



01147503

UNIT AGREEMENT
AND
UNIT OPERATING AGREEMENT
FOR THE "D" SANDS
LITTLE BEAVER FIELD
WASHINGTON COUNTY, COLORADO

THIS AGREEMENT, entered into as of the _____ day of _____, 195~~6~~⁷, by and between the parties subscribing, ratifying, or consenting hereto:

W I T N E S S E T H:

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, it is the purpose of the parties hereto to conserve natural resources, to prevent waste, embark upon secondary recovery operations and secure other benefits obtainable through the development and operation of the Unit Area 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:

ARTICLE 1

DEFINITIONS

1.1 "Unit Operator" means Continental Oil Company and its successors to the duties and functions as Unit Operator herein set out, as the Unit Operator designated hereunder acting in that capacity and not as an owner of a Working Interest.

1.2 "Unitized Substances" means all oil, gas, condensate and other liquid and gaseous hydrocarbons and all other minerals in the Unit Area and covered by the leases committed thereto.

1.3 "Costs" means all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agree-

ment and all other expenses that are herein made chargeable as Costs, determined in accordance with the Accounting Procedure set forth in Exhibit "A" attached hereto, which shall govern in all matters covered hereby, except that in the event of inconsistencies between said Accounting Procedure and this agreement, this agreement shall control.

1.4 "Working Interest" means the leasehold interest in the Unit Area committed to this agreement, except that it shall not be construed to include an overriding royalty, production payment, carried working interest, net profits interest or other similar interest carved out of the leasehold estate. The term "Working Interest" shall, however, be construed to include any interests in a lease pursuant to an operating agreement where the owner of such interest is personally responsible for all or a portion of the Costs.

1.5 "Lease Burdens" means the royalty reserved to the lessor in an oil and gas lease, an overriding royalty, a production payment or other similar burden.

1.6 "Other Interests" means a carried Working Interest, a net profits interest or any similar interest.

ARTICLE 2

UNIT AREA

2.1 Unit Area. The "D" sand formations in and underlying the following described lands in Washington County, Colorado, are hereby designated and recognized as constituting the Unit Area:

Township 1 South, Range 56 West

Section 28:	SW 1/4
Section 29:	SE 1/4
Section 31:	SE 1/4
Section 32:	All
Section 33:	W 1/2

Township 2 South, Range 56 West

Section 5: ~~All~~ N 1/2
Section 6: S 1/2, NE 1/4, S 1/2 NW 1/4,
NE 1/4 NW 1/4
Section 7: N 1/2

2.2 Identification. For purposes of identification, the "D" sands are those sands found between the approximate depths of 5,190 feet and 5,250 feet subsurface in Lion Oil Company's Downing No. 1 Well and between the approximate depths of 5,225 and 5,290 feet subsurface in Continental Oil Company's Downing No. 1 Well.

ARTICLE 3

ALLOCATION

3.1 Allocation of Production. All Unitized Substances produced from the Unit Area under this agreement, except any part thereof used in conformity with good operating practices within the Unit Area for drilling, operating, camp and other production or development purposes, for repressuring and recycling, or unavoidably lost, shall be deemed to be produced from and shall be allocated to the several tracts comprising the Unit Area shown on Exhibit "B" attached hereto and made a part hereof in the proportions designated in said Exhibit "B", attached hereto and made a part hereof. Production of Unitized Substances from the Unit Area shall be allocated as provided herein regardless of whether any wells are drilled or produced on any particular tract. If any gas, other than gas produced from the Unit Area, is used for repressuring or recycling purposes in the Unit Area, the first gas withdrawn thereafter from the Unit Area for sale shall be considered to be the gas so used for repressuring or recycling until an amount equal to that so used shall be so produced for sale. Such gas, when so withdrawn, shall not be subject to Lease Burdens.

3.2 Division of Allocated Production. When the ownership of an interest in unitized substances in any parcel of land included in a Tract differs from the ownership of such interest in any

other parcel of land included in such Tract, the division of unitized substances allocated to such Tract among such parcels shall be in the proportion that the surface acreage of each such parcel bears to the total surface acreage in such Tract.

ARTICLE 4

APPORTIONMENT OF COSTS AND OWNERSHIP OF PRODUCTION AND PROPERTY

4.1 Production. Each Working Interest Owner shall own the percentage of total production of unitized substances produced from the Unit Area in the percentage shown after such Working Interest Owner's name on Exhibit "C" attached hereto and made a part hereof, assuming all of the Working Interest in all tracts shown on Exhibit "C" are committed hereto. In the event all Working Interest Owners are not committed hereto or title to a Working Interest committed hereto is disapproved, Exhibit "C" shall be revised in accordance with the provisions of Sections 14.6 and 35.1 respectively, and in the event of enlargement of the Unit Area Exhibit "C" shall be revised in accordance with the provisions of Article 38.

4.2 Costs. All Costs incurred by Unit Operator in the conduct of operations pursuant to this agreement shall be borne by the Working Interest Owners in the same proportions that production is owned by them as set forth in Exhibit "C".

4.3 Materials and Equipment. All materials, equipment or other property, whether real or personal, acquired by Unit Operator, the cost of which is chargeable as Costs pursuant to the provisions of this agreement, or included in making the adjustment of investments pursuant to the provisions of Article 15 of this agreement, shall be owned by the Working Interest Owners in the same proportions that production is owned by them as set forth in Exhibit "C".

ARTICLE 5

UNLEASED INTERESTS

5.1 Treated as Leased. If any party to this agreement owns in fee all or any part of the oil and gas rights in any land within the Unit Area, free from oil and gas lease or any contract in the nature thereof, such party shall be deemed to own a Working Interest in such land and also a royalty interest therein in the same manner and with a like effect as if such party's oil and gas rights in such land were covered by the form of oil and gas lease attached hereto as Exhibit "D" and as if such party owned both the royalty interest reserved in such lease and the interest of the lessee under such lease. Execution of this agreement by such party shall commit the leasehold interest and the royalty interest hereto.

ARTICLE 6

LEASE BURDENS AND OTHER INTERESTS

6.1 Lease Burdens and Other Interests. Subject to the provisions of paragraph numbered 6.2 below, any and all payments (including minimum royalties) accruing to Lease Burdens or Other Interests committed to this agreement shall be made by the owner of the Working Interest subject to such Lease Burden or Other Interest and such Working Interest Owner shall be solely responsible for and shall bear and pay the same. Each Working Interest Owner shall hold every other Working Interest Owner harmless against all claims, demands and causes of action for Lease Burdens and Other Interests to which the Working Interest owned by such party is subject.

6.2 Lease Burdens Not Committed to this Agreement. If, during any accounting period or accounting periods, unitized substances allocated to a tract are less than the actual production of unitized substances from that tract, payments to owners of Lease Burdens created by an oil and gas lease who fail or refuse to execute this agreement for the actual production in excess of the allocated production to that tract shall, with respect to such

accounting period, be paid by Unit Operator, and Unit Operator shall charge such excess payments to the joint account as an expense of unit operations. Excess Lease Burden payments made under the provisions of this paragraph numbered 6.2 shall not exceed the difference between one-eighth of the actual production from such tract and one-eighth of the production allocated to such tract.

If, during any accounting period or accounting periods unitized substances allocated to a tract are greater than the actual production of unitized substances from that tract, the Working Interest Owner or Owners responsible for the payment of Lease Burdens with respect to that tract shall, with respect to each such accounting period, pay to Unit Operator the difference between payments on account of actual production of unitized substances to owners of Lease Burdens who fail or refuse to execute this agreement and what would have been paid such owners of Lease Burdens on unitized substances if they had executed this agreement, such payments made under the provisions of this paragraph numbered 6.2, however, in no case shall exceed the difference between one-eighth of the production allocated to such tract and one-eighth of the actual production from such tract, and Unit Operator shall credit all sums so received against the expenses of unit operations.

6.3 Other Interests Not Committed to this Agreement.

Other interests not committed to this agreement shall be the sole responsibility of the Working Interest Owner whose Working Interest is subject thereto.

ARTICLE 7

LIABILITIES FOR DAMAGES TO OWNERS OF UNCOMMITTED INTERESTS

7.1 Apportionment. If any interest in the lands or any portion thereof within the Unit Area is not committed to this agreement, and if operations conducted pursuant to this agreement result in liability for damages to the owner or owners of

such uncommitted interest, the amounts payable as liquidated damages by reason of such liability shall be charged as Costs; this section shall be subject to the provisions of Section 13.1 (d) and shall not apply to the payment of uncommitted Lease Burdens, such payments being covered by Section 6.2.

ARTICLE 8

SUPERVISION OF OPERATIONS BY WORKING INTEREST OWNERS

8.1 Right of Supervision. Subject to the provisions of Article 34, all operations conducted by Unit Operator under this agreement shall be subject to supervision or control by the Working Interest Owners acting in accordance with the succeeding provisions of this article.

8.2 Voting Control. Each Working Interest Owner shall have a vote on any matters to be determined by the Working Interest Owners equal to the percentage of production which it is deemed it owns. The affirmative vote of Working Interest Owners having seventy per cent (70%) or more of the voting power actually voted on any matter which is proper for action by Working Interest Owners shall be binding on all parties hereto; provided, however, that if one party voting in the affirmative has seventy per cent (70%) or more of the voting power, the affirmative vote of such Working Interest Owner shall not be binding upon the parties hereto unless its vote is supported by the affirmative vote of at least one additional Working Interest Owner; and, provided, further, that if one Working Interest Owner voting in the negative has more than thirty per cent (30%) but less than fifty per cent (50%) of the voting power, the affirmative vote of the Working Interest Owners having the majority of the voting power shall be binding upon all parties unless such Working Interest Owner's negative vote is supported by the negative vote of at least one additional Working Interest Owner. In the event there are only two Working Interest Owners, the vote of the one with the greater interest shall prevail. A Working Interest Owner failing to vote

shall not be deemed to have voted either in the affirmative or in the negative. Any approval, authorization or direction provided for in this agreement which receives the affirmative vote above specified shall be deemed given by and shall be binding on all parties.

8.3 Meetings. Any matter which is proper for consideration by the Working Interest Owners may be considered at a meeting held for that purpose. A meeting may be called by Unit Operator at any time and a meeting shall be called by Unit Operator upon written request of any Working Interest Owner or Owners having twenty-five per cent (25%) or more of the voting power. At least ten (10) days in advance of each meeting, Unit Operator shall give each Working Interest Owner written notice of the time, place and purpose of the meeting.

8.4 Action Without Meeting. In lieu of calling a meeting, Unit Operator may submit any matter which is proper for consideration by the Working Interest Owners by giving to each Working Interest Owner written notice by mail, telegraph or telephone (confirmed in writing not later than the next business day) describing in adequate detail the matter so submitted. Each Working Interest Owner shall communicate its vote thereon to Unit Operator by mail, telegraph or telephone (confirmed in writing, such writing to be mailed not less than three (3) days thereafter); provided, however, that if, within ten (10) days after submission of such matter request is made for a meeting in accordance with Section 8.3, such matters shall be considered only at a meeting called for that purpose. If a meeting is not requested, then Unit Operator, within a reasonable time, shall give each Working Interest Owner a written notice stating the tabulation of vote.

8.5 Representatives. Promptly after execution of this agreement, each Working Interest Owner by written notice to Unit Operator, shall designate a representative authorized to vote for such Working Interest Owner and may designate an alternate who is authorized to vote for such Working Interest Owner in the absence of its representative. Any such designation of a representative or an alternate representative may be revoked at any time by written notice given to Unit Operator, provided, such notice designates a new representative or alternate representative as the case may be.

8.6 Audits. From time to time, but not more often than once each year, an audit may be made of Unit Operator's records of books of account pertaining to operations hereunder. Each such audit shall be made by auditors in the employ of the Working Interest Owners when an audit is directed by the Working Interest Owner other than the Working Interest Owner acting as Unit Operator. Such parties shall also approve the allowance to be made to each Working Interest Owner furnishing an auditor. Such allowances shall be paid by the Working Interest Owners (other than the Working Interest Owner acting as Unit Operator) in proportion to their representative interests as set forth in Section 4.1, as among themselves.

ARTICLE 9

DESIGNATION OF UNIT OPERATOR

9.1 Designation. Continental Oil Company is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the development and production of Unitized

Substances as herein provided. Whenever reference is made herein to Unit Operator, such reference means the Unit Operator acting in that capacity.

ARTICLE 10

RESIGNATION OR REMOVAL OF UNIT OPERATOR

10.1 Resignation. Unit Operator shall have the right to resign at any time but such a resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners, unless a new Unit Operator shall have been selected by the Working Interest Owners and taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

10.2 Responsibility of Working Interest Owner. In the event a successor Unit Operator has not been selected at the time the resignation of the Unit Operator becomes effective, the Working Interest Owners shall be jointly responsible for performance of the duties of Unit Operator.

10.3 Liability. The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder incurred prior to the effective date of its resignation.

10.4 Removal of Unit Operator. Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder be subject to removal by the Working Interest Owners.

10.5 Effect on Working Interest of Unit Operator. The resignation or removal of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon

the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials and appurtenances used in conducting unit operations and owned by the Working Interest Owners to the new duly-qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is selected, to be used for the purpose of conducting unit operations hereunder. Nothing herein contained shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

ARTICLE 11

UNIT OPERATOR'S POWERS AND RIGHTS

11.1 In General. Subject to the limitations provided for in this agreement, all operations authorized by this agreement shall be managed and conducted by Unit Operator. Unit Operator shall have exclusive custody of all materials, equipment and other property owned by the Working Interest Owners jointly.

11.2 Employees. All individuals employed by Unit Operator in the conduct of operations hereunder shall be the employees of Unit Operator alone, and their working hours, rates of compensation and all other matters relating to their employment shall be determined solely by Unit Operator.

11.3 Non-Liability. Unit Operator shall not be liable to any other Party for anything done or omitted to be done by it in the conduct of operations hereunder except in case of bad faith.

11.4 Force Majeure. The obligations of Unit Operator hereunder shall be suspended to the extent that, and only so long as, performance thereof is prevented by fire, action of the elements, strikes or other differences with workmen, acts of civil or military authorities, acts of the public enemy, restrictions or

restraints imposed by law or by regulation or order of governmental authority, whether federal, state or local, inability to obtain necessary rights of access, or any other cause reasonably beyond control by Unit Operator, whether or not similar to any cause above enumerated. Whenever performance of its obligations is prevented by any such cause, Unit Operator shall give notice thereof to the other Working Interest Owners as promptly as reasonably possible.

11.5 Lien. Each of the other Working Interest Owners hereby grants to Unit Operator a lien upon its Working Interests, its interest in all jointly owned materials, equipment and other property and its interest in all production, as security for payment of Costs chargeable to it, together with any interest payable thereon. Unit Operator shall have the right to bring any action at law or in equity to enforce collection of such indebtedness with or without foreclosure of such lien. In addition, upon default by any party in the payment of Costs or Lease Burdens chargeable to it, Unit Operator shall have the right to collect and receive from the purchaser or purchasers thereof the proceeds of such Party's share of production, up to the amount owing by such party plus interest at the rate of six per cent (6%) per annum until paid; each such purchaser shall be entitled to rely on Unit Operator's statement concerning the existence and amount of any such default.

11.6 Advances. Unit Operator, at its election, shall have the right from time to time to demand and receive from the other Working Interest Owners payment in advance of their respective shares of the estimated amount of the Costs to be incurred in operations hereunder during any month, which right may be exercised

only by submission to each such Working Interest Owner of a properly itemized statement of such estimated Costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated Costs for any month shall be submitted on or about the twentieth (20th) day of the next preceding month. The amount of each such invoice shall be payable within fifteen (15) days after the mailing thereof, and thereafter shall bear interest at the rate of six per cent (6%) per annum until paid. Proper adjustment shall be made monthly between such advances and Costs, to the end that each Working Interest Owner shall bear and pay its proportionate share of Costs incurred and no more. Unit Operator may request advance payment or security for the total estimated Costs to be incurred in a particular operation and shall not be obligated to commence such operation unless and until such advance payment is made or Unit Operator is furnished security acceptable to it for the payment thereof by the Working Interest Owners chargeable therewith.

11.7 Use of Unit Operator's Drilling Equipment. Any operation conducted hereunder may be conducted by Unit Operator by means of its own tools and equipment provided that the rates to be charged and the applicable terms and conditions are set forth in a form of drilling contract approved by the Working Interest Owners.

11.8 Rights as Party. As an owner of a Working Interest, the Working Interest Owner acting as Unit Operator shall have the same rights and obligations hereunder as if it were not the Unit Operator. In each instance where this agreement requires or permits a Working Interest Owner to give a notice, consent or approval to the Unit Operator, such notice, consent or approval shall be deemed properly given by the Working Interest Owner acting as Unit Operator if and when given to all other Working Interest Owners.

ARTICLE 12

UNIT OPERATOR'S DUTIES

12.1 Specific Duties. In the conduct of operations hereunder, Unit Operator shall:

(a) Operations. Conduct only such drilling, reworking and recompleting operations relating to wells in the Unit Area as are directed by the Working Interest Owners and abandon any well only at their direction.

(b) Secondary Recovery Operations. Conduct only such secondary recovery operations as are directed by the Working Interest Owners.

(c) Compliance with Laws and Agreements. Comply with the provisions of this agreement, all applicable laws and governmental regulations (whether federal, state or local) and directions by the Working Interest Owners pursuant to this agreement; in case of conflict between such directions and the provisions of such laws or regulations, the provisions of such laws or regulations shall govern.

(d) Consultation with Working Interest Owners. Freely consult with the other Working Interest Owners concerning operations hereunder and keep them advised of all matters arising in operations hereunder which Unit Operator deems important in the exercise of its best judgment.

(e) Payment of Costs. Pay all Costs incurred in operations hereunder promptly as and when due and payable and keep the Working Interests and all property jointly owned by the Working Interest Owners free from liens which may be claimed for the payment of such Costs, except any such liens which it disputes, in which event Unit Operator may contest the disputed lien upon giving to the other Working Interest Owners written notice thereof.

(f) Records. Keep full and accurate records of all Costs incurred, payments made and controllable materials and equipment, which records and receipts and vouchers in support thereof, shall be available for inspection by authorized representatives of the other Working Interest Owners at reasonable intervals during usual business hours at the office of Unit Operator.

(g) Information. Furnish each of the other Working Interest Owners who makes timely written request therefor (1) copies of Unit Operator's Authorization for Expenditure or Estimation of Estimated Expenditures in excess of \$10,000, (2) copies of all drilling reports, well logs, basic engineering data, tank tables, gauge reports and run tickets, (3) reports of stock on hand at the first of each month, (4) samples of cores and cuttings taken from wells drilled hereunder to be delivered at the well in containers furnished by the party requesting same, (5) such other or additional information or reports as may be directed by the Working Interest Owners, and Unit Operator is designated by all Working Interest Owners hereto as the exclusive agent of all such Working Interest Owners for the purpose of filing all required reports, certificates and other information required by the Oil and Gas Conservation Commission of the State of Colorado and during the term of this agreement Unit Operator shall have the duty of filing all such required reports, certificates and other information with the Oil and Gas Conservation Commission of the State of Colorado.

(h) Access to Unit Area. Permit each of the other Working Interest Owners, through its duly authorized employees or agents but at its sole risk and expense, to have access to the

Unit Area at all times and to the derrick floor of each well drilled or being drilled hereunder for the purpose of observing operations conducted hereunder and inspecting jointly owned materials, equipment or other property, and to have access at reasonable times to information and data in the possession of Unit Operator concerning the Unit Area.

12.2 Insurance.

(a) Unit Operator. Unit Operator shall, for the benefit of each Working Interest Owner, carry and maintain in full force and effect, the insurance in accordance with the provisions of Exhibit "E" hereto. Unit Operator shall also carry and maintain in full force and effect at all times, with respect to operations hereunder, for the benefit of each Working Interest Owner, such other insurance, if any, as may be required by law, or as approved from time to time by the Working Interest Owners. Upon written request of any Working Interest Owner, Unit Operator shall furnish evidence of insurance carried by it with respect to operations hereunder.

12.3 Taxes. Any and all ad valorem taxes payable upon the Working Interest and upon Lease Burdens or Other Interests which are not payable by the owners thereof, or upon materials, equipment or other property acquired or held by Unit Operator hereunder and any or all taxes (other than income taxes) upon or measured by Unitized Substances produced from the Unit Area which are not payable by the purchaser or purchasers thereof or by the owners of Lease Burdens or Other Interests, shall be paid by Unit Operator as and when due and payable and shall be charged and borne as follows:

(a) Taxes upon materials, equipment or other property acquired or held by Unit Operator hereunder shall be charged to

and borne by the Working Interest Owners owning the same in proportion to their respective interests therein.

(b) All other taxes paid by Unit Operator shall be charged to and borne by the Working Interest Owners in the proportion that they own production pursuant to Section 4.1 and Exhibit "C". All reimbursements from owners of Lease Burdens or Other Interests, whether obtained in cash or by deduction from Lease Burdens or Other Interests on account of taxes paid for such owner shall be paid or credited to the Working Interest Owners in the same proportions as such taxes were charged.

(c) Each Working Interest Owner shall promptly furnish Unit Operator with copies of notices, assessments, levies or tax statements received by it, pertaining to the taxes to be paid by Unit Operator. Unit Operator shall make such returns, reports and statements as may be required by law in connection with any taxes above provided to be paid by it and shall furnish copies to the Working Interest Owners upon request. It shall notify the Working Interest Owners of any tax it does not propose to pay before such tax becomes delinquent.

12.4 Drilling Contracts. Each drilling or other operation conducted hereunder, and not performed by Unit Operator with its own tools and equipment, shall be performed by a reputable contractor having suitable equipment and personnel under written contract between Unit Operator and the contractor, at the most favorable rates and on the most favorable terms and conditions bid by any such contractor after soliciting bids, if bids are obtainable, but otherwise upon rates and terms and conditions approved by the Working Interest Owners.

ARTICLE 13

LIMITATIONS ON UNIT OPERATOR

13.1 Specific Limitations. In the conduct of operations hereunder, Unit Operator shall not, without first obtaining the approval of the Working Interest Owners:

(a) Change in Operations. Make any substantial change in the basic method of operations of any well, except in the case of an emergency.

(b) Limit On Expenditures. Undertake any project reasonably estimated to require an expenditure in excess of Twenty-five Thousand Dollars (\$25,000); provided, however, that (1) Unit Operator is authorized to make all customary expenditures that are required in the normal course of producing operations or that are included in a budget approved by the Working Interest Owners, and (2) whenever Unit Operator is authorized to conduct a drilling or secondary recovery operation, or undertake any other project, in accordance with this agreement, Unit Operator shall be authorized to make all reasonable and necessary expenditures in connection therewith and (3) in case of an emergency, Unit Operator shall make such immediate expenditures as may be necessary for the protection of life and property, but notice of such emergency shall be given to all Working Interest Owners as promptly as reasonable.

(c) Partial Relinquishment. Make any partial relinquishment of its rights as Unit Operator or appoint any sub-operator.

(d) Settlement of Claims. Pay in excess of Five Hundred Dollars (\$500.00) in the settlement of any claim (other

than Workmen's Compensation claims) for injury to or death of persons, or for the loss of or damage to property.

ARTICLE 14

14.1 Representations of Ownership. Each Working Interest Owner represents to all other Working Interest Owners that its ownership of Working Interests in the Unit Area is that set out in Exhibit "C" attached hereto and made a part hereof. If it develops that any such representation of ownership is incorrect, the rights and responsibilities of the Working Interest Owners shall be governed by the provisions of Article 14, but such erroneous representations shall not be cause for cancelling or terminating this agreement.

14.2 Title Committee. A Title Committee shall be formed for the purpose of arranging for all title examinations with respect to the Unit Area, and shall distribute copies of all title opinions to all Working Interest Owners within a reasonable time after they are prepared. Said Title Committee shall have authority to determine, whether or not and when this agreement has been executed or ratified by the owners of sufficient interests to become effective under the provisions of Section 36.2 or 36.3 of Article 36 hereof. Said Title Committee shall be composed of one representative designated by each Working Interest Owner desiring a representative on said Committee. The representative of Continental Oil Company shall be chairman of the Title Committee, and each Working Interest Owner desiring a representative on said Committee shall notify Continental Oil Company at its principal offices in Denver, Colorado, prior to August 15, 1956 of the name of its representative on said Committee. The chairman shall call such meetings as he shall deem necessary.

14.3 Title Papers to be Furnished. Promptly after the effective date of this agreement, each Working Interest Owner shall, at its own expense, make available to the Title Committee, upon request, photostatic copies of all leases, assignments and other contracts which it has in its possession, abstracts of title based upon county records certified to current date, and copies of title opinions covering its interest

and the land affected thereby.

14.4 Expenses of Title Examination and Curative Work.

Expenses of title examination and of such curative work as is performed to meet title requirements concerning any Working Interest shall be borne by the Working Interest Owner claiming such interest. Expenses relating to any representative on the Title Committee shall be borne by the Working Interest Owner designating such representative.

14.5 Approval of Titles. After a title examination has been completed and a reasonable time, not exceeding thirty (30) days, has been allowed for any necessary curative work, the Title Committee shall submit to each Working Interest Owner a report concerning the title examination, with written recommendation for approval or disapproval of the title to each Working Interest Owner. Each Working Interest Owner, within fifteen (15) days after receipt of such report and recommendation shall notify each of the other Working Interest Owners in writing whether it approves or disapproves title to the Working Interests covered by the report. Any Working Interest Owner disapproving title shall state the reasons therefor. If the Title Committee has unanimously approved title to a Working Interest, a Working Interest Owner who does not so disapprove title thereto within said fifteen (15) day period shall be deemed to have approved such title. Title to a Working Interest shall be deemed approved if and when approved, as above provided, by the Working Interest Owners having seventy per cent (70%) of the total of the entire Working Interest committed to this unit. Title to a Working Interest which is not approved as above provided within the fifteen-day period above specified shall be deemed disapproved at the end of said period.

14.6 Effect of Disapproval of Title. If the title to a Working Interest is disapproved, as above provided, the interest, title to which has been disapproved, shall no longer be subject to this agreement and the percentage of total production which each Working Interest Owner shall be deemed to own as set forth in Section 4.1 and Exhibit "C" hereof, shall be revised accordingly. If the Working Interest title which so fails is the only Working Interest in the tract affected, such tract shall be eliminated from the Unit Area and no allocation of production made thereto. If the Working Interest title which so fails is not the only Working Interest in the tract affected, then the tract shall remain subject to this agreement and in the Unit Area but the production allocated thereto shall be only that proportion of the percentage of production shown on Exhibit "B" as being allocated to such tract as the Working Interest in such tract title to which has been approved bears to the total Working Interest in such tract; and the production allocated to other tracts subject hereto shall be proportionately increased.

14.7 Failure of Title to Approved Interest. If title to any Working Interest has been approved and subsequently fails in whole or in part, the following shall be the consequences:

(a) Effect upon Working Interest Owners. Such title failure shall not cause any change in the proportions in which the Working Interest Owners to this agreement at the date of such title failure bear Costs and are deemed to own production.

(b) Damages. Any loss, liability, damage or expense arising by reason of such failure of title shall be charged as Costs and borne by the Working Interest Owners to this agreement at the date of title failure.

ARTICLE 15

ADJUSTMENT OF INVESTMENTS

15.1 When Adjustments Made. Unit Operator shall, on the effective date of this agreement, as provided in Article 36 hereof, take over all wells completed and capable of producing any unitized substances from the Unit Area, and an adjustment of investments shall be made in accordance with the succeeding provisions of this Article 15.

15.2 Definitions.

(a) "Producing Well" means any well which has produced a daily average of at least ten (10) barrels of oil per 24-hour day for at least thirty (30) consecutive 24-hour days since the date of the completion thereof.

(b) "Intangible Value" of a producing well means the intangible drilling cost thereof which for the purpose of this Article is deemed and agreed to be \$27,000.00.

(c) "Tangible Property" means well equipment appurtenant to each producing well, including, without limitations, rods, tubing, pumping units, derricks, flow lines, separators and stock tanks used in connection with the production of unitized substances from the Unit Area.

(d) "Value" of tangible property shall be determined in the same manner as the price of material furnished by Unit Operator is determined under Section III, sub-section 2 of the Accounting Procedure hereto attached.

15.3 Method of Adjustment. As promptly as reasonably possible after the effective date of the adjustment of investments provided for in this Article and as of such effective date, an adjustment shall be made in accordance with the following provisions:

(a) The intangible value of each producing well within the Unit Area on the effective date of the adjustment of investments shall be credited to the Working Interest Owner or Owners who own such well immediately prior to such effective date in proportion to their respective interests in such well immediately prior to such effective date. The total amount so credited as the intangible value of producing wells shall be charged to all Working Interest Owners in the same percentages as they are deemed to own production from the Unit Area.

(b) The value of each item of tangible property within the Unit and serving the Unit Area on the effective date of the adjustment of investments shall be credited to the Working Interest Owner or Owners who own such item immediately prior to such effective date in proportion to their respective interests in such item immediately prior to such effective date. The total amount so credited as the value of tangible property shall be charged to all Working Interest Owners in the same percentages as they are deemed to own production from the Unit Area.

(c) If the Unit Area, on the effective date of the adjustment of investments is served by any tangible property or producing well, which also serves operations other than operations under this agreement, the value of such tangible property or producing well (including the intangible value thereof) shall be determined in accordance with subsection (d) of Section 15.2 and such value may be fairly apportioned between the Unit Area and such other operation, provided that such apportionment receives the approval of the Working Interest Owners. That portion of the value of such tangible property or producing well (including the

intangible value thereof) which is so apportioned to the Unit Area shall be included in the adjustment made as of the effective date of such adjustment of investments in the same manner as the value of tangible property serving only the Unit Area.

(d) Credits and charges above provided for shall be made by Unit Operator in such manner that an adjustment shall be made for the intangible value of producing wells separate and apart from the adjustment of the value of tangible property. Each Working Interest Owner who is charged an amount in excess of the amount credited to it, shall pay to Unit Operator the amount of such excess which shall be considered as Costs chargeable to such Working Interest Owner for all purposes of this agreement, and such amount, when received by Unit Operator shall be distributed or credited to the Working Interest Owners who, in such adjustment, are credited with amounts in excess of the amounts charged to them respectively.

15.4 Division of Production. Oil, which, on the effective date of the adjustment of investments, is in any lease or other tanks which are included in such adjustment, shall remain the property of the parties owning the same immediately prior to the effective date of such adjustment and upon request shall be delivered in kind by Unit Operator to such parties, or, in the absence of such request, Unit Operator may sell the same for the credit of such parties at not less than the market value thereof in the field at the time of such sale and Unit Operator shall instruct the purchaser of such oil to pay the proceeds of such sale directly to the parties owning the oil sold. A proper and timely gauge shall be made of the amount of oil in all such lease or

other tanks at 7:00 o'clock, a. m. on the effective date of the adjustment of investments.

15.5 Inventory Committee. An Inventory Committee, comprised of a representative of each Working Interest Owner, shall take an inventory of all wells and other property which is included in making the adjustment of investments pursuant to this Article as of the effective date of such adjustment and a schedule showing all wells and other property included in such inventory shall be furnished each of the Working Interest Owners.

15.6 Other Facilities. For a period of one hundred and twenty (120) days after the effective date of the adjustment of investments provided for in this Article, the Working Interest Owners shall have the right to buy from any one or more of the Working Interest Owners any warehouse, warehouse stocks, lease house, camp house or other buildings or facilities which the Working Interest Owners believe are required for unit operations and which were, at the time immediately preceding the effective date of the adjustment of investments, used exclusively, or practically exclusively, by the Working Interest Owner owning the same for operations in the "D" sand formations comprising the Unit Area under this agreement. The price to be paid for any such facility shall be established by negotiations between the Working Interest Owners hereunder and the particular Working Interest Owner or Owners owning the facility to be purchased. If an agreement cannot be reached as to the price, then the matter shall be referred to three (3) arbitrators, one to be selected by the Working Interest Owners, one to be selected by the particular

Working Interest Owner or Owners owning the facility to be acquired, and the third to be selected by the two arbitrators so chosen.

15.7 Well Records. Each Working Interest Owner shall furnish Unit Operator with all well records (or photostatic copies thereof) with respect to each well in which it owned a working interest immediately prior to the effective date of the adjustment of investments.

ARTICLE 16

SECONDARY RECOVERY AND PRESSURE MAINTENANCE

16.1 General. In connection with the rights of Working Interest Owners to supervise all operations conducted by Unit Operator under this agreement pursuant to Article 8 hereof, the Working Interest Owners shall, in addition to determining what drilling operations will be conducted, determine what secondary recovery operations shall be undertaken, if any, the nature and extent thereof, and all matters incidental thereto, such as the acquisition of gas, water or other substances for injection into the Unit Area.

16.2 Above Ground Facilities and Unusual Operations. This agreement shall not be deemed to require any Working Interest Owner to participate in the operation of any gasoline plant, sulphur recovery plant, de-waxing plant or other above ground facilities to process or otherwise treat Unitized Substances, other than such facilities as may be required for treating Unitized Substances in ordinary lease operations and such facilities as may be required in the conduct of secondary operations.

ARTICLE 17

OPERATIONS ON THE LANDS OF WHICH THE UNIT AREA COMPRISES A PART

17.1 Operations in Unit Area. Operations in the Unit Area shall be subject to this agreement and no operations shall be conducted therein by any Working Interest Owner except pursuant to the provisions hereof.

17.2 Operations in Other Than the Unit Area. Any Working Interest Owner may conduct operations upon the lands of which the Unit Area comprises a part with respect to formations other than the "D" sands. Any Working Interest Owner conducting such operations shall, however, conduct the same in such a manner as not to interfere with operations under this agreement. In the event any such operations involve drilling through the "D" sands, the Working Interest Owner conducting such operations shall take every reasonable precaution to make sure that no harm or damage is done to the Unitized Substances in the "D" sands or to the "D" sand formations.

ARTICLE 18

COMPENSATORY ROYALTIES

18.1 Payment and apportionment. Whenever demand is made for the drilling of a well for the protection of the Unit Area from drainage, Unit Operator shall give written notice thereof to each Working Interest Owner. If payment of compensatory royalties can be made in lieu of protecting the Unit Area from drainage and the payment thereof is approved by the Working Interest Owners, Unit Operator shall make such payment. All payments so made by Unit Operator shall be charged as Costs.

ARTICLE 19

DISPOSITION OF PRODUCTION

19.1 Taking in Kind. Each Working Interest Owner shall,

concurrently as produced, take in kind or separately dispose of its share of production and pay Unit Operator for any extra expenditure necessitated thereby. Each Working Interest Owner shall be entitled to receive directly payment for its proportionate share of the proceeds from the sale of production and on all purchases or sales, each Working Interest Owner shall execute any Division Order or Contract of Sale pertaining to its share of production.

19.2 Failure to take in Kind. If any Working Interest Owner fails to take or dispose of its share of production, Unit Operator shall have the right, for the time being and subject to revocation at will by the Working Interest Owner owning the same, to purchase for its own account or to sell to others such share at not less than the market price prevailing in the area and not less than the price Unit Operator receives for its share of production, subject to the right of such Working Interest Owner to exercise at any time its right to take in kind or separately dispose of its own share of production not previously delivered by Unit Operator to others pursuant to this Section 19.2.

19.3 Recognition of Existing Contracts. The right granted in this Article to each Working Interest Owner to take its proportionate part of unitized production in kind shall not in any way affect whatever obligations any such Working Interest Owner has incurred with respect to all or any part of its share of casinghead gas produced from the unit to the Little Beaver Gasoline Plant.

ARTICLE 20

DISPOSAL OF MATERIALS AND EQUIPMENT

20.1 Classification as Surplus. Unit Operator, by written notice to the Working Interest Owners, may classify as surplus any materials and equipment owned by the Working Interest Owners when deemed by it to be no longer needed in operations hereunder.

20.2 Division in Kind. Each Working Interest Owner shall have the right to take in kind its share of surplus tubular goods and other surplus items which are susceptible of division in kind except junk and any item having a replacement cost of less than Five Thousand Dollars (\$5,000.00). Said right may be exercised only by written notice to Unit Operator within thirty (30) days after classification as surplus of the materials to be taken in kind.

20.3 Sale to Working Interest Owners. Surplus tubular goods and other items not divided in kind (other than junk and any item having a replacement cost of less than Five Thousand Dollars (\$5,000.00) shall be offered to the Working Interest Owners and sold to the highest bidder or bidders.

20.4 Sale to Others. Surplus materials not disposed of in accordance with Sections 20.2 and 20.3 and junk materials shall be disposed of by Unit Operator for the best prices obtainable.

ARTICLE 21

TRANSFERS OF INTEREST

21.1 Partial Transfer. No Working Interest Owner shall assign, mortgage or transfer less than its entire Working Interest under this agreement without first obtaining the approval of the Working Interest Owners.

21.2 Sale by Unit Operator. If Unit Operator sells all its Working interests, it shall resign and a new Unit Operator shall be selected by the Working Interest Owners.

21.3 Assumption of Obligations. No Working Interest Owner shall make any transfer of Working Interests without making the same expressly subject to this agreement and requiring the transferee in writing to assume and to agree to perform all obligations of the transferor under this agreement insofar as relates to the interest assigned, except that such assumption of obligations shall not be required in case of a transfer by mortgage or deed of trust as security for indebtedness.

21.4 Effective Date. A transfer of Working Interests shall not be effective as between the Working Interest Owners until the first day of the month next following the delivery to the Unit Operator of the original or a certified copy of the instrument of transfer conforming to the requirements of Section 21.3. In no event shall a transfer of Working Interests relieve the transferring Working Interest Owner of any obligations accrued hereunder prior to said effective date, for which purposes any obligation of the transferor to participate in any operations prior to such effective date shall be deemed an accrued obligation.

ARTICLE 22

OTHER AGREEMENTS

22.1 Other Agreements. Other agreements between two or more of the Working Interest Owners relative to the operation and development of the lands of which the Unit Area comprises a part shall, insofar as such agreements are applicable to the operation and development of the Unit Area, be superseded by this agreement provided that any such agreement shall remain binding, except to the extent that it is inconsistent with the provisions hereof.

ARTICLE 23

SURRENDER AND RELEASE FROM OBLIGATIONS

23.1 Right to Surrender. No Working Interest shall be surrendered in whole or in part without the written consent of all Working Interest Owners.

23.2 Release from Obligations. At any time any Working Interest Owner who is not then committed to participate in drilling operations and who desires to be relieved of further obligation under this agreement may give to all other Working Interest Owners written notice thereof. Such other Working Interest Owners or any of them shall have the right at their option to take from such Working Interest Owner an assignment of all its Working Interests

in the Unit Area and its entire interest under this agreement by giving to such Working Interest Owner a written notice of election so to do within thirty (30) days after receipt of the initial notice. If such election is made within said period, the Working Interest Owner or Working Interest Owners taking the assignment shall pay to the assigning Working Interest Owner its share of the salvage value of any salvable materials and equipment then owned by the Working Interest Owners, less the reasonably estimated cost of plugging any well or wells in which the assigning Working Interest Owner then has an interest, such payment to be made on receipt of an assignment from the assigning Working Interest Owner of its said interests. If such assignment is taken by more than one Working Interest Owner, the Working Interest thereby acquired by them shall be apportioned among such Working Interest Owners in the proportion that they are deemed to own the production allocated under this agreement, as among themselves. If no Working Interest Owner elects to take such assignment within said thirty (30) day period, the Working Interest Owners shall join in termination of this agreement.

23.3 Accrued Obligations. An assignment in accordance with this article shall not relieve any Working Interest Owner of its liability for any obligation accrued hereunder prior to such assignment, or of obligation to bear its share of the Costs incurred in any drilling operation with respect to which such Working Interest Owner is required to pay its share of the Costs.

ARTICLE 24

SEVERAL, NOT JOINT LIABILITY

24.1 Liability. The liability of the Working Interest Owners hereunder shall be several and not joint or collective. Each Working Interest Owner shall be responsible only for its obligations as herein set out.

24.2 No Partnership Created. It is not the intention of the Working Interest Owners to create, nor shall this agreement be construed as creating a mining or other partnership or association between the Working Interest Owners, or to render them liable as partners or associates.

ARTICLE 25

NOTICES

25.1 Notices. Any notice herein provided or permitted to be given by Unit Operator or by a Working Interest Owner to the Working Interest Owners, shall be given in writing by United States mail or by telegraph, properly addressed to each Working Interest Owner to whom given, with postage or charges prepaid, or by delivery thereof in person to the Working Interest Owner to whom given; however, if delivered to a corporate Working Interest Owner it shall not be deemed given unless delivered personally to an executive officer of such Working Interest Owner or to its representative designated pursuant to Section 8.5 dealing with representatives. A notice given under any provisions hereof shall be deemed given only when received by the Working Interest Owner to whom such notice is directed, except that any notice given by United States registered mail or by telegraph, properly addressed to the Working Interest Owner to whom given with all postage and charges prepaid, shall be deemed given to and received by the Working Interest Owner to whom directed forty-eight (48) hours after such notice is deposited in the United States mails or twenty-four (24) hours after such notice is filed with an operating telegraph company for immediate transmission by telegraph, and also except that a notice to Unit Operator shall not be deemed given until actually received.

25.2 Proper Addresses. Each Working Interest Owner's proper address shall be deemed to be the address set forth opposite

its signature hereto unless and until such Working Interest Owner specifies another post office address within the continental limits of the United States by not less than ten (10) days prior written notice to all other Working Interest Owners.

ARTICLE 26

LEASES AND CONTRACTS CONFORMED AND EXTENDED

26.1 Conformed. The terms, conditions and provisions of all leases, sub-leases and other contracts, insofar as they relate to the exploration, development or operation for oil or gas in the Unit Area, 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 parties hereto consent that the drilling, producing, rental, minimum royalty and royalty requirements of all leases committed hereto are, insofar as such leases are applicable to the Unit Area, altered and changed to conform to the provisions of this agreement.

26.2 Development and Operation. The development and operation of the Unit Area subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned parcel subject to this agreement insofar as it applies to the Unit Area, regardless of whether there is any development of any particular part or parcel of the Unit Area, notwithstanding anything to the contrary in any lease, operating agreement or other contract between the parties hereto or their respective predecessors in interest, or any of them.

26.3 Drilling and Producing Operations. Drilling and producing operations performed hereunder upon any parcel of unitized



land shall be accepted and deemed to be performed upon and for the benefit of each and every parcel of unitized land and no lease shall be deemed to expire by reason of failure to produce wells situated on the land therein embraced.

26.4 Extension.

Each lease, sub-lease or contract relating to the exploration, drilling, development or operation for oil or gas in the Unit Area, committed to this agreement, which, by its terms, might expire prior to the termination of this agreement, is hereby extended beyond any such terms so provided therein so that it shall be continued in full force and effect for and during the term of this agreement and for thirty (30) days thereafter; except that such extension shall not apply to lands, if any, lying outside of those lands under which the Unit Area lies.

26.5 Segregation.

Any lease including both lands under which the Unit Area lies and other lands shall be segregated as to the portion of the lease covering lands under which the Unit Area lies and the other portion of its lands and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event that any such lease provides for a lump sum rental payment, such payment shall be in proportion to the acreage of the respective tracts.

ARTICLE 27

COVENANTS RUN WITH LAND

27.1 Covenants Run with Land. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any royalty,

overriding royalty and Other Interests (except Working Interests which are governed by the provisions of Article 21) subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

ARTICLE 28

PIPE LINES, STRUCTURES AND WATER RIGHTS

28.1 Grant of Rights. Insofar as each has the legal ability so to do, each party having an interest in the surface of any tract included in the Unit Area hereby grants unto the Working Interest Owners the right, without charge, at any time or from time to time, to lay, maintain, repair, replace and remove any pipe line, or pipe lines, thereon, and, at any time or from time to time, to build thereon, maintain, remove, repair or replace any structure, when any such pipe line or structure is reasonably necessary for the production, marketing or storage of any unitized substances produced from the Unit Area, or is reasonably necessary for the construction, maintenance, operation or replacement of any machinery or appliance for injecting water, gas or any other substance into the Unit Area for pressure maintenance therein. Working Interest Owners shall have the right to produce at any time, free of royalty or charge, water from any horizon lying below one hundred (100) feet subsurface for injection into the Unit Area; except that Working Interest Owners, in no event, shall interfere with the water supply of royalty owners for domestic purposes, or such water as is needed for livestock. Working Interest Owners shall pay actual damages to cultivated crops, fences and improvements caused by operations hereunder; pipe lines shall be buried below plow depth upon request.

ARTICLE 29

TAXES ON LEASE BURDENS AND OTHER INTERESTS

29.1 Taxes on Lease Burdens and Other Interests. Any Party owning a lease burden or Other Interest shall be liable for all severance, production or other taxes levied by the state or any other lawful taxing authority upon severance, production, or sale of such Party's proportionate share of the unitized substances allocated to the tract or tracts in which such Party has an interest. In the event any such taxes are paid by the Working Interest Owner for the account of such party, then such party shall reimburse such Working Interest Owner for the amount so paid.

ARTICLE 30

TERMINATION

30.1 Time. At such time as it is determined by the Working Interest Owners that the Unit Area is incapable of production of Unitized Substances in paying quantities (that is, in quantities sufficient to repay the Costs of operation together with a reasonable profit) this agreement shall terminate and notice of such termination shall be mailed to all parties.

30.2 Effect of Termination. Upon the termination of this agreement:

A. All Working Interests in and to each tract shall revert to the Working Interest Owner or Owners who would own such tract if this agreement had never been entered upon.

B. Any Working Interest Owner or Owners desiring to take over any well located on any tract which reverts to it under the provisions of this Article shall so notify Unit Operator in writing. Upon such Working Interest Owner or Owners paying to the Unit Operator the fair market value of the casing and other

equipment in and appurtenant to such well, less the reasonable cost of salvaging the same, it shall be entitled to take over such well. Payments so received by Unit Operator shall be distributed by Unit Operator to the Working Interest Owners the same as moneys received from salvage.

C. With respect to all wells not taken over as provided in B above, the Unit Operator shall salvage so much of the casing and other equipment therein as can economically and reasonably be salvaged and shall cause such well to be properly plugged and abandoned.

D. Salvaging, liquidation or other distribution of assets or properties used in the operation of the Unit Area shall be conducted in the manner determined by the Working Interest Owners. Division in kind shall be made where practicable in the same manner and subject to the same terms as in the case of disposal of materials and equipment under Article 20 hereof. All such assets and property shall belong to the Working Interest Owners in the same percentage as they are deemed to own production allocated under this agreement at the time of termination hereof.

30.3 File Declaration of Abandonment. Upon termination of this agreement as above provided, Unit Operator shall file a declaration to that effect with the County Clerk and Recorder of Washington County, Colorado, whereupon the rights, powers, and duties of the Working Interest Owners and the Unit Operator shall be at an end, except for liabilities theretofore accrued, except that any liability or obligation incurred prior thereto shall accrue or become payable thereafter, the amount shall be borne and paid in accordance with this agreement in the same manner as if it had accrued prior to termination of the unit.

ARTICLE 31

EXECUTION IN COUNTERPARTS AND RATIFICATION

31.1 Counterparts. This agreement may be executed in counterparts and all such counterparts taken together shall be deemed to constitute one and the same instrument.

31.2 Ratification. This agreement may be executed by the execution and delivery of a good and sufficient instrument of ratification similar to Exhibit "F" attached hereto and made a part hereof, adopting and entering into this agreement. Such ratification shall have the same effect as if the party executing it had executed this agreement or a counterpart hereof.

ARTICLE 32

SUCCESSORS AND ASSIGNS

32.1 Covenants. This agreement shall be binding on and inure to the benefit of all parties signing the same, their heirs, devisees, personal representatives, successors and assigns, whether or not it is signed by all the parties listed below.

ARTICLE 33

TABLE OF CONTENTS, ARTICLE AND SECTION TITLES

33.1 Headings. The table of contents and the headings used in this agreement are inserted for convenience only and shall be disregarded in construing this agreement.

ARTICLE 34

WORKING INTEREST OWNER OF LESS THAN THREE PER CENT

34.1 Working Interest Owner of Less Than Three Per Cent. Except upon the terms and conditions hereafter in this article set forth, no Working Interest Owner who bears less than three per cent (3%) of Costs hereunder shall be entitled to participate in the supervision of operations hereunder or have a representative

upon any Title or other Committee established hereunder or to receive any notice to be given to Working Interest Owners under the provisions hereof.

34.2 Appointment of Representative. Any Working Interest Owner who, under the provisions of this agreement, bears less than three per cent (3%) of the Costs, shall, concurrently with executing this agreement, or upon becoming a Working Interest Owner bearing less than three per cent (3%) of the Costs, execute a written designation of a representative and file the same with Unit Operator. Any such representative who, at any time by virtue of written designations filed with the Unit Operator, pursuant to the provisions of this Section 34.2, is entitled to represent Working Interest Owners who in the aggregate bear three per cent (3%) of more of the Costs hereunder, shall be entitled to participate in the supervision of operations hereunder and to serve on the Title Committee in behalf of the Working Interest Owners so designating such representative the same as if such representative were a representative of a Working Interest Owner bearing three per cent (3%) of more of the Costs hereunder.

ARTICLE 35

UNCOMMITTED WORKING INTERESTS

35.1 Effect of Failure to Commit. If an owner of any interest which would comprise a Working Interest if such owner signed this agreement, fails to execute this agreement, the allocation of production provided for herein shall be readjusted in the same manner as if title to such interest were disapproved pursuant to Section 14.6.

ARTICLE 36

EFFECTIVE DATE AND TERM

36.1 Agreement Binding Upon Execution. This agreement, as to each party, shall become binding upon execution. This agreement

may be executed in any number of counterparts, and each such counterpart so executed shall have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same document. Each party executing this agreement, or a counterpart hereof, shall also execute an instrument in substantially the form set out in Exhibit "F" hereto, reflecting that such party has executed this agreement, and upon the recording by the Unit Operator of such instrument described in Exhibit "F" in the Records of the County Clerk and Recorder of Morgan County, Colorado, it shall not be necessary that the counterpart of this agreement signed by such party be recorded. Each party executing this agreement admits and represents to each other party hereto that such executing party has read this agreement and has noted the contents thereof; that no oral representations or oral promises have been made to such executing party as an inducement for executing said agreement; that the sole and only consideration expected by or promised to said executing party is found expressed within the four corners of this written agreement; that if any such oral promise or oral representation has been made to such executing party, said party is not relying thereon and same does not constitute any inducement for its executing this agreement.

36.2 Tracts to be Included in Unit Area on Effective Date of this Agreement. The Unit Area shall consist of those numbered tracts described on Exhibit "B" hereto, provided that on or before September 1, 195²~~6~~, this agreement shall have been executed by (a) parties who, in the aggregate, own of record eighty five per cent (85%) of the Lease Burdens covering the Unit Area, (b) parties who own of record one hundred per cent (100%) of the Other Interests, if any, covering the Unit Area, and (c) parties who own of record, or have effective control, as determined by the Title Committee, one hundred per cent (100%) of the Working Interests covering the Unit Area.

Any Working Interest not owned of record by a party hereto, but claimed to be effectively controlled by that party, shall be

reviewed by the Title Committee provided for in Article 14 hereof. If representatives of Working Interest Owners on said committee representing at least seventy five per cent (75%) interest in the Unit Area agree that said party has effective control of that Working Interest, then that Working Interest shall be deemed to be subject to this agreement. It is provided, however, that no tract shall be included in the Unit Area unless parties owning of record at least eighty per cent (80%) of the Working Interest, with respect to that tract, have executed this agreement.

36.3 Formation of Smaller Unit. If on September 1, 1956⁷, the interests set out in Section 36.2 have not executed this agreement covering the Unit Area as described in Article 2, but on that date this agreement has been executed by Parties owning the interests as set out in Section 36.2 with respect to a lesser area composed of contiguous tracts within the Unit Area as described in Article 2, then the Working Interest Owners who shall have executed this agreement prior to September 1, 1956⁷, and who shall at such time own the interests as set out in Section 36.2 (c) in such lesser area, shall have the right, at their election made in writing to be exercised at any time prior to April 1, 1958⁸, to form a Unit Area subject to all other terms and conditions of this agreement containing such numbered tracts described on Exhibit "B" as said Working Interest Owners shall elect to include, provided, however, that the Unit Area affected hereunder shall include only tracts which are contiguous, to the extent that such tracts shall abut, adjoin, touch or corner upon one another. From and after such election, such unit so formed shall constitute the Unit Area. Each party who has executed this agreement shall be released of all obligations hereunder (except for costs and expenses which have been incurred under the provisions of this agreement in anticipation of the execution of this agreement) unless the Unit Area is formed as hereinabove provided in this Article 36.

36.4 Effective Date of Agreement. Within Thirty (30) days after the Unit Area has been determined as hereinabove provided in Section 36.2 or 36.3 of this Article 36, Unit Operator shall file with the Oil and Gas Conservation Commission of the State of Colorado an application in behalf of all persons who have executed this agreement, for approval of this agreement. If an order approving this agreement is entered by the Oil and Gas Conservation Commission of the State of Colorado prior to 120 days after said application has been filed, this agreement shall become effective on the first day of the calendar month next ensuing after such approval. Unit Operator shall, before or promptly after such effective date, file for record with the County Clerk and Recorder of Washington County, Colorado, a written instrument stating that this Unit Agreement has been so effected, describing the tracts included in the Unit Area, the tract factors assigned to each such tract, the parties to said agreement, and the effective date of this agreement.

ARTICLE 37

WITHDRAWAL FROM AGREEMENT

37.1 Right to Withdraw. If title to any Working Interest or Working Interests is disapproved pursuant to the provisions of Article 14 and the aggregate of the interests to which title is so disapproved comprises interests owned by Working Interest Owners who would bear one per cent (1%) or more of the Costs under this agreement, if all Working Interest Owners executed the same and all titles were approved, then any party may, by notice to Unit Operator, within thirty (30) days of such disapproval, withdraw from this agreement and as to any party or parties so withdrawing, this agreement shall terminate and such parties shall be under no further obligations hereunder. If any party withdraws from this agreement pursuant to the provisions of this article,

then this agreement shall terminate and no party shall be under any further obligation hereunder unless the Working Interest Owners remaining committed hereto, by affirmative vote pursuant to the provisions of Article 8, vote to continue this agreement in effect notwithstanding the failure to approve title and withdrawal of one or more parties.

ARTICLE 38

ENLARGEMENT OF UNIT AREA

38.1 Time. At any time or from time to time within two (2) years from and after the effective date of this agreement, any person or persons (herein in this article called "Applicant") owning the entire Working Interest in a tract contiguous to the Unit Area as it then exists, may apply to the Unit Operator for inclusion of such tract in the Unit Area upon the terms and conditions set forth in this article.

38.2 Application. Any such application shall be in writing and shall contain a description of the land which Applicant seeks to include in the Unit Area and shall be accompanied by (1) evidence showing that there is a well producing from the "D" sands on each twenty (20) acres of land included in such application, which well, during a test period of five successive twenty-four hour days, produces at least ten (10) barrels of oil per twenty-four hour day, and (2) abstracts of title certified to current date and all other title papers and opinions necessary to show title to such tract.

38.3 Notice. Promptly upon receipt of any such application, Unit Operator shall furnish each Working Interest Owner with a copy of such application with enclosures and, shall, at the same time, call a meeting of the Working Interest Owners to be held not less than ten (10) or more than thirty (30) days from and after the date upon which Unit Operator has furnished such Working Interest Owners with a copy of such application.

38.4 Determination of Working Interest Owner. At the meeting of Working Interest Owners to be called by Unit Operator for the purpose of considering any such application, the Working Interest Owners shall determine by vote (with Applicant, if Applicant is already a Working Interest Owner, having the right to vote) (1) whether title to the tract to be added to the Unit Area is acceptable, (2) whether inclusion in the Unit Area meets with their approval, and (3) the percentage of production from the Unit Area to be allocated to such tract, assuming that such tract comprised part of the Unit Area. Affirmative vote of at least three (3) Working Interest Owners having eighty-five per cent (85%) of the voting power shall be required. Unit Operator shall promptly notify Applicant of the action taken by the Working Interest Owners with respect to any such application.

38.5 Joinder by Applicant. Applicant shall have a period of thirty (30) days from and after receipt of notice from Unit Operator that the Working Interest Owners have acted favorably on any application, within which to submit to Unit Operator (1) an agreement (which may be executed in counterparts) substantially in the form of that attached hereto and marked Exhibit "G", executed by the person or persons owning not less than eighty-five (85) per cent on an acreage basis of all Lease Burdens or Other Interests with respect to production from the "D" sand formations underlying the tract of land to be added to the Unit Area, and (2) a counterpart of this agreement executed by Applicant.

38.6 Effective date of Expansion. The effective date of the expansion of any Unit Area to include any tract covered by an application filed pursuant to this Article shall be 7:00 a.m. on the first day of the calendar month next succeeding the date upon which Applicant has furnished Unit Operator with executed copies

of the agreement described in Section 38.5 above.

38.7 Revision. Effective as of the time the Unit Area is enlarged, there shall be (1) an adjustment of investments on the same basis as the adjustment of investments made under Article 15 hereof, and (2) a revision of allocation of production, the manner in which production is deemed to be owned, the owners of materials, equipment and other property and the manner in which Costs are borne, to reflect the addition to the Unit Area of the tract included as a result of such application. In effecting any such revision, no change shall be made in the relative percentages of production allocated to tracts within the Unit Area as they existed prior to such enlargement.

38.8 Schedules. A statement of the new schedule of the percentages allocated to each tract and of the percentages of all production owned by each Working Interest Owner shall be executed and acknowledged by Unit Operator not later than the 10th day of the month in which the Unit Area has been so enlarged. Thereupon Unit Operator shall file with the County Clerk and Recorder, Washington County, Colorado, such new schedules, together with executed copies of the agreements entered into by owners of Lease Burdens and Other Interests in connection with such enlargement, along with satisfactory evidence that Applicant has executed this agreement.

38.9 Application by Unit Operator. In the event Unit Operator is the owner of all or part of the Working Interest in a tract proposed to be included in the Unit Area pursuant to this article, the application provided for herein shall be made to one of the other Working Interest Owners and the Working Interest Owners shall be convened by the Working Interest Owner to whom the application is made.

IN WITNESS WHEREOF this instrument is executed this _____
day of _____, 19__.

WORKING INTEREST OWNERS

Date of Execution:

CONTINENTAL OIL COMPANY

By _____
President

Address:

ATTEST:

Secretary

Date of Execution:

MONSANTO CHEMICAL COMPANY

By _____
Vice President

Address:

ATTEST:

Assistant Secretary

Date of Execution:

By _____
President

Address:

ATTEST:

Secretary

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Address: _____

By _____
President

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STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this
_____ day of _____, 19____, by _____
as Vice President and _____ as Asst. Secretary of
_____, a corporation.

My notarial commission expires _____.

Witness my hand and official seal.

Notary Public

STATE OF _____

COUNTY OF _____

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