ARTICLE REVISIONS TO THE EXAMENT & PLAN OF UNITIZATION

CASE NO. 10 959+ 10 960 QUERECHO PLAINS QUEEN ASSOCIATED SAND UNIT LEA COUNTY, NEW MEXICO

As negotiated with Working Interest Owners to be presented as testimony and incorporated in the Order creating said unit.

Unit Agreement (UA)

- Article 5.6, Page 15: Delete "and/or in the remainder of the Querecho Plains Queen Associated Sand Unit, if any."
- Article 6.5, Page 20: Add as second sentence: "Unit Operator shall provide non-operators with timely written notice of any matter which will significantly impact Unit Operations."
- Article 10.3, Page 32: Add as the last paragraph of Article 10.3: "The indemnity described in this Article 10.3 shall apply only to the loss due to failure, in whole or in part, of title to an interest, except failure of title arising out of Unit Operations."
- Article 10.5, Page 33: After the end of the second sentence ending in "Unit Expense", add sentence as follows: "All such rights, interest, or property acquired shall be owned by the Working Interest Owners sharing in such expense."
- Article 20.3, Page 43: Revise as follows: "Lien and Security Interest of Unit Operator and Working Interest Owners. Unit Operator and the Working Interest Owners shall have a lien upon and a security interest in the interests of the Operator and the Working Interest Owners in the Unit Area as provided in the Unit Operating Agreement."

Unit Operating Agreement (UOA)

Article 3.6.2, Page 8: Revise as follows: "Voting Required. Unless otherwise provided herein or in the Unit Agreement, the Operating Committee shall determine all matters by the affirmative vote of two or more Working Interest Owners having a combined voting interest of at least seventy-five percent (75%); provided, that should any one Working Interest Owner own more than twenty-five (25%) voting interest, its negative vote shall not serve to defeat such matter unless supported by the negative vote of one or more Working Interest Owners."

- Article 5.4, Page 12: Add as the last sentence "In the event that a Working Interest Owner shall take the Unitized substances in kind, Unit Operator agrees to promptly provide such Working Interest Owner such information in its files (Title Opinions, Division Order Opinions, Pay Sheets, etc.) to enable the Working Interest Owner to make royalty payments."
- Article 5.11, Page 13: Add to the beginning of the first sentence "Subject to Operating Committee approval,".
- Article 6.2.3, Page 15: "Lien and Security Interest". A lien and security interest as set forth in Article 10.7, below."
- Article 10.1, Page 21: Add as the first sentence, "Unit Operator shall initially pay all Unit Expenses."
- Article 10.5, Page 24: Revise second sentence as follows: Replace comma (,) after Unit Operator with semicolon (;) --- "or, at the option of Unit Operator, with the exception of Capital Expenditures for development drilling;"
 - At the end of the second sentence ending with "Capital Expenditure" add the following sentence. "For expenditures for development drilling, any such defaulting Working Interest Owner shall be deemed to have relinquished to Unit Operator and all non-defaulting Working Interest Owners who shall carry and pay such defaulting Capital Expenditures as described above."
- Article 10.7, Page 26: Change heading to read "Lien and Security Interest of Unit Operator and Working Interest Owners" as provided in the last sentence of Article 10.7.
- Article 17.3.5, Page 35: Delete "Secondary Phase."

Accounting Procedure (AP)

Article I.1.2, Page F-1: Change article to read: "Unit Operations shall mean all operations necessary and proper conducted by the Unit or Unit Operator pursuant to this Unit Agreement for or on account of the development, protection and maintenance of the Unitized Formation including the implementation and operation of secondary recovery techniques for the production of Unitized Substances."

- Article I.1.7, Page F-2: Change article to read: "First Level Supervisors shall mean those employees whose primary function in Joint Operations is the direct supervision of Unit Operator's field employees and/or contract labor directly employed on the Joint Property in a field operating capacity."
- Article I.3.1, Page F-3: Change "ninety (90)" days to "thirty (30)" days.
- Article I.5, Page F-4: Revise third sentence to read: "Where there are two or more Non-Operators, the Non-Operators shall endeavor to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Unit Operator."
- Article II.2.2, Page F-5: Retitle "Other Direct Labor Costs".
- Article II.7.1, Page F-8: Rewrite as follows: Unit Operator shall charge the Joint Account for the use of Unit Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operation expense, insurance, taxes, depreciation, and interest on gross investment less accumulated depreciation not to exceed 10% per year. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.
- Article II.9. Page F-9: Revise as follows: "Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination or fees paid outside attorneys appearing on behalf of the Joint Property before regulatory or governmental agencies. Expense of handling, investigating and settling litigation or claims, discharging liens, payment of judgements and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the joint property, except that no charge for invoices 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 Article III unless otherwise agreed to by the Parties, except as provided in Article 13.3 of the Unit Operating Agreement."

Article II.12, Page F-9:

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.

Article III.1.3.1, Page F-10: Following "\$4,600" insert "prorated for less than a full month". This is done in practice in the normal accounting procedure.

Article III.1.3.2(a), Page F-11: Revise as follows:

(1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig or completion rig, or other units used in completion of the well is released, which ever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.

Article III.1.3.2(b), Page F-11: Revise as follows:

(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 unit, release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

Article III.1.3.2.(b)(4), Page F-12: Delete Article.

Article III.2, Page F-13: Revise last sentence to read: "For the purpose of this paragraph, the component parts of a single project shall not be treated separately and the cost of drilling, workover wells, and the installation of artificial lift, with the exception of a gas lift system, shall be excluded."