Nevada IB &						
	Health Association			0.292970%			
	Charles B. Reed			0.146480%			
	Linda Robinson			0.015700%			
	Royally Holding Company			2.343750%			
	Shriners Hospital for Crippled						
	Children			0.097660%			
	Eunice L. Smith						
	c/o B. L. Reeves			0.015700%			
	Jonl Tyson			0.048820%			
	Gertrude Olinger Tyson			0.097660%			
	James M. Welborn			0.024410%			
	NCNB Texas National Bank						
	Trustee, Trust #1311			0.820310%			
	Dolores Mooers Trust						
	Team Bank						
	Fort Worth Successor						
	Trustee, Acct #5976			1.276050%			



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
11A COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Ivon L. Hall			0.015700%		
	Kathryn Everett Bray			0.019530%		
	Trust Corp of Montana					
	FBO Hester L Whelan			0.058590%		
	Peter Hotes Iyson Estate					
	Joel Iyson Successor Ind. Executor			0.048820%		
	ARCO			6.250000%		
	Moore's Oil Corporation			0.638020%		
	ECS Petroleum Company			0.468750%		
	Glodys R. Berry Loan					
	Fund Trust			0.039060%		
	L E Jones Mineral Co			0.468750%		
	John J. Redfern III			0.008140%		
	Rosalind Redfern Grover			0.008130%		
	Roberta Redfern Grist			0.008140%		
	Corinne C. Highower Trust					
	James Vance Sloock, Trustee			0.260410%		
	James Vance Cowan Trust					
	Donald P. Lopshire			0.005230%		
	Arthur E. Lopshire			0.005240%		
	Loretto L. Horton			0.005230%		
	J.H. Herd			0.244100%		
	Roy G. Barton Jr.			0.019530%		
	Mark E. Hodge			0.019530%		
	James Vance Cowan, Trustee			0.260420%		
	Benjamin Scott Cowan Trust					
	Jack Vance Cowan, Trustee			0.260420%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner	Percentage	Owner	Percentage	Owner
1	1/4 NW/4 Section 34 T1N, R1E, N2S Lea County, New Mexico	40	unleased	ARFD		12.500000%		ARFD	100%
TOTAL PATENTED ACREAGE		1,640.0	PERCENTAGE OF UNIT (SUBTRACT ACRES) = 30.6%						

RECAPITULATION

Acreage		Percentage	
Federal	2,800.00	52.24%	
State	920.00	17.16%	
Patented	1,640.00	30.60%	
TOTAL	5,360.00	100.00%	

## EXHIBIT "C"

Attached to and made a part of that certain Unit Agreement dated \_\_\_\_\_, 19\_\_\_\_, for the South Justis Unit located in Lea County, New Mexico

<u>TRACT NUMBER</u>	<u>UNIT PARTICIPATION PERCENT</u>
1	.648309
2	1.377364
3	3.383153
4	.813426
5	.821711
6	2.192094
7	1.829734
8	1.893095
9	1.278368
10	3.083234
11	1.850652
12	10.129934
13	.548765
14	1.040874
15	3.337506
16	1.915857
17	3.121720
18	.043063
19	1.277488
20	1.491918
21	2.323008
22	.837075
23	2.052803
24	.961458
25	1.197228
26	.921097
27	1.308680
28	.187129
28A	.202856
29	1.432614
30	2.359737
31	1.980553
32	1.154044
33	.436277
34	7.759747
35	4.153733
36	.165335
37	.288605
38	.281110

TRACT NUMBERUNIT PARTICIPATION PERCENT

39	.821142
39A	.160596
39B	.032708
40	.264797
40A	.051745
41	1.323544
42	.857037
42A	.353997
43	.535326
44	.054053
44A	.003731
45	.242369
45A	.044356
46	.768106
47	5.783629
48	6.745838
49	.825193
50	1.738529
51	5.893882
52	.453910
53	.964153
<hr/>	
TOTAL	100.000000
STATE	15.484354
FEDERAL	55.861953
FEE	28.653693
<hr/>	
TOTAL	100.000000

**EXHIBIT C**

**UNIT OPERATING AGREEMENT**

**SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO**

**UNIT OPERATING AGREEMENT**

**SOUTH JUSTIS**

**UNIT AREA**

**COUNTY OF LEA**

**STATE OF NEW MEXICO**

**TABLE OF CONTENTS**

<b><u>ARTICLE</u></b>	<b><u>Page</u></b>
Preliminary Recitals .....	1

**ARTICLE 1**

**CONFIRMATION OF UNIT AGREEMENT**

1.1	Confirmation of Unit Agreement.....	1
1.2	Definitions .....	1
1.2.1	Outside Substances.....	1
1.2.2	Unit Production.....	1
1.2.3	Oil and Gas .....	1
1.2.4	Oil and Gas Rights .....	1
1.2.5	Lessee or Working Interest Owner .....	1
1.2.6	Royalty Owner .....	1
1.2.7	Unit Participation .....	2
1.2.8	Unit Operations .....	2
1.2.9	Unit Equipment.....	2
1.2.10	Unit Expense.....	2
1.2.11	Person .....	2

**ARTICLE 2**

**EXHIBITS**

2.1	Exhibits .....	2
2.1.1	Exhibit "A", "B", and "C" of Unit Agreement.....	2
2.1.2	Exhibit "D", Tract and Unit Ownership .....	2
2.1.3	Exhibit "E", Accounting Procedure .....	2
2.1.4	Exhibit "F", Insurance Provisions .....	2
2.1.5	Exhibit "G", Equal Opportunity Clause .....	2
2.1.6	Exhibit "H", Gas Balancing Agreement.....	2
2.2	Reference to and Revision of Exhibits .....	3

**ARTICLE 3**

**SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS**

3.1	Overall Supervision.....	3
-----	--------------------------	---

<b>ARTICLE</b>		<b>Page</b>
3.2	Specific Authority and Duties.....	3
3.2.1	Method and Plans of Operation.....	3
3.2.2	Drilling of Wells.....	3
3.2.3	Well Abandonment, Use and Conversion.....	3
3.2.4	Expenditures.....	3
3.2.5	Disposition of Unit Equipment.....	3
3.2.6	Appearance Before a Court or Regulatory Agency.....	3
3.2.7	Audits.....	4
3.2.8	Audit Exceptions.....	4
3.2.9	Inventories.....	4
3.2.10	Amendment of Overhead Rates.....	4
3.2.11	Technical Services.....	4
3.2.12	Assignments to Committees.....	4
3.2.13	Removal of Operator.....	4
3.2.14	Changes and Amendments.....	4
3.2.15	Investment Adjustment.....	4
3.2.16	Border Agreements.....	5
3.2.17	Termination of Unit Agreement.....	5

#### **ARTICLE 4**

##### **MANNER OF EXERCISING SUPERVISION**

4.1	Designation of Representatives.....	5
4.2	Meetings.....	5
4.3	Voting Procedure.....	5
4.3.1	Voting Interest.....	5
4.3.2	Vote Required.....	5
4.3.3	Vote at Meeting by Non-attending Working Interest Owner.....	5
4.3.4	Poll Votes.....	6
4.3.5	Binding Effect of Vote.....	6

#### **ARTICLE 5**

##### **INDIVIDUAL RIGHTS OF WORKING INTEREST OWNERS**

5.1	Reservation of Rights.....	6
5.2	Specific Rights.....	6
5.2.1	Access to Unit Area.....	6
5.2.2	Reports.....	6
5.3	Taking Unitized Substances in Kind.....	6
5.4	Failure to Take in Kind.....	7
5.5	No Sharing of Market.....	7
5.6	Reversionary Interest.....	7

## ARTICLE 6

### UNIT OPERATOR

6.1	Unit Operator .....	7
6.2	Resignation or Removal .....	7
6.3	Selection of Successor .....	8

## ARTICLE 7

### AUTHORITY AND DUTIES OF UNIT OPERATOR

7.1	Exclusive Right to Operate Unit .....	8
7.2	Workmanlike Conduct.....	8
7.3	Liens and Encumbrances .....	8
7.4	Employees.....	8
7.5	Records .....	8
7.6	Reports to Working Interest Owners.....	8
7.7	Reports to Governmental Authorities.....	8
7.8	Engineering and Geological Information .....	9
7.9	Expenditures .....	9
7.10	Wells Drilled by Unit Operator.....	9
7.11	Border Agreements.....	9

## ARTICLE 8

### TAXES

8.1	Property Taxes .....	9
8.2	Other Taxes.....	10
8.3	Income Tax Election .....	10

## ARTICLE 9

### INSURANCE

9.1	Insurance.....	10
-----	----------------	----



## ARTICLE 10

ADJUSTMENT OF INVESTMENTS

10.1	Property Taken Over .....	10
10.1.1	Wells and Well Equipment .....	10
10.1.2	Lease and Operating Equipment.....	11
10.1.3	Demand Wells .....	11
10.1.4	Exception to Demand Well Requirement .....	11
10.1.5	Additional Non-Demand Wells .....	12
10.1.6	Useable Wellbore Definition.....	12
10.1.7	Wellbores Made Useable.....	13
10.1.8	Wellbores Accepted as "Useable Wellbores" .....	14
10.1.9	Records.....	14
10.2	Inventory and Evaluation.....	14
10.2.1	Inventory and Valuations .....	14
10.3	Investment Adjustment.....	15
10.4	General Facilities.....	15
10.5	Ownership of Property and Facilities.....	15

## ARTICLE 11

UNIT EXPENSE

11.1	Basis of Charge to Working Interest Owners .....	15
11.2	Budgets .....	15
11.3	Advance Billings .....	16
11.4	Commingling of Funds.....	16
11.5	Unpaid Unit Expense.....	16
11.6	Security Rights .....	16
11.6.1	Extent of Security .....	16
11.7	Carved-out Interests .....	17
11.8	Uncommitted Royalty .....	17

## ARTICLE 12

NONUNITIZED FORMATIONS

12.1	Right to Operate .....	17
12.2	Dual Completions.....	18

### ARTICLE 13

#### LIABILITY, CLAIMS, AND SUITS

13.1	Individual Liability.....	18
13.2	Settlements.....	18
13.3	Notice of Loss .....	18
13.4	Force Majeure .....	18

### ARTICLE 14

#### TITLES

14.1	Warranty and Indemnity.....	19
14.2	Failure Because of Unit Operations .....	19
14.3	Unleased Interests Treated as Leased.....	19
14.4	Waiver of Rights to Partition.....	19
14.5	Notice of Transfer of Title.....	19
14.6	Effect of Title Transfer.....	19
14.7	Transfer to Multiple Parties .....	20

### ARTICLE 15

#### NOTICES

15.1	Notices .....	20
------	---------------	----

### ARTICLE 16

#### WITHDRAWAL OF WORKING INTEREST OWNER

16.1	Withdrawal.....	21
16.2	Limitation on Withdrawal .....	21

### ARTICLE 17

#### ABANDONMENT OF WELLS

17.1	Rights of Former Owners .....	22
17.2	Plugging .....	22

ARTICLE 18

EFFECTIVE DATE AND TERM

18.1	Effective Date .....	22
18.2	Term .....	22

ARTICLE 19

ABANDONMENT OF OPERATIONS

19.1	Termination.....	22
	19.1.1 Oil and Gas Rights.....	22
	19.1.2 Right to Operate.....	22
	19.1.3 Salvaging Wells.....	23
	19.1.4 Cost of Abandonment .....	23
	19.1.5 Distribution of Assets.....	23

ARTICLE 20

APPROVAL

20.1	Counterpart Execution, Ratification or Approval.....	23
20.2	Conflict with Prior Agreements .....	23

ARTICLE 21

GOVERNMENTAL REGULATIONS

21.1	Governmental Regulations .....	23
------	--------------------------------	----

ARTICLE 22

OTHER PROVISIONS

22.1	Lease Burdens and Disbursement Obligations .....	24
22.2	Attorney's Fees .....	24
22.3	Bankruptcy .....	24
22.4	Applicable Law .....	24
22.5	Media Release .....	24

ARTICLE 23

SUCCESSORS AND ASSIGNS

23.1	Successors and Assigns .....	25
------	------------------------------	----

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57

**UNIT OPERATING AGREEMENT**  
**SOUTH JUSTIS UNIT**  
**Lea County, New Mexico**

**THIS AGREEMENT**, entered into as of the **1st day of September, 1992**.

**WITNESSETH:**

**WHEREAS**, the parties hereto as Working Interest Owners have executed an agreement entitled "Unit Agreement for the Development and Operation of the South Justis Unit, herein referred to as "Unit Agreement," which, among other things, provides for a separate agreement to be entered into by the 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 1**

**Confirmation of Unit Agreement**

**1.1 Confirmation of Unit Agreement.** The Unit Agreement is hereby confirmed and by reference made a part of this Agreement. The definitions in the Unit Agreement are adopted for all purposes of this Agreement. If there is any conflict between the Unit Agreement and this Agreement, the Unit Agreement shall govern.

**1.2 Definitions.** The definitions contained in the Unit Agreement are adopted for all purposes of this Agreement. In addition, the following terms, when used herein, shall have the following meanings:

**1.2.1 Outside Substances** means all substances obtained from any source other than the Unitized Formation and which are injected into the Unitized Formation.

**1.2.2 Unit Production** means all Unitized Substances produced and saved from the Unitized Formation.

**1.2.3 Oil and Gas** means not only oil and gas as such in combination one with the other but means oil, gas, casinghead gas, casinghead gasoline, condensate, or other hydrocarbons or associated minerals, or any combination thereof.

**1.2.4 Oil and Gas Rights** means 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.

**1.2.5 Lessee or Working Interest Owner** means an owner of a Working Interest, as defined in the Unit Agreement.

**1.2.6 Royalty Owner** means an owner of a Royalty Interest as defined in the Unit Agreement.

- 1.2.7 **Unit Participation** of each Lessee means the sum of the percentages obtained by multiplying the Working Interest of such Lessee in each Tract by the Tract Participation of such Tract and is set forth in Exhibit "D" hereto.
- 1.2.8 **Unit Operations** means all operations conducted by the Unit Operator pursuant to the Unit Agreement and this Agreement.
- 1.2.9 **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.
- 1.2.10 **Unit Expense** means all cost, expense or indebtedness incurred by the Unit Operator pursuant to the Unit Agreement and this Agreement.
- 1.2.11 **Person** means any individual, corporation, partnership, common law or statutory trust, association of any kind, the State of Wyoming or any subdivision or agency thereof acting in a proprietary capacity, guardian, executor, administrator, fiduciary of any kind, or any entity capable of holding an interest in the Unit Area.

## ARTICLE 2

### *Exhibits*

- 2.1 **Exhibits.** The following exhibits are incorporated herein by reference or attachment:
- 2.1.1 **Exhibit A, B, and C** of the Unit Agreement being the Plat of the Unit Area, the Description and Ownership of the Unit Area, and the Tract Participation within the Unit Area, respectively.
- 2.1.2 **Exhibit D**, attached hereto, is a schedule showing the Working Interest owned by each Working Interest Owner in each Tract, and the total Unit Ownership of each Working Interest Owner.
- 2.1.3 **Exhibit E**, attached hereto, is the Accounting Procedure applicable to Unit Operations. If there is any conflict between this Agreement and Exhibit E, this Agreement shall govern.
- 2.1.4 **Exhibit F**, attached hereto, contains insurance provisions applicable to Unit Operations.
- 2.1.5 **Exhibit G**, attached hereto, contains the Equal Opportunity Clause applicable to Unit Operations.
- 2.1.6 **Exhibit H**, attached hereto, contains the Gas Balancing Agreement applicable to Unit Operations.

**2.2 Reference to and Revision of Exhibits.** When reference is made herein to an exhibit, it is to the original exhibit or, if revised, to the last revision. Whenever Exhibits A, B, or C are revised, Unit Operator shall also revise Exhibit D as necessary to conform to changes in ownership of which Unit Operator has been notified as provided in the Unit Agreement.

### ARTICLE 3

### ***Supervision of Operations By Working Interest Owners***

**3.1 Overall Supervision.** Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations. 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 entity.

**3.2 Specific Authority and Duties.** The matters with respect to which Working Interest Owners shall decide and take action pursuant to Section 4.3 shall include, but not be limited to, the following:

3.2.1 **Method and Plans of Operation.** The method of operation, including the type of pressure maintenance or recovery program to be employed subject to approval of the AO.

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 Abandonment, Use and Conversion.** The abandonment of any well; the use of any well for injection, salt water disposal, or for any purpose other than production; or the conversion of the use of any well from one purpose to another. The reactivation of a well which was shut-in or temporarily abandoned to its former use by Unit Operator shall not require prior approval of Working Interest Owners if the estimated expenditure is less than the expenditure limitation specified in Section 3.2.4.

3.2.4 **Expenditures.** The making of any single expenditure in excess of Fifty Thousand Dollars (\$50,000.00); however approval by Working Interest Owners of the drilling, reworking, deepening, or plugging back of any well shall include approval of all necessary expenditures required therefor, and for completing, testing, and equipping the well, including necessary flow lines, separators, and lease tankage.

3.2.5 **Disposition of Unit Equipment.** The selling or otherwise disposing of any item of surplus Unit Equipment, if the current price of new equipment similar thereto is in excess of Twenty-Five Thousand Dollars (\$25,000.00).

**3.2.6 Appearance Before a Court or Regulatory Agency.** The designating of a representative to appear before any court

1 or regulatory agency in matters pertaining to Unit  
2 Operations; however, Unit Operator shall act as such  
3 representative in the absence of the designation of a  
4 different representative by Working Interest Owners. Such  
5 designation shall not prevent any Working Interest Owner  
6 from appearing in person or from designating another  
7 representative in its own behalf.  
8

9 3.2.7 **Audits.** The auditing of the accounts of Unit Operator  
10 pertaining to Unit Operations hereunder; however, the  
11 audits shall  
12

- 13 (a) not be conducted more than once each year except  
14 upon the resignation or removal of Unit Operator,  
15 and  
16  
17 (b) be made upon the approval of the owner or owners  
18 of a majority of Working Interest other than that of  
19 Unit Operator, at the expense of all Working  
20 Interest Owners other than Unit Operator, or  
21  
22 (c) be made at the expense of those Working Interest  
23 Owners requesting such audit, if owners of less  
24 than a majority of Working Interest, other than  
25 that of Unit Operator, request such an audit, and  
26  
27 (d) be made upon not less than thirty (30) days written  
28 notice to Unit Operator.  
29

30 3.2.8 **Audit Exceptions.** The settlement of unresolved audit  
31 exceptions.  
32

33 3.2.9 **Inventories.** The taking of periodic inventories as provided  
34 by Exhibit E.  
35

36 3.2.10. **Amendment of Overhead Rates.** The amendment of the  
37 overhead rates provided in Section III of Exhibit "E".  
38

39 3.2.11 **Technical Services.** The authorizing of charges to the  
40 joint account for services by consultants or Unit Operator's  
41 technical personnel not covered by the charges provided by  
42 Exhibit "E".  
43

44 3.2.12 **Assignments to Committees.** The appointment of  
45 committees to study any problems in connection with Unit  
46 Operations.  
47

48 3.2.13 **Removal of Operator.** The removal of Unit Operator and  
49 the selection of a successor.  
50

51 3.2.14 **Changes and Amendments.** The changing of the Unit  
52 Area or the amending of this Agreement or the Unit  
53 Agreement as provided by Article 11 of the Unit Agreement.  
54

55 3.2.15 **Investment Adjustment.** The adjustment and  
56 readjustment of investments.

- 1 3.2.16 **Border Agreements.** The entering into of Border  
2 Agreements.  
3  
4 3.2.17 **Termination of Unit Agreement.** The termination of the  
5 Unit Agreement as provided therein.  
6  
7

8 **ARTICLE 4**

9 ***Manner of Exercising Supervision***

- 10  
11  
12 4.1 **Designation of Representatives.** Each Working Interest Owner  
13 shall inform Unit Operator in writing of the names and addresses of  
14 the representative and alternate who are authorized to represent and  
15 bind such Working Interest Owner with respect to Unit Operations.  
16 The representative or alternate may be changed from time to time by  
17 written notice to Unit Operator.  
18  
19 4.2 **Meetings.** All meetings of Working Interest Owners shall be called by  
20 Unit Operator upon its own motion or at the request of one or more  
21 Working Interest Owners having a total Unit Participation of not less  
22 than ten percent (10%). No meeting shall be called on less than  
23 fourteen (14) days' advance written note, and any meeting called must  
24 have a written agenda for the meeting attached. Working Interest  
25 Owners who attend the meeting may amend items included in the  
26 agenda and may act upon an amended item or other items presented  
27 at the meeting. The representative of Unit Operator shall be chairman  
28 of each meeting.  
29  
30 4.3 **Voting Procedure.** Working Interest Owners shall determine all  
31 matters coming before them as follows:  
32  
33 4.3.1 **Voting Interest.** Each Working Interest Owner shall have  
34 a voting interest equal to its Unit Participation.  
35  
36 4.3.2 **Vote Required.** Unless otherwise provided herein or in the  
37 Unit Agreement, Working Interest Owners shall determine  
38 all matters by the affirmative vote of Working Interest  
39 Owners having a combined voting interest of at least  
40 seventy-five percent (75%); however, should any one  
41 Working Interest Owner have more than twenty-five percent  
42 (25%) voting interest, its negative vote or failure to vote  
43 shall not defeat a motion and such motion shall pass if  
44 approved by Working Interest Owners having a majority  
45 voting interest, unless two or more additional Working  
46 Interest Owners having a combined voting interest of at  
47 least five percent (5%) likewise vote against the motion or  
48 fail to vote.  
49  
50 4.3.3 **Vote at Meeting by Non-attending Working Interest**  
51 **Owner.** Any Working Interest Owner who is not  
52 represented at a meeting may vote on any agenda item by  
53 letter, telegram or facsimile transmission addressed to the  
54 representative of Unit Operator if its vote is received prior to  
55 the submission of such item to vote at the meeting. Such  
56 vote will not be counted with respect to any item on the  
57 agenda which is amended at the meeting.



- 1
- 2 4.3.4 **Poll Votes.** Working Interest Owners may vote by letter,
- 3 telegram or facsimile transmission on any matter submitted
- 4 in writing to all Working Interest Owners. If no meeting is
- 5 requested, as provided in Section 4.2, within fourteen (14)
- 6 days, including holidays and weekends, after a written
- 7 proposal is sent to Working Interest Owners, the vote taken
- 8 by letter, telegram or facsimile transmission shall control.
- 9 Unit Operator shall give prompt notice of the results of such
- 10 voting to each Working Interest Owner.
- 11
- 12 4.3.5 **Binding Effect of Vote.** All Working Interest Owners
- 13 shall be bound for their proportionate share of all costs and
- 14 expenses of unit Operations approved by the Working
- 15 Interest Owners by the vote required herein.
- 16
- 17

18 **ARTICLE 5**

19 ***Individual Rights of Working Interest Owners***

- 20
- 21
- 22 5.1 **Reservation of Rights.** Working Interest Owners severally reserve
- 23 to themselves all their rights, powers, authority and privileges, except
- 24 as expressly otherwise provided in this Agreement and in the Unit
- 25 Agreement.
- 26
- 27 5.2 **Specific Rights.** Each Working Interest Owner shall have, among
- 28 others, the following specific rights:
- 29
- 30 5.2.1 **Access to Unit Area.** Access to the Unit Area at all
- 31 reasonable times to inspect Unit Operations, all wells, and
- 32 the records and data pertaining thereto.
- 33
- 34 5.2.2 **Reports.** The right to receive from Unit Operator, upon
- 35 written request, copies of all reports to any governmental
- 36 agency, reports of crude oil runs and stocks, inventory
- 37 reports, and all other information pertaining to Unit
- 38 Operations. The cost of gathering and furnishing
- 39 information **not** ordinarily furnished by Unit Operator to all
- 40 Working Interest Owners shall be charged to the Working
- 41 Interest Owner that requests the information.
- 42
- 43 5.3 **Taking Unitized Substances in Kind.** The Unitized Substances
- 44 allocated to each Tract shall be taken in kind by the parties entitled
- 45 thereto by virtue of their ownership of Oil and Gas Rights therein or
- 46 by purchase from such owners. Such parties shall have the right at
- 47 their sole cost and expense to construct, maintain, and operate within
- 48 the Unit Area all necessary facilities for that purpose, provided that
- 49 they are so constructed, maintained, and operated as not to interfere
- 50 with Unit Operations. Any extra expenditures incurred by Unit
- 51 Operator by reason of the delivery in kind of any portion of the
- 52 Unitized Substances shall be borne by the taking party. If a Royalty
- 53 Owner has the right to take in kind a share of Unitized Substances
- 54 and fails to do so, the Working Interest Owner whose Working Interest
- 55 is subject to such Royalty Interest shall be entitled to take in kind such
- 56 share of the Unitized Substances.
- 57

5.4 **Failure to Take in Kind.** If any party fails to take in kind or separately dispose of its share of Unitized Substances, Unit Operator shall have the right but not the obligation, subject to revocation at will by the party owning the share, to purchase for its own account for not less than the same price the Unit Operator receives **in an arms length transaction** for its own Unit production at the Unit; 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 (1) year. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto on an individual Tract basis in accordance with applicable laws and regulations.

**5.5 No Sharing of Market.** Nothing herein shall be construed to provide directly or indirectly for any cooperative refining, joint sale or marketing of Unit Production.

**5.6 Reversionary Interest.** When a Tract ownership will **change** due to the payout (or multiple **payouts**) of a well within the Unit, the balance remaining to be recovered will be calculated on an allocated Tract basis after the effective date of the Unit. Payout will be deemed to occur the first day following the time that payout **occurs**.

## ARTICLE 6

## Unit Operator

**6.1 Unit Operator.** Atlantic Richfield Company is designated as the initial Unit Operator.

**6.2 Resignation or Removal.** Unit Operator may resign at any time. Unit Operator may be removed for cause, at any time, by the affirmative vote of two or more Working Interest Owners representing eighty percent (80%) or more of the Working Interest after excluding the interest of the Unit Operator. Such resignation or removal shall not become effective for a period of three (3) months after the resignation or removal, unless a successor Unit Operator has taken over Unit Operations prior to the expiration of such period. Unit Operator shall be deemed to have resigned if it no longer owns a working interest in the unit area, effective as of the date of transfer of such working interest. In the event Unit Operator contracts to sell all of its working interest in the unit area to a party not a subsidiary, parent or sister corporation, then Unit Operator may require a vote to elect a successor Unit Operator. Such vote (i) shall be conducted as if Unit Operator had resigned, (ii) shall become effective only if the sale of Unit Operator's Working Interest is consummated, (iii) may include Unit Operator's intended transferee as a nominee for successor Unit Operator, and (iv) shall take Unit Operator's voting percentage into account, with Unit Operator being permitted to vote for its intended transferee. A transfer of Unit Operator's Working Interest to a subsidiary, parent or sister corporation shall not be deemed a resignation. However, should a transfer of Unit Operator's Working Interest be made to a subsidiary, parent or sister corporation, the Unit

Operator upon written request shall supply documentation supporting financial stability of said subsidiary, parent or sister corporation.

**6.3 Selection of Successor.** Upon the resignation or removal of Unit Operator, a successor Unit Operator shall be selected by Working Interest Owners. In selecting a successor Unit Operator, the affirmative vote of three (3) or more Working Interest Owners having a total of sixty-five percent (65%) or more of the total Unit Participation shall prevail; provided that if any one Working Interest Owner has a Unit Participation of more than thirty-five percent (35%), its negative vote or failure to vote shall not be regarded as sufficient unless supported by the vote of two 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.

## ARTICLE 7

### *Authority and Duties of Unit Operator*

**7.1 Exclusive Right to Operate Unit.** Subject to the provisions of this Agreement, Unit Operator shall have the exclusive right and 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 judgment, 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 Unit Equipment free from all liens and encumbrances occasioned by Unit Operations, except those provided for in Article 11.

**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.

**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 Working Interest Owners periodic reports of Unit Operations.

**7.7 Reports to 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 a Working Interest Owner, upon 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. In the event of an emergency, 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 rates prevailing 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.** Unit Operator may, after determination of the need therefor by Working Interest Owners in accordance with the voting procedure set forth in Article 4, enter into border agreements with respect to lands adjacent to the Unit Area including those owned or operated by Unit Operator for the purpose of coordinating operations. Any border agreement negotiated by the Unit Operator must be approved by Working Interest Owners in accordance with the voting procedure set forth in Article 4. Failure to respond within sixty (60) days of receipt of a written request for approval will constitute approval.

## ARTICLE 8

## Taxes

8.1 Property Taxes. Beginning with the first calendar year after the Effective Date hereof, Unit Operator shall make and file any necessary property 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. Annually, prior to the rendition date, each Working Interest Owner shall furnish Unit Operator information regarding the burdens (including without limitation, royalties, overriding royalties, production payments, etc.) and taxable and non-taxable interests on oil and gas leases and/or interests contributed by that Working Interest Owner. Unit Operator, after notice to the Working Interest Owners, may appeal any tax assessment considered improper, or shall settle assessments arising therefrom. Expenses incurred in any appeal or settlement shall be charged to the joint account. All such property 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 a one-eighth (1/8) royalty, such Working Interest Owner shall be given credit for the reduction in taxes paid resulting therefrom.

1  
2       **8.2    Other Taxes.** Each Working Interest Owner shall pay or cause to be  
3       paid all production, severance, gathering, and other taxes imposed  
4       upon or with respect to the production or handling of its share of  
5       Unitized Substances.  
6

7       **8.3    Income Tax Election.** Notwithstanding any provision herein that  
8       the rights and liabilities hereunder are several and not joint or  
9       collective, or that this Agreement and operations hereunder shall not  
10      constitute a partnership, if for Federal income tax purposes this  
11      Agreement and the operations hereunder are regarded as a  
12      partnership, then each Person hereby affected elects to be excluded  
13      from the application of all of the provisions of Subchapter K, Chapter  
14      1, Subtitle A, of the Internal Revenue Code of 1986, as permitted and  
15      authorized by Section 761 of the Code and the regulations  
16      promulgated thereunder. Unit Operator is authorized and directed to  
17      execute on behalf of each Person hereby affected such evidence of this  
18      election as may be required by the Secretary of the Treasury of the  
19      United States or the Federal Internal Revenue Service, including  
20      specifically, but not by way of limitation, all of the returns, statements,  
21      and the data required by Federal Regulations 1.761-1(a). Should there  
22      be any requirement that each Person hereby affected give further  
23      evidence of this election, each such Person shall execute such  
24      documents and furnish such other evidence as may be required by the  
25      Federal Internal Revenue Service or as may be necessary to evidence  
26      this election. No such Person shall give any notices or take any other  
27      action inconsistent with the election made hereby. If any present or  
28      future income tax law of the United States contain provisions similar  
29      to those in Subchapter K, Chapter 1, Subtitle A, of the Internal  
30      Revenue Code of 1986, under which an election similar to that  
31      provided by Section 761 of the Code is permitted, each Person hereby  
32      affected shall make such election as may be permitted or required by  
33      such laws. In making the foregoing election, each such Person states  
34      that the income derived by such Person from Unit Operations can be  
35      adequately determined without the computation of partnership  
36      taxable income.  
37

## 38 39                                   **ARTICLE 9**

### 40                                   ***Insurance***

41  
42  
43       **9.1    Insurance.** Unit Operator, with respect to Unit Operations, shall:

- 44  
45               (a)       provide insurance or other protection as set forth in Exhibit  
46               "F".  
47

## 48 49                                   **ARTICLE 10**

### 50                                   ***Adjustment of Investments***

51  
52  
53       **10.1   Property Taken Over.** Upon the Effective Date, Working Interest  
54       Owners shall deliver to Unit Operator the following:

- 55  
56               10.1.1   **Wells and Well Equipment.** All useable wells as defined  
57               in Article 10.1.6 in the Unitized Formation together with the

1 casing, tubing, and downhole equipment **therein** up to and  
2 including all well head connections.

3  
4 10.1.2 **Lease and Operating Equipment.** All lease and  
5 operating equipment, salt water disposal wells and facility  
6 systems related to the Unitized Formation which Working  
7 Interest Owners determine to be necessary or desirable for  
8 conducting Unit Operations, or

9  
10 10.1.2.1 Unit Operator deems necessary for the temporary  
11 convenience of the Unit. This shall include, but  
12 is not limited to, nonuseable wells (**those not**  
13 **"Useable" pursuant to Article 10.1.6) that**  
14 **are completed in the Unitized Formation**  
15 **and capable** of producing Unitized Substances.  
16 This equipment shall be retained on a loan basis  
17 for a period of time not to exceed eighteen (18)  
18 months. If this equipment is not returned within  
19 the period provided the Unit will purchase it at  
20 the same evaluation as the original inventory.  
21 The Unitized Formation will be abandoned per  
22 State requirements prior to return of nonuseable  
23 wells.

24  
25 10.1.3 **Demand Wells.** Upon the Effective Date of Unitization, or  
26 within two (2) years thereafter as demanded by the Unit  
27 Operator pursuant to the Unit plan of operations, Working  
28 Interest Owners will provide a useable wellbore, as defined  
29 in Article 10.1.6, on each forty acres which would constitute  
30 a proration unit within the Unit Area. If any such forty  
31 acres is not provided with a useable wellbore upon demand,  
32 the owner or owners contributing the forty acre location  
33 shall have the option for ninety (90) days to provide a  
34 useable wellbore. If a useable wellbore is not provided  
35 within the ninety (90) day period, the owner or owners  
36 contributing the forty acre location shall within 10 days of  
37 the end of such ninety (90) day period remit the sum of **One**  
38 **Hundred Eighty Thousand Dollars (\$180,000)** to the  
39 Unit Operator to be applied toward the cost of drilling,  
40 completing, and equipping a well on the deficient forty acre  
41 location. All costs of drilling, completing, and equipping the  
42 well in excess of the **\$180,000** shall be charged to the joint  
43 account to be shared by all owners in proportion to their  
44 respective Unit Participation percentage. In the event that  
45 an owner or owners fail to provide a required useable  
46 wellbore, and fail to pay the assessed **\$180,000** for each  
47 wellbore deficient location within the required time period,  
48 such owner or owners shall be in default of payment, and  
49 action shall be initiated in accordance with provisions of  
50 Article 11.5 of this Agreement.

51  
52 10.1.4 **Exception to Demand Well Requirement.** Any forty  
53 acre proration unit which has not contributed oil production  
54 from the Unitized Formation for purposes of the Tract  
55 Participation formula of Section 13 of the Unit Agreement  
56 will not be subject to the requirements of Article 10.1.3  
57 above.

1  
2 10.1.5 **Additional Non-Demand Wells.** The Unit may accept  
3 additional wellbores on non-demand well 40-acre proration  
4 Units. Wellbores accepted without warranty of useable  
5 condition will be accepted without compensation to the  
6 owner(s) dedicating the wellbore to the Unit. Such wells  
7 will be accepted by the Unit only if cost estimates to  
8 workover or complete the wellbore in the unitized interval is  
9 less than the cost estimate to drill and complete a new well.

10  
11 The Unit may also offer to purchase alternate wellbores on  
12 non-demand well 40-acre proration Units for **\$180,000**  
13 each. Wellbores purchased by the Unit will be subject to  
14 warranty of useable condition by the owner(s) dedicating  
15 them to the Unit. Wellbores that will not benefit Unit  
16 operations will not be purchased or accepted.

17  
18 10.1.6 **Useable Wellbore Definition.** Useable wellbores are  
19 defined as wells with status as follows:

- 20  
21 (a) Wells active on Effective Date of Unitization will be  
22 accepted as useable if no zones other than the  
23 Unitized Formation are open and upon first entry by  
24 the Unit Operator the wellbore passes both a casing  
25 integrity test, defined as pressure testing to 500 psi  
26 for 30 minutes with a 10% tolerance (hereinafter  
27 "casing integrity test"), and a Bradenhead Integrity  
28 Test, defined as a test to insure there is no gas or  
29 liquid flow nor any sustained pressure from any  
30 casing annulus (hereinafter "Bradenhead Test") or  
31 in accordance with the State policies for casing  
32 integrity and Bradenhead tests at the time of  
33 unitization. It is the responsibility of the present  
34 operator of each well to be included in the Unit, to  
35 install the risers and valves necessary to perform a  
36 Bradenhead Test. If zones above the Unitized  
37 Formation are open, the non-unitized zones must be  
38 cement squeezed to isolate the Unitized Formation,  
39 pressure tested to 500 psi for 30 minutes (with a  
40 10% tolerance) or in accordance with the State policy  
41 at the time of unitization, and cement in the  
42 production casing drill out.
- 43  
44 (b) Wells closed-in or temporarily abandoned on  
45 Effective Date of Unitization will be accepted as  
46 useable if no zones other than the Unitized  
47 Formation are open (as above) and the well is clear  
48 and free of obstructions from the surface to the  
49 depth of deepest production, **or to the latest**  
50 **plugged back total depth,** in the Unitized  
51 Formation prior to being closed in. The well must  
52 pass a casing integrity test and a Bradenhead Test  
53 on or before first entry by the Unit Operator.
- 54  
55 (c) Currently plugged and abandoned or recompleted  
56 wells that have previously produced from the  
57 Unitized Formation will be accepted as useable if

1 they are restored to the Unitized Formation's last  
2 producing completion interval, are not open in non-  
3 unitized zones, are clear and free of obstructions  
4 from the surface to the latest plugged back total  
5 depth prior to cessation of production, and pass a  
6 casing integrity test and a Bradenhead Test upon  
7 first entry by the Unit Operator.  
8

- 9 (d) Alternate wells from existing wellbores will be  
10 accepted as useable if all non-unitized zones have  
11 been abandoned (deeper zones plugged back with a  
12 cast iron bridge plug or cement retainer capped with  
13 35 feet of cement and pressure tested to 500 psi;  
14 shallower zones squeeze cemented, cement drilled  
15 out in the production casing and pressure tested),  
16 they penetrate the Unitized Formation, have  
17 sufficient casing size (5-1/2") to be deepened or have  
18 at least (4-1/2") casing set in the Unitized  
19 Formation, are adequately cemented and pass a  
20 casing integrity test and a Bradenhead Test upon  
21 first entry by the Unit Operator.  
22

23 10.1.7 **Wellbores Made Useable.** After the Effective Date of  
24 Unitization, but prior to time limitation as described in  
25 Article 10.1.8 hereinbelow, the Unit Operator will notify  
26 wellbore owners of **demand** wells that are determined not to  
27 be in "Useable Condition". Within fifteen (15) days of said  
28 notification, wellbore owners must advise the Unit Operator  
29 of their proposed plan to make the well "Useable". Wellbore  
30 owners may elect to perform workover operations to attempt  
31 to make a deficient well "Useable", but the Unit Operator  
32 reserves the right to review and approve any of the  
33 workover procedure(s). The Unit Operator must be notified  
34 at least five (5) days prior to commencement of workover  
35 operations and his representative permitted to witness the  
36 operations. If the wellbore owners performing said  
37 workover operations fail to deliver a "Useable" wellbore **in**  
38 **accordance with Article 10:1.6** within forty-five (45)  
39 days of the original notification from the Unit Operator,  
40 they shall abandon the Unitized Formation per State  
41 requirements and within ten (10) days remit the sum of **One**  
42 **Hundred Eighty Thousand Dollars (\$180,000.00)** to the  
43 Unit Operator in lieu of the demand well. The Working  
44 Interest Owners will not be liable for any cost or expense  
45 when work is performed by wellbore owners.  
46

47 Wellbore owners may request that remedial work required  
48 to make a **demand** wellbore "Useable" be performed by the  
49 Unit Operator. Following any such written request, the Unit  
50 Operator will review wellbore records to determine  
51 appropriate procedures and cost estimates. Should the Unit  
52 Operator determine the required remedial work is  
53 technically feasible and can be performed on a timely basis,  
54 then the Unit Operator may, at its sole discretion, agree to  
55 perform the required work. The wellbore owners shall bear  
56 the sole cost, risk, and expense of such remedial work, up to  
57 a maximum of **One Hundred Eighty Thousand Dollars**



1 (\$180,000.00). If the Unit Operator estimates that such  
2 remedial work will cost in excess of **One Hundred Eighty**  
3 **Thousand Dollars (\$180,000.00)**, an AFE for the amount  
4 of said excess will be submitted to Working Interest Owners  
5 for their approval prior to the start of the remedial work,  
6 with the excess amount being charged to the joint account.  
7

8 10.1.8 Wellbores Accepted as "Useable Wellbores". Any wellbore  
9 dedicated to the Unit shall not be accepted as a "Useable Wellbore"  
10 until it can be entered by the Unit Operator and assessed pursuant to  
11 Article 10.1.6. Any well not so assessed within two (2) years  
12 following the effective date of unitization shall then be deemed a  
13 "Useable Wellbore". Wellbore owners may, at their own expense,  
14 cause a test to be performed establishing a wellbore acceptable as a  
15 "Useable Wellbore" after the effective date of the Unit. The test  
16 procedure must be approved and the test witnessed by the Unit  
17 Operator as provided for in Article 10.1.7 herein.  
18

19 10.1.9 Records. A copy of all production and well records for such  
20 wells.  
21

22 **10.2 Inventory and Evaluation of Personal Property**. Working  
23 Interest Owners shall appoint an inventory committee which shall, as  
24 of the Effective Date hereof, or as soon thereafter as feasible, cause to  
25 be taken, under the supervision of the Unit Operator and at Unit  
26 Expense, joint physical inventories of lease and well equipment within  
27 the Unit Area, which inventories shall be used as a basis for  
28 determining the controllable items of equipment to be taken over by  
29 the Unit Operator hereunder. The Unit Operator shall notify each  
30 Working Interest Owner within each separate Tract at least fifteen  
31 (15) days prior to the taking of the inventory with respect to said  
32 Tract, so that each of said Working Interest Owners may make  
33 arrangements to be represented at the taking of the inventory. Such  
34 inventories shall exclude all items not of use and value to the Unit and  
35 not necessary to Unit operations. Such inventories shall include and  
36 be limited to those items of equipment normally considered  
37 controllable as recommended in the material classification manual in  
38 Bulletin No. 6 dated May 1971, or any amendments thereto, published  
39 by the Petroleum Accountants Society of North America, except that  
40 certain items normally considered noncontrollable, such as sucker rods  
41 and other items as agreed upon by the Working Interest Owners may  
42 be included in the inventories in order to insure a more equitable  
43 adjustment of investments. Immediately following completion, such  
44 inventories shall be priced in accordance with the provision of Exhibit  
45 "E", Accounting Procedure, attached hereto and made a part hereof;  
46 such pricing shall be performed under the supervision of, by the  
47 personnel of and in the offices of the Unit Operator, with Working  
48 Interest Owners furnishing such additional pricing help as may be  
49 available and it is specifically provided that with respect to each well  
50 taken over for Unit Operations, no value shall be assigned to  
51 intangible drilling costs of such well or to the down-hole casing  
52 therein.  
53

54 **10.2.1 Inventory and Valuations**. After completion of the  
55 inventory and evaluation of property in accordance with the  
56 provisions of Section 10.2, Unit Operator shall submit to  
57 each Working Interest Owner a copy of the inventory and

1 valuations thereon together with a letter ballot for approval  
2 of such inventory and valuations each Working Interest  
3 Owner shall return such letter ballot to Unit Operator  
4 indicating its approval or disapproval thereof. It is agreed  
5 that such inventory and valuations shall be binding upon all  
6 parties if approved by Working Interest Owners owning at  
7 least sixty-five percent (65%) of the Working Interest in the  
8 Unit Area.

9  
10 **10.3 Investment Adjustment.** Upon approval by Working Interest  
11 Owners of the inventory and evaluation, each Working Interest Owner  
12 shall be credited with the value of its interest in all wells and  
13 equipment taken over under Section 10.1, and shall be charged with  
14 an amount equal to that obtained by multiplying the total value of all  
15 wells and equipment taken over under Section 10.1 by such Working  
16 Interest Owner's Unit Participation. If the charge against any  
17 Working Interest Owner is greater than the amount credited to such  
18 Working Interest Owner, the resulting net charge shall be an item of  
19 Unit Expense chargeable against such Working Interest Owner. If the  
20 credit to any Working Interest Owner is greater than the amount  
21 charged against such Working Interest Owner, the resulting net credit  
22 shall be paid to such Working Interest Owner by Unit Operator out of  
23 funds received by it in settlement of the net charges described above.

24  
25 **10.4 General Facilities.** The acquisition of warehouses, warehouse stocks,  
26 lease houses, camps, facility systems, and office buildings necessary  
27 for Unit Operations shall be by negotiation by the owners thereof and  
28 Unit Operator, subject to the approval of Working Interest Owners.  
29 There shall be no adjustments for lease roads or appurtenances  
30 thereto.

31  
32 **10.5 Ownership of Property and Facilities.** Each Working Interest  
33 Owner, individually, shall by virtue hereof own an undivided interest,  
34 equal to its Unit Participation in all wells, equipment, and facilities  
35 taken over or otherwise acquired by Unit Operator pursuant to this  
36 Agreement.

## 37 38 39 **ARTICLE 11**

### 40 41 **Unit Expense**

42  
43 **11.1 Basis of Charge to Working Interest Owners.** Unit Operator  
44 initially shall pay all Unit Expense. Each Working Interest Owner  
45 shall reimburse Unit Operator for its share of Unit Expense. Each  
46 Working Interest Owner's share shall be the same as its Unit  
47 Participation. All charges, credits, and accounting for Unit Expense  
48 shall be in accordance with Exhibit "E".

49 **11.2 Budgets.** Before or as soon as practical after the Effective Date, Unit  
50 Operator shall prepare a budget of estimated Unit Expense for the  
51 remainder of the calendar year, and thereafter shall prepare budgets,  
52 no more frequently than annually, as determined by Working Interest  
53 Owners. Budgets shall be estimates only, and shall be adjusted or  
54 corrected by Working Interest Owners and Unit Operator whenever an  
55 adjustment or correction is proper. A copy of each budget and adjusted  
56 budget shall be furnished promptly to each Working Interest Owner.

1       **11.3 Advance Billings.** Unit Operator shall have the right to require  
2       Working Interest Owners to advance their respective shares of  
3       estimated Unit Expense as provided by Exhibit "E".  
4

5       **11.4 Commingling of Funds.** Funds received by Unit Operator under  
6       this Agreement need not be segregated or maintained by it as a  
7       separate fund, but may be commingled with its own funds.  
8

9       **11.5 Unpaid Unit Expense.** If any Working Interest Owner fails or is  
10       unable to pay its share of Unit Expense within sixty (60) days after  
11       rendition of a statement therefor by Unit Operator, the non-defaulting  
12       Working Interest Owners shall, upon request by Unit Operator, pay  
13       the unpaid amount as if it were Unit Expense in the proportion that  
14       the Unit Participation of each such non-defaulting Working Interest  
15       Owner bears to the Unit Participation of all such non-defaulting  
16       Working Interest Owners. Each Working Interest Owner so paying its  
17       share of the unpaid amount shall, to obtain reimbursement thereof, be  
18       subrogated to the security rights described in Section 11.6 of this  
19       Agreement. While in default, any such defaulting Working Interest  
20       Owner forfeits his voting rights **and such rights will** be shared  
21       proportionately by the non-defaulting Working Interest Owners.  
22

23       **11.6 Security Rights.** In addition to any other security rights and  
24       remedies provided for by the laws of this State with respect to services  
25       rendered or materials and equipment furnished under this Agreement,  
26       Unit Operator shall have a first and prior lien upon the Working  
27       Interest of each Working Interest Owner, including the Unitized  
28       Substances and Unit Equipment credited thereto, in order to secure  
29       payment of the Unit Expense charged against such Working Interest,  
30       together with interest thereon at the rate set forth in Exhibit "E" or  
31       the maximum rate allowed by law, whichever is less. To the extent  
32       that Unit Operator has a security interest under the Uniform  
33       Commercial Code of the State, Unit Operator shall be entitled to  
34       exercise the rights and remedies of a secured party under the Code.  
35       The bringing of a suit and the obtaining of judgment by Unit Operator  
36       for the secured indebtedness shall not be deemed an election of  
37       remedies or otherwise affect the lien rights or security interest as  
38       security for the payment of defaulting Working Interest Owner's share  
39       of Unit Expense. Unit Operator shall have the right, without prejudice  
40       to other rights or remedies, to collect from the purchaser the proceeds  
41       from the sale of such Working Interest Owner's share of Unitized  
42       Substances until the amount owed by such Working Interest Owner,  
43       plus interest, has been paid. Each purchaser shall be entitled to rely  
44       upon Unit Operator's written statement concerning the amount of any  
45       default. Operator grants a like lien and security interest to the  
46       Working Interest Owners to secure payment of Unit Operator's  
47       proportionate share of expense.  
48

49       **11.6.1 Extent of Security.** The lien and security interest granted  
50       by each Working Interest Owner to Unit Operator and by  
51       Unit Operator to the Working Interest Owners under Article  
52       11.6 shall extend not only to such Working Interest Owner's  
53       Oil and Gas Rights in the Unit Area (which for greater  
54       certainty shall include all of each Working Interest Owner's  
55       leasehold interest and leasehold estate in the Unit Area),  
56       the Oil and/or Gas when extracted and equipment (as  
57       mentioned in said Article) but also to all accounts, contract

rights, inventory and general intangibles constituting a part of, relating to or arising out of said Oil and Gas Rights, extracted Oil and Gas and said equipment or which are otherwise owned or held by any such Working Interest Owner in the Unit Area. Further, the lien and security interest of each of said parties shall extend to all proceeds and products of all of the property and collateral subject to said lien and security interest. Any Working Interest Owner, to the extent it deems necessary to perfect the lien and security interest provided herein, may file this Unit Operating Agreement (or a memorandum of this Unit Operating Agreement or other notice of lien) as a lien or mortgage in the applicable real estate records and as a financing statement with the proper officer under the Uniform Commercial Code. Further, each Working Interest Owner agrees on request of any other Working Interest Owner to execute any financing statement, continuation statement or memorandum of this Unit Operating Agreement necessary in order to perfect the security interest and lien hereby granted under the applicable Uniform Commercial Code or state recording law.

**11.7 Carved-out Interests.** Any overriding royalty, production payment, net proceeds interest, carried interest or any other interest carved out of a Working Interest after the effective date hereof shall be subject to this Agreement. If a Working Interest Owner does not pay its share of Unit Expense and the proceeds from the sale of Unitized Substances under Section 11.6 are insufficient for that purpose, the security rights provided for herein may be applied against the carved-out interests with which such Working Interest is burdened. In such event, the owner of such carved-out interest shall be subrogated to the security rights granted by Section 11.6

**11.8 Uncommitted Royalty.** Should an owner of a Royalty Interest in any Tract fail to become a party to the Unit Agreement, and, as a result thereof, the actual Royalty Interest payments with respect to such Tract are more or less than the Royalty Interest payment computed on the basis of the Unitized Substances that are allocated to such Tract Under the Unit Agreement, the difference shall be borne by or inure to the benefit of Working Interest Owners, in proportion to their respective Unit Participation at the time the Unitized Substances were produced; however, the difference to be borne by or inure to the benefit of Working Interest Owners shall not exceed an amount computed on the basis of one-eighth (1/8) of the difference between the Unitized Substances allocated to the Tract and the Unitized Substances produced from the Tract. Such adjustments shall be made by charges and credits to the joint account.

## ARTICLE 12

### *Nonunitized Formations*

**12.1 Right to Operate.** 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

1 Agreement or the Unit Agreement. In exercising the right, however,  
2 such Working Interest Owner shall exercise care to prevent  
3 unreasonable interference with Unit Operations. No Working Interest  
4 Owner other than Unit Operator shall produce Unitized Substances.  
5 If any Working Interest Owner drills any well into or through the  
6 Unitized Formation, the Unitized Formation shall be protected in a  
7 manner satisfactory to Working Interest Owners so that the  
8 production of Unitized Substances will not be affected adversely,  
9 including but not limited to a satisfactory drilling mud program and  
10 casing cement program through the Unitized Formation.  
11

12 **12.2 Dual Completions.** There shall be no dual completions of wells  
13 within the Unit Area as to the Unitized Formation and another  
14 formation.  
15

## 16 **ARTICLE 13**

### 17 ***Liability, Claims and Suits***

18  
19  
20  
21 **13.1 Individual Liability.** The duties, obligations, and liabilities of  
22 Working Interest Owners shall be several and not joint or collective;  
23 and nothing herein shall ever be construed as creating a partnership  
24 of any kind, joint venture, association, or trust among Working  
25 Interest Owners.  
26

27 **13.2 Settlements.** Unit Operator may settle any single damage claim or  
28 suit involving Unit Operations if the expenditure does not exceed  
29 Twenty-five Thousand Dollars (\$25,000.00) if the payment is in  
30 complete settlement of such claim or suit. If the amount required for  
31 settlement exceeds the above amount, Working Interest Owners shall  
32 determine the further handling of the claim or suit unless such  
33 authority is expressly delegated to the Unit Operator. All costs and  
34 expense of handling, settling, or otherwise discharging such claim or  
35 suit shall be an item of Unit Expense, subject to such limitation as is  
36 set forth in Exhibit "E". If a claim is made against any Working  
37 Interest Owner or if any Working Interest Owner is sued on account of  
38 any matter arising from Unit Operations over which such Working  
39 Interest Owner individually has no control because of the rights given  
40 Working Interest Owners and Unit Operator by this Agreement and  
41 the Unit Agreement, the Working Interest Owner shall immediately  
42 notify Unit Operator, and the claim or suit shall be treated as any  
43 other claim or suit involving Unit Operations.  
44

45 **13.3 Notice of Loss.** Unit Operator shall report to Working Interest  
46 Owners as soon as practicable after each occurrence, damage or loss to  
47 Unit Equipment, and each accident, occurrence, claim, or suit  
48 involving third party bodily injury or property damage not covered by  
49 insurance carried for the benefit of Working Interest Owners.

50 **13.4 Force Majeure.** Any obligation imposed by this agreement on each  
51 party, except for the payment of money, shall be suspended while  
52 compliance therewith is prevented, in whole or in part, by: strike, fire,  
53 war, civil disturbance, act of God, Federal, state or municipal laws,  
54 any rule, regulation or order of a governmental agency, inability to  
55 secure materials or by any other cause beyond the reasonable control  
56 of such party. No party shall be required against its will to adjust or  
57 settle any labor dispute. Neither this Agreement nor any lease or

1 other instrument subject hereto shall be terminated by reason of the  
2 suspension of Unit Operations due to any of the causes set forth in this  
3 Section.  
4

## 5 6 ARTICLE 14

### 7 8 Titles

9  
10 **14.1 Warranty and Indemnity.** Each Working Interest Owner represents  
11 and warrants that it is the owner of the respective working interests  
12 set forth opposite its name in Exhibit "B", and hereby agrees to  
13 indemnify and hold harmless the other Working Interest Owners from  
14 any loss due to failure, in whole or in part, of its title to any such  
15 interest, except failure of title arising out of Unit Operations; provided  
16 that such indemnity shall be limited to an amount equal to the net  
17 value that has been received from the sale or receipt of Unitized  
18 Substances attributed to the interest as to which title failed. Each  
19 failure of title will be deemed to be effective, insofar as this Agreement  
20 is concerned, as of the first day of the calendar month in which such  
21 failure is finally determined, and there shall be no retroactive  
22 adjustment of Unit Expense, or retroactive allocation of Unitized  
23 Substances or the proceeds therefrom as a result of title failure.  
24

25 **14.2 Failure Because of Unit Operations.** The failure of title to any  
26 Working Interest in any tract by reason of Unit Operations, including  
27 non-production from such tract, shall not change the Unit  
28 Participation of the Working Interest Owner whose title failed in  
29 relation to the Unit Participations of the other Working Interest  
30 Owners at the time of the title failure.  
31

32 **14.3 Unleased Interests Treated as Leased.** If a Working Interest  
33 Owner owns in fee all or a part of the Oil and Gas Rights in any Tract  
34 within the Unit Area which is not subject to any oil and gas lease or  
35 other contract in the nature thereof, such Working Interest Owner  
36 shall be deemed to own a Working Interest in such Tract to the extent  
37 of seven-eighths (7/8) of its interest therein and a Royalty Interest  
38 with respect to the remaining one-eighth (1/8) interest therein.  
39

40 **14.4 Waiver of Rights to Partition.** Each lessee and Working Interest  
41 Owner hereto agrees that, during the existence of this Agreement, it  
42 will not resort to any action to partition the interval of the formation  
43 unitized hereunder or the Unit Equipment, and to that extent waives  
44 the benefits of all laws authorizing such partition.  
45

46 **14.5 Notice of Transfer of Title.** No change of title shall be binding on  
47 the Unit or Unit Operator until the time specified in Section 14.6  
48 hereof. Each such transfer, assignment or conveyance, whether so  
49 stating or not, shall operate to impose upon the party or parties  
50 acquiring such interest the obligations of its predecessor in interest  
51 with respect to the interest so transferred and shall likewise operate to  
52 give and grant to the party or parties acquiring such interest all  
53 benefits attributable to such interest.  
54

55 **14.6 Effect of Title Transfer.** No assignment or other transfer or  
56 disposition of any interest subject to this Agreement shall be effective  
57 as to Unit Operator or the other Working Interest Owners hereto until

the first day of the month following the month in which (i) Unit Operator receives an authenticated copy of the instrument evidencing such assignment, transfer or disposition, and (ii) the person receiving such assignment, transfer or disposition has become obligated by instrument satisfactory to Unit Operator to observe, perform and be bound by all of the covenants, terms and conditions of this Agreement. Prior to such date, neither Unit Operator nor any other Working Interest Owner shall be required to recognize such assignment, transfer or disposition for any purpose but may continue to deal exclusively with the Working Interest Owner making such assignment, transfer or disposition in all matters under this Agreement including billings. No assignment or other transfer or disposition of an interest subject to this Agreement shall relieve a Working Interest Owner of its obligations accrued prior to the effective date aforesaid. Further, no assignment, transfer or other disposition shall relieve any Working Interest Owner of its liability for its share of costs and expenses which may be incurred in any operation to which such Working Interest Owner has previously agreed or consented prior to the effective date aforesaid for the drilling, testing, completing and equipping, reworking, recompleting, side-tracking, deepening, plugging-back, or plugging and abandoning of a well even though such operation is performed after said effective date.

**14.7 Transfer to Multiple Parties.** If, at any time the interest of any Working Interest Owner is divided among and owned by two or more co-owners, such co-owners shall appoint a single trustee or agent acceptable to Unit Operator with full authority to receive notices, approve expenditures, receive billings for and approve and pay all such co-owners' share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such Working Interest Owners' interests within the scope of the operations embraced in this Agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the Oil and Gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds thereof. Until the trustee or agent is appointed, the assigning Working Interest Owner shall be considered for all purposes thereof as such trustee or agent with all rights and responsibilities thereof. The trustee or agent appointed or deemed to be appointed hereunder shall be liable to Unit Operator for all costs, expenses and liabilities incurred pursuant to this Agreement attributable to the interest for which the trustee or agent is appointed or deemed to be appointed. Unit Operator shall not be required to account separately for the separate interests represented by the trustee or agent.

## ARTICLE 15

### Notices

**15.1 Notices.** All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail, telegram, or facsimile transmission to the address of the representative of each Working Interest Owner as furnished to Unit Operator in accordance with Article 4.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55

**ARTICLE 16**

***Withdrawal of Working Interest Owner***

**16.1 Withdrawal.** A Working Interest Owner may withdraw from this agreement by transferring, without warranty of title, either expressed or implied, to the Working Interest Owners who do not desire to withdraw 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, provided that such transfer shall not relieve such Working Interest Owner from any obligation or liability incurred prior to the first day of the month following receipt by Unit Operator of such transfer. The delivery of the transfer shall be made to Unit Operator for the transferees. The transfer must be accepted unless Working Interest Owners decide within ninety (90) days of the delivery date to terminate the unit. The transferred interest shall be owned by the transferees in proportion to their respective Unit Participations. The transferees, in proportion to the respective interests so acquired, shall pay the transferor for its interest in Unit Equipment, the 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 the estimated costs for surface restoration, as determined by Working Interest Owners. In the event such withdrawing owner's interest in the aforesaid salvage value is less than such owner's share of such estimated costs, the withdrawing owner, as a condition precedent to 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 the 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, withdrawing 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.

**16.2 Limitation on Withdrawal.** Notwithstanding anything set forth in Section 16.1, 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. A transfer of title, assignment, or conveyance by a party hereto shall not alone be deemed a withdrawal.



1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55  
56  
57

## ARTICLE 17

### *Abandonment of Wells*

**17.1 Rights of Former Owners.** If Working Interest Owners determine to permanently abandon any well 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 sixty (60) days after the sending of such notice to notify Unit Operator in writing of their election to take over and own the well. Within thirty (30) 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 determined by Working Interest Owners to be the net salvage value of the casing and equipment, through the wellhead, in and on the well. The Working Interest Owners of the Tract, by taking over the well, agree to seal off the unitized Formation, and upon abandonment to plug the well in compliance with applicable laws and regulations.

**17.2 Plugging.** If the Working Interest Owners of a Tract do not elect to take over a well located within the Unit Area that is proposed for abandonment, Unit Operator shall plug and abandon the well in compliance with applicable laws and regulations.

## ARTICLE 18

### *Effective Date and Term*

**18.1 Effective Date.** This Agreement shall become effective when the Unit Agreement becomes effective.

**18.2 Term.** This Agreement shall continue in effect so long as the Unit Agreement remains in effect, and thereafter until (a) all Unit wells have been plugged and abandoned or turned over to Working Interest Owners in accordance with Article 19; (b) all Unit Equipment and real property acquired for the joint account have been disposed of by Unit Operator in accordance with instructions of Working Interest Owners; (c) all surface locations have been restored; and (d) there has been a final accounting.

## ARTICLE 19

### *Abandonment of Operations*

**19.1 Termination.** Upon termination of the Unit Agreement, the following will occur:

**19.1.1 Oil and Gas Rights.** 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.

**19.1.2 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, as determined by Working Interest Owners, of the casing and equipment, through the wellhead, in and on the wells taken over and by agreeing upon abandonment to plug each well in compliance with applicable laws and regulations.

19.1.3 **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 Tract as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned in compliance with applicable laws and regulations.

19.1.4 **Cost of Abandonment.** The cost of abandonment of Unit Operations, including but not limited to facilities and surface restoration, shall be Unit Expense.

19.1.5 **Distribution of Assets.** Working Interest Owners shall share in the distribution of Unit Equipment, or the proceeds thereof, in proportion to their Unit Participations.

## ARTICLE 20

### Approval

20.1 **Counterpart Execution, Ratification or Approval.** This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by other separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, other separate instrument, 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 above described Unit Area.

20.2 **Conflict with Prior Agreements.** It is recognized there may be certain existing agreements by and between several of the Lessees or Working Interest Owners hereto, covering a portion of the Oil and Gas Rights subject to this Operating Agreement. In case of any inconsistency or conflict between this Operating Agreement and those certain existing agreements, this Operating Agreement shall govern.

## ARTICLE 21

### Governmental Regulations

21.1 **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, rulings, regulations or orders of any governmental agency or predecessor agencies to the extent Unit Operator's interpretation or

1 application of such rules, rulings, regulations or orders were made in  
2 good faith. Working Interest Owners further agree to reimburse Unit  
3 Operator for their proportionate share of any amounts Unit Operator  
4 may be required to refund, rebate or pay as a result of an incorrect  
5 interpretation or application of the above noted rules, rulings,  
6 regulations or orders, together with their proportionate part of interest  
7 and penalties owing by Unit Operator as a result of such incorrect  
8 interpretation or application of such rules, rulings, regulations or  
9 orders.

10  
11  
12 **ARTICLE 22**

13  
14 ***Other Provisions***

15  
16 **22.1 Lease Burdens and Disbursement Obligations.** Each Working  
17 Interest Owner hereby agrees to pay or cause to be paid  
18 royalty, excess royalty and overriding royalty portion(s) due on  
19 proceeds realized from of the sale of its share (as listed on  
20 Exhibit C) of the sale of such Unitized Substances.

21  
22 **22.2 Attorney's Fees.** In the event Unit Operator shall ever be required to  
23 bring legal proceedings in order to collect any sums due from any  
24 Working Interest Owner under this Agreement, then Unit Operator  
25 shall also be entitled to recover all court costs, cost of collection, and a  
26 reasonable attorney's fee, which the lien provided for under Sections  
27 11.6 and 11.6.1 shall also secure.

28  
29 **22.3 Bankruptcy.** If, following the granting of relief under the Bankruptcy  
30 Code to any Working Interest Owner hereto as debtor thereunder, this  
31 Agreement should be held to be an executory contract within the  
32 meaning of 11 U.S.C. Section 365, then the Unit Operator, or (if the  
33 Unit Operator is the debtor in bankruptcy) any other Working Interest  
34 Owner, shall be entitled to a determination by debtor or any trustee  
35 for debtor within thirty (30) days from the date an order for relief is  
36 entered under the Bankruptcy Code as to the rejection or assumption  
37 of this Unit Operating Agreement. In the event of an assumption,  
38 Unit Operator or said other Working Interest Owner shall be entitled  
39 to adequate assurances as to future performance of debtor's obligation  
40 hereunder and the protection of the interest of all other parties.

41  
42 **22.4 Applicable Law.** All claims and suits between any of the parties  
43 hereto, made or instituted and based in whole or in part on any  
44 provisions of this Agreement, shall be resolved using the laws of the  
45 state of New Mexico.

46  
47 **22.5 Media Release.** Operator shall have the principal responsibility for  
48 issuance of press releases concerning the Unit (but shall not be  
49 liable for failure or error in exercising such responsibility), and each  
50 other party hereto may issue approved material without restriction.  
51 Nothing herein contained, however, shall preclude any party hereto  
52 from making such disclosures as may be required by any applicable  
53 law, order, rule, regulation or ordinance.

54  
55 No party hereto shall distribute any information or photographs to the  
56 press or other media without the approval of the majority of the  
57 parties hereto pursuant to Article 4.3.2 .

1  
2  
3 **ARTICLE 23**  
4

5 ***Successors and Assigns***  
6

7 **23.1 Successors and Assigns.** This Agreement shall extend to, be  
8 binding upon, and inure to the benefit of the Persons hereto and their  
9 respective heirs, devisees, legal representatives, successors, and  
10 assigns, and shall constitute a covenant running with the lands,  
11 leases, and interests covered hereby.  
12

13  
14  
15 IN WITNESS WHEREOF, this Agreement approved on the dates opposite  
16 the respective signatures.  
17

18  
19  
20  
21 **ATLANTIC RICHFIELD COMPANY**  
22

23  
24 Date: \_\_\_\_\_  
25

26 By: \_\_\_\_\_  
T. L. Holland  
Attorney-in-Fact

1 STATE OF TEXAS §  
2 §  
3 §  
4 COUNTY OF MIDLAND §  
5

6 This instrument was acknowledged before me on this \_\_\_\_\_ day of  
7 \_\_\_\_\_, 1992, by T. L. HOLLAND, as Attorney-in-Fact of  
8 ATLANTIC RICHFIELD COMPANY, a Delaware corporation, on behalf of said  
9 corporation.  
10

11 \_\_\_\_\_  
12  
13 \_\_\_\_\_  
14 (Print Name)  
15  
16  
17

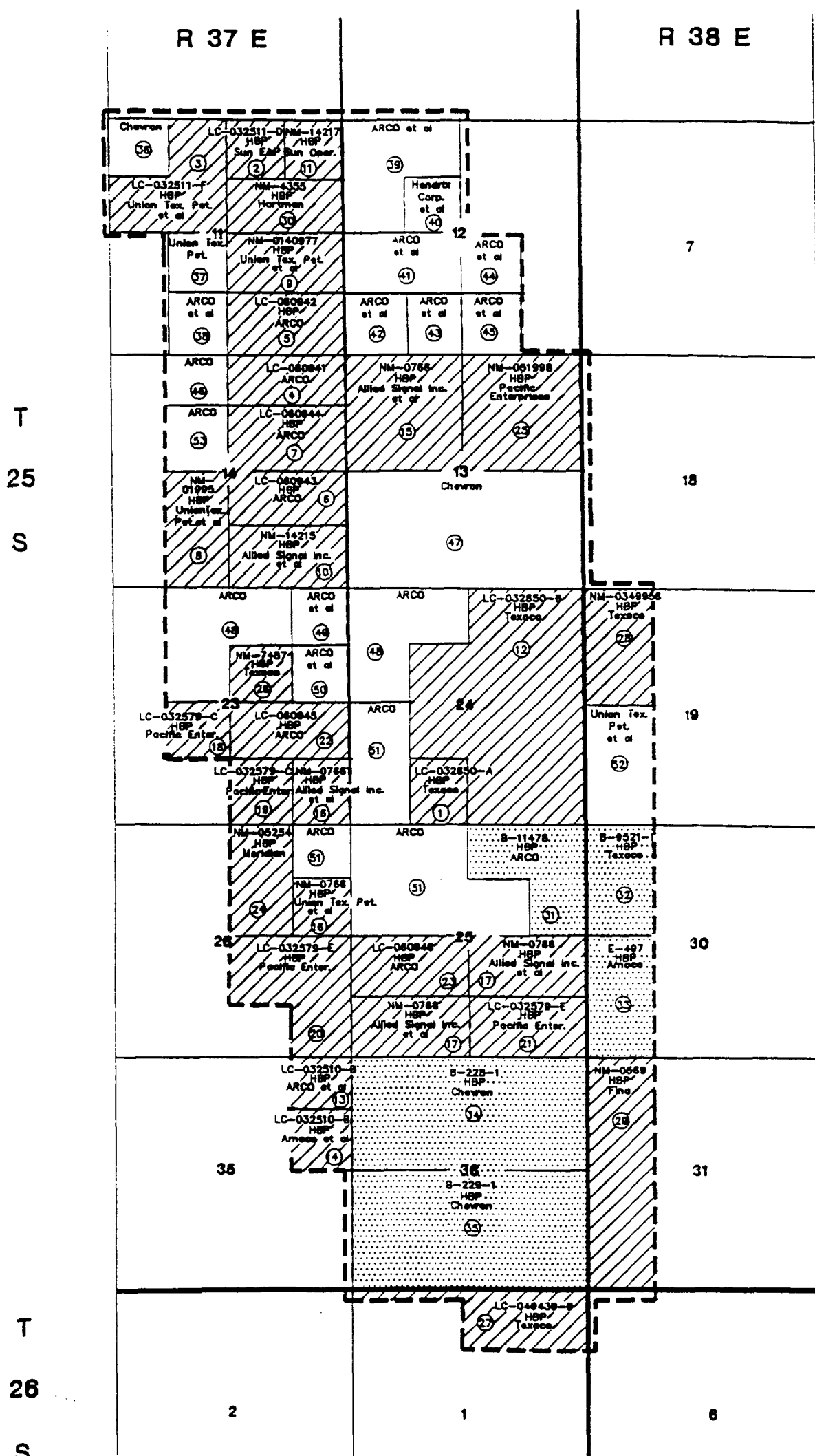
18 My Commission Expires: \_\_\_\_\_ Notary Public in and for the State of Texas  
19 \_\_\_\_\_  
20  
21  
22

23 STATE OF \_\_\_\_\_ §  
24 §  
25 §  
26 COUNTY OF \_\_\_\_\_ §  
27

28 This instrument was acknowledged before me on this \_\_\_\_\_ day of  
29 \_\_\_\_\_, 1992, by \_\_\_\_\_, as \_\_\_\_\_  
30 of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf  
31 of said corporation.  
32

33 \_\_\_\_\_  
34 \_\_\_\_\_  
35 (Print Name)  
36

37 My Commission Expires: \_\_\_\_\_ Notary Public in and for the State of \_\_\_\_\_  
38 \_\_\_\_\_  
39  
40



**Exhibit A  
To Unit  
Agreement**

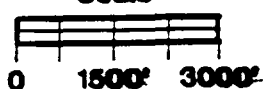
**ARCO Oil & Gas  
South Justis Unit**

Lea County, New Mexi.  
Scale: 1"=3000'  
By: R. Pyle  
Date: 8-92  
Dept: Exploration  
Drawn By: RGJ  
Date: 8-92  
Dwg. No. SJU37G

**Legend**

--- Unit Boundry  
⑤ Tract Number

**Scale**



Patented  
Federal  
State

	Acreage	Percentage
Patented	1,640.0	30.60
Federal	2,800.0	52.24
State	920.0	17.16
<b>Total</b>	<b>5,360.0</b>	<b>100.00</b>

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner Percentage	Owner	Lessee of Record Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage	
FEDERAL LANDS									
1	SE/4 SW/4 Section 24, 1-25-S, R-37-E, Lea County, New Mexico	40	LC-032650-A 7/20/35 HBP	United States - Bureau of Land Management	Schedule "B"	Texaco Expl. & Prod., Inc.	100.0000%	Texaco	100%
2	NW/4 NE/4 Section 11, 1-25-S, R-37-E, Lea County, New Mexico	40	LC032511-D 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	Sun Expl. & Prod. Co. Lowell S. Dunn, Sr.	58.33400% 41.66600%	Ernest E. Richeieu, Trustee Interfirst Bank of Ft. Worth	1.562500% 100%
3	SW/4 NW/4, E/2 NW/4 Section 11, 1-25-S, R-37-E, Lea County, New Mexico	120	LC032511-F 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	Union Texas Pet. Corp. Sun Expl. & Prod. Co.	83.33300% 16.66700%	Ernest E. Richeieu, Trustee Interfirst Bank of Ft. Worth	1.562500% 100%
4	N/2 NE/4 Section 14, 1-25-S, R-37-E, Lea County, New Mexico	80	LC-060941 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	Hondo Oil & Gas Co.	100.0000%	The Aurand Company Miriam B. Johnson Alice Robertson William E. Thomas, II	0.390600% 0.390600% 0.390600% 0.390600%
5	S/2 SE/4 Section 11, 1-25-S, R-37-E, Lea County, New Mexico	80	LC-060942 11/1/35 HBP	United States - Bureau of Land Management	Sliding Scale	ARCO Union Texas Pet. Corp. Texas Pacific Oil Co.	50.00000% 31.25000% 18.75000%	The Aurand Company Miriam B. Johnson, General Partner of the Miriam B. Johnson Partnership Amoco Production Co. Alice N. Robertson William E. Thomas II William E. Thomas II	0.390625% 4.687500% 0.390625% 0.195300% 0.195300%
						ARCO Caspden Oil, Inc.	81.250000% 18.750000%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUISIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner Percentage	Lessee of Record Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage
6	N/2 SE/4 Section 14, 1-25-S, R-37-E, Lea County, New Mexico	80	LC-060943 11/1/35 HBP	United States - Bureau of Land Management	ARCO	William E. Thomas, II	100%
7	S/2 NE/4 Section 14, 1-25-S, R-37-E, Lea County, New Mexico	80	LC-060944 11/1/35 HBP	United States - Bureau of Land Management	ARCO	The Aurand Company Miriam B. Johnson MM Petroleum Corp. Alice N. Robertson William E. Thomas, II	100%
8	E/2 SW/4 Section 14, 1-25-S, R-37-E, Lea County, New Mexico	80	NM01995 11/1/35 HBP	United States - Bureau of Land Management	Union Texas Pet. Corp. Sun Expl. & Prod. Co.	J. Steve Anderson III Thomas W. Anderson Carla L. Austin Betty Lou Linehan Barbara Jean Ratliff Alfred B. Karnes, Jr	100%
9	N/2 SE/4 Section 11, 1-25-S, R-37-E, Lea County, New Mexico	80	NM 0140977 11/1/35 HBP	United States - Bureau of Land Management	Union Texas Pet. Corp. Doyle Hartman Headington Minerals Inc.	J. Steve Anderson III Thomas W. Anderson Carla L. Austin Betty Lou Linehan Barbara Jean Ratliff Alice N. Robertson William E. Thomas II The Aurand Company Miriam B. Johnson Partnership	62.500000% 12.597656% 12.500000% 8.886719% 3.125000% 0.195313% 0.097656% 0.097656% 0.097656%



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date		Basic Royalty Owner Percentage		Lessee of Record Percentage		Overriding Royalty Owner Percentage		Working Interest Owner Percentage	
10	S/2 SE/4 Section 14, T-25-S, R-37-E, Lea County, New Mexico	80	NM-14215 11/1/35	HBP	United States - Bureau of Land Management	Sliding Scale	Allied Signal, Inc. Sun Expl. & Prod. Co.	83.33333% 16.66667%	J. Steve Anderson III Thomas W. Anderson Carlo L. Austin Betty Lou Linehan Barbara Jean Rollif Alice N. Robertson William E. Thomas II The Aurand Company Miriam B. Johnson Partnership	0.455730% 0.455730% 0.455730% 1.367190% 1.367190% 0.390630% 0.390630% 0.390620% 0.390620%	Meridian Oil Production, Inc. Cospen Oil, Inc.	83.33% 16.67%
11	NE/4 NE/4 Section 11, T-25-S, R-37-E, Lea County, New Mexico	40	NM-14217 11/1/35	HBP	United States - Bureau of Land Management	Sliding Scale	Sun Operating Limited Partnership Union Texas Pet Corp.	58.33333% 41.66667%	Ernest E. Richelieu, Trustee Interfirst Bank of Ft. Worth	1.562500%	ARCO	100%
12	E/2, SE/4 NW/4, NE/4 SW/4 Section 24, T-25-S, R-37-E, Lea County, New Mexico	400	LC-032650-B 4/24/36	HBP	United States - Bureau of Land Management	Sliding Scale	Texaco Expl. & Prod., Inc.	100.0000%			Texaco	100%
13	NE/4 NE/4 Section 35, T-25-S, R-37-E, Lea County, New Mexico, between the subsurface depths of 3,500 feet and 6,025 feet	40	LC-032510-B 7/29/37	HBP	United States - Bureau of Land Management	Sliding Scale	ARCO Amoco Production Co.	50.00000% 50.00000%	The Aurand Company Amoco Production Co. Miriam B. Johnson Alice B. Robertson William E. Thomas, II	0.390600% 3.437600% 0.390600% 0.390600% 0.390600%	ARCO	100.00%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner		Lessee of Record		Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner	Percentage	Owner	Percentage	Owner	Percentage	Owner
14	SE/4 NE/4 SW/4 S1, T-2S-S, R-37-E, Lea County, New Mexico	40	LC-032510-B 7/29/37	United States – Bureau of Land Management	Sliding Scale	Amoco Production Co. Allied Signal Inc. Sun Operating Ltd. Partnership	50.00000% 41.66670% 08.33330%	J. Steve Anderson III Carla Louise Austin Thomas W. Anderson Barbara Jeanne Rolloff Belly Lou Linehon William E. Thomas Alice N. Robertson The Aurand Company Marian B. Johnson Partnership	0.227860% 0.227870% 0.227860% 0.683590% 0.683590% 0.390630% 0.390630% 0.390620% 0.390620%	Meridian Oil Production, Inc. Caspian Oil, Inc.	91.666670% 8.333000%
15	NW/4 Section 13, T-2S-S, R-37-E, Lea County, New Mexico, between the subsurface depths of 4,000 feet and 6,100 feet	160	NM-0766 11/8/37	United States – Bureau of Land Management	Sliding Scale	Allied Signal Inc. Sun Operating limited Partnership	83.33333% 16.66667%	J. Steve Anderson III Thomas W. Anderson Carla L. Austin Jock Linehon & Belly Lou Linehon Barbara Jean Rolloff	0.455730% 0.455730% 0.455730% 1.367190% 1.367190%	Meridian Oil Production, Inc.	100%
16	SE/4 SE/4, Section 23 SE/4 NE/4, Section 26, T-2S-S, R-37-E, Lea County, New Mexico	80	NM-0766 11/8/37	United States – Bureau of Land Management	Sliding Scale	Allied Signal Inc. Sun Expl. & Prod. Co.	83.33333% 16.66667%	J. Steve Anderson III Thomas W. Anderson Carla L. Austin Belly Lou Linehon Barbara Jean Rolloff	0.455730% 0.455730% 0.455730% 1.367190% 1.367190%	Meridian Oil Production, Inc. Headington Minerals, Inc.	83.33% 16.67%
17	S/2 SW/4, N/2 SE/4 Section 25, T-2S-S, R-37-E, Lea County, New Mexico	160	NM-0766 11/8/37	United States – Bureau of Land Management	Sliding Scale	Allied Signal Inc. Sun Expl. & Prod. Co.	83.33333% 16.66667%	J. Steve Anderson III Thomas W. Anderson Carla L. Austin Belly Lou Linehon Barbara Jean Rolloff	0.455730% 0.455730% 0.455730% 1.367190% 1.367190%	Meridian Oil Production, Inc. Headington Minerals, Inc.	83.33% 16.67%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Serial No. & Eff. Date		Basic Royalty Owner Percentage		Lessee of Record Percentage		Overriding Royalty Owner Percentage		Working Interest Owner Percentage	
		Acres									
18	NW/4 SW/4 Section 25, T 25 S, R 37 E, Lea County, New Mexico	40	IC-032579-C 12/8/37	United States - Bureau of Land Management HBP	Sliding Scale	Pacific Enterprises Oil Company	100.0000%	Pacific Enterprises Oil Co. Marathon	3.992852% 1.522223%	American Exploration Co. Company Marathon	70.00%  30.00%
19	SW/4 SE/4 Section 25, T 25 S, R 37 E, Lea County, New Mexico, 4.898 Acre to 7.212 Acre	40	IC-032579-C 12/8/37	United States - Bureau of Land Management HBP	Sliding Scale	Pacific Enterprises Oil Company	100.0000%	Pacific Enterprises Oil Co. Marathon	2.851852% 1.222223%	American Production Partnership VII Ltd. American Exploration Company American Exploration Acquisition VI Corp. American Production Partnership VII Ltd. New York Life Oil & Gas Production Partnership II-G New York Life Oil & Gas Prod. Production Partnership II-E New York Life Oil & Gas Production Partnership II-F New York Life Oil & Gas Production Partnership III-B	52.083700%  1.819401%  12.426200%  4.548503%  11.345223%  9.983413%  4.676366%  3.117194%
20	NW/4 SE/4, E/2 SE/4 Section 26, T 25-S, R-37-E, Lea County, New Mexico	120	IC-032579-E 12/8/37	United States - Bureau of Land Management HBP	Sliding Scale	Pacific Enterprises Oil Company	100.0000%	Pacific Enterprises Oil Co. Marathon	2.667504% 1.143216%	ARCO	100.000000%
21	S/2 SE/4 Section 25, T 25-S, R-37-E, Lea County, New Mexico	80	IC-032579-E 12/8/37	United States - Bureau of Land Management HBP	Sliding Scale	Pacific Enterprises Oil Company	100.0000%	Pacific Enterprises Oil Co. Marathon	2.667504% 1.143216%	ARCO	100.000000%

**EXHIBIT "B"**

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner Percentage	Owner	Schedule "B"	ARCO	100.0000%	Overriding Royalty Owner Percentage	Working Interest Owner Percentage
27	N/2 SE/4 Section 23, 1-25-S, R-37-E, Lea County, New Mexico	R0	LC-060945 12/8/37 HBP	United States - Bureau of Land Management		Schedule "B"	ARCO	100.0000%	Diane Rene Stewart Board of Trustees of the Leland Stanford Junior University Saletha Isaacson Reuel A. Young Nancy Chandler Cathie F. Simoneg Pacific Enterprises Oil Co. Pacific Enterprises Oil Co. J. Ruel Armstrong L. E. Armstrong, Jr. Joan Bowen Harmer Joan Bowen Harmer Pauson Oil Company Pauson Oil Company Anna Moy Rasmussen Anna Moy Rasmussen Marathon Oil Company	0.171400%   

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date		Basic Royalty Owner Percentage		Lessee of Record Percentage		Overriding Royalty Owner Percentage		Working Interest Owner Percentage	
25	NE/4 Section 13, T-25-S, R-37-E, Lea County, New Mexico	160	NM-051998 12/8/37 HBP		United States - Bureau of Land Management	Sliding Scale	Pacific Enterprises Oil Company	100.0000%			Pacific Enterprises Oil Company Morathon	70% 30%
26	SW/4 NE/4 Section 23, T-25-S, R-37-E, Lea County, New Mexico	40	NM-7487 2/1/88 (renew)		United States - Bureau of Land Management	12.500000%	Texaco USA	100.0000%	Morlho Johns Densmore Nancy Johns Dent Grace B. Bockman	2.500000% 2.500000% 2.500000%	Texaco	100%
27	N/2 NE/4 Section 1, T-26-S, R-37-E, Lea County, New Mexico	80	IC-049439-B 10/3/38 HBP		United States - Bureau of Land Management	Sliding Scale	Texaco Expl & Prod. Inc.	100.0000%	Ronald K. Deford George D. & Edith G. Riggs Living Trust Willis Royalty Inc.	0.625000% 0.625000% 0.625000%	Texaco	100%
28	W/2 NW/4 Section 19, T-25-S, R-38-E, Lea County, New Mexico insofar as the Blinby formation only	80	NM-034956 6/1/47 HBP		United States - Bureau of Land Management	12.500000%	Texaco Expl & Prod. Inc.	100.0000%	John M. Lofland, Jr. T. A. Pedley, Jr. c/o Thomas J. Hayes Effie E. Volinline c/o United California Bank First Interstate Bank of Denver NA, Account No. 120003306 James N. Coll Charles H. Coll Max W. Coll II Jon F. Coll RepublicBank Dallas NA Trustee U/W/O Selma E. Andrews, Trust #5188 Franz R. Lupton, Jr.	0.125000% 0.015630% 0.007810% 0.214840% 0.014650% 0.014650% 0.014640% 0.014650%	Texaco	100%
										0.268530%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date		Basic Royalty Owner Percentage	Lessee of Record Percentage	Overriding Royalty Owner Percentage		Working Interest Owner Percentage
29A	W/2 NW/4 Section 19, 1-25-S, R. 38-E, Lea County, New Mexico insofar as the Inhab/Uninhab formation only	80	NM-034956	6/1/47	United States - Bureau of Land Management HBP	12.500000%	Texaco Expl. & Prod. Inc.	100.0000%	
							John M. Loffland, Jr. I. A. Pedley, Jr. c/o Thomas J. Hoyer Elfie E. Volantine c/o United California Bank First Interstate Bank of Denver NA Account No. 120003306 First Interstate Bank Denver Trustee of the Estate of Charles I. Lupton	0.125000% 0.015630% 0.007810% 0.214840%	Texaco
							Lucy O. Ross	0.125000%	
							David M. Pedley Marth L Schneidewind Braille Institute of America c/o Republic National Bank Dallas, Agency #631-00 Patricia Penrose Schieller Successor Trustee U/W/O Neville C. Penrose c/o J. Thomas Schieller Lucy O. Ross	0.005210% 0.005210% 0.005210% 0.015630% 0.231470% 0.125000% 0.125000%	

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

**Page 9**

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Owner Percentage	Lessee of Record Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage				
30	S/2 NE 1/4 Section 11, 1-25-S, R-37-E, Ten County, New Mexico	80	NM 4355 4/1/56 HBP	United States - Bureau of Land Management	Sliding Scale	Doyle Hartmon	100.0000%	The Aurand Company	0.390625%	ARCO	50.390625%
								Miriam B. Johnson, General Partner of the Miriam B. Johnson Partnership	0.390625%	Doyle Hartmon & wife	35.546875%
								Amoco Production Co.	4.687500%	James A. Davidson, single	12.500000%
								Alice N. Robertson	0.390625%	Larry A. Nerny, single	0.781250%
								William E. Thomas II	0.390625%	James E. Burr & wife,	
										La Veta F. Burr	0.390625%
						Jack Fletcher & wife,					
						Delphia Fletcher					0.390625%
TOTAL FEDERAL ACRES - 2,800.00 PERCENTAGE OF UNIT (SURFACE ACRES) - 52.24%											

ARCO  
Doyle Hartmon & wife  
Margaret M. Hartmon  
James A. Davidson, single  
Larry A. Nernyr, single  
James E. Burr & wife,  
Lo Veto F. Burr  
Jack Fletcher & wife,  
Delphia Fletcher

50.390625%  
  
35.546875%  
12.500000%  
0.781250%  
  
0.390625%  
  
0.390625%



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Serial No. & Eff. Date	Basic Royalty Percentage	Owner	Lessee of Record	Overriding Royalty Percentage	Working Interest Owner Percentage
STATE LANDS								
31	N/2 NE/4, SE/4 NE/4 Section 25, 1-25-S, R-37-E Lea County, New Mexico	120	B-11478 9/11/44 HBP	Commissioner of Public Lands - State of New Mexico	12.500000%	ARCO		ARCO 100%
32	W/2 NW/4 Section 30, 1-25-S, R-38-E Lea County, New Mexico	80	B9521-1 2/10/42 HBP	Commissioner of Public Lands - State of New Mexico	12.500000%	Texaco Inc.	Texaco Inc.	100%
33	W/2 SW/4 Section 30, 1-25-S, R-38-E Lea County, New Mexico	80	E-497-1 8/10/37 HBP	Commissioner of Public Lands - State of New Mexico	12.500000%	MW Petroleum Corp.	Apache	100%
34	N/2 Section 36, 1-25-S, R-37-E Lea County, New Mexico	320	B-229-1 9/10/31 HBP	Commissioner of Public Lands - State of New Mexico	12.500000%	Chevron USA	ARCO	100%
35	S/2 Section 36, 1-25-S, R-37-E Lea County, New Mexico	320	B-228-1 9/10/31 HBP	Commissioner of Public Lands - State of New Mexico	12.500000%	Chevron USA	ARCO	100%
TOTAL STATE ACRAGE - 920.0				PERCENTAGE OF UNIT (SURFACE ACRES) - 17.16%				

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner		
				Percentage	Owner	Percentage	Owner			
PATENTED LANDS										
36	NW/4 NW/4 Section 11, 1-25-S, R. 37 1 Lea County, New Mexico	40	HBP	0.067400%	Chevron USA Inc. Amoco Production Company Atlantic Richfield Company Theodore G. Bales Warren J. Bales Charles T. Bales, Jr James Henry Beatty Elizabeth Beatty Dudy Lucille Chism Bales Wilma Chism Lain Mary Helen Seaton Elinor C. Shaughnessy Amerado Hess Corporation Ellis Rudy Ritts Royalty Company Thomas G. Voss Judd Moore Marion U. & Donald B. Heard Mildred Smith Rawls Magabel Smith Rule Cassius L. Smith Rosa Lee Smith Johnson Katie Smith Hazelhurst Eva W. Graham Mary Smith Bowers Richard L. Cromatie, Jr. Jane Cromatie Williams T. L. Woolen	1.004500% 0.032200% 0.104100% 0.059600% 0.029800% 0.020400% 0.020400% 0.097200% 0.067500% 0.669600% 0.015500% 1.339300% 0.015500% 0.644900% 0.223200% 0.041000% 0.139500% 0.008860% 0.008860% 0.009960% 0.009410% 0.008860% 0.008860% 0.007480% 0.010240% 0.008860%	ARCO Petr. Products Co. Div. of Atlantic Richfield Co.	0.612700%	ARCO	100%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	John D. Atkins			0.020500%		
	Lillian Smith Word			0.004430%		
	Betty S. Warren			0.001100%		
	Frank L. Smith			0.008860%		
	H. Winfield Smith, Jr.			0.008860%		
	Harry E. Smith			0.004430%		
	Harry Eldon Smith			0.000550%		
	Mary M. Smith			0.008860%		
	Maudie S. Smith			0.008860%		
	R. P. Smith			0.009960%		
	Robert H. Smith			0.001100%		
	Dudley M. Smith			0.000550%		
	Philip Julian Erickson			0.005170%		
	John Warren Erickson			0.005160%		
	Mary Elmer Erickson Knox			0.005170%		
	Don J. Robertson			0.223200%		
	Roma A. Syfert			0.034730%		
	Rosalind Lielhold			0.002170%		
	William M. Diltner, Sr.			0.002170%		
	John A. Diltner			0.002170%		
	Albert Diltner			0.002900%		
	Charles A. Burgess			0.034730%		
	Ellen E. Booker			0.002170%		
	Luella Boes Forweller			0.011580%		
	Donald Woods			0.011580%		
	Helen Lee Voss Brander			0.111600%		
	F. Kieffer Voss			0.111600%		
	W. M. Riddle & Betty J. Riddle			0.004980%		
	Archie D. Smith & Clorobelle					
	Beals Trust dtd 12-9-70					
	Archie D. Smith Jr. Trustee			0.644800%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Frances W. Scott			0.004430%		
	Estate of Catherine L. Dumgrese					
	Betty Oldham Anc. Pers. Rep.			0.223200%		
	Sarah S. Smith			0.009960%		
	O. W. Skirvin Test Trust					
	American National Bank Co.					
	Trustee			0.186000%		
	Sabine Royalty Trust					
	MCNB Texas National Bank					
	Escrow Agent			0.574000%		
	The Nommensen Investment					
	Company			0.020900%		
	Richard A. Whittington			0.000270%		
	O. V. Thompson					
	c/o Richard A. Whittington			0.000280%		
	Petco Limited			0.334800%		
	Jeanette E. Cill Trust					
	Ameritrust Texas N A					
	Trustee, Acct #4815011406			1.498700%		
	Josephine W. Lundy Res Trust					
	Third National Bank of					
	Nashville, Trustee, Attn:					
	Richard Gammel, c/o Trust					
	Monogment Division			0.892900%		
	Texas Commerce Bank of					
	San Angelo, Trustee, FB0					
	W. V. Lettlich			0.149870%		
	Texas Commerce Bank of					
	San Angelo, Trustee, FB0					
	Brenda Rondson			0.074930%		
	Texas Commerce Bank of					

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No	Description of Land	Acres	Lease Status	Basic Royalty Owner			Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner		Percentage	Owner	Percentage	Owner
					San Angelo, Trustee, FBO Noel C. Warwick Texas Commerce Bank of San Angelo, Trustee, FBO	0.074930%				
					Mary Joseph Texas Commerce Bank of San Angelo, Trustee, FBO	0.074930%				
					Vernice Boyle Texas Commerce Bank of San Angelo, Trustee, FBO	0.247290%				
					Dorothy Boyle Texas Commerce Bank of San Angelo, Trustee, FBO	0.247290%				
					Oleta Perkins Boyle Trust Texas Commerce Bank of San Angelo, Trustee, FBO	0.209820%				
					William C. Wright Texas Commerce Bank of San Angelo, Trustee, FBO	0.209820%				
					Robert G. Wright Belly L. Amonle Dorothy Habura Revocable Management Trust, Texas Commerce Bank of San Angelo, Trustee	0.209820%				
					John D. Boyle, Jr. Trust Texas Commerce Bank of San Angelo, Trustee	0.074930%				
					Steven R. Fine Kathleen F. Smith Thomas J. Galbraith Char. Tr.	0.247290%				
						0.004980%				
						0.008860%				

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner	Percentage	Owner	Percentage	Owner
32	NE 1/4 SW/4 Section 11, 1-23-5, R 37 E Lea County, New Mexico	40	HBP	Fst Intst Bk Az, Suc Fstle					
				Fst Intst Bk Ok, Agent					
				Acct #19-8093-00-4	0.669600%				
				Joe & Jessie Crump Fund		Cathie Cone Avunshine	0.078130%	Meridian Oil Production, Inc.	100%
				Jessie B. Crump, David		Clifford Cone	0.078130%		
				C. Blewins & Texas American		Donna Frost & Leon Binkley			
				Bank of Fort Worth, Trustees	1.562500%	Personal Representatives			
				Texas Commerce Bank N. A.		Kathleen Cone Estate	0.390600%		
				Agent & A/I/I for Mary		Iam R. Cone	0.078130%		
				Moran Fagan,		Kenneth G. Cone	0.078130%		
				Trust Sec. 63140	1.562500%	June D. Speight	2.343740%		
				Jessie B. Crump Trust 1069					
				c/o NCNB Texas and J. B.					
				Crump	1.562500%				
				Eunice James Gray	0.781250%				
				Hendrick Medical Center	3.125000%				
				Stephen N. James	0.781250%				
				J. Hiram Moore, Betty Jane					
				Moore and Michael Harrison,					
				Trustees	3.906250%				
				Liberty Nat'l Bk & Trust Co.					
				Charles Pile, Trustee					
				Trust #142836006	1.562500%				
				Betty Moran Rice	1.562500%				
				John J. Moran Trust					
				R. J. Moran & T. E. Swill,					
				Trustees	3.125000%				
				First City Texas--					
				Midland Trustee,					



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Leon Binkley and Donna Frost as Personal Representatives of the Estate of Kathleen Cone			0.520833%		
	Wendall W. Iverson, as Trustee for the S.J.L. Jr. Trust			0.071129%		
	Wendall W. Iverson, as Trustee for the P.J.P. 1990 Trust			0.071129%		
	Wendall W. Iverson, as Trustee for the W.W.I. 1990 Trust			0.071129%		
	Charlotte H. Stuart			0.152082%		
	Patsy Ann Iverson Page			0.071134%		
	B. Broodick			1.302080%		
	Wendall Welch Iverson			0.071133%		
	S. E. Cone, Jr.			0.694441%		
	B. B. Ginsberg			0.187502%		
	S. J. Iverson, Jr.			0.071133%		
	Marjorie Cone Kostman			0.694444%		
	Lovetace Foundation for Medical Education and Research			0.468751%		
	John A. Yates			0.437531%		
	Frank W. Yates, Jr., A/I/F for Lillie M. Yates			0.212944%		
	Estelle Andrews Mehltrop			1.302160%		
	ARCO			0.312500%		
	Dorlha Stuart Bruno			0.152082%		
	Kenneth G. Cone			0.104168%		
	Clifford Cone			0.104168%		
	Avril Stuart Dew			0.152082%		
	J. H. Heid			0.468751%		



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No	Description of land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner	Percentage	Owner	Percentage	Owner
39	W/2 NW/4 Section 12, T-25-S, R-37 E, Lea County, New Mexico, between the sub-surface depths of 5,000 feet and 5,500 feet	80	HBP		Katherine Adeline Cone Kerk	0.694444%			
					Phoebe Shelton	0.213400%			
					Irene Stuart Small	0.152082%			
					W. L. Stuart	0.152082%			
					Ira J. Stuart	0.152082%			
					D. C. Stuart	0.152082%			
					John A. Stuart	0.152082%			
					Garland Stuart	0.152082%			
					Harvey E. Yates	0.425886%			
					S. P. Yates	0.425886%			
					Frank O. Elliot, as Surviving Trustee of the Frank O. Elliot Living Trust	1.562500%			ARCO 99.707031% Meridian Oil Production Inc 0.292969%
					Edna Ione Hall, as Trustee of the Edna Ione Hall Living Trust	1.562500%			
					Fina Oil and Chemical Company	3.125000%			
					Lee M. Boss, Inc.	0.390625%			
					Sid R. Boss, Inc.	0.390625%			
					Keystone, Inc.	0.390625%			
					Thurline, Inc.	0.390625%			
					C. W. Samuels	0.390625%			
					Notionsbank of Texas, NA (as successor),				
					Escrow Agent - Sabine				
					Royally Trust	1.562500%			
					Atlantic Richfield Company	10.625000%			

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner	Percentage	Owner	Percentage	Owner
10A NE/4 NW/4, Section 17, 1-25-S, R. 37-E, Lea County, New Mexico, between the subsurface depths of 5,000 feet and 5,500 feet		40	HBP		Frank O. Elliot, as Surviving Trustee of the Frank O. Elliot Living Trust	1.562500%		ARCO	99.707031%
					Edno lone Hall, as Trustee of the Edno lone Hall Living Trust			Meridian Oil Production Inc	0.292969%
					Fino Oil and Chemical Company	1.562500%			
					Lee M. Boss, Inc.	3.125000%			
					Sid R. Boss, Inc.	0.390625%			
					Keystone, Inc.	0.390625%			
					Thru line, Inc.	0.390625%			
					C. W. Samuels	0.390625%			
					Nationsbank of Texas, NA (as successor), Escrow Agent - Sabine Royalty Trust	1.562500%			
					Atlantic Richfield Company	10.625000%			
301B W/2 NW/4, NE/4 NW/4 Section 17, 1-25-S, R. 37-E, Lea County, New Mexico, between the subsurface depths of 5,500 feet and 6,300 feet		120	HBP		Frank O. Elliot, as Surviving Trustee of the Frank O. Elliot Living Trust	1.562500%		ARCO	75.000000%
					Edno lone Hall, as Trustee of the Edno lone Hall Living Trust			Meridian Oil Production, Inc.	25.000000%
					Fino Oil and Chemical Company	1.562500%			
					Lee M. Boss, Inc.	3.125000%			
					Sid R. Boss, Inc.	0.390625%			
					Keystone, Inc.	0.390625%			
					Thru line, Inc.	0.390625%			
					C. W. Samuels	0.390625%			
					Nationsbank of Texas, NA				
					Atlantic Richfield Company				

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner	Percentage	Owner	Percentage	Owner
40	SE 1/4 NW/4 Section 12, T-25-S, R. 37-E, Lea County, New Mexico between the subsurface depths of 4,200 feet and 5,500 feet	40	HBP	(as successor), Escrow Agent - Sabine Royalty Trust		1.562500%			
				Atlantic Richfield Company		10.625000%			
				Frank O. Elliot, as Surviving Trustee of the Frank O. Elliot Living Trust		1.562500%			
				Edna lone Hall, as Trustee of the Edna lone Hall Living Trust					
				Fina Oil and Chemical Company		1.562500%			
				Lee M. Bass, Inc.		3.125000%			
				Sid R. Bass, Inc.		0.292969%			
				Keystone, Inc.		0.292969%			
				Thru line, Inc.		0.292968%			
				C. W. Samuels		0.390625%			
				Motionsbank of Texas, NA (as successor), Escrow Agent - Sabine Royalty Trust		1.562500%			
				Atlantic Richfield Company		10.625000%			
				Frank O. Elliot, as Surviving Trustee of the Frank O. Elliot Living Trust					
				Edna lone Hall, as Trustee of the Edna lone Hall Living Trust					
				Fina Oil and Chemical Company		1.562500%			
				Lee M. Bass, Inc.		3.125000%			
						0.292969%			
40A	SE 1/4 NW/4 Section 12, T-25-S, R. 37-E, Lea County, New Mexico, between the subsurface depths of 5,500 feet and 6,300 feet	40	HBP	Atlantic Richfield Company		11.250000%	ARCO		100%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty		Overriding Royalty		Working Interest	
				Owner	Percentage	Owner	Percentage	Owner	Percentage
41	N/2 SW/4 Section 13, T 25 S, R 37 E, Lea County, New Mexico, between the sub-surface depths of 5,000 feet and 6,250 feet	80	HBP	Sid R. Boss, Inc.	0.292969%			ARCO	45.312500%
				Keystone, Inc.	0.292969%			Meridian Oil Production Inc.	15.380859%
				Thru line, Inc.	0.292968%			Lee M. Boss, Inc.	2.343750%
				C. W. Samuels	0.390675%			Sid R. Boss Inc.	2.343750%
				Nationsbank of Texas, NA (as successor), Escrow Agent - Sabine Royalty Trust	1.562500%			Keystone Inc.	2.343750%
				Atlantic Richfield Company	10.625000%			Thru line Inc.	2.343750%
				Delltex Royalty Co., Inc	0.878906%			H.B. Fuqua, Trustee under the Last Will and Testament of Dolores Mooers, Dec'd	8.750000%
				Way Enterprises, Inc.	0.878906%			First National Bank of ft. Worth, Trustee	5.625000%
				Thomas H. Low, Hamilton Rodgers & Margaret Snider for Nancy S. Tilly Snyder	0.781250%			DRYX Energy Company	4.687500%
				Beverly Anne Carler	0.878906%			Mooers Oil Corporation	4.375000%
				Joyce Ann Brown	0.585938%			Delltex Royalty Company, Inc	3.125000%
				B.A. Christmas, Jr.	0.292969%			Way Enterprises, Inc.	3.125000%
				Bradford Ace Christmas	0.073242%			Meridian Oil Production Inc	0.244141%
				Mary J. Christmas Holiday	0.073242%				
				Candy Christmas	0.073242%				
				Helen Jane Christmas Barby	0.073242%				
				Heirs or devisees of Alma Pearl Eaton Hughes Watkins, Deceased	1.562500%				
				First National Bank of Lubbock Successor Trustee of Beulah H. Simmons Trust B F/B/O Mary Jane Hand	0.219727%				
				First Natl. Bank of Lubbock Successor Trustee of					

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
40	SW/4 SW/4 Section 12, T 25 S, R 37 E, Lea County, New Mexico.	40	HBP	J.E. Simmons Trust B - F/R/O Mary Jane Hand	0.219727%	
				First NII, Bank of Lubbock		
				Successor Trustee of Beulah H. Simmons Trust A F/R/O		
				Jean Shipley Sullivan	0.219726%	
				First NII, Bank of Lubbock		
				Successor Trustee of J.E. Simmons Trust A		
				F/R/O Jean Shipley Sullivan	0.219727%	
				Sid R. Boss, Inc.	0.292969%	
				Keystone, Inc.	0.292969%	
				Thru Line	0.292969%	
				Lee M. Boss	0.292968%	
				Moers Oil Corporation	0.546875%	
				Alma E.H. Watkins	1.562500%	
				Rose Gonn	0.390626%	
45	SW/4 SW/4 Section 12, T 25 S, R 37 E, Lea County, New Mexico.	40	HBP	Charlene Rogers Teambok, N.A.	0.390624%	
				Successor Trustee U/W/O Dolores Moers, Accl. #5976	1.093750%	
				MCNB Texas, Trustee of the Moers Trust, Trustee #1311	0.703125%	
				ARCO	3.125000%	
				Sid R. Boss, Inc.	0.292969%	ARCO
				Keystone, Inc.	0.292969%	Meridian Oil Production Inc.
				Thru Line	0.292969%	Lee M. Boss, Inc.
						45 312500%
						15.380859%
						2.343750%

**EXHIBIT "B"**

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner			Overriding Royalty Owner			Working Interest Owner		
				Percentage			Percentage			Percentage		
	between the sub-surface depths of 5,000 feet and 5,500 feet.			Lee M. Boss	0.292968%		Sid R. Boss Inc.	2.343750%				
				Moore's Oil Corporation	0.546875%		Keystone Inc.	2.343750%				
				Alma E.H. Watkins	1.562500%		Thru Line Inc.	2.343750%				
				Rose Gonn	0.390625%		H.B. Fuqua, Trustee under the					
				Charlotte Rogers	0.390624%		Lost Will and Testament of					
				Leombank, N.A.	1.093750%		Dolores Moore, Dec'd	8.750000%				
				Successor Trustee U/W/O			First National Bank of					
				Dolores Moore, Accl. #5976			Fl. Worth, Trustee	5.625000%				
				MCNB Texas, Trustee of			ORXX Energy Company	4.687500%				
				the Moore's Trust,			Moore's Oil Corporation	4.375000%				
				Trustee #1311	0.703125%		Dellux Royally Company, Inc	3.125000%				
				ARCO	3.125000%		Woy Enterprises, Inc.	3.125000%				
				First NII, Bank of Lubbock			*Meridian Oil Production Inc.	0.244141%				
				Successor Trustee of								
				J.E. Simmons Trust A								
				F/B/O Jean								
				Shipley Sullivan	0.219727%							
				First NII, Bank of Lubbock								
				Successor Trustee of Beulah								
				H. Simmons Trust A F/B/O								
				Jean Shipley Sullivan	0.219726%							
				First National Bank of Lubbock								
				Successor Trustee of Beulah								
				H. Simmons Trust B F/B/O								
				Mary Jane Hand	0.219727%							
				First NII, Bank of Lubbock								
				Successor Trustee of								
				J.E. Simmons Trust B -								
				F/B/O Mary Jane Hand	0.219727%							
				Dellux Royally Co., Inc	0.878906%							
				Woy Enterprises, Inc.	0.878906%							

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
42A	SW/4 SW/4 Section 12, 1-25-S, R 37-L, Lea County, New Mexico, between the sub-surface depths of 5,500 feet and 6,250 feet	40	HBP	Thomas H. Low, Hamilton Rodgers & Margaret Snyder for Nancy S. Jilly Snyder		
				0.781250%		
				0.878906%		
				0.781250%		
				0.585938%		
				0.292969%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		
				Helen Jane Christmas Barbby Heirs or devisees of Alma Pearl Eaton Hughes Watkins, Deceased		
				1.562500%		
				Sid R. Boss, Inc. Keystone, Inc. thru line Lee M. Boss Moore's Oil Corporation Alma E.H. Watkins Rose Gann Charlene Rogers Teambank, NA. Successor trustee U/W/O Dolores Moore's, Accl #5976 MGNB Texas, Trustee of the Moore's Trust, Trustee #1311 ARCO		
				0.292969%		
				0.292969%		
				0.292969%		
				0.292968%		
				0.546875%		
				1.562500%		
				0.390626%		
				0.390624%		
				1.093750%		
						ARCO
						60.693360%
						Lee M. Boss, Inc.
						2.343750%
						Sid R. Boss Inc.
						2.343750%
						Keystone Inc.
						2.343750%
						thru line Inc.
						2.343750%
						H.B. Fuqua, Trustee under the Last Will and Testament of Dolores Moore's, Dec'd
						8.750000%
						First National Bank of Ft. Worth, Trustee
						5.625000%
						ORyx Energy Company
						4.687500%
						Moore's Oil Corporation
						4.375000%
						Dellex Royally Company, Inc
						3.125000%
						Way Enterprises, Inc.
						3.125000%
						MeridianOil Production Inc.
						0.244140%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	First NII. Bank of Lubbock Successor Trustee of J.E. Simmons Trust A F/B/O Jean Shipley Sullivan			0.219727%		
	First NII. Bank of Lubbock Successor Trustee of Beulah H. Simmons Trust A F/B/O Jean Shipley Sullivan			0.219726%		
	First National Bank of Lubbock Successor Trustee of Beulah H. Simmons Trust B F/B/O Mary Jane Hond			0.219727%		
	First NII. Bank of Lubbock Successor Trustee of J.E. Simmons Trust B - F/B/O Mary Jane Hond			0.219727%		
	Dellex Royalty Co., Inc Way Enterprises, Inc. Thomas H. Low, Hamilton Rodgers & Margarel Snider for Nancy S. Tilly Snyder Beverly Anne Carter			0.878906%		
	Joyce Ann Brown B.A. Christmos, Jr. Brodlord Ace Christmos Mary T. Christmos Holladay Candy Christmos Helen Jane Christmos Barbry Heirs or Devisees of Almo			0.878906%		
				0.781250%		
				0.585938%		
				0.292969%		
				0.073242%		
				0.073242%		
				0.073242%		
				0.073242%		



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
43	SE 1/4 SW/4 Section 12, 1-25-S, R. 37 E, Lea County, New Mexico, between the subsurface depths of 5,000 feet and 6,250 feet	40	HBP	Pearl Eaton Hughes Watkins, Deceased		
				1.562500%		
				Sid R. Boss, Inc.		ARCO
				0.292969%		60.693360%
				Keystone, Inc.		Lee M. Boss, Inc.
				0.292969%		2.343750%
				Thru line		Sid R. Boss Inc.
				0.292969%		2.343750%
				Lee M. Boss		Keystone Inc.
				0.292968%		2.343750%
				Moore's Oil Corporation		Thru line Inc.
				0.546875%		2.343750%
				Alma E.H. Watkins		H.B. Fuqua, Trustee under the
				Rose Conn		Lost Will and Testament of
				0.390626%		Dolores Mooers, Dec'd
				Charlotte Rogers		8.750000%
				0.390624%		First National Bank of
				Teembank, N.A.		Fl. Worth, Trustee
				1.093750%		5.625000%
				Successor Trustee U/W/O		DRYX Energy Company
				Dolores Mooers, Accl. #5976		4.687500%
				MCNB Texas, Trustee of		Moore's Oil Corporation
				the Mooers Trust,		4.375000%
				Trustee #1311		Dellux Royalty Company, Inc
				0.703125%		3.125000%
				ARCO		Woy Enterprises, Inc.
				3.125000%		0.244140%
				First NII, Bank of Lubbock		Meridian Oil Production Inc.
				Successor Trustee of		
				J.E. Simmons Trust A		
				F/B/O Jean		
				0.219727%		
				Shipley Sullivan		
				First NII, Bank of Lubbock		
				Successor Trustee of Beulah		
				H. Simmons Trust A F/B/O		
				0.219726%		
				Jean Shipley Sullivan		
				First National Bank of Lubbock		
				Successor Trustee of Beulah		
				H. Simmons Trust B F/B/O		

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
44	NW/4 SE/4 Section 12, 1-25-S, R. 37-1, Lea County, New Mexico.	40	HBP	Mary Jane Hond	0.219727%	ARCO Lee M. Boss, Inc. Sid R. Boss Inc.
				First NII, Bank of Lubbock		
				Successor Trustee of		
				J.E. Simmons Trust B -		
				F/B/O Mary Jane Hond	0.219727%	
				Dellex Royalty Co., Inc	0.878906%	
				Woy Enterprises, Inc.	0.878906%	
				Thomas H. Low, Hamilton		
				Rodgers & Margaret Snider		
				for Nancy S. Tilly Snyder	0.781250%	
				Beverly Anne Corter	0.878906%	
				Joyce Ann Brown	0.585938%	
				B.A. Christmos, Jr.	0.292969%	
				Bradford Ace Christmos	0.073242%	
				Mary I. Christmos Holiday	0.073242%	
				Candy Christmos	0.073242%	
				Helen Jane Christmos Barby	0.073242%	
				Heirs or devisees of Alma		
				Pearl Edlon Hughes Watkins,		
				Deceased	1.562500%	
				First NII, Bank of Lubbock		
				Successor Trustee under the		
				last Wills and Testaments		
				of J.E. Simmons and Beulah		
				Simmons, Deceased	0.878906%	
				Sid R. Boss, Inc.	0.292969%	
				Keystone, Inc.	0.292969%	
				Thru line	0.292969%	

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner	Percentage	Owner	Percentage	Owner
between the sub-surface depths of 5,000 feet and 5,450 feet				0.292968%	Lee M. Boss		2.343750%	Keystone Inc.	
				0.546875%	Moers Oil Corporation		2.343750%	Thru Line Inc.	
				1.562500%	Alma E.H. Watkins			H.B. Fuqua, Trustee under the	
				0.390626%	Rose Gann			last Will and Testament of	
				0.390624%	Charlene Rogers			Dolores Moers, Dec'd	8.750000%
				1.093750%	Leombank, N.A.			First National Bank of	
					Successor Trustee U/W/O			ft. Worth, Trustee	5.625000%
					Dolores Moers, Acct. #5976			ORIX Energy Company	4.687500%
					NCNB Texas, Trustee of			Moers Oil Corporation	4.375000%
					the Moers Trust,			Deltex Royalty Company, Inc	3.125000%
				0.703125%	Trustee #1311			Woy Enterprises, Inc.	3.125000%
				3.125000%	ARCO			* Meridian Oil Production Inc	0.439454%
					First NII. Bank of Lubbock				
					Successor Trustee of				
					J.E. Simmons Trust A				
					F/B/O Jean				
				0.219727%	Shipley Sullivan				
					First NII. Bank of Lubbock				
					Successor Trustee of Beulah				
					H. Simmons Trust A F/B/O				
				0.219726%	Jean Shipley Sullivan				
					First National Bank of Lubbock				
					Successor Trustee of Beulah				
					H. Simmons Trust B F/B/O				
				0.219727%	Mary Jane Hand				
					First NII. Bank of Lubbock				
					Successor Trustee of				
					J.E. Simmons Trust B -				
				0.219727%	F/B/O Mary Jane Hand				
				0.878906%	Deltex Royalty Co., Inc				
				0.878906%	Woy Enterprises, Inc.				

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Thomas H. Low, Hamilton Rodgers & Margaret Snider for Nancy S. Tilly Snyder			0.781250%		
	Beverly Anne Corler			0.878906%		
	Joyce Ann Brown			0.585938%		
	B.A. Christmos, Jr.			0.292969%		
	Bradford Ace Christmos			0.073242%		
	Mary T. Christmos Holladay			0.073242%		
	Candy Christmos			0.073242%		
	Helen Jane Christmos Barby			0.073242%		
	Heirs or Devisees of Alma Pearl Eaton Hughes Watkins.					
	Deceased			1.757813%		
	William Riley Eaton			1.302083%		
	Kathryn Pearl Gordon			0.156250%		
	Marilyn Joan Craig			0.156250%		
	Air Wanda Jean Stutzman			0.156250%		
	Raymond Harrison Eaton			0.156250%		
	Helen May Hamilton			0.156250%		
	Doisey Elma Turner			2.083333%		
	Collie Eaton Pyrell			0.260417%		
	Jennie Lois Eaton Hodges			0.195313%		
	William Henry Eaton			0.195313%		
	Charlie Irevew Eaton			0.195313%		
	Lindy Hompie Eaton			0.195313%		
	Clarence Victor Eaton			0.195313%		
	ARRIE Mae Eaton Wilson			0.195313%		
	Charlie E. Eaton			0.195313%		

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

ARC0	59,746,796%
Lee M. Boss, Inc.	2,343,750%
Sid R. Boss Inc.	2,343,750%
Keystone Inc.	2,343,750%
Thru line Inc.	2,343,750%
H.B. Fuqua, Trustee under the Last Will and Testament of Deobies Moores, Dec'd	8,750,000%
First National Bank of ft. Worth, Trustee	5,625,000%
Moores Oil Corporation	4,375,000%
Dallas Royally Company, Inc	3,125,000%
Woy Enterprises, Inc.	3,125,000%
First National Bank of Lubbock, Successor Trustee under the Last Will Testament of J. E. Simmons, and Beulah H. Simmons, Decesed	3,125,000%
ORXX Energy Company	2,343,750%
Meridian Oil Production Inc.	0,439,454%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage
	F/B/O Mary Jane Hand Dellx Royalty Co., Inc Way Enterprises, Inc.			0.219727% 0.878906% 0.878906%		
	Thomas H. Low, Hamilton Rodgers & Margaret Snider for Nancy S. Tilly Snyder Beverly Anne Carter			0.781250% 0.878906%		
	Joyce Ann Brown B.A. Christmas, Jr. Bradford Ace Christmas Mary I. Christmas Holiday Candy Christmas Helen Jane Christmas Butby Heirs or Devisees of Alma Pearl Eaton Hughes Molkins, Deceased			0.585938% 0.292969% 0.073242% 0.073242% 0.073242% 0.073242% 0.073242%		
	William Riley Eaton Kathryn Pearl Gordon Marilyn Joan Craig Air Wanda Jean Stutzman Raymond Harrison Eaton Helen May Hamilton Dorsey Elmo Turner Collie Eaton Pyrell Jennie Lois Eaton Hodges William Henry Eaton Charlie Trever Eaton Lindy Hompie Eaton Heirs or Devisees of Almo Pearl Eaton Hughes Molkins,			1.562500% 1.302083% 0.156250% 0.156250% 0.156250% 0.156250% 0.156250% 2.083333% 0.260417% 0.195313% 0.195313% 0.195313% 0.195313%		

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage	
45	SW/4 SE/4 Section 12, T-2S, R. 37-E, Lea County, New Mexico, between the sub-surface depths of 5,000 feet and 5,300 feet	40	HBP	Deceased			
				0.195313%			
				Clorence Victor Eaton	0.195313%		
				Attie Mae Eaton Wilson	0.195313%		
				Charlie E. Eaton	0.195313%		
				Sid R. Boss, Inc.	0.292969%		
				Keystone, Inc.	0.292969%		
				Thru line	0.292969%		
				Lee M. Boss	0.292968%		
				Mooers Oil Corporation	0.546875%		
				Alma E.H. Watkins	1.562500%		
				Rose Gann	0.390626%		
				Charlene Rogers	0.390624%		
				Leambank, N.A.	1.093750%		
				Successor Trustee U/W/O Dolores Mooers, Accl. #5976 MCNB Texas, Trustee of the Mooers Trust, Trustee #1311 ARCO First NII, Bank of Lubbock Successor Trustee of J.E. Simmons Trust A F/B/O Jean Shirley Sullivan First NII, Bank of Lubbock Successor Trustee of Beulah H. Simmons Trust A F/B/O Jean Shipley Sullivan First National Bank of Lubbock	0.703125% 3.125000%   		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Successor Trustee of Beulah H. Simmons Trust B F/B/O Mary Jane Hond			0.219727%		
	First NLI, Bank of Lubbock Successor Trustee of J.E. Simmons Trust B - F/B/O Mary Jane Hond			0.219727%		
	Dellex Royalty Co., Inc Woy Enterprises, Inc.			0.878906%		
	Thomas H. Low, Hamilton Rodgers & Margaret Snider for Nancy S. Tilly Snyder			0.781250%		
	Beverly Anne Corlier			0.878906%		
	Joyce Ann Brown B.A. Christmos, Jr. Broddford Ace Christmos Mary J. Christmos Holladay Candy Christmos Helen Jane Christmos Barbry Heirs or Devisees of Alma Pearl Eaton Hughes Motlins, Deceased			0.585938%		
	William Riley Eaton			0.292969%		
	Kathryn Pearl Gordon			0.073242%		
	Marlyn Joan Craig			0.073242%		
	Air Wanda Jean Stutzman			0.073242%		
	Raymond Harrison Eaton			0.156250%		
	Helen May Hamilton			0.156250%		
	Daisy Elma Turner			0.156250%		
	Calie Eaton Pyrell			2.083333%		
				0.260417%		



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner	Percentage	Owner	Percentage	Owner
45A	SW/4 SE/4 Section 17, T-25-S, R-37-E, Lea County, New Mexico, between the subsurface depths of 5,500 feet and 6,332 feet	40	HBP		Jennie Lois Edton Hodges	0.195313%			
					William Henry Edton	0.195313%			
					Charlie Trevor Edton	0.195313%			
					Lindy Hompie Edton	0.195313%			
					Heirs or devisees of Alma				
					Pearl Edton Hughes Watkins,				
					Deceased	0.195313%			
					Clarence Victor Edton	0.195313%			
					Artie Mae Edton Wilson	0.195313%			
					Charlie E. Edton	0.195313%			
					Sid R. Boss, Inc.	0.292969%		ARCO	32.812500%
					Keystone, Inc.	0.292969%		Meridian Oil Production, Inc	27.685547%
					thru line	0.292969%		Lee M. Boss, Inc.	2.343750%
					Lee M. Boss	0.292968%		Sid R. Boss Inc.	2.343750%
					Moers Oil Corporation	0.546875%		Keystone Inc.	2.343750%
					Alma E.H. Watkins	1.562500%		Thru line Inc.	2.343750%
					Rose Gonn	0.390626%		H.B. Fuqua, Trustee under the	
					Charlene Rogers	0.390624%		Lost Will and Testament of	
					Teembonk, N.A.	1.093750%		Dolores Moers, Dec'd	8.750000%
					Successor Trustee U/W/O			First National Bank of	
					Dolores Moers, Accl. #5976			Fl. Worth, Trustee	5.625000%
					MCNB Texas, Trustee of			DRYX Energy Company	4.687500%
					the Moers Trust,			Moers Oil Corporation	4.375000%
					Trustee #1311	0.703125%		Delltex Royally Company, Inc	3.125000%
					ARCO	3.125000%		Way Enterprises, Inc.	3.125000%
					First NLL Bank of Lubbock			Meridian Oil Production Inc	0.439453%
					Successor Trustee of				
					J.E. Simmons Trust A				
					F/B/O Jean				

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Shibley Sullivan First NLI, Bank of Lubbock Successor Trustee of Beulah H. Simmons Trust A F/B/O Jean Shibley Sullivan First National Bank of Lubbock Successor Trustee of Beulah H. Simmons Trust B F/B/O Mary Jane Hand First NLI, Bank of Lubbock Successor Trustee of J.E. Simmons Trust B - F/B/O Mary Jane Hand Deltex Royalty Co., Inc Way Enterprises, Inc. Thomas H. Low, Hamilton Rodgers & Margaret Snider for Nancy S. Tilly Snyder Beverly Anne Carter			0.219727%		0.219727%
				0.219726%		
				0.219727%		
	Joyce Ann Brown B.A. Christmas, Jr. Bradford Ace Christmas Mary T. Christmas Holiday Candy Christmas Helen Jane Christmas Barbry Heirs or devisees of Almo Pearl Edon Hughes Watkins, Deceased William Riley Edon Kathryn Pearl Gordon			0.585938% 0.292969% 0.073242% 0.073242% 0.073242% 0.073242% 0.073242%		1.562500% 1.302083% 0.156250%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
46	NE/4 NW/4 Section 14, 1-25-S, R-37-T Lea County, New Mexico	40	HBP	Marilyn Joan Craig	0.156250%	ARCO
				Air Wanda Jean Stutzman	0.156250%	
				Raymond Harrison Eaton	0.156250%	
				Helen May Hamilton	0.156250%	
				Dorsey Elma Turner	2.083333%	
				Collie Eaton Pyrell	0.260417%	
				Jennie Lois Eaton Hodges	0.195313%	
				William Henry Eaton	0.195313%	
				Charlie Trevor Eaton	0.195313%	
				Linzey Hompie Eaton	0.195313%	
				Heirs or devisees of Alma Pearl Eaton Hughes Malkins, Deceased	0.195313%	
				Clarence Victor Eaton	0.195313%	
				Altie Mae Eaton Wilson	0.195313%	
				Charlie E. Eaton	0.195313%	
				Laura R. Stuart	0.076039%	
				Anne Stuart Marble	0.076039%	
				Desa L. Lee Laird	0.260430%	
				Maurine Johnson, Trustee	0.062502%	
				John J. Redfern III	0.234374%	
				Ind. Executor of the Estate of John J. Redfern, Jr.		
				Lillie M. Yates, Frank W. Yates and S. P. Yates, Personal Representatives O/E/O		
				Martin Yates III		
				MCNB Texas National Bank	0.219440%	
				Trustee of the Donald L.		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Jones Trust			0.260422%		
	MCNB Texas National Bank					
	Trustee of the Lottie D.					
	Jones Trust			0.260422%		
	Rosalind Redfern			0.234374%		
	Judy Stovall			0.468751%		
	Leon Binkley and Donna Frost					
	as Personal Representatives					
	of the Estate of Kathleen					
	Cone			0.520833%		
	Wendall W. Iverson, as Trustee					
	for the S.J.L. Jr., Trust			0.071129%		
	Wendall W. Iverson, as Trustee					
	for the P.I.P. 1990 Trust			0.071129%		
	Wendall W. Iverson, as Trustee					
	for the W.W.I. 1990 Trust			0.071129%		
	Charlotte H. Stuart			0.152082%		
	Patsy Ann Iverson Page			0.071134%		
	B. Broadrick			1.302080%		
	Wendall Welch Iverson			0.071133%		
	S. E. Cone, Jr.			0.694441%		
	B. B. Ginsberg			0.187502%		
	S. J. Iverson, Jr.			0.071133%		
	Marjorie Cone Kaslman			0.694444%		
	Lovelace Foundation for					
	Medical Education and					
	Research			0.468751%		
	John A. Yoles			0.437531%		
	Frank W. Yoles, Jr., A/I/f					
	for Lillie M. Yoles			0.212944%		
	Estelle Andrews Methrop			1.302160%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUISIS UNIT  
LEA COUNTY, NEW MEXICO

It. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
47	S/2 Section 13, 1-25-S, R. 37-1, Lea County, New Mexico	320	HBP	ARCO	0.312500%	Chevron
				Dorthea Stuart Bruno	0.152082%	
				Kenneth G. Cone	0.104168%	
				Clifford Cone	0.104168%	
				Avril Stuart Dew	0.152082%	
				J. H. Heid	0.468751%	
				Katherine Adeline Cone Keck	0.694444%	
				Phoebe Shelton	0.213400%	
				Irene Stuart Small	0.152082%	
				W. L. Stuart	0.152082%	
				Ira J. Stuart	0.152082%	
				D. C. Stuart	0.152082%	
				John A. Stuart	0.152082%	
				Garland Stuart	0.152082%	
				Harvey E. Yates	0.425886%	
				S. P. Yates	0.425886%	
				Leon G. Beery M. L. Davis Oil Trust First Interstate Bank of Oklahoma, Successor Trustee	0.195300%	
				Royallth Holding Company	0.004900%	
				James Henry Beery	2.636700%	
				Elizabeth Beery Dindley	0.023900%	
				Elliott Oil Company	0.023900%	
				Audrey M. Curry Baker	0.390700%	
				Gordon G. Lancaster	0.000200%	
				c/o Fidelity USA		
				Account #507-188093	0.195300%	
				Elmor C. Shoughnessy	0.018100%	

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Amerindo Hless Corporation			3.125000%		
	Earle M. Simon			0.002400%		
	Harry Levy			0.002400%		
	Veva K. Nelson			0.009800%		
	Margaret R. Ellison			0.001200%		
	C. S. Daley			0.002500%		
	Joseph Nelson			0.004900%		
	Ellis Rudy			0.018100%		
	Ritts Royalty Company					
	Bank of Oklahoma Tulsa NA					
	Agent & Ally-in-Fact			0.752300%		
	Joy Rene Pope			0.048900%		
	Goylene Ashcraft			0.048800%		
	Beverly B. Nelson			0.002400%		
	Judd Moore			0.047700%		
	Marion U. & Donald B. Heard			0.162700%		
	Mildred Smith Rowls			0.010330%		
	Mogabel Smith Rule			0.010330%		
	Cassius L. Smith			0.011620%		
	Rosa Lee Smith Johnson			0.010990%		
	Katie Smith Hazelhurst			0.010330%		
	Eva W. Graham			0.010330%		
	Mary Smith Bowers			0.010330%		
	Richard L. Cronkite, Jr.			0.008720%		
	Jane Cronkite Wilhoms			0.011950%		
	I. L. Woolen			0.010330%		
	Lillian Smith Ward			0.005170%		
	Betty S. Warren			0.001300%		
	frances Woolen Scott			0.005170%		
	Frank L. Smith			0.010330%		
	It Winfield Smith, Jr.			0.010330%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Harry E. Smith			0.005170%		
	Harry Eldon Smith			0.000650%		
	Mary M. Smith			0.010330%		
	Moude S. Smith			0.010330%		
	R. P. Smith			0.011620%		
	Robert H. Smith			0.001300%		
	Dudley M. Smith			0.000650%		
	Leno Ann Bloke			0.001200%		
	Philip Julian Erickson			0.006040%		
	John Warren Erickson			0.006030%		
	Mary Elmer Erickson Knox			0.006030%		
	Mary A. Fosken			0.002400%		
	Roma A. Syfert			0.040500%		
	Rosalind Irelhold			0.002530%		
	William M. Diltmer, Sr.			0.002530%		
	John A. Diltmer			0.002530%		
	Albert Diltmer			0.003380%		
	Charles A Burgess			0.040500%		
	Ellen E. Booker			0.002530%		
	Luella Boes Forwolder			0.013500%		
	Donald Woods					
	c/o Penny Roofing Company			0.013500%		
	Joe William Groy			0.097600%		
	W. M. Riddle & Betty J. Riddle			0.005810%		
	Archie D. Smith & Clorabelle					
	Beals Trust dtd 12-9-70					
	Archie D. Smith, Jr., Trustee			0.752300%		
	Sarah S. Smith			0.011620%		
	O. W. Skirvin Test Trust					
	American National Bank					
	Co Trustee			0.217000%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tract No	Description of land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	G. I. Blankenship Texas American Bank, Successor Trustee U/W/D Dolores Moores, Acct #5976 MCNB Texas National Bank of El Worth, Trustee U/A of the Conkey Hanger et al Moores Trust			0.605500%		0.635850%
	Richard A. Whittington D. V. Thompson					0.000330%
	c/o Richard A. Whittington American State Bank and Martha McEvoy Pope, Co- Trustees of the Hollie C. Williams Trust U/W dated 8-10-81			0.000320%		
	Betty L. Anonite Begans Minerals Company Susan Lomb Griffith John Austin Rittenhouse Judith Rittenhouse Thomas W. Tucker			0.195300%		0.005170%
	c/o Susan L. Griffith April Elizabeth Tucker Floyd M. Mellon, Jr. Guardian for Mally Catherine Lomb			0.000060%		0.000060%
	Floye M. Mellon, Jr. Guardian for Loren Lynne Lomb Libby L. Underwood Morrish			0.000060%		0.002400%



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr No	Description of Land	Acres	Lease Status	Basic Royalty Percentage	Owner	Overriding Royalty Percentage	Owner	Working Interest Percentage	Owner
240	Lea County, New Mexico	240	HBP		JRC, Ltd. (Cons. Inc. c/o Lea Oil & Chemical Co Mopex Oil Corporation			0.390700%	
					Sтивен R. Лиме			0.494550%	
					Kathleen J. Smith			0.005810%	
					R. T. Guest, Oil Producer			0.010330%	
								0.001000%	
					Sharon Antonette Humms			0.0520850%	
					Jerry N. Nislor			0.0039075%	
					Mildred Nislor			0.0078150%	
					Joan N. Brown			0.0039075%	
					Mark A. Honnifin			0.130713%	
240	Lea County, New Mexico	240	HBP		American State Bk and Martha McIvoy Pope, Co-Trustees of the				
					Mollie C. Williams Trust			0.281500%	
					Louella M. Kelly, Life Estate			0.113270%	
					James M. Morey and The Liberty Nat'l Bk. Co-Trustees of the Onez Norman Rooney Testamentary Trust, Trust # 1143074008			0.292950%	
					Jimmy D. Morey and Mary M. Morey, Co-Trustees of the				
					Jimmy D. Morey Revocable Trust			0.146475%	
					Marilyn M. Low and James				
240	Lea County, New Mexico	240	HBP						

EXHIBIT "G"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Acres	Lease Status	Basic Royalty Owner Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage
	B. Low, Co. Trustees of the Marilyn M Low Revocable Trust			0.146175%		
	Douglas Cone Trust, Marilyn Cone Trust, The New Mexico Co P.O. Box 2479			0.089840%		
	Leon Binkley & Donna Frost as Personal Representatives of the Estate of Kathleen Frost			0.130212%		
	Amorillo NIT Bk as Trustee for Sudo Willis (lives Revocable Trust			0.449200%		
	Emil Mosbacher Jr. "C" Acct.			0.113500%		
	c/o R. Bruce Mosbacher			0.046900%		
	Emil Mosbacher Jr. "A" Acct.			0.046800%		
	c/o R. Bruce Mosbacher					
	Emil Mosbacher Jr. "B" Acct.			0.459000%		
	c/o R. Bruce Mosbacher			0.906360%		
	Jo Ann Seevers					
	Konoly Trust Co. as Successor Corporate Trustee of the Lyeth Oil Trust			0.585900%		
	North Central Oil Corp.			1.093700%		
	Southland Royalty Co.			1.562500%		
	Jo Ann Seevers Trustee of the Trust created in the w/o James N. Seevers S.F. Cone Jr.			0.022659%		
				0.833330%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Margie Cone Karlman			0.833330%		
	Christine Lores Elliott			0.065100%		
	Lunice Cone Gibson			0.156300%		
	Marybeth Lores Monruman			0.065100%		
	Robert Mosbacher I Acct			0.046900%		
	J Pennod Lores and Solly Lores, Trustees of the J. Pennod Lores Trust			0.065100%		
	Allanlar Richfield Company			0.781200%		
	Cathie Auvenshine			0.089840%		
	Stewart Bochman, Jr.			0.101570%		
	Kenneth G Cone			0.089840%		
	Clifford Cone			0.089840%		
	Tom R. Cone			0.089840%		
	Allynor Kelly Fuller			0.037763%		
	John H. Hendrix Corp.			0.260425%		
	Katherine Adeline Cone Keck			0.833340%		
	Robert Jackson Kelly, III			0.018887%		
	Philip Lewis Lee			0.130200%		
	Randolph Palmer Lee			0.260400%		
	Edwin D. Lee			0.130200%		
	Robert Mosbacher A Ac			0.046900%		
	Robert Mosbacher I Ac			0.046900%		
	Robert Mosbacher K Ac			0.046900%		
	Oro Lee Nistor			0.195300%		
	American Sl. Bk. & Oro Lee Nistor Co-Trustees of the O.L. Nistor, Jr. Trust			0.097650%		
	American Sl. Bk & Oro Lee Nistor Co-Trustees of the Robert Nistor Trust			0.097650%		

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty	Owner	Overriding Royalty	Owner	Working Interest	Owner
				Percentage		Percentage		Percentage	
	NCRB Leases NIT Bk as Trustee U/W Trust's (More)			0.113770%					
	Mary Beth Kelly Trust			0.018887%					
	Nina Jean Stevens Scott as Trustee under Trust Agreement executed by Nina Jean Stevens Scott as Grantor and Stewart Bachman Jr as Trustee dated 7/27/1975.			0.113795%					
	Barbara Mosbacher B AC			0.046800%					
	Barbara Mosbacher C AC			0.046800%					
	Barbara Mosbacher S AC			0.046900%					
	Mary Louise Slinger Heddington Minerals			0.037765%					
	Philip Lewis Lee			0.651042%					
	Randolph P. Lee			0.130208%					
	Edward David Lee			0.130208%					
	Mrs. F.A. Kelly			0.113281%					
	Kops Oil Co.			0.554681%					
	Jimmy Morey Revocable Trust, Jimmy D. Morey and Mary Morey, Trustees			0.146484%					
	Marilyn D. Law Revocable Trust, Marilyn Law and James B. Law, Trustees			0.146484%					
	A.L. Mangum			0.008138%					
	JMD Trust, A.L. Mangum, Trustee			0.008138%					
	SEW Trust, A.L. Mangum, Jr., Trustee			0.008138%					

EXHIBIT "B"

TO UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tract No	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
29	E2/4 30/4 Section 13 T25S, R37E Lea County, New Mexico	40	HBP	Lyeth Oil Trust	0.585938%	ARCO Doyle Hartman and wife, Marquett Hartman James A. Davidson, separate property Larry A. Nemyr, separate property James E. Burr and wife, Loreta Burr Jack Fletcher and wife, Delphia Fletcher
				Coal Trust	0.010851%	
				LA Trust, Coal Trust and Christine L. Elliott, Trustees	0.010851%	
				Lopes-COM Ltd	0.065104%	
				Katherine Cone Kreck	0.833333%	
				Joan Brown Trust, American SI Bk and Jerry M. Fishy, Trustee	0.039063%	
				Niky Rotkoff, Nancy Wallace and Joel Nistor Trust, American SIO SI Bk and Jerry Nistor, Co-Trustees	0.019531%	
				Joe S. Nistor Estate	0.078125%	
				Orla L. Nistor and American SI Bk, Co-Trustees	0.039063%	
				Sharon Antoinette Dumas Jerry N. Nistor Mildred Nistor Joan N. Brown Mark A. Hannifin American State Bk and Martha McVoy Pope, Co-Trustees of the Hattie C. Williams Trust Louella M. Kelly, Life Estate James M. Morey and The Liberty NIT Bk,	0.0520850% 0.0039075% 0.0078150% 0.0039075% 0.130213%  0.781300% 0.113270%	

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
TEA CONINITY, N.W. MEXICO

Tr No	Description of Land	Acres	Lease Status	Basic Royalty Owner Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage
	Co-Trustees of the Inez Norman Rooney Testamentary Trust, Trust # 1143074008			0.292950%		
	Jimmy D. Morey and Mary M. Morey, Co-Trustees of the Jimmy D. Morey Revocable Trust			0.146475%		
	Marilyn M. Low and James B. Low, Co-Trustees of the Marilyn M. Low Revocable Trust			0.146475%		
	Knights' Lane Trust, Marilyn Cone Trustee The New Mexico Co P.O. Box 2479			0.089840%		
	Leon Binkley & Donna Frost as Personal Rep's of the Estate of Kathleen Cone			0.130212%		
	Amarillo NIT Bk as Trustee for Sudo Willis (lives) Revocable Trust			0.449200%		
	Emil Mosbacher Jr. "C" Accl c/o R. Bruce Mosbacher			0.113300%		
	Emil Mosbacher Jr. "A" Accl c/o R. Bruce Mosbacher			0.046900%		
	Emil Mosbacher Jr. "B" Accl. c/o R. Bruce Mosbacher			0.046800%		
	Jo Ann Seevers			0.469000%		
				0.906360%		

EXHIBIT "R"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Kanady Trust Co. as Successor Corporate Trustee of the Lyeth Oil Trust			0.585900%		
	North Central Oil Corp.			1.093700%		
	Southland Royalty Co.			1.567500%		
	Jo Ann Seewers Trustee of the Trust created in the w/o James N. Seewers			0.022659%		
	S.L. Cone Jr.			0.833330%		
	Margie Cone Kustman			0.833330%		
	Christine Toles Elliott			0.065100%		
	Lunice Cone Gibson			0.156300%		
	Marybeth Toles Mangum			0.065100%		
	Robert Mosbacher L. Acct.			0.046900%		
	J. Pernod Toles and Sally Toles, Trustees of the J. Pernod Toles Trust			0.065100%		
	Altonic Richfield Company			0.781200%		
	Coline Auvenshine			0.089840%		
	Stewart Bachman, Jr.			0.101570%		
	Kenneth G. Cone			0.089840%		
	Clifford Cone			0.089840%		
	Tom R. Cone			0.089840%		
	Alyne Kelly Fuller			0.037763%		
	John H. Hendrix Corp.			0.260425%		
	Katherine Adeline Cone Keck			0.833340%		
	Robert Jackson Kelly, III			0.018887%		
	Phillip Lewis Lee			0.130200%		
	Randolph Palmer Lee			0.260400%		
	Edwin D. Lee			0.130200%		

EXHIBIT "F"

TO UNIT AGREEMENT, SOUTH JUISIS UNIT  
ITTA COUNTY, NEW MEXICO

Tract No	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Robert Mosbacher A Ac			0.046900%		
	Robert Mosbacher I Ac			0.046900%		
	Robert Mosbacher K Ac			0.046900%		
	Oro Lee Nistor			0.195300%		
	American Sl. Bk. & Ora Lee					
	Nistor Co - Trustees of the					
	O.L. Nistor, Jr. Trust			0.097650%		
	American Sl. Bk. & Ora Lee					
	Nistor Co - Trustees of the					
	Robert Nistor Trust			0.097650%		
	MCNB Texas NII Bk as					
	Trustee U/W Paul S. Oles			0.113270%		
	Mary Beth Kelly Ping			0.018887%		
	Nina Jean Seevens Scott					
	as Trustee under Trust					
	Agreement executed by					
	Nina Jean Seevens Scott					
	as Grantor and Stewart					
	Bochman Jr. as Trustee					
	dated 7/27/1975.			0.113295%		
	Barbara Mosbacher B AC			0.046800%		
	Barbara Mosbacher C AC			0.046800%		
	Barbara Mosbacher S AC			0.046900%		
	Mary Louise Stinger			0.037763%		
	Headington Minerals			0.651042%		
	Phillip Lewis Lee			0.130208%		
	Randolph P. Lee			0.130208%		
	Edward David Lee			0.130208%		
	Mrs. E.A. Kelly			0.113281%		
	Kops Oil Co.			0.554681%		
	Jimmy Morey Revocable					



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Acres	Lease Status	Basic Royalty Owner Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage
50	S1/4 NE 1/4 Section 10, T25N, R37E, Lea County, New Mexico	40	HBP	Trust, Jimmy D. Morey and Mary Morey, Trustees	0.146484%	
				Marilyn D. Low Revocable Trust, Marilyn Low and James B. Low, Trustees	0.146484%	
				A.L. Mangum	0.008138%	
				JMD Trust, A.L. Mangum, Trustee	0.008138%	
				CFM Trust, A.L. Mangum, Jr., Trustee	0.008138%	
				Lyeth Oil Trust	0.585938%	
				Loe L. Elford	0.010851%	
				L.A. Trust, Loe L. Elford and Christine L. Elford, Trustees	0.010851%	
				Loes-COM Ltd.	0.065104%	
				Katherine Cone Keck	0.833333%	
50	S1/4 NE 1/4 Section 10, T25N, R37E, Lea County, New Mexico	40	HBP	Joan Brown Trust, American Sl Bk and Jerry N Nislar, Trustee	0.039063%	
				Niky Radliff, Nancy Wallace and Joel Nislar Trust, American Sla Sl Bk and Jerry Nislar, Co-Trustees	0.019531%	
				Joe S. Nislar, Co-Trustees	0.078125%	
				Ora L. Nislar and American Sl Bk, Co-Trustees	0.039063%	
				Sharon Antonelle Dumas	0.0520850%	
				Jerry N. Nislar	0.0039075%	
				Mildred Nislar	0.0078150%	
50	S1/4 NE 1/4 Section 10, T25N, R37E, Lea County, New Mexico	40	HBP	ARCO		42.053475%
				Doyle Hartman and wife, Margaret Hartman		14.655674%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr. No.	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage		Percentage		Percentage	
	John N. Brown			0.0039075%				Joe Mabe, marital status unknown	6.250000%
	Mark A. Hummfin			0.130213%				Apache	6.250000%
	American Stole Plk and							Hendington Minerals, Inc	5.555600%
	Northo McEvoy Popr.							James A. Davidson, separate property	5.153644%
	Co-trustees of the							Meridian Oil Production, Inc	4.340230%
	Hollie C. Williams Trust			0.781500%				of El Paso Production Co.	5.551100%
	Louella M. Kelly.							Betty Lou Linehan, separate property	3.125000%
	Life Estate			0.113270%				Barbara Lu Rolliff, separate property	3.125000%
	James M. Morey and							J. Steve Anderson, marital status unknown	5.125000%
	The Liberty NIT BK,							J. L. Burkhardt, marital status unknown	2.000000%
	Co-trustees of the Onez							Larry A. Nerny, as his separate property	0.322103%
	Norman Rooney							James L. Burr and wife,	0.161051%
	Testamentary Trust,							Loyelo Burr	
	Trust # 114307400R			0.292940%				Jack Fletcher and wife,	0.161051%
	Jimmy D. Morey and							Delphio Fletcher	
	Mary M. Morey,								
	Co-trustees of the								
	Jimmy D. Morey								
	Revocable Trust			0.146475%					
	Marilyn M. Low and James								
	B. Low, Co-trustees of the								
	Marilyn M. Low Revocable								
	Trust			0.146475%					
	Douglas Cone Trust,								
	Marilyn Cone Trustee			0.089840%					
	The New Mexico Co.								
	P.O. Box 2479			0.130212%					
	Leon Binkley & Donna								
	Trust as Personal Rep.s								
	of the Estate of								
	Kathleen Cone			0.449200%					

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Amarillo M11 Bk as Trustee for Sudo Willis (less			0.113300%		
	Revocable Trust					
	Emil Mosbacher Jr. "C" Acct					
	c/o R. Bruce Mosbacher			0.046900%		
	Emil Mosbacher Jr. "A" Acct					
	c/o R. Bruce Mosbacher			0.046800%		
	Emil Mosbacher Jr. "B" Acct					
	c/o R. Bruce Mosbacher			0.469000%		
	Jo Ann Seewers			0.906360%		
	Kandly Trust Co. as					
	Successor Corporate					
	Trustee of the Lyeth					
	Oil Trust			0.585900%		
	North Central Oil Corp.			1.093700%		
	Southland Royalty Co.			1.562500%		
	Jo Ann Seewers Trustee of					
	the Trust created in the					
	w/o James N. Seewers			0.022659%		
	S.E. Cone Jr.			0.833330%		
	Marjorie Cone Kaslman			0.833330%		
	Christine Toles Elliott			0.065100%		
	Eunice Cone Gibson			0.156300%		
	Marjeth Toles Mangum			0.065100%		
	Robert Mosbacher L Acct.			0.046900%		
	J. Penrod Toles and Solly					
	Toles, Trustees of the					
	J. Penrod Toles Trust			0.065100%		
	Allonric Richfield Company			0.781200%		
	Colbie Auvershine			0.089840%		
	Stewart Bachman, Jr.			0.101570%		

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tract No	Description of Land	Acres	Lease Status	Basic Royalty Owner		Overriding Royalty Owner		Working Interest Owner	
				Percentage		Percentage		Percentage	
	Kenneth G. Cone			0.089840%					
	Clifford Cone			0.089840%					
	Tom R. Cone			0.089840%					
	Allyne Kelly Fuller			0.037763%					
	John H. Hendrix (or)			0.260425%					
	Katherine Adeline Cone Keck			0.833340%					
	Robert Jackson Kelly, III			0.018887%					
	Phillip Lewis Lee			0.130200%					
	Randolph Palmer Lee			0.260400%					
	Edwin D. Lee			0.130200%					
	Robert Mosbacher A Ac			0.046900%					
	Robert Mosbacher I Ac			0.046900%					
	Robert Mosbacher K Ac			0.046900%					
	Oro Lee Nistor			0.195300%					
	American Sl. Bk. & Oro Lee Nistor Co - Trustees of the								
	O.L. Nistor, Jr. Trust			0.097650%					
	American Sl. Bk. & Oro Lee Nistor Co - Trustees of the								
	Robert Nistor Trust			0.097650%					
	MCNB Texas Mill Bk. as Trustee U/W Paul S. Oles			0.113270%					
	Mary Beth Kelly Ping			0.018887%					
	Mina Jean Seevers Scott as Trustee under Trust Agreement executed by Nina Jean Seevers Scott as Grantor and Stewart Bachman Jr. as Trustee dated 7/27/1975.			0.113295%					
	Barbara Mosbacher B Ac			0.046800%					

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
TEA COUNTY, NEW MEXICO

Tr. No	Description of Land	Acres	Lease Status	Basic Royalty Owner			Overriding Royalty Owner		Working Interest Owner	
				Percentage	Owner		Percentage	Owner	Percentage	Owner
	Barbara Mosbacher C AC			0.046800%						
	Barbara Mosbacher S AC			0.046900%						
	Mary Louise Stringer			0.037763%						
	Heddington Minerals			0.651042%						
	Philip Lewis Lee			0.130208%						
	Randolph P. Lee			0.130208%						
	Edward David Lee			0.130208%						
	Mrs T A Kelly			0.113281%						
	Kops Oil Co.			0.554681%						
	Jimmy Morey Revocable Trust, Jimmy D. Morey and Mary Morey, Trustees			0.146484%						
	Marilyn D. Low Revocable Trust, Marilyn Low and James B. Low, Trustees			0.146484%						
	A.L. Mangum			0.008138%						
	JMD Trust, A.L. Mangum, Trustee			0.008138%						
	SEM Trust, A.L. Mangum, Jr., Trustee			0.008138%						
	Lyeth Oil Trust			0.585938%						
	Ira L. Elliott			0.010851%						
	L.A. Trust, Ira L. Elliott and Christine J. Elliott, Trustees			0.010851%						
	Joles-COM Ltd.			0.065104%						
	Katherine Cone Keck			0.833333%						
	Joan Brown Trust, American Sl Bk and Jerry N. Nistor, Trustee			0.039063%						
	Niky Rottliff, Nancy Wallace and Joel Nistor Trust,									

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
10	W/4 NW/4, Bl. 1 NW/4 Section 10, T25N, R38E, S10E, Lea County, New Mexico, below 5,000 feet	80	HBP	American Sla Sl Bk and Jerry Nislar, Co-trustees		
				0.019531%		
				Joe S. Nislar Estate		
				0.078125%		
				Ora L. Nislar and American Sl Bk Co-trustees		
				0.059065%		
				Finie W. Turner		ARCO
				0.520710%		100%
				Leck A. Jones		
				0.520710%		
				Lora Alison Winberley Trust		
				0.032550%		
				Clay David Winberley Trust		
				0.032550%		
				Laura Henley Winberley Trust		
				0.032560%		
				Emily Ann Winberley Trust		
				0.032550%		
				Jesse Janercon Berg Trust		
				0.032550%		
				Mary Megan Berg Trust		
				0.032550%		
				Alice W. Nielson		
				0.585940%		
				Levie-Lone Winberley Trust		
				2.604680%		
				Lewis Woodrow Winberley		
				1.041410%		
				Benito Jean Birgningham		
				0.781250%		
				Lillian Bell		Texaco
				0.015700%		35.000000%
				Bedrice Gray Blackburn		Meridian Oil Production, Inc. (Operator)
				0.019530%		21.093750%
				G. I. Blankenship		Caspem Oil Inc.
				0.781250%		15.468750%
				J. O. Buffington		Elkott Oil Co.
				0.015700%		6.250000%
				Mollie Buffington Estate		ARCO
				0.036620%		6.250000%
				Pansy Weaver Administrator Texas State Treasurer F/A/O		Kathleen Cone
				0.015700%		2.343750%
				W. I. Buffington		J R Cone, et ux
				0.015700%		2.343750%
				William W. Carlin		A. L. Cone Partnership
				0.781250%		2.343750%
				John J. Christmann		Ann H. Taylor
				0.024410%		0.772060%

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tr No	Description of Land	Acres	Lease Status	Basic Royalty Owner			Overriding Royalty Owner			Working Interest Owner		
				Percentage			Percentage			Percentage		
				Michael R. Collins	0.195310%					First Century Oil, Inc.	0.694850%	
				F. Ferrell Davis	0.097650%					Producers Petroleum Co., Houston	0.501850%	
				Paul J. Davis, Jr.	0.097660%					Dougherty Corp.	0.468750%	
				Laneway Oil & Gas Company	0.024410%					Willford Cone	0.468750%	
				The Helmer Company	0.468750%					Thomas R. Cone	0.468750%	
				Jack Workman	0.024410%					Kenneth G. Cone	0.468750%	
				J. Hiram Moore, Betty Jane						Cathie Cone Auveshine	0.468750%	
				Moore and Michael Harrison						Colleen M. Wallace	0.386030%	
				Moore, Trustees	0.146480%					Robert L. McPherson	0.386030%	
				United NM Trust Co. Trustee						Charles B. Reed	0.386030%	
				for Nevada Childrens						Donaldson Brown Trust A/C/I	0.347430%	
				Foundation Inc., Reno Cancer						W.K. Byrom	3.088240%	
				Center & Nevada IB &								
				Health Association	0.292970%							
				Charles B. Reed	0.146480%							
				Linda Robinson	0.015700%							
				Royalty Holding Company	2.343750%							
				Shriners Hospital for Crippled								
				Children	0.097660%							
				Junice L. Smith								
				c/o B. L. Reeves	0.015700%							
				Joel Tyson	0.048820%							
				Gertrude Dinger Tyson	0.097660%							
				James M. Welborn	0.024410%							
				NCNB Texas National Bank								
				Trustee, Trust #1311	0.820310%							
				Dolores Moores Trust								
				Team Bank								
				Foil Worth Successor								
				Trustee, Acct #5976	1.276050%							

EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUISIS UNIT  
LEA COUNTY, NEW MEXICO

Tract No	Description of Land	Acres	Lease Status	Basic Royalty Owner	Overriding Royalty Owner	Working Interest Owner
				Percentage	Percentage	Percentage
	Ivon L Hall			0.015700%		
	Kathryn Farrell Broy			0.019550%		
	Trust Corp of Montana					
	FBH Bessie L. Whelan			0.058590%		
	Peter Hales Lyson Estate					
	Joint Lyson Successor Ind					
	Executor			0.048820%		
	ARCO			6.250000%		
	Mobers (H) Corporation			0.638020%		
	ECS Petroleum Company			0.468750%		
	Glodys R. Berry Loan					
	Fund Trust			0.039060%		
	L E Jones Mineral Co			0.468750%		
	John J. Redfern III			0.008140%		
	Rosalind Redfern Gower			0.008130%		
	Roberta Redfern Garsl			0.008140%		
	Corinne C. Hightower Trust					
	James Vance Slack, Trustee			0.260410%		
	James Vance Cowan Trust					
	Donald P. Topshie			0.005230%		
	Arthur E. Topshie			0.005240%		
	Loretta L. Horton			0.005230%		
	J.H. Herd			0.244100%		
	Roy G. Barton Jr.			0.019530%		
	Mork E. Hodge			0.019530%		
	James Vance Cowan, Trustee			0.260420%		
	Benjamin Scott Cowan Trust					
	Jack Vance Cowan, Trustee			0.260420%		



EXHIBIT "B"

10 UNIT AGREEMENT, SOUTH JUSTIS UNIT  
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Acres	Lease Status	Basic Royalty Owner Percentage	Overriding Royalty Owner Percentage	Working Interest Owner Percentage
1/4 E1/4 Sec 36, T1N, R1E, S10E, Lea County, New Mexico		40	unleased	ARRO	ARRO	100%
TOTAL PARTIALLED ACRES - 1,640.0				PERCENTAGE OF UNIT (SURFACE ACRES) - 30.6%		

RECAPITULATION

	Acres	Percentage
Federal	2,800.00	52.24%
State	920.00	17.16%
Patented	1,640.00	30.60%
TOTAL	5,360.00	100.00%

## EXHIBIT "C"

Attached to and made a part of that certain Unit Agreement  
dated \_\_\_\_\_, 19\_\_\_\_, for the South Justis Unit located in  
Lea County, New Mexico

<u>TRACT NUMBER</u>	<u>UNIT PARTICIPATION PERCENT</u>
1	.648309
2	1.377364
3	3.383153
4	.813426
5	.821711
6	2.192094
7	1.829734
8	1.893095
9	1.278368
10	3.083234
11	1.850652
12	10.129934
13	.548765
14	1.040874
15	3.337506
16	1.915857
17	3.121720
18	.043063
19	1.277488
20	1.491918
21	2.323008
22	.837075
23	2.052803
24	.961458
25	1.197228
26	.921097
27	1.308680
28	.187129
28A	.202856
29	1.432614
30	2.359737
31	1.980553
32	1.154044
33	.436277
34	7.759747
35	4.153733
36	.165335
37	.288605
38	.281110

TRACT NUMBERUNIT PARTICIPATION PERCENT

39	.821142
39A	.160596
39B	.032708
40	.264797
40A	.051745
41	1.323544
42	.857037
42A	.353997
43	.535326
44	.054053
44A	.003731
45	.242369
45A	.044356
46	.768106
47	5.783629
48	6.745838
49	.825193
50	1.738529
51	5.893882
52	.453910
53	.964153

**TOTAL** 100.000000

**STATE** 15.484354

**FEDERAL** 55.861953

**FEE** 28.653693

**TOTAL** 100.000000

EXHIBIT "D"

Attached To That Certain Unit Operating Agreement  
dated \_\_\_\_\_ for  
The South Justis Unit  
Located in Lea County, New Mexico

WORKING INTEREST OWNER SUMMARY

<u>WORKING INTEREST OWNER</u>	<u>TRACT NUMBER(S)</u>	<u>PARTICIPATION PERCENTAGES</u>
American Exploration	18	0.030144
	19	0.023243
	19	<u>0.158743</u>
<b>TOTAL</b>		<b>0.212130</b>
American Production VI	19	0.665363
	19	<u>0.058107</u>
<b>TOTAL</b>		<b>0.723469</b>
Anderson, Steve	50	<b>0.054329</b>
ARCO	2	1.377364
	4	0.813426
	5	0.667640
	6	2.192094
	7	1.829734
	9	0.161044
	11	1.850652
	13	0.548765
	20	1.491918
	21	2.323008
	22	0.837075
	23	2.052803
	24	0.480729
	29	1.432614
	30	1.189086
	31	1.980553
	34	7.759747
	35	4.153733
	36	0.165335
	38	0.231916
	39	0.818737
	40	0.264022
	41	0.599731
	42	0.388345
	43	0.324908
	44	0.032701
	45	0.079527
	46	0.768106
	47	5.783629
	48	6.745838

<u>WORKING INTEREST OWNER</u>	<u>TRACT NUMBER(S)</u>	<u>PARTICIPATION PERCENTAGES</u>
	49	0.415820
	50	0.734085
	51	5.893882
	52	0.028369
	53	0.964153
	39A	0.160126
	39B	0.024531
	40A	0.051745
	42A	0.214853
	44A	0.002228
	45A	<u>0.014554</u>
<b>TOTAL</b>		<b>57.900872</b>
<b>Auvenshine, Cathie Cone</b>	52	<b>0.002128</b>
<b>Bass, Lee M., Inc.</b>	41	0.031021
	42	0.020087
	43	0.012547
	44	0.001267
	45	0.005681
	42A	0.008297
	44A	0.000087
	45A	<u>0.001040</u>
<b>TOTAL</b>		<b>0.080025</b>
<b>Bass, Sid R., Inc.</b>	41	0.031021
	42	0.020087
	43	0.012547
	44	0.001267
	45	0.005681
	42A	0.008297
	44A	0.000087
	45A	<u>0.001040</u>
<b>TOTAL</b>		<b>0.080025</b>
<b>Brown, Donaldson Trust</b>	52	<b>0.001577</b>
<b>Burkhart, J. L.</b>	50	<b>0.034771</b>
<b>Burr, James</b>	9	0.001248
	30	0.009218
	49	0.003223
	50	<u>0.002800</u>
<b>TOTAL</b>		<b>0.016489</b>
<b>Byrom, W. K.</b>	52	<b>0.014018</b>
<b>Caspen</b>	10	0.513975
	14	0.086740
	52	0.070214
	5	<u>0.154071</u>
<b>TOTAL</b>		<b>0.825000</b>

<u>WORKING INTEREST OWNER</u>	<u>TRACT NUMBER(S)</u>	<u>PARTICIPATION PERCENTAGES</u>
Cone, A. L. Partnership	52	0.010639
<del>Cone, Clifford</del>	38	0.007028
	52	<u>0.002128</u>
<i>TOTAL</i>		<b>0.009155</b>
Cone, D. C.	52	<b>0.002128</b>
Cone, J. R.	52	<b>0.010639</b>
Cone, Kathleen	38	0.035139
	52	<u>0.010639</u>
<i>TOTAL</i>		<b>0.045777</b>
Cone, Kenneth	38	0.007028
	52	<u>0.002128</u>
<i>TOTAL</i>		<b>0.009155</b>
Cone, Thomas	52	<b>0.002128</b>
Davidson, James	30	0.294967
	49	0.103149
	50	0.089598
	9	<u>0.039949</u>
<i>TOTAL</i>		<b>0.527663</b>
Deltex Royalty	41	0.041361
	42	0.026782
	43	0.016729
	44	0.001689
	45	0.007574
	42A	0.011062
	44A	0.000117
	45A	<u>0.001386</u>
<i>TOTAL</i>		<b>0.106700</b>
El Paso	50	<b>0.061737</b>
Elliott Oil Company	52	<b>0.028369</b>
First Century Oil Company	52	<b>0.003154</b>
Fletcher, Jack	9	0.001248
	30	0.009218
	49	0.003223
	50	<u>0.002800</u>
<i>TOTAL</i>		<b>0.016489</b>

<u>WORKING INTEREST OWNER</u>	<u>TRACT NUMBER(S)</u>	<u>PARTICIPATION PERCENTAGES</u>
FNB, Ft. Worth, Trustee	41	0.074449
	42	0.048208
	43	0.030112
	44	0.003040
	45	0.013633
	42A	0.019912
	44A	0.000210
	45A	<u>0.002495</u>
	<b>TOTAL</b>	<b>0.192061</b>
FNB, Lubbock, Trustee	44A	0.000117
Fuqua, H. B., Trustee	41	0.115810
	42	0.074991
	43	0.046841
	44	0.004730
	45	0.021207
	42A	0.030975
	44A	0.000326
	45A	<u>0.003881</u>
	<b>TOTAL</b>	<b>0.298761</b>
Hartman	9	0.113605
	30	0.838813
	49	0.293330
	50	<u>0.254793</u>
	<b>TOTAL</b>	<b>1.500541</b>
Headington	9	0.159796
	16	0.319373
	17	0.520391
	50	<u>0.096586</u>
	<b>TOTAL</b>	<b>1.096146</b>
Irene Investment	52	0.001752
Keystone Inc.	41	0.031021
	42	0.020087
	43	0.012547
	44	0.001267
	45	0.005681
	42A	0.008297
	44A	0.000087
	45A	<u>0.001040</u>
	<b>TOTAL</b>	<b>0.080025</b>
Linehan, Betty Lou	50	0.054329
Mabee, Joe	50	0.108658
Marathon	18	0.012919
	25	<u>0.359168</u>
		<b>0.372087</b>

<u>WORKING INTEREST OWNER</u>	<u>TRACT NUMBER(S)</u>	<u>PARTICIPATION PERCENTAGES</u>
McPheron, Colleen	52	0.001752
Meridian	3	3.383153
	8	1.893095
	9	0.798980
	10	2.569259
	14	0.954135
	15	3.337506
	16	1.596484
	17	2.601329
	24	0.473218
	37	0.288605
	39	0.002406
	40	0.000776
	41	0.206804
	42	0.133912
	43	0.001307
	44	0.000238
	45	0.068166
	49	0.006447
	50	0.075456
	52	0.095747
	39A	0.000470
	39B	0.008177
	42A	0.000864
	44A	0.000016
	45A	<u>0.012475</u>
<b>TOTAL</b>		<b>18.509024</b>
Moores Oil Corp.	41	0.057905
	42	0.037495
	43	0.023421
	44	0.002365
	45	0.010604
	42A	0.015487
	44A	0.000163
	45A	<u>0.001941</u>
<b>TOTAL</b>		<b>0.149381</b>
MW Petroleum (Apache)	33	0.436277
	50	<u>0.108658</u>
<b>TOTAL</b>		<b>0.544935</b>
Nermyr, Larry	9	0.002497
	24	0.007511
	30	0.018435
	50	<u>0.005600</u>
<b>TOTAL</b>		<b>0.034044</b>



<u>WORKING INTEREST OWNER</u>	<u>TRACT NUMBER(S)</u>	<u>PARTICIPATION PERCENTAGES</u>
New York Life II-E	19	0.127537
New York Life II-F	19	0.059740
New York Life II-G	19	0.144934
<u>New York Life II-B</u>	19	<u>0.039822</u>
<b>- TOTAL</b>		<b>0.372032</b>
Oryx	41	0.062041
	42	0.040174
	43	0.025093
	44	0.002534
	45	0.011361
	42A	0.016594
	44A	0.000087
	45A	<u>0.002079</u>
<b>TOTAL</b>		<b>0.159963</b>
Pacific Enterprises	25	0.838059
Ratliff, Barbara Lu	50	0.054329
Read, Charles	52	0.001752
Schieffer, Patricia P. Trust	52	0.002278
Taylor, Ann H. (McPheron)	52	0.003504
Texaco	1	0.648309
	12	10.129934
	26	0.921097
	27	1.308680
	28	0.187129
	32	1.154044
	52	0.158869
	28A	<u>0.202856</u>
<b>TOTAL</b>		<b>14.710918</b>
Thru Line Inc.	41	0.031021
	42	0.020087
	43	0.012547
	44	0.001267
	45	0.005681
	42A	0.008297
	44A	0.000087
	45A	<u>0.001040</u>
<b>TOTAL</b>		<b>0.080025</b>

<u>WORKING INTEREST OWNER</u>	<u>TRACT NUMBER(S)</u>	<u>PARTICIPATION PERCENTAGES</u>
Way Enterprises	41	0.041361
	42	0.026782
	43	0.016729
	44	0.001689
	45	0.007574
	42A	0.011062
	44A	0.000117
	45A	<u>0.001386</u>
<b>TOTAL</b>		<b>0.106700</b>
 <b>GRAND TOTAL</b>		 <b>100.000000</b>

## EXHIBIT

" E "

Witnessed to and made a part of THAT UNIT OPERATING AGREEMENT DATED BY AND BETWEEN  
ATLANTIC RICHFIELD COMPANY, AS OPERATOR, AND TEXACO INC., ET AL, AS  
NON OPERATORS

# 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 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 expenditures, 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 the 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) 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 CITIBANK N.A., 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 or 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 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 II. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct a joint audit in the 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 audit 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.

- C. 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 the Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provision 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 employee 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 equipment 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.

3. 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.

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 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 rate. 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 expenses, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed TWELVE percent (12%) 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 loss 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 practical 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 judgments 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 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  
( ) 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 \$ 5,000.00  
(Prorated for less than a full month)

Producing Well Rate \$ 500.00

- (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, redrilling, deepening, or any remedial operations on any or 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 abandonment 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 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 \$ 50,000.00 :

- 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 2 1/4 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 2 1/4 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 3/4 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 3/4 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 3/4 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.



(2) Condition D

Material, excluding junk, no longer suitable for its original purpose, but usable for some other purpose shall be priced on a basis commensurate with its use. Operator may dispose of Condition D Material under procedures normally used by Operator without prior approval of Non-Operators.

- (a) Casing, tubing, or drill pipe used as line pipe shall be priced as Grade A and B seamless line pipe of comparable size and weight. Used casing, tubing or drill pipe utilized as line pipe shall be priced at used pipe prices.
- (b) Casing, tubing or drill pipe used as higher pressure service lines than standard line pipe, e.g. power oil line shall be priced under normal pricing procedures for casing, tubing, or drill pipe. Upset tubular goods shall be priced on a non upset basis.

(3) Condition E

Junk shall be priced at prevailing prices. Operator may dispose of Condition E Material under procedures normally utilized by Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

- (1) Loading or unloading costs may be charged to the Joint Account at the rate of twenty-five cents (25¢) per hundred weight on all tubular goods movements, in lieu of actual loading or unloading costs sustained at the stock point. The above rate shall be adjusted as of the first day of April each year following January 1, 1985 by the same percentage increase or decrease used to adjust overhead rates in Section III, Paragraph 1.A(3). Each year, the rate calculated shall be rounded to the nearest cent and shall be the rate in effect until the first day of April next year. Such rate shall be published each year by the Council of Petroleum Accountants Societies.
- (2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in providing such Material, in making it suitable for use, and in moving it to the Joint Property; provided notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within ten days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished By Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

## V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

2. Reconciliation and Adjustment of Inventories

Adjustments to the Joint Account resulting from the reconciliation of a physical inventory shall be made within six months following the taking of the inventory. Inventory adjustments shall be made by Operator to the Joint Account for overages and shortages, but, Operator shall be held accountable only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken whenever there is any sale, change of interest, or change of Operator in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory. In cases involving a change of Operator, all Parties shall be governed by such inventory.

1. Expense of Conducting Inventories

- A. The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by the Parties.
- B. The expense of conducting special inventories shall be charged to the Parties requesting such inventories, except inventories required due to change of Operator shall be charged to the Joint Account.

## EXHIBIT "F"

Attached To and Made a Part of  
The Unit Operating Agreement for  
South Justis Unit.  
Lea County, New Mexico

### *ADDITIONAL INSURANCE PROVISIONS*

1. OPERATOR shall, at all times while conducting operations hereunder, comply with all Workers' Compensation and Occupational Disease Laws including the United States Longshoremen's and Harbor Workers' Compensation Act; provided, however, that OPERATOR may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be OPERATOR'S actual cost but not exceeding an amount equivalent to the premium which would have been paid had such insurance been obtained.
2. No other insurance shall be carried by OPERATOR for the joint account unless agreed to by all the parties hereto.
3. OPERATOR shall require all contractors and subcontractors to carry such insurance in such amounts as OPERATOR deems adequate.
4. Each co-owner may procure such insurance with respect to the jointly owned properties and operations as it deems necessary to protect itself against claims and damages and all insurance policies shall be endorsed to provide that underwriters and insurance carriers of co-owner shall not have any right of subrogation against OPERATOR and other co-owners.

## EXHIBIT "G"

Attached To and Made a Part of  
The Unit Operating Agreement for  
South Justus Unit.  
Lea County, New Mexico

### *EQUAL EMPLOYMENT OPPORTUNITY PROVISION*

During the performance of this contract, the Operator (meaning and referring separately to each party hereto) agrees as follows:

- (1) The Operator will not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The Operator will take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: Employment, upgrading, demotion, or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training including apprenticeship. The Operator agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this nondiscrimination clause.
- (2) The Operator will in all solicitations or advertisements for employees placed by or on behalf of the Operator, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex or national origin.
- (3) The Operator will send to each labor union or representative of workers with which Operator has a collective bargaining agreement or other contract or understanding, a notice to be provided, advising the said labor union or workers' representatives of the Operator's commitments under Section 202 of Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (4) The Operator will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.
- (5) The Operator will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to Operator's books, records, and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations, and orders.
- (6) In the event of the Operator's non-compliance with the non-discrimination clauses of this contract or with any of the said rules, regulations, or orders, this contract may be canceled, terminated or suspended in whole or in part and the Operator may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions in Executive Order 11246 of September 24, 1965, or by rules, regulations, or order of the Secretary of Labor, or as otherwise provided by law.
- (7) The Operator will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the

Secretary of labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The Operator will take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions including sanctions for non-compliance: provided, however, that in the event the Operator becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the administering agency, the Operator may request the United States to enter into such litigation to protect the interests of the United States.

Operator acknowledges that Operator may be required to file Standard Form 100 (EEO-1) promulgated jointly by the Office of Federal Contract Compliance, the Equal Employment Opportunity Commission and Plans for Progress with the appropriate agency within 30 days of the date of contract award if such report has not been filed for the current year and otherwise comply with or file such other compliance reports as may be required under Executive Order 11246, as amended and Rules and Regulations adopted thereunder.

Operator further acknowledges that Operator may be required to develop a written affirmative action compliance program as required by the Rules and Regulations approved by the Secretary of labor under authority of Executive Order 11246 and supply each other party hereto with a copy of such program if so requested.

#### *Certification of Nonsegregated Facilities*

By entering into this contract, the Operator certifies that Operator does not and will not maintain or provide for Operator's employees any segregated facilities at any of Operator's establishments, and that Operator does not and will not permit Operator's employees to perform their services at any location, under Operator's control, where segregated facilities are maintained. The Operator agrees that a breach of this certification is a violation of the Equal Opportunity clause in this contract. As used in this certification, the term "segregated facilities" means, but is not limited to, any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, and housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom or otherwise. Operator further agrees that (except where Operator has obtained identical certifications from proposed contractors and subcontractors for specific time periods) Operator will obtain identical certifications from proposed contractors and subcontractors prior to the award of contracts or subcontracts exceeding \$10,000.00 which is not exempt from the provisions of the Equal Opportunity clause. The certification may be submitted either for each contract and subcontract or for all contracts and subcontracts during a period (i.e., quarterly, semiannually, or annually).

EXHIBIT " H "

**GAS BALANCING AGREEMENT**

Unit

Attached to and made a part of that certain Operating Agreement, dated \_\_\_\_\_, between  
**Atlantic Richfield Company**, as Operator  
and **Texaco, Inc.**, et al. as Non-Operator

**I. Definitions**

- A. "Gas" includes natural gas produced from a Well that produces Gas Well Gas, including all constituent parts of such natural gas except liquid hydrocarbons and condensate recovered by primary separation equipment.
- B. "Gas Well Gas" is gas produced from a Well classified as a gas well by the regulatory body having jurisdiction.
- C. "Balanced" is that condition which occurs when a party hereto has taken the same percentage of the cumulative volume of Gas production it is entitled to take pursuant to the terms of the Operating Agreement.
- D. "Overproduced" is the status of a party when the percentage of the cumulative volume of Gas taken by that party exceeds that party's percentage interest of the volume of cumulative Gas production of all parties to the Operating Agreement under and pursuant to the terms of said Operating Agreement.
- E. "Underproduced" is the status of a party when the percentage of cumulative volume of Gas taken by that party is less than that party's percentage interest of the volume of cumulative Gas production of all parties to the Operating Agreement under and pursuant to the terms of said Operating Agreement.
- F. "Well" is defined as each well subject to the Operating Agreement that produces Gas Well Gas. If a single Well is completed in two or more reservoirs, such Well shall be considered a separate Well with respect to, but only with respect to, each reservoir from which the Gas produced is not commingled in the wellbore.

**II. Application of this Agreement**

The parties to the Operating Agreement to which this Gas Balancing Agreement is attached own the working or operating interests in the Gas underlying the Contract Area covered by such Agreement and are entitled to share in the percentages therein as stated in the Operating Agreement.

In accordance with the terms of the Operating Agreement, each party shall take its share of Gas produced from the Contract Area and market or otherwise dispose of same. In the event a party hereto does not take in kind or market its share of Gas or has contracted to sell its share of Gas produced from the Contract Area to a purchaser which, at any time while this Agreement is in effect, fails to take the share of Gas attributable to the interest of such party, the terms of this Gas Balancing Agreement shall automatically become effective.

The Operator has the duty to control Gas production and the responsibility of administering the provisions of this Gas Balancing Agreement. The Operator shall cause deliveries to be made to the Gas purchasers at such rates as may be required to give effect to the intent that the Gas production accounts of all parties are, to the extent practicable, to be or become Balanced.

The provisions of this Agreement shall be applied to each Well separately as if each Well was covered by separate but identical agreements.

**III. Storing and Making Up Gas Production**

**A. Right to Take and Market Gas**

During any period or periods when any party hereto does not take, has no market for, or the market of a party is not sufficient to take that party's full share of the Gas produced from any Well located on the Contract Area, or such party's purchaser otherwise fails to take such party's share of Gas produced from any such Well located on the Contract Area, resulting in such party becoming Underproduced (such party being herein referred to as an "Underproduced party") the other party or parties shall be entitled, but not required, to produce from said Well on the Contract Area (and take or deliver to their respective purchaser(s) each month, all or a part of that portion of the allowable Gas production assigned to such Well by the regulatory body having jurisdiction. Any party so taking or delivering Gas which results in such party becoming Overproduced is herein referred to as an "Overproduced party". Irrespective of the other provisions hereof, no Overproduced party may, without the express written approval of the Underproduced party, take or market Gas in quantities in excess of 150% of such Overproduced party's share of the Gas allowable assigned by the regulatory body having jurisdiction over such Well or 150% of such party's share of the then current deliverability of the Well including associated pipeline pressure, whichever is the lesser quantity of Gas.

Those parties which are capable of taking and/or marketing quantities of Gas allocable to an Underproduced party, in the absence of any other agreement between them, shall each take a share of the Gas attributed to the Underproduced party or parties in the direct proportion that their respective interests bear to the total interest of all parties taking Gas who are also considered Overproduced.

All parties hereto shall share in and own the liquid hydrocarbons recovered from such Gas by primary separation equipment in accordance with their respective interests and subject to the terms of the above described Operating Agreement, whether or not such parties are actually taking and/or marketing Gas at such time.

**B. Making Up Underproduction**

Each party failing to market its share of the total volume of Gas produced or failing to take its full share of the total volume of Gas produced shall be considered Underproduced and shall be credited with Gas in storage equal to its percentage share of the total volume of Gas produced under this Agreement, less that portion of the Gas actually marketed or taken by such party, Gas used in operations, vented, or lost.

Any Underproduced party shall endeavor to bring its taking of Gas into a Balanced condition. Upon written notice to the Operator, any Underproduced party may thereafter begin taking or delivering to its purchaser its full share of the Gas produced from a Well (less any used in operations, vented, or lost). To allow for the recovery of Gas in storage and to balance the Gas account of the parties in accordance with their respective interests, an Underproduced party shall be entitled to take or deliver to a purchaser its full share of Gas produced from such Well (less any used in operations, vented, or lost) plus, (i) for the months of March, April, May, June, July, August, September and October only of any calendar year during which this agreement may be in place, an amount up to an additional fifty percent (50%) of the monthly quantity of Gas attributable to the Overproduced party or parties, or (ii) for the months of November, December, January and February only of any calendar year or years during which this agreement may be in place, an amount up to an additional twenty-five percent (25%) of the monthly quantity of Gas attributable to the Overproduced party or parties. If more than one Underproduced party is entitled to take additional Gas, they shall divide the additional Gas in proportion to their respective Underproduced accounts. The first Gas made up shall be assumed to be the first Gas Underproduced.

**C. Gas Balance Reporting**

Each party taking Gas shall furnish or cause to be furnished to the Operator a monthly written statement of Gas volumes taken and the identity of its Gas purchaser, if any, no later than thirty (30) days after the production month. Operator shall not be required to adjust its Gas accounting statements reflecting a different Gas purchaser until the first day of the month following the month in which such notice is received by the Operator. The Operator will maintain appropriate accounting on a monthly and cumulative basis of the quantities of Gas each party is entitled to take and/or market and the quantities of Gas taken and/or marketed by each of the parties to their respective Gas purchasers. With respect to Gas purchased from or transported for more than one party by or through one pipeline connected to the Well, each party selling to or transporting through such one pipeline shall furnish to Operator or cause the pipeline owner to furnish to Operator monthly volume statements showing the split of ownership through such pipeline's sales or pipeline inlet meter during the preceding calendar month. Within ninety (90) days after the end of each producing calendar month, the Operator shall furnish each party a statement showing the status of the Overproduced and Underproduced accounts of all parties.

To determine respective volumes of Gas taken by separate Gas pipelines connected to the Well, measurement of Gas for overproduction and underproduction shall be accomplished by use of sales meters and lease measurement equipment which shall be in accordance with AGA requirements.

Each party to this agreement agrees that it will not utilize any information obtained hereunder for any purpose other than implementing or administering the terms of this Gas Balancing Agreement.

#### **D. Royalty and Production Tax**

At all times while Gas is produced from the Contract Area, unless otherwise required by any State or Federal law or regulation each party shall pay or cause to be paid all royalty due and payable on its share of Gas production as if each party were taken or delivering to a Gas purchaser its share of Gas production. Each party agrees to hold each other party harmless from any or all claims for royalty payments asserted by its royalty owners. The term "royalty owner" shall include owners of royalty, overriding royalties, production payments, and similar interests payable out of production.

Each party producing and taking or delivering Gas to its Gas purchaser shall pay, or cause to be paid, all production and severance taxes due on all volumes of Gas actually taken or sold by such party.

#### **IV. Cash Settlement**

##### **A. Volume/Value**

If at the permanent termination of production of Gas from a Well located on the Contract Area, or change in ownership as described in Paragraph IV D. below, an imbalance exists between the parties, a cash settlement of the imbalance between the parties relative to such Well shall be made. The amount of the cash settlement will be limited to the proceeds actually received by the Overproduced party or parties at the time of overproduction, less transportation and applicable treating charges and production and severance taxes paid on such overproduction. Royalty shall only be deducted from such proceeds attributable to the overproduction if actually paid to royalty owners by the Overproduced party or parties. No interest shall be added to any cash settlement hereunder. If there is more than one Overproduced party, the cash settlement shall be based on a weighted average of the proceeds actually received as above described by all Overproduced parties. If the Overproduced party or parties did not sell its Gas, such Gas will be valued in the same manner used for royalty calculation purposes when produced. That portion of the monies collected by the Overproduced party or parties which is subject to refund by orders of the Federal Energy Regulatory Commission ("FERC") may be withheld by the Overproduced party or parties until such prices are fully approved by FERC, unless the Underproduced party or parties furnish a corporate undertaking acceptable to the Overproduced party or parties agreeing to hold the Overproduced party or parties harmless from financial loss due to refund orders by FERC.

##### **B. Collection and Distribution**

Operator shall provide within thirty (30) days of permanent termination of Gas production a final accounting of the Gas balance to all parties hereto. Overproduced parties, within thirty (30) days of receipt of the final accounting of the Gas balance, shall provide Operator with a monthly statement of revenue and volume for each month during which overproduction occurred that has not been made-up. Within thirty (30) days after the receipt of such monthly statements from Overproduced parties, Operator shall calculate and invoice each Overproduced party for its share of the cash settlement, based on said revenue and volume statements, due each Underproduced party. Overproduced parties shall make settlement, based on the invoiced amount, to the Operator within thirty (30) days after receipt of said invoice. Such payment shall relieve an Overproduced party of liability to any other party for the sums paid. Operator shall promptly distribute the funds it receives to the Underproduced parties in that proportion that each Underproduced party's volume of Gas in storage bears to the total of all Underproduced parties volumes of Gas in storage. Operator agrees that it will not utilize any information obtained pursuant to this Section IV of this Gas Balancing Agreement for any purpose other than implementing or administering the terms of this Gas Balancing Agreement.

##### **C. Responsibility and Liability for Collection**

Operator shall not be liable to any Underproduced party for the failure of any Overproduced party to pay any amounts owed pursuant to the terms hereof. In the event that any party fails to pay any sum due under the terms hereof after demand therefor by the Operator, the Operator may turn responsibility for the collection of such sum to the party or parties to whom it is owed, and Operator shall have no further responsibility in the event that such sums are not paid. Any party shall have the right after expiration of thirty (30) days after Operator shall have provided a final accounting of the Gas balance to all parties hereto to demand on thirty (30) days advance written notice to both Operator and all Overproduced parties that any payments due to such party for such party's Underproduced volumes shall be paid directly to such party by the Overproduced party(s), rather than being paid through Operator. In the event that any Overproduced party pays to Operator any sums due to an Underproduced party at any time after thirty (30) days following the receipt of such written notification of a demand that such Underproduced party receive such payment directly, the Overproduced party(s) shall continue to be liable to such Underproduced party for any sums so paid, until such payment is actually received by such Underproduced party. In no event shall Operator be liable or responsible for any amount of cash settlement based on a value asserted by an Underproduced party different than the value calculated based on the revenue and volume statements provided by the Overproduced party or parties.

##### **D. Ownership Changes**

In the event an Overproduced party intends to sell, assign, exchange or otherwise transfer any of its interest in a Well located on the Contract Area, such Overproduced party shall notify in writing the other working interest owners who are parties hereto in such Well of such fact within forty-five (45) days prior to closing the transaction. Any Underproduced party may demand of such Overproduced party in writing, within twenty (20) days after receipt of the Overproduced party's notice of intent to sell, assign, exchange or otherwise transfer its interest in a Well, a cash settlement of its underproduction attributed to such Overproduced party's overproduction in the Well. Any Underproduced party electing to cash settle with the Overproduced party shall thereby indemnify and hold the Overproduced party harmless against any causes of action, claims, losses or other actions which may be claimed by any third party, including, but not limited to, any purchaser of the Gas of the Underproduced party, as a result of the cash settlement. The Operator shall be notified of any such demand and of any cash settlement pursuant to this Paragraph IV.D., and the Gas balance accounts of the parties shall be adjusted accordingly. Any cash settlement pursuant to this paragraph IV.D. shall be on the same basis as otherwise set forth in paragraphs IV.A. through IV.C. hereof.

The provision of this Paragraph IV.D. shall not be applicable in the event an Overproduced party has mortgaged its interests, or disposed of its interests by merger, reorganization, consolidation, or sale of substantially all of its assets to a subsidiary or parent company, or to any company in which any parent or subsidiary owns a majority of the stock of such company.

#### **V. Miscellaneous**

##### **A. Term**

This Agreement shall remain in force and effect as long as the Operating Agreement to which it is attached remains in force and effect, and thereafter until the Gas balance accounts between 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.

##### **B. Expenses**

Nothing herein shall change or affect each party's obligations to pay its proportionate share of all costs and liabilities incurred in operations on the Contract Area as its share thereof is set forth in the Operating Agreement to which this Agreement is attached.

##### **C. Well Tests**

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its Gas purchaser up to 100% of the entire Well stream to meet the deliverability test required by its Gas purchaser, provided that such tests are reasonable in light of overall industry standards.

##### **D. Monitoring of Takes of Production**

Each party shall, at all times, use its best efforts to regulate its takes and deliveries from each Well on said Contract Area so that no Well will be shut-in for overproducing the allowable assigned thereto by the regulatory body having jurisdiction. Additionally, each party shall communicate, as necessary, the contents of this agreement to its respective Gas purchaser(s) or transporter(s) and shall monitor its deliveries to its respective Gas purchaser(s) or transporter(s) so as to ensure to the greatest extent practicable that its Gas purchaser(s) or transporter(s) does not take Gas in excess of the quantities provided for herein.