

CASE 5715: MARATHON OIL CO. FOR  
APPROVAL OF THE NORTHEAST ANDER-  
SON RANCH UNIT AGREEMENT, LEA CO. 7

CASE NO.

5715

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APPLICATION,  
TRANSCRIPTS,  
SMALL EXHIBITS,  
ETC.



# OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

P. O. BOX 2088 - SANTA FE

87501

DIRECTOR  
JOE D. RAMEY

LAND COMMISSIONER  
PHIL R. LUCERO

March 15, 1977



STATE GEOLOGIST  
EMERY C. ARNOLD

5715

Marathon Oil Company  
P. O. Box 552  
Midland, Texas 79701

Attention: Mr. A. W. Hanley

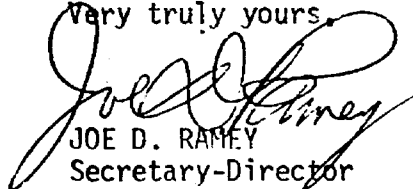
Re: Termination of Unit Agreement,  
Northeast Anderson Ranch Unit,  
Lea County, New Mexico.

Gentlemen:

This is to advise that the New Mexico Oil Conservation Commission has this date approved the Termination of Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit, Lea County, New Mexico.

One approved copy of the application for termination returned herewith.

Very truly yours,

  
JOE D. RAMEY  
Secretary-Director

JDR/WEA/og



Houston Division  
Production Operations US & Canada

PO Box 552  
Midland Texas 79701  
Telephone 915/682 1626

February 25, 1977

Oil Conservation Commission  
State of New Mexico  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Gentlemen:

Re: Northeast Anderson Ranch Unit  
Lea County, New Mexico

Enclosed are two (2) original copies of Termination of Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit, Lea County, New Mexico, which instrument has been executed by the owners of more than 75 percent of the working interest in such unit on an acreage basis, and approved by the Commissioner of Public Lands of the State of New Mexico. We would appreciate your approving and returning one of the enclosed copies of this instrument.

Also enclosed is xerox composite final copy of executed Unit Operating Agreement, with ratification by Exxon Corporation, for your file.

Yours very truly,

MARATHON OIL COMPANY

A handwritten signature in cursive script, reading 'A. W. Hanley'.

A. W. Hanley  
District Landman

AWH-BGB:dkr  
Encls.



TERMINATION OF UNIT AGREEMENT FOR THE  
DEVELOPMENT AND OPERATION OF THE  
NORTHEAST ANDERSON RANCH UNIT, LEA COUNTY, NEW MEXICO

FEB 21 5 02 AM '77  
STATE OF NEW MEXICO  
SANTA FE, N.M.

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five percent (75%) on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area, Lea County, New Mexico, dated July 12, 1976, heretofore approved by the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission, do hereby agree to terminate said agreement in accordance with Section 17 thereof, subject to the approval of the said Commissioner of Public Lands.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

IN WITNESS WHEREOF, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

. MARATHON OIL COMPANY - Unit Operator

DATE Oct 29 1976

BY: D. W. Franklin  
D. W. FRANKLIN Attorney-in-Fact *WLF*

WORKING INTEREST OWNERS

ATTEST:

THE SUPERIOR OIL COMPANY

\_\_\_\_\_

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

Date: \_\_\_\_\_

UNION OIL COMPANY OF CALIFORNIA

Date: \_\_\_\_\_

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

ALLIED CHEMICAL CORPORATION

Date: \_\_\_\_\_

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

EXXON CORPORATION

Date: \_\_\_\_\_

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

TERMINATION OF UNIT AGREEMENT FOR THE  
DEVELOPMENT AND OPERATION OF THE  
NORTHEAST ANDERSON RANCH UNIT, LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five percent (75%) on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area, Lea County, New Mexico, dated July 12, 1976, heretofore approved by the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission, do hereby agree to terminate said agreement in accordance with Section 17 thereof, subject to the approval of the said Commissioner of Public Lands.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

IN WITNESS WHEREOF, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

MARATHON OIL COMPANY - Unit Operator

DATE October 29, 1976

BY: D. W. Franklin  
D. W. FRANKLIN Attorney-in-Fact *wsb*

WORKING INTEREST OWNERS

ATTEST:

THE SUPERIOR OIL COMPANY

Gail Bartlett Eustice BY: H. H. Hinch  
ASSISTANT SECRETARY Vice-President  
Date: December 30, 1976

UNION OIL COMPANY OF CALIFORNIA

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

ALLIED CHEMICAL CORPORATION

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

EXXON CORPORATION

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

TERMINATION OF UNIT AGREEMENT FOR THE  
DEVELOPMENT AND OPERATION OF THE  
NORTHEAST ANDERSON RANCH UNIT, LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five percent (75%) on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area, Lea County, New Mexico, dated July 12, 1976, heretofore approved by the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission, do hereby agree to terminate said agreement in accordance with Section 17 thereof, subject to the approval of the said Commissioner of Public Lands.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

IN WITNESS WHEREOF, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

. MARATHON OIL COMPANY - Unit Operator

DATE October 29, 1976

BY: D. W. Franklin  
D. W. FRANKLIN Attorney-in-Fact *WSB*

WORKING INTEREST OWNERS

ATTEST:

THE SUPERIOR OIL COMPANY

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

Date: \_\_\_\_\_

UNION OIL COMPANY OF CALIFORNIA

Date: 12-10-76

BY: [Signature]

ALLIED CHEMICAL CORPORATION

Date: \_\_\_\_\_

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

EXXON CORPORATION

Date: \_\_\_\_\_

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

TERMINATION OF UNIT AGREEMENT FOR THE  
DEVELOPMENT AND OPERATION OF THE  
NORTHEAST ANDERSON RANCH UNIT, LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

That the undersigned, being the owners of more than seventy-five percent (75%) on an acreage basis of the working interests in and to oil and gas leasehold interests committed to the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area, Lea County, New Mexico, dated July 12, 1976, heretofore approved by the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission, do hereby agree to terminate said agreement in accordance with Section 17 thereof, subject to the approval of the said Commissioner of Public Lands.

This instrument may be executed in counterparts, no one of which need be executed by all parties.

IN WITNESS WHEREOF, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

. MARATHON OIL COMPANY - Unit Operator

DATE October 29, 1976 BY: D. M. Franklin  
D. M. FRANKLIN Attorney-in-Fact *wsb*

WORKING INTEREST OWNERS

ATTEST:

THE SUPERIOR OIL COMPANY

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

Date: \_\_\_\_\_

UNION OIL COMPANY OF CALIFORNIA

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

Date: \_\_\_\_\_

ALLIED CHEMICAL CORPORATION

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

Date: \_\_\_\_\_

EXXON CORPORATION

Date: \_\_\_\_\_ BY: H. Jack Haumann

H. JACK HAUMANN, DIV. LANDMAN-EXPL. DEPT.,  
EXXON COMPANY, U.S.A. (a div. of Exxon -  
Corporation), AGENT AND ATTORNEY IN FACT

HILL REVOCABLE TRUSTS

Date: December 3, 1976

BY: Kim H. Hill

Date: December 3, 1976

BY: Margaret Bell Hill

ATTEST:

OIL DEVELOPMENT COMPANY OF TEXAS

\_\_\_\_\_  
Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

\_\_\_\_\_  
Max H. Christensen

Date: \_\_\_\_\_

\_\_\_\_\_  
Marcella B. Christensen

ATTEST:

McALESTER FUEL COMPANY

\_\_\_\_\_  
Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

\_\_\_\_\_  
Iris Goldston

ATTEST

MAYFIELD CORPORATION

\_\_\_\_\_  
Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

\_\_\_\_\_  
Kathleen Hadley Goldston, Individually  
and as Independent Co-Executrix of the  
Estate of W. J. Goldston, deceased.

ATTEST:

FIRST CITY NATIONAL BANK OF HOUSTON,  
Independent Co-Executor of the Estate  
of W. J. Goldston, deceased.

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

\_\_\_\_\_  
Joseph C. Goldston, Independent Co-  
Executor of the Estate of W. J. Goldston,  
deceased.

Date: \_\_\_\_\_

\_\_\_\_\_  
W. C. Partee

Date: \_\_\_\_\_

\_\_\_\_\_  
Chrystelle Partee

HILL REVOCABLE TRUSTS

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

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

ATTEST:

Date: 12-16-76 ASSISTANT SECRETARY

OIL DEVELOPMENT COMPANY OF TEXAS

BY: M. B. Burdett

VICE PRESIDENT

Date: \_\_\_\_\_

Max H. Christensen

Date: \_\_\_\_\_

Marcella B. Christensen

ATTEST:

Date: \_\_\_\_\_

McALESTER FUEL COMPANY

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

Date: \_\_\_\_\_

Iris Goldston

ATTEST

Date: \_\_\_\_\_

MAYFIELD CORPORATION

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

Date: \_\_\_\_\_

Kathleen Hadley Goldston, Individually  
and as Independent Co-Executrix of the  
Estate of W. J. Goldston, deceased.

ATTEST:

Date: \_\_\_\_\_

FIRST CITY NATIONAL BANK OF HOUSTON,  
Independent Co-Executor of the Estate  
of W. J. Goldston, deceased.

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

Date: \_\_\_\_\_

Joseph C. Goldston, Independent Co-  
Executor of the Estate of W. J. Goldston,  
deceased.

Date: \_\_\_\_\_

W. C. Partee

Date: \_\_\_\_\_

Chrystelle Partee

HILL REVOCABLE TRUSTS

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

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

ATTEST:

OIL DEVELOPMENT COMPANY OF TEXAS

\_\_\_\_\_  
Date: \_\_\_\_\_

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

Date: Dec. 7, 1976

Max H. Christensen  
Max H. Christensen

Date: \_\_\_\_\_

Marcella B. Christensen  
Marcella B. Christensen

ATTEST:

McALESTER FUEL COMPANY

\_\_\_\_\_  
Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

Iris Goldston

ATTEST

MAYFIELD CORPORATION

\_\_\_\_\_  
Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

Kathleen Hadley Goldston, Individually  
and as Independent Co-Executrix of the  
Estate of W. J. Goldston, deceased.

ATTEST:

FIRST CITY NATIONAL BANK OF HOUSTON,  
Independent Co-Executor of the Estate  
of W. J. Goldston, deceased.

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

Joseph C. Goldston, Independent Co-  
Executor of the Estate of W. J. Goldston,  
deceased.

Date: \_\_\_\_\_

W. C. Partee

Date: \_\_\_\_\_

Chrystelle Partee

HILL REVOCABLE TRUSTS

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

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

ATTEST:

OIL DEVELOPMENT COMPANY OF TEXAS

\_\_\_\_\_

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

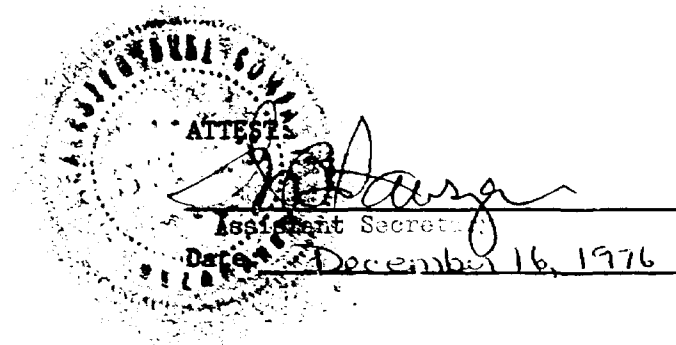
Date: \_\_\_\_\_

Date: \_\_\_\_\_

Max H. Christensen

Date: \_\_\_\_\_

Marcella B. Christensen



McALESTER FUEL COMPANY

BY: [Signature]  
Vice President

Date: \_\_\_\_\_

Iris Goldston

ATTEST

MAYFIELD CORPORATION

\_\_\_\_\_

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Kathleen Hadley Goldston, Individually  
and as Independent Co-Executrix of the  
Estate of W. J. Goldston, deceased.

ATTEST:

FIRST CITY NATIONAL BANK OF HOUSTON,  
Independent Co-Executor of the Estate  
of W. J. Goldston, deceased.

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

Joseph C. Goldston, Independent Co-  
Executor of the Estate of W. J. Goldston,  
deceased.

Date: \_\_\_\_\_

W. C. Partee

Date: \_\_\_\_\_

Chrystelle Partee



Termination of Unit Agreement

HILL REVOCABLE TRUSTS

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

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

ATTEST:

OIL DEVELOPMENT COMPANY OF TEXAS

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

Max H. Christensen

Date: \_\_\_\_\_

Marcella B. Christensen

ATTEST:

McALESTER FUEL COMPANY

Date: \_\_\_\_\_

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

Date: December 13, 1976

Iris Goldston  
Iris Goldston



MAYFIELD CORPORATION

BY: T. J. Reel  
President

Date: \_\_\_\_\_

Kathleen Hadley Goldston, Individually  
and as Independent Co-Executrix of the  
Estate of W. J. Goldston, deceased.

ATTEST:

FIRST CITY NATIONAL BANK OF HOUSTON,  
Independent Co-Executor of the Estate  
of W. J. Goldston, deceased.

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

Joseph C. Goldston, Independent Co-  
Executor of the Estate of W. J. Goldston,  
deceased.

Date: \_\_\_\_\_

W. C. Partee

Date: \_\_\_\_\_

Chrystelle Partee

HILL REVOCABLE TRUSTS

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

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

ATTEST:

OIL DEVELOPMENT COMPANY OF TEXAS

\_\_\_\_\_

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Max H. Christensen

Date: \_\_\_\_\_

Marcella B. Christensen

ATTEST:

McALESTER FUEL COMPANY

\_\_\_\_\_

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

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Iris Goldston

ATTEST

MAYFIELD CORPORATION

\_\_\_\_\_

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

Date: \_\_\_\_\_

Date: 12-13-76

*Kathleen Hadley Goldston*  
Kathleen Hadley Goldston, Individually  
and as Independent Co-Executrix of the  
Estate of W. J. Goldston, deceased.

ATTEST:

*Betty J. Gentry*  
Assistant Cashier

FIRST CITY NATIONAL BANK OF HOUSTON,  
Independent Co-Executor of the Estate  
of W. J. Goldston, deceased.

Date: 12-9-76

BY: *John P. O'Hare*

VICE PRESIDENT  
& TRUST OFFICER

Date: 11/10/76

*Joseph C. Goldston*  
Joseph C. Goldston, Independent Co-  
Executor of the Estate of W. J. Goldston,  
deceased.

Date: \_\_\_\_\_

W. C. Partee

Date: \_\_\_\_\_

Chrystelle Partee

HILL REVOCABLE TRUSTS

Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

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

ATTEST:

OIL DEVELOPMENT COMPANY OF TEXAS

\_\_\_\_\_  
Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

Max H. Christensen

Date: \_\_\_\_\_

Marcella B. Christensen

ATTEST:

McALESTER FUEL COMPANY

\_\_\_\_\_  
Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

Iris Goldston

ATTEST

MAYFIELD CORPORATION

\_\_\_\_\_  
Date: \_\_\_\_\_

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

Date: \_\_\_\_\_

Kathleen Hadley Goldston, Individually  
and as Independent Co-Executrix of the  
Estate of W. J. Goldston, deceased.

ATTEST:

FIRST CITY NATIONAL BANK OF HOUSTON,  
Independent Co-Executor of the Estate  
of W. J. Goldston, deceased.

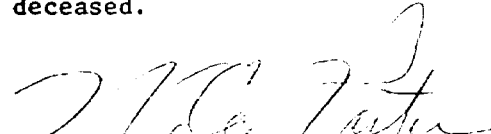
\_\_\_\_\_  
Date: \_\_\_\_\_

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

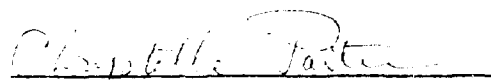
Date: \_\_\_\_\_

Joseph C. Goldston, Independent Co-  
Executor of the Estate of W. J. Goldston,  
deceased.

Date: 12/9/76

  
W. C. Partee

Date: 12/9/76

  
Chrystelle Partee

ATTEST:

COLORADO OIL AND GAS CORPORATION

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

\_\_\_\_\_  
Date: \_\_\_\_\_

Date: 12/15/76

Jack L. Russell  
Jack L. Russell

Date: \_\_\_\_\_

Frances E. Russell  
Frances E. Russell

STATE OF TEXAS    X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this 29th day of October, 1976, by L. W. S. S. S. S. who is Attorney-in-fact of MARATHON OIL COMPANY, an Ohio corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Sandra E. Beatty  
Notary Public in and for  
Harris County, Texas  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

STATE OF \_\_\_\_\_ X  
                          X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of THE SUPERIOR OIL COMPANY, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_  
County, \_\_\_\_\_

STATE OF TEXAS    X  
                          X  
COUNTY OF MIDLAND   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of UNION OIL COMPANY OF CALIFORNIA, a California corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

STATE OF \_\_\_\_\_ X  
                          X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of ALLIED CHEMICAL CORPORATION, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_  
County, \_\_\_\_\_

STATE OF TEXAS I  
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this 29th day of October, 1976, by D. W. FRANKLIN who is Attorney-in-fact of MARATHON OIL COMPANY, an Ohio corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Sandra E. Beatty  
Notary Public in and for  
Harris County, Texas  
Sandra E. Beatty  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

STATE OF Texas I  
COUNTY OF Harris I

The foregoing instrument was acknowledged before me this 29th day of October, 1976, by H. R. HIRSCH who is Vice-President of THE SUPERIOR OIL COMPANY, a Canada (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Corinne Steele  
Notary Public in and for  
County, \_\_\_\_\_

CORINNE STEELE  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

STATE OF TEXAS I  
COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of UNION OIL COMPANY OF CALIFORNIA, a California corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Midland County, Texas

STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

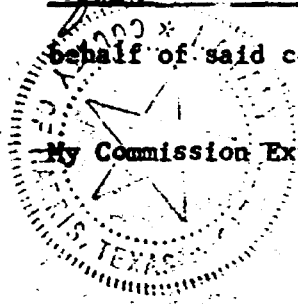
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of ALLIED CHEMICAL CORPORATION, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
County, \_\_\_\_\_

STATE OF TEXAS I  
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this 29th day of October, 1976, by D. W. FRANKLIN who is Attorney-in-fact of MARATHON OIL COMPANY, an Ohio corporation, for and on behalf of said corporation.



My Commission Expires: \_\_\_\_\_

Sandra E. Beatty  
Notary Public in and for  
Harris County, Texas

SANDRA E. BEATTY  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of THE SUPERIOR OIL COMPANY, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
County, \_\_\_\_\_

STATE OF TEXAS I  
COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this 10th day of December, 1976, by James H. Jones who is Attorney-in-fact of UNION OIL COMPANY OF CALIFORNIA, a California corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

MAVIS JONES  
Notary Public  
Midland Co. Texas

Mavis Jones  
Notary Public in and for  
Midland County, Texas

STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of ALLIED CHEMICAL CORPORATION, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

Y  
Y  
Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of

\_\_\_\_\_, 1976, by H. JACK NAUMANN who is Attorney in fact  
of EXXON CORPORATION, a \_\_\_\_\_ corporation,  
(State)  
for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

STATE OF TEXAS  
COUNTY OF TARRANT

Y  
Y  
Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of

\_\_\_\_\_, 1976, by KENNETH WALTRIP and MARCERY BELLE HILL, as Trustees of  
the Hill Revocable Trusts.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Tarrant County, Texas

STATE OF TEXAS  
COUNTY OF POTTER

Y  
Y  
Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of

\_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_  
\_\_\_\_\_ of OIL DEVELOPMENT COMPANY OF TEXAS, a \_\_\_\_\_  
(State)  
corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Potter County, Texas



STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of EXXON CORPORATION, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
County, \_\_\_\_\_

STATE OF TEXAS I  
COUNTY OF TARRANT I

The foregoing instrument was acknowledged before me this 13<sup>th</sup> day of December, 1976, by KENNETH WALTRIP and MARGERY BELLE HILL, as Trustees of the Hill Revocable Trusts.

My Commission Expires: June 1, 1977

Velma B. Craft VELMA B. CRAFT  
Notary Public in and for  
Tarrant County, Texas

STATE OF TEXAS I  
COUNTY OF POTTER I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of OIL DEVELOPMENT COMPANY OF TEXAS, a \_\_\_\_\_ corporation, for and on behalf of said corporation. (State)

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Potter County, Texas

STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of EXXON CORPORATION, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_ Notary Public in and for \_\_\_\_\_ County, \_\_\_\_\_

STATE OF TEXAS I  
COUNTY OF TARRANT I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by KENNETH WALTRIP and MARGERY BELLE HILL, as Trustees of the Hill Revocable Trusts.

My Commission Expires: \_\_\_\_\_ Notary Public in and for Tarrant County, Texas

STATE OF TEXAS I  
COUNTY OF POTTER I

The foregoing instrument was acknowledged before me this 17th day of December, 1976, by W.D. B. Hill who is President of OIL DEVELOPMENT COMPANY OF TEXAS, a Texas (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_ Notary Public in and for Potter County, Texas

Ann Morris, Notary Public  
In and for Potter County, Texas  
My commission expires 12/31/77

STATE OF TEXAS     X  
                          X  
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this 2<sup>nd</sup> day of April, 1976, by MAX H. CHRISTENSEN and his wife, MARCELLA B. CHRISTENSEN.

My Commission Expires: June 1, 1977     Susan Gibson  
Notary Public in and for  
Midland County, Texas

STATE OF ARKANSAS   X  
                          X  
COUNTY OF COLUMBIA X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of McALESTER FUEL COMPANY, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_     \_\_\_\_\_  
Notary Public in and for  
Columbia County, Arkansas

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by IRIS GOLDSTON, a widow.

My Commission Expires: \_\_\_\_\_     \_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS    X  
                          X  
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by MAX H. CHRISTENSEN and his wife, MARCELLA B. CHRISTENSEN.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

STATE OF ARKANSAS   X  
                          X  
COUNTY OF COLUMBIA X

The foregoing instrument was acknowledged before me this 16<sup>th</sup> day of December, 1976, by M. C. Jones who is Vice President of McALESTER FUEL COMPANY, a Delaware corporation, (State) for and on behalf of said corporation.

My Commission Expires: 8-21-79

Debra L. Mahan  
Notary Public in and for  
Columbia County, Arkansas

STATE OF TEXAS    X  
                          X  
COUNTY OF HARRIS X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by IRIS GOLDSTON, a widow.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this 13<sup>th</sup> day of December, 1976, by Jack H. Mayfield, Jr. who is President of MAYFIELD CORPORATION, a Texas (State) corporation, for and on behalf of said corporation.

My Commission Expires: June 1, 1977

Roxanna H. Gage  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by KATHLEEN HADLEY GOLDSTON, Individually and as Independent Co-Executrix of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     X  
                          X  
COUNTY HARRIS     X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of FIRST CITY NATIONAL BANK OF HOUSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     I  
                              I  
COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by MAX H. CHRISTENSEN and his wife, MARCELLA B. CHRISTENSEN.

My Commission Expires: \_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

STATE OF ARKANSAS     I  
                              I  
COUNTY OF COLUMBIA I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of McALESTER FUEL COMPANY, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_  
Notary Public in and for  
Columbia County, Arkansas

STATE OF TEXAS     I  
                              I  
COUNTY OF HARRIS    I

The foregoing instrument was acknowledged before me this 13<sup>th</sup> day of December, 1976, by IRIS GOLDSTON, a widow.

My Commission Expires: June 1, 1977  
Roxanne M. Gage  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     I  
                              I  
COUNTY OF HARRIS   I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of MAYFIELD CORPORATION, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     I  
                              I  
COUNTY OF HARRIS   I

The foregoing instrument was acknowledged before me this 13<sup>th</sup> day of December, 1976, by KATHLEEN HADLEY GOLDSTON, Individually and as Independent Co-Executrix of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

EDITH SUFFERN  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

Edith Suffern  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     I  
                              I  
COUNTY HARRIS     I

The foregoing instrument was acknowledged before me this 7<sup>th</sup> day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of FIRST CITY NATIONAL BANK OF HOUSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

EDITH SUFFERN  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

Edith Suffern  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     Y  
                              Y  
COUNTY OF HARRIS   Y

The foregoing instrument was acknowledged before me this 10<sup>th</sup> day of December, 1976, by JOSEPH C. GOLDSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

EDITH SUFFERN  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

Edith Suffern  
Notary Public in and for  
Harris County, Texas

STATE OF ARKANSAS   Y  
                              Y  
COUNTY OF COLUMBIA Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by W. C. PARTEE and his wife, CHRYSTELLE PARTEE.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Columbia County, Arkansas

STATE OF \_\_\_\_\_ Y  
                              Y  
COUNTY OF \_\_\_\_\_ Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of COLORADO OIL AND GAS CORPORATION, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

STATE OF TEXAS     Y  
                              Y  
COUNTY OF MIDLAND Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by Jack L. Russell and his wife, Frances E. Russell.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Midland County, Texas



STATE OF TEXAS     I  
                          I  
COUNTY OF HARRIS   I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by JOSEPH C. GOLDSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF ARKANSAS   I  
                          I  
COUNTY OF COLUMBIA   I

The foregoing instrument was acknowledged before me this 9th day of December, 1976, by W. C. PARTEE and his wife, CHRYSTELLE PARTEE.

My Commission Expires: 9-30-79  
Martha Cheatham  
Notary Public in and for  
Columbia County, Arkansas

STATE OF \_\_\_\_\_   I  
                          I  
COUNTY OF \_\_\_\_\_   I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of COLORADO OIL AND GAS CORPORATION, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

STATE OF TEXAS     I  
                          I  
COUNTY OF MIDLAND   I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by Jack L. Russell and his wife, Frances E. Russell.

My Commission Expires: \_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

STATE OF TEXAS     I  
                          I  
COUNTY OF HARRIS   I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by JOSEPH C. GOLDSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF ARKANSAS   I  
                          I  
COUNTY OF COLUMBIA   I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by W. C. PARTEE and his wife, CHRYSTELLE PARTEE.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Columbia County, Arkansas

STATE OF \_\_\_\_\_ I  
                          I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of COLORADO OIL AND GAS CORPORATION, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

STATE OF TEXAS     I  
                          I  
COUNTY OF MIDLAND   I

The foregoing instrument was acknowledged before me this 16<sup>th</sup> day of December, 1976, by Jack L. Russell and his wife, Frances E. Russell.


My Commission Expires: June 1, 1977

Denise C. Perkins  
Notary Public in and for  
Midland County, Texas

CERTIFICATE OF APPROVAL  
OF  
TERMINATION OF NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

The undersigned Commissioner of Public Lands, State of New Mexico, does hereby approve the attached Termination of Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit, Lea County, New Mexico.

Dated this the 22nd. day of February, 1977.

  
\_\_\_\_\_  
COMMISSIONER OF PUBLIC LANDS

CERTIFICATE OF APPROVAL  
OF  
TERMINATION OF NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

The undersigned Commissioner of Public Lands, State of New Mexico, does hereby approve the attached Termination of Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area, Lea County, New Mexico.

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 1976.

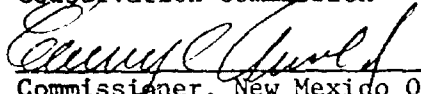
\_\_\_\_\_  
COMMISSIONER OF PUBLIC LANDS OF THE  
STATE OF NEW MEXICO

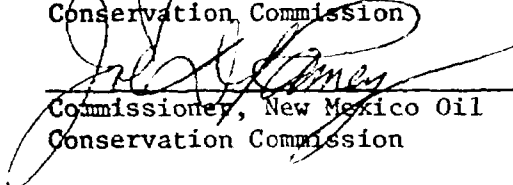
CERTIFICATE OF APPROVAL  
OF  
TERMINATION OF NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
BY THE NEW MEXICO OIL CONSERVATION COMMISSION

The undersigned Commissioners of the New Mexico Oil Conservation Commission do hereby approve the attached Termination of Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area, Lea County, New Mexico.

Dated this 15<sup>th</sup> day of March, 1976.

\_\_\_\_\_  
Commissioner, New Mexico Oil  
Conservation Commission

  
\_\_\_\_\_  
Commissioner, New Mexico Oil  
Conservation Commission

  
\_\_\_\_\_  
Commissioner, New Mexico Oil  
Conservation Commission

CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT OPERATING AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Operating Agreement in connection with the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit, embracing lands situated in Township 15-South, Range 32-East, Lea County, New Mexico, which Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold interests being committed to said Unit Agreement do hereby consent to said Unit Operating Agreement and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Operating Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

EXXON CORPORATION

BY: H. J. Noble  
H. J. Noble, Div. Manager Expl. Dept.,  
Exxon Company, U.S.A. (a Div. of Exxon  
Corporation), Agent and Attorney in Fact

CORPORATE

STATE OF TEXAS                      I  
COUNTY OF MIDLAND                      I

Div. Edm. 27  
Div. Geol. 27  
Jt. Int. 27  
Div. Acc. 27  
Div. Law 27

The foregoing instrument was acknowledged before me this 16th day of September, 1976, by H. J. Noble who is Agent and Attorney in Fact of Exxon Corporation, a New Jersey (State) corporation, for and on behalf of said corporation.

My Commission Expires: 6-1-77

Lena P. Jechle  
Notary Public in and for  
Midland County, Texas

INDIVIDUAL

STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

UNIT OPERATING AGREEMENT  
NORTHEAST ANDERSON RANCH UNIT AREA  
LEA COUNTY, NEW MEXICO

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UNIT OPERATING AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE NORTHEAST ANDERSON RANCH UNIT AREA  
COUNTY OF LEA, STATE OF NEW MEXICO

THIS AGREEMENT made and entered into as of the 12th day of July, 1976, by and between MARATHON OIL COMPANY, an Ohio Corporation, with offices at Houston, Texas, hereinafter referred to as "Unit Operator", and such other working interest owners who subscribe to and become parties to this Agreement who have working interests in the unitized substances within the Unit Area subject to the Unit Agreement hereinafter referred to, which owners are hereinafter referred to as "Working Interest Owners" or as "Non-Operators".

W I T N E S S E T H :

WHEREAS, the parties hereto have concurrently herewith as of the date hereof entered into a certain Unit Agreement for the development and operation of the Northeast Anderson Ranch Unit Area, which Agreement is hereinafter referred to as "Unit Agreement," embracing lands situated in Lea County, State of New Mexico, described in Section 1 hereof; and

WHEREAS, Marathon Oil Company has been designated as the Unit Operator under the terms of said Unit Agreement and is also a Working Interest Owner under said Unit Agreement and enters into this Agreement in both capacities; and

WHEREAS, the undersigned Working Interest Owners have committed certain oil and gas leasehold interests to said Unit Agreement which are to be subject to the terms and conditions thereof; and

WHEREAS, the parties hereto enter into this Agreement pursuant to Section 6 of the Unit Agreement;

NOW, THEREFORE, it is mutually agreed between the parties hereto as follows:

ARTICLE I

1.1 DESCRIPTION OF UNIT AREA: The term "Unit Area" as used herein shall mean and include the following described land:

T-15-S, R-32-E, N.M.P.M., Lea County, New Mexico

Section 11: E $\frac{1}{2}$   
Section 12: All  
Section 13: All  
Section 14: All  
Section 23: NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$

containing 2,680.00 acres, more or less.



## ARTICLE II

2.1 UNIT PLAN CONFIRMED: The aforesaid Unit Agreement and all exhibits attached thereto are hereby confirmed and made a part of this Agreement.

## ARTICLE III

3.1 TITLE EXAMINATION: The parties hereto shall, as soon as practicable, submit to Unit Operator copies of their respective leases embracing lands committed to the Unit Area, together with all rental receipts and copies of any and all title opinions covering said lands, and shall loan to Unit Operator for examination all abstracts which they may have covering said lands. Unit Operator shall procure all abstracts and other title papers which may be necessary or required to examine title to the leasehold interests pertinent to any drillsite, and all expenses incurred in examining title shall be charged as an expense to the parties participating in the drilling of any test well in proportion to their respective interests.

No well shall be drilled on the Unit Area until (1) the title to the drillsite tract has been examined by Operator's attorney, and (2) title to both the oil and gas leases and to the fee title of the lessors has been approved by the examining attorney or accepted by all participating parties. A copy of the examining attorney's opinion shall be sent to each party hereto after the opinion is written, and, also, each party hereto shall be given, as they are written, a copy of all subsequent supplemental attorney's reports. A good faith effort to satisfy the examining attorney's requirements shall be made by and at the expense of the party owning the lease affected by such requirements.

3.2 FAILURE OF TITLE: Should any oil and gas lease, or interest therein, be lost through failure of title, this Agreement shall, nevertheless, continue in force as to all remaining leases and interests and,

(a) The party whose lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto by reason of such title failure; and

(b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Unit Area by the amount of the interest lost; and

(c) If the proportionate interests of the other parties hereto in any producing well theretofore drilled on the Unit Area are increased by reason of the title failure, the party

whose title failed shall receive the proceeds attributable to the increase in such interests (less operating costs attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(d) Should anyone not a party to this Agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the costs of operation, development or equipment previously paid under this Agreement, such amount shall be proportionately paid to the party or parties hereto who, in the first instance, paid the costs which are so refunded; and

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the parties in the same proportion in which they shared in such prior production. Each party whose title fails shall hold the other parties harmless from loss resulting from payment of proceeds of production to the losing party.

3.3 LOSS OF LEASES FOR CAUSES OTHER THAN TITLE FAILURE: If any lease or interest subject to this Agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, or if any lease or interest therein is lost due to the fact that the production therefrom is shut in by reason of lack of market, the loss shall not be considered a failure of title, and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of the participating interests of the parties hereto on account thereof.

#### ARTICLE IV

##### MANAGEMENT OF UNIT

4.1 UNIT OPERATOR AND EMPLOYEES: Marathon Oil Company, the party hereto named as Unit Operator of the Unit Area under the provisions of the Unit Agreement, or its duly appointed successor Unit Operator, shall have the exclusive right to develop and operate the Unit Area subject to the provisions of this Agreement and the Unit Agreement. All individuals employed by Unit Operator in the conduct of operations hereunder shall be 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.

4.2 UNIT OPERATOR-DUTIES: Unit Operator shall in the conduct of operations hereunder:

(a) Conduct the operations in a good and workmanlike manner, and in the exercise of its judgment and discretion, acting in good faith;

(b) Consult freely with Working Interest Owners concerning unit operations, and keep Working Interest Owners informed of all matters arising during the operation of the Unit Area which Unit Operator, in the exercise of its best judgment, considers important;

(c) Keep full and accurate records of all costs incurred, rentals and royalties paid, and controllable materials and equipment, which records, receipts and vouchers in support thereof shall be available for inspection by authorized representatives of the Working Interest Owners at reasonable intervals during usual business hours, at the office of the Unit Operator;

(d) Permit each of the Working Interest Owners, through its duly authorized representatives, 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 and other property, and to have access at reasonable times to information and data in the possession of Unit Operator concerning the Unit Area;

(e) Furnish to each of the other parties who makes timely written request therefor copies of Unit Operator's authorization for expenditures or itemizations thereof in excess of Ten Thousand Dollars (\$10,000.00), and copies of all drilling reports, well logs, basic engineering data, tank tables, gauge reports and run tickets, and reports of stock on hand at the first of each month, if available, and samples of cores or cuttings taken from wells drilled hereunder, containers therefor to be furnished by the party requesting such samples;

(f) Comply with the terms and conditions of the Unit Agreement and all valid applicable Federal and State laws and regulations;

(g) Keep the land in the Unit Area free from liens and encumbrances occasioned by its operations, except such liens as the Working Interest Owners elect to contract, and save only the lien granted the Unit Operator under this Agreement.

4.3 UNIT OPERATOR-RESTRICTIONS: The Unit Operator shall not do any of the following things without the consent of the Working Interest Owners obtained as herein provided:

(a) Locate, drill, deepen, or plug back any well or let any contract therefor, except as otherwise permitted under this Agreement. The approval of the drilling, deepening or plugging back of any well shall be construed to mean

and include the approval of any necessary expenditures for the approved operation, including the completing and equipping of such well, and the necessary lines, separators and necessary tankage\*, if a producer, and if a dry hole, the plugging and abandonment thereof, except as otherwise provided herein;

(b) Make any other expenditures in excess of Fifteen Thousand Dollars (\$15,000.00) for any one single item;

(c) Make any partial relinquishment of the rights of the Unit Operator;

(d) Abandon any well, or wells, which has been completed as a producing well or dispose of any major items of surplus material or equipment, other than junk, having an original cost of Three Thousand Dollars (\$3,000.00) or more (any such item or items of less cost may be disposed of without such approval), except as may otherwise be provided herein;

(e) Submit for approval any plan for the development and operation of the Unit Area or supplement or amendment thereto in accordance with the provisions of the Unit Agreement;

(f) Drill or abandon any injection wells or convert any well into an injection well;

(g) Determine whether to drill a demanded offset well or pay compensatory royalty;

(h) Make any arrangement for repressuring, cycling or pressure maintenance, or approve or disapprove any change in the existing method of operation;

(i) Determine not to pay the annual rental, advance rental or delay rental under any lease.

In case of blowout, explosion, fire, flood or other sudden emergency, Unit Operator may take such steps and incur such expense as, in its opinion, are required to deal with the emergency and to safeguard life and property; provided, that Unit Operator shall, as promptly as possible, report the emergency to the other parties and shall endeavor to secure any sanction that might otherwise have been required.

\*In the event a Non-Operator elects to take its share of production in kind, the said Non-Operator shall be responsible only for those costs associated with the facilities necessary to take said production in kind, including its proportionate share of any Unit facilities used by it.

Subject to the provisions of this Agreement, Unit Operator shall have full control of the premises subjected hereto and shall conduct and manage the development and operation of unitized lands for the production of unitized substances therefrom from the account of the parties hereto.

4.4 CONSENT OF WORKING INTEREST OWNERS: In connection with operations conducted by Unit Operator for which consent of Non-Operators is required under this Agreement, the Working Interest Owners shall have the right to vote thereon in proportion to their respective participation percentages under this Agreement. Except as otherwise specified herein or in the Unit Agreement, an affirmative vote of 65% of the voting power of the Working Interest Owners involved shall constitute the decision of the Working Interest Owners, which decision shall be binding upon all; provided, however, that should any Working Interest Owner own as much as 65%, but less than 100%, voting interest in the Unit Area, such party's vote must be supported by the affirmative vote of at least two additional Working Interest Owners; and provided, further, that if any party owns 35% or more voting interest, but less than 50%, the vote of such party shall not serve to defeat or disapprove any matters approved by the majority (over 50%) unless supported by at least one additional voting interest. Provided, however, if only one Working Interest Owner is entitled to vote, such party's vote shall control. If only two parties are entitled to vote, the vote of the one with the greater interest shall prevail. Nothing herein contained shall prevent any party hereto from electing to go non-consent under the provisions of Section 6.6 hereof.

The Working Interest Owners shall meet in regular or special meetings for the purpose of discussing unit business and of voting on matters in connection therewith, and of exercising any other powers committed to the Working Interest Owners by this Agreement or by the Unit Agreement. A special meeting may be called by Operator at any time and shall be called by Operator promptly upon the request of any Working Interest Owner or Owners whose participation percentage totals ten per cent (10%) or more. With respect to the drilling of wells, other than the initial test well or subsequent test well, approval of proposed plans of development or modifications or amendments thereof, Unit Operator shall submit to the Non-Operators entitled to vote thereon an agenda setting forth the matters to be determined at least seven (7) days prior to the date of the meeting; provided, however, that whenever a determination is to be made as to the deepening, plugging back or

reworking of a well where a drilling rig is on location, Operator shall give Non-Operators at least forty-eight (48) hours notice thereof, exclusive of Saturdays, Sundays and holidays. It shall be sufficient for the Unit Operator to poll all of the affected Working Interest Owners on all such matters without calling a meeting and any vote so taken pursuant to such poll shall be as binding on the Working Interest Owners as if done at a regular or special meeting at which a quorum was present. Unit Operator shall advise all Working Interest Owners the results of any poll so taken. Each Working Interest Owner shall designate a representative and an alternate to represent him at such meeting, who shall have such powers as are conferred on him by his principal, which powers shall be sufficiently broad to enable the representative to vote on matters coming before said meeting. Notices of meetings and place of holding same shall be served on such representative by the Unit Operator. The representative of the Unit Operator shall act as Chairman at all meeting. Each Working Interest Owner shall have the right, from time to time, on notice to the Unit Operator, to change the representative or the alternate.

4.5 UNIT OPERATOR-LIABILITIES: In the conduct of operations hereunder, Unit Operator shall be obligated to use only the care and diligence customarily exercised by a prudent operator in the area in which said lands are located, and Unit Operator shall not be liable for the result of any error or judgment or for the loss of or damage to any joint property not resulting from the gross negligence or willful misconduct of Unit Operator or its employees. Unit Operator shall not be responsible for the neglect or default of any drilling contractor or other contractor engaged by Unit Operator in operations hereunder.

4.6 UNAVOIDABLE DELAY: The obligations of Unit Operator shall be suspended to the extent that, and only so long as, performance thereof is prevented by fire, flood, action of the elements, strikes or other differences with workmen, acts or orders of civil or military authorities, acts of the public enemy, acts of God, restrictions or restraints imposed by law or by regulations or orders of governmental authorities, whether Federal, State or local, inability to obtain necessary rights of access, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials or labor in the open market on usual and lawful terms or other matters beyond the reasonable control of the Unit Operator, whether or not similar to any cause above enumerated.

## ARTICLE V

### COST OF OPERATIONS

5.1 COST OF OPERATIONS AND ACCOUNTING PROCEDURE: The actual cost to the Unit Operator of performing its obligations as Unit Operator hereunder shall be apportioned, except with respect to the initial test well or subsequent test well as provided in Section 6.1 hereof, among the Working Interest Owners having leasehold interests committed to the Unit Agreement in proportion to their participation percentages set forth in Column 6, page 4 of Exhibit "D" attached hereto and made a part hereof, and said costs shall be paid by the respective Working Interest Owners as hereinafter provided.

The cost of each operation not participated in by all Working Interest Owners shall be separately kept and charged to the Working Interest Owners affected in the proportions required by other applicable provisions of this Agreement or in such other manner as such owners may agree. All materials, equipment and other property, whether real or personal, charged as a part of the cost of operations hereunder shall be owned by the Working Interest Owners in the same proportion that they were charged therefor, with the exception of any reversionary interests in initial or subsequent test well as provided in Section 6.1 hereof.

All such costs, expenses, credits and related matters and the method of handling the accounting with respect thereto shall be in accordance with the provisions of the Accounting Procedure attached hereto, made a part hereof and marked Exhibit "E".

5.2 BENEFICIAL INTEREST PARTICIPATION: All production remaining after allocating the production for the purpose of paying royalties, overriding royalties and obligations payable out of production (and being the working interest) shall be allocated to the respective Working Interest Owners (except as to the initial test well or subsequent test well) in accordance with the percentages reflecting their respective net beneficial interests as shown in Column 7 on page 4 of Exhibit "D" attached hereto.

Exhibit "D" shows the interest of each Working Interest Owner as of the time of the commitment of the respective tracts to the Unit Agreement, as well as the beneficial interests of each Working Interest Owner, after taking into consideration the contribution of certain interests in connection with the drilling of the initial test well or subsequent test well as reflected by said exhibit.

The present beneficial interests of the respective Working Interest Owners as shown on Exhibit "D" have been determined as to each party on an adjusted surface acreage basis. The adjustment in surface area has been made by determining the fraction of the total unitized substances produced from or allocated to any tract which may be required to meet all royalty, overriding royalty, production payments or other obligations payable out of production from or allocated to such tract and multiplying that fraction by the number of acres contained in such tract and deducting the product from the total number of acres in said tract, the remainder being the adjusted surface acreage in each such tract. The beneficial interest of each party shown on Exhibit "D" represents the sum of the net acre interests of each party in all tracts owned by each party and committed to the Unit Agreement divided by the total number of net acres committed to the Unit Area.

Except as hereinafter provided, the percentages of participation of the parties hereto in costs of operation and allocation of production as shown on Exhibit "D" shall remain the same regardless of any contraction of the Unit Area or automatic elimination of lands therefrom in accordance with Section 9 of the Unit Agreement. There shall be a readjustment of the adjusted surface acres among the parties hereto on the basis set forth hereinabove and the interests of the parties recomputed on the basis of the revised acreage upon the occurrence of any of the following events:

- (i) the working interest in any tract shown on Exhibit "D" is not committed to the Unit Agreement;
- (ii) the commitment of any uncommitted acreage within the Unit Area;
- (iii) any tract is eliminated through failure of title or lost through failure to pay rentals in conformity with Section 7.1 hereof;
- (iv) if there should be any errors in mathematical computations or there is any additional overriding royalty interest or lease burden unknown to the parties hereto outstanding as of the time of the commitment of the respective tracts to the Unit Agreement;
- (v) to carry out the adjustments in acreage ownership and participating interests required by the acreage contribution agreements referred to in Section 6.1 hereof;
- (vi) upon the payment of each production payment shown by Exhibit "B" attached to the Unit Agreement.

If any tracts committed to the Unit Agreement becomes burdened with any additional overriding royalties, obligations payable out of production or lease burdens other than those shown on Exhibit "B" attached to the Unit Agreement, the same shall be borne exclusively by the owner or owners of such tract.



5.3 CONFLICT OF INSTRUMENTS: In the event of any conflict between the provisions contained either in the body of this instrument or in the Unit Agreement or in the Accounting Procedure, the provisions of the Unit Agreement shall govern to the extent of such conflict unless otherwise provided for therein. In the event of any conflict between the provisions contained in the body of this instrument and those contained in the Accounting Procedure, the provisions in the body of this instrument shall govern. The term "Operator" as used in Exhibit "E" shall be deemed to refer to the Unit Operator, and the term "Non-Operators" as used in Exhibit "E" shall be deemed to refer to the Working Interest Owners herein other than the Unit Operator.

5.4 OPERATOR'S LIEN: Operator is given a first and preferred lien on the interest of each party covered by this contract, and in each party's interest in oil and gas produced and the proceeds thereof, and upon each party's interest in material and equipment, to secure the payment of all sums due from each such party to Operator.

In the event any party fails to pay any amount owing by it to Operator as its share of such costs and expense or such advance estimate within the time limited for payment thereof, Operator, without prejudice to other existing remedies, is authorized, at its election, to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the working interest or interests in the Unit Area of the delinquent party up to the amount owing by such party, and each purchaser of oil or gas is authorized to rely upon Operator's statement as to the amount owing by such party.

In the event of the neglect or failure of any non-operating party to promptly pay its proportionate part of the cost and expense of development and operation when due, the other non-operating parties and Operator, within thirty (30) days after the rendition of statements therefor by Operator, shall proportionately contribute to the payment of such delinquent indebtedness and the non-operating parties so contributing shall be entitled to the same lien rights as are granted to Operator in this section. Upon the payment by such delinquent or defaulting party to Operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the non-operating parties under the lien conferred above, the amount or amounts so paid or recovered shall be distributed and paid by Operator to the other non-operating parties and Operator proportionately in accordance with the contributions theretofore made by them.

Likewise, Non-Operators are hereby granted a prior lien on the rights and interests of the Unit Operator as a Working Interest Owner in the Unit Area and unitized substances and upon the interest of the Unit Operator in all materials and equipment to secure the payment of any amounts which may become due and owing from Unit Operator to any of the Non-Operators, which lien shall be subject to all of the terms and conditions provided for in the preceding paragraph of this Section 5.4.

5.5 ADVANCES: Unit Operator, at its election, may require each Working Interest Owner hereto to advance its respective portion of development costs hereunder in accordance with an estimate by Unit Operator to be made not less than ten (10) days in advance of the month in which the costs and expenses are to be incurred. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of twelve per cent (12%) per annum from the date of expenditure until paid. Adjustment between estimates and actual costs shall be made by the Unit Operator at the close of each calendar month and the accounts of the Working Interest Owners adjusted accordingly.

5.6 TAXES: All of the jointly-owned personal property acquired for or used in operations under this Agreement shall be rendered by the Operator for ad valorem taxes if necessary. The Operator shall pay all ad valorem taxes rendered or assessed against said properties, and all such amounts so paid by the Operator shall be charged to the joint account of the parties hereto. All other taxes which may be levied upon or against the respective leasehold interests or measured by the production of unitized substances allocated to the respective tracts under the terms of the Unit Agreement and this Agreement shall be paid by the respective Working Interest Owners having interests in such tracts.

5.7 INSURANCE: At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State of New Mexico. Operator shall require all contractors engaged in work on or for the Unit Area to comply with the Workmen's Compensation Law of the State of New Mexico and to maintain such other insurance as Operator may require.

Operator shall not be obligated to provide any other insurance for the Joint Account of the parties hereto. Any party may, at its own expense, acquire such insurance as it deems proper to protect itself against any claims, losses, damages, or destruction arising out of operation of the Unit Area. However, such insurance shall be endorsed so as to preclude all rights of subrogation against the Operator or other parties hereto.

## ARTICLE VI

### WELLS

6.1 INITIAL TEST WELL: Within sixty (60) days after the effective date of the Unit Agreement, Unit Operator shall commence operations upon the test well required under Section 8 of the Unit Agreement (unless such well should be commenced prior to the effective date of said Unit Agreement). Said well shall be located in NW $\frac{1}{4}$ SE $\frac{1}{4}$  Section 14, T-15-S, R-32-E, N.M.P.M., Lea County, New Mexico, and shall be drilled to a depth sufficient to adequately test the Cisco lime (Upper Pennsylvanian) formation, but in no event deeper than a depth of 10,500 feet, unless granite or other practically impenetrable substance is encountered at a lesser depth or unless all parties agree to complete the well at a lesser depth, in accordance with the applicable regulations of the New Mexico Oil Conservation Commission.

The initial test well and subsequent test well shall be drilled, tested, completed and placed on production, if a discovery of oil or gas in paying quantities is made, or plugged and abandoned if the same results in a dry hole or well not capable of producing oil or gas in paying quantities, at the sole cost, risk and expense of the parties who are to participate in the drilling of said well as shown in Column 3, page 4 of Exhibit "D".

If it should be necessary to abandon said well because of mechanical difficulties or for any cause, a substitute well or wells at substantially the same location may be drilled therefor, and for all purposes of this Agreement, such substitute well shall be deemed to constitute the "initial test well" to be drilled pursuant to the Unit Agreement. Such substitute well shall be commenced within fifteen (15) consecutive days after abandonment of said well.

In connection with the drilling of the initial test well, The Superior Oil Company, Union Oil Company of California, Allied Chemical Corporation, Exxon Corporation, Estate of W. J. Goldston and Colorado Oil and Gas Corporation, hereinafter referred to as "non-participating parties," have each agreed to contribute an undivided sixty percent (60%) interest in and to their respective leasehold interests committed to the Unit Agreement as shown on Exhibit "B" attached thereto, said contributions being made to Oil Development Company of Texas, McAlester Fuel Company, Iris Goldston, W. C. Partee, Mayfield Corporation and Jack L. Russell, hereinafter called "participating parties," in consideration of participating parties paying all of the costs of drilling, testing and completing said well which would otherwise be attributed to said parties on a pro rata gross acreage basis. It is understood that such contributions of leasehold interests shall be limited to the leasehold rights down to, but not beneath, one hundred feet (100') below the deepest production established in such well.

In the event the initial test well is completed as a well capable of producing unitized substances in paying quantities after having been drilled within the time, at the location and to the depth specified above, each of the non-participating parties shall, upon request of participating parties, execute and deliver to Oil Development Company of Texas (5.521641%), McAlester Fuel Company (9.621869%), Iris Goldston (17.537378%), W. C. Partee (13.153033%), Mayfield Corporation (17.537378%) and Jack L. Russell (36.628701%) good and sufficient assignments (or appropriate operating rights) conveying an undivided sixty percent (60%) interest in and to the non-participating parties' respective leasehold rights as defined above. In addition, participating parties shall have the right to receive and own all of the beneficial interests of the non-participating parties in and to all unitized substances which may be produced, saved and marketed from the initial test well until said well has paid out with respect to such interests. The term "payout" as used herein shall be that period of time beginning with the date of the first production from the initial test well and ending on that date at which the value of the production of unitized substances from said well attributable to the respective interests of the non-participating parties had they participated in the cost of said well, after deducting royalty, overriding royalties and other lease burdens, as well as their respective proportionate parts of all severance, property and production taxes calculated as provided by the Accounting Procedure attached hereto, shall equal the actual costs incurred by participating parties attributable to the respective interests of the non-participating parties had they participated in the cost of drilling, testing, completing, equipping, and operating said well during the payout period.

When payout of the initial test well has occurred and been completed as provided above, then The Superior Oil Company, Union Oil Company of California, Allied Chemical Corporation, Exxon Corporation, Estate of W. J. Goldston and Colorado Oil and Gas Corporation shall each have the option, exercisable as hereinbelow provided, to convert the overriding royalty interests credited to them in Column 5 on page 4 of Exhibit "D" to the working interests credited to them in Column 6 on page 4 of Exhibit "D" and to the working interest shares of production credited to them in Column 7 on page 4 of Exhibit "D" hereto.

- a. The above option shall be exercised as follows: within thirty (30) days after determination shall have been made that payout of the productive test well has occurred, Operator shall notify said non-

participating parties in writing of such fact, stating the date of such occurrence. Within thirty (30) days after receipt of such notice, said non-participating parties shall each notify Operator in writing whether such party elects, or does not elect, to exercise its option. If any such party elects not to exercise its option or fails to notify Operator within the time provided for above of its election with respect to such option, then such party shall thereafter be entitled to receive on production from said initial test well only the overriding royalty interest specified in Column 5 on page 4 of Exhibit "D" hereto.

- b. If all of said non-participating parties timely elect to convert their respective overriding royalty interests to working interests, then effective as of 7:00 a.m. Mountain Standard Time on the first day next following the day during which the above mentioned payout has occurred, all unitized substances produced, saved and marketed from such productive test well (subject to the payment of lessor's royalty and subject to the other provisions of this agreement) shall be owned in accordance with the participation percentages set forth in Column 7 on page 4 of Exhibit "D", and all casing, tubing, well-head connections, tanks and other equipment installed in connection therewith shall be owned by the parties hereto in accordance with the participation percentages set forth in Column 6 on page 4 of Exhibit "D" hereto.
- c. If said non-participating parties each elect to retain in such productive test well the overriding royalty interests reflected in Column 5 on page 4 of Exhibit "D" hereto, then all production from and equipment in and on such initial test well shall continue to be owned as reflected in Columns 4 and 3 respectively on page 4 of Exhibit "D" hereto.
- d. If said non-participating parties do not exercise their options mentioned above in an identical manner, i.e., either all parties electing to convert their overriding royalty interests in such productive test well to the working interest participation percentages reflected in Columns 6 and 7 on page 4 of Exhibit "A", or all parties electing to retain the overriding royalty interests reflected in Column 5 on page 4 of Exhibit "D", then Operator shall promptly revise Exhibit "D" to this agreement to reflect the new participating interests of the parties in the initial test well.

All operating costs incurred in connection with the initial test well until paid out as herein provided shall be borne by the parties participating in the cost of drilling and completing said well in the same proportions as they participated in the costs of drilling and completing said well as shown in Column 3 on page 4 of Exhibit "D".

Should the initial test well be completed as a producing well, but is plugged and abandoned before payout as herein provided, the parties participating in the cost thereof shall have the right to salvage all equipment in and installed in connection with said well and to credit the salvage value thereof in proportion to their respective participating interests on the unrecovered portion of the cost of drilling, completing, plugging and abandoning said well.

All unitized substances which may be allocated pursuant to the Unit Agreement to all or any portion of the respective tracts committed to the Unit, after paying all royalties and overriding royalties and other lease burdens as shown on Exhibit "D", shall be allocated to the parties hereto in accordance with their respective beneficial interests as shown in Column 7, page 4 of Exhibit "D", except as hereinabove provided as to the initial test well until the same has paid out; provided, however, nothing herein contained shall prevent any of the parties hereto from not participating in the cost of any exploration and development operations or in the reworking, deepening, plugging back, well completion or other operations as provided by Section 6.6 herein.

6.2 SUBSEQUENT TEST WELL PRIOR TO DISCOVERY IN PAYING QUANTITIES: In the event the initial test well provided for in Section 6.1 hereof is completed as a dry hole or a well not capable of producing unitized substances in paying quantities, and Unit Operator desires to drill a subsequent test well on the Unit Area, Union Oil Company of California, Allied Chemical Corporation, Exxon Corporation, Estate of W. J. Goldston and Colorado Oil and Gas Corporation agree that participating parties shall similarly be entitled to earn an undivided sixty percent (60%) interest in and to the leases contributed hereto by said parties to the extent set forth in Section 6.1 hereof in consideration for participating parties bearing and paying the costs and expenses of drilling and completing such subsequent test well which are attributable to the interests of said parties. Should such subsequent test well be drilled, it shall be commenced within forty-five (45) consecutive days after abandonment of said initial test well, and treated in all respects as if it were the initial test well provided herein, and the rights and obligations of the parties in event such well is completed as a well capable of producing in paying quantities shall be the same as herein provided in the event of completion of the initial test well as a well capable of producing :

paying quantities. The parties who participated in the initial test well shall not be obligated for any portion of the cost of drilling such additional test well except as they may have specifically agreed to in writing by separate instrument, but failure of any such party to participate in the drilling of such subsequent test well shall make such well subject to the provisions of Section 6.6 hereof.

6.3 MODIFICATION OF DRILLING REQUIREMENTS OF UNIT AGREEMENT: The Unit Operator may apply for and obtain a modification of the drilling requirements of said Unit Agreement or an extension or extensions of time within which to comply therewith as provided by the terms of said Unit Agreement, and any such application or applications may be made without the consent of any of the Working Interest Owners subscribing hereto.

6.4 WELL CONTRACTS: All wells drilled on the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the Area. Unit Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the participating parties in writing before drilling operations are commenced, and such work shall be performed by Unit Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

6.5 DEVELOPMENT AND OPERATION SUBSEQUENT TO DISCOVERY OF UNITIZED SUBSTANCES IN PAYING QUANTITIES: After the discovery of unitized substances in paying quantities on the Unit Area, Unit Operator shall only drill such wells as may be provided for in any plan of development and operation for the Unit Area or amendment or supplement thereto filed and approved as provided by Section 9 of the Unit Agreement after approval by the parties hereto as provided by Section 4.3 hereof, and all such wells shall be drilled for the joint account of the parties hereto and the production of unitized substances therefrom shall be allocated to said parties as provided by Section 5.2 hereof; provided, however, the drilling, completion, deepening, plugging back or reworking of any such well shall be subject to the nonconsent provisions of Section 6.6 hereof.

6.6 OPERATIONS BY LESS THAN ALL PARTIES--NONCONSENT OF WORKING INTEREST OWNERS: If all the parties cannot mutually agree upon the drilling of any well on the Unit Area other than the initial test well provided for in Section 6.1, or upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in

paying quantities on the Unit Area, any party or parties wishing to drill, rework, deepen or plug back such a well in an effort to obtain production of unitized substances may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper where a drilling rig is on location, the period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this Section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Section results in a producer of unitized substances in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Unit Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their



respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and

(b) 300% of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Section 10.6 herein and 300% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

In the case of any reworking, plugging back or deeper drilling operations, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

Within sixty (60) days after the completion of any operation under this Section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have

been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance, it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of the well in accordance with the terms of this Agreement and the Accounting Procedure, Exhibit "E", attached hereto.

Notwithstanding the provisions of this Section 6.6, no well shall be completed or produced from the same pool or reservoir from which a well located elsewhere on the Unit Area is producing unless such well conforms to the then existing well spacing pattern as established by the New Mexico Oil Conservation Commission for the development of such pool or reservoir.

If any party hereto hereafter should create any overriding royalty, production payment, or other burden against its working interest production, and if any other party or parties should conduct non-consent operations pursuant to the provisions of this Section, and, as a result, become entitled to receive the working interest production otherwise belonging to the non-participating party, the party or parties entitled to receive the working interest production of the non-participating party shall receive such production free and clear of burdens against such production which may have been created subsequent to this Agreement and the non-participating party creating such subsequent burdens shall save the participating party or parties harmless with respect to the receipt of such working interest production.

6.7 ABANDONMENT OF PRODUCING WELLS: No well, other than any well which has been drilled or reworked pursuant to Section 6.6 hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties;

provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "E", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Unit Area to the aggregate of the percentages of participation in the Unit Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Unit Area.

After the assignment, the assignors shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

6.8 REMOVAL OF OPERATOR: If Operator (1) dissolves, liquidates or terminates its corporate existence, or (2) sells, disposes of or loses all of its leasehold or working interests in the Unit Area, or (3) is an individual and dies, or (4) fails or refuses to carry out its duties hereunder, or (5) becomes insolvent, bankrupt or subject to a receivership, it shall cease to be Operator without any action by the other parties except selection of a successor. Unit Operator shall, upon default or failure in the performance of its duties or obligations hereunder, or for any other cause, be subject to removal by the same percentage rate of the owners of working interests as provided in Sections 4 and 5 of the Unit Agreement.

The successor Operator shall be selected as provided in Section 5 of the Unit Agreement.

6.9 CASING POINT ELECTION: Consent to the drilling of any well including the initial test well provided for in Section 6.1 shall not be deemed as consent to the setting of casing and a completion attempt. After any well drilled pursuant to this Agreement has reached its authorized depth, Operator shall give immediate notice to each Non-Operator participating in the cost of drilling such well, advising whether Operator recommends the setting of casing and attempting a completion or the plugging and abandoning of the well. The parties receiving such notice shall have forty-eight (48) hours exclusive of Saturday, Sunday and legal holidays, in which to elect whether or not they desire to set casing and participate in completion attempt. Failure of a party receiving such notice to so reply within the period above fixed shall constitute an election by that party not to participate in the cost of a completion attempt. If all of the parties elect to plug and abandon the well, Operator shall plug and abandon same at the expense of all the parties. If one or more, but less than all, of the parties elect to set pipe and attempt a completion, the provisions of Section 6.6 shall apply to the operations thereafter conducted by less than all the parties. The provisions of this paragraph shall not be available to any party who shall have elected to be a non-consenting party in drilling the well.

## ARTICLE VII

### RENTALS, ROYALTIES AND PRODUCTION

7.1 RENTALS: Delay rentals and shut-in well payments which may be required under the terms of any lease shall be paid by the party who has subjected such lease to this agreement, at its own expense. Proof of each payment shall be given to Operator at least ten (10) days prior to the rental or shut-in well payment date. Operator shall furnish similar proof to all other parties concerning payments it makes in connection with its leases. Any party may request, and shall be entitled to receive, proper evidence of all such payments. If, through mistake or oversight, any delay rental or shut-in well payment is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to pay a rental or shut-in well payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, the interests of the parties shall be revised on an acreage basis effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Unit Area on account of the ownership of the lease which has terminated. In the event the party

who failed to pay the rental or the shut-in well payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

- (1) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;
- (2) proceeds, less operating expenses thereafter incurred attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which would, in the absence of such lease termination, be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and
- (3) any moneys, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Unit Area or becoming a party to this contract.

Operator shall attempt to notify all parties when a gas well is shut-in or returned to production, but assumes no liability whatsoever for failure to do so.

**7.2 SHUT-IN WELL PAYMENTS:** If any well is completed on the Unit Area pursuant to the Unit Agreement as a gas well and is shut-in due to the lack of a market or for any other reason, Unit Operator shall notify all of the parties hereto thereof and shall make a bona fide effort to pay any shut-in royalties which may become due and payable on account of such well and charge same to the joint account of the parties hereto in proportion to their respective rights to participate in the production from such well pursuant to the provisions of this agreement; provided that Unit Operator shall suffer no liability for inadvertent failures to pay shut-in gas royalties hereunder.

ARTICLE VIII

8.1 RIGHT TO TAKE PRODUCTION IN KIND: Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered all royalties, overriding royalties or other payments due on its share of such production and shall hold the other parties free from any liability therefor. Any extra expenditure incurred in taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease above shall bear the royalty burden insofar as such higher price is concerned.

Each party shall execute such division orders and contracts as may be required for the sale of its interest in production from the Unit Area, and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Unit Area, Unit Operator shall have the right, subject to revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others for the time being, at not less than the market price which Unit Operator receives for its portion of the oil and gas produced from the Unit Area. Any such purchase or sale by Unit Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days notice of such intended sale. Sales by Operator of any other party's share of production shall be only for such reasonable periods of time as are commensurate with the minimum needs of the industry under the circumstances but in no event shall such sales be for a period in excess of one year.

ARTICLE IX

CHANGE OF OWNERSHIP

9.1 MAINTENANCE OF UNIT OWNERSHIP: For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this contract, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the Unit Area and in wells, equipment and production unless such disposition covers either:

- (1) the entire interest of the party in all leases and equipment and production; or
- (2) an equal undivided interest in all leases and equipment and production in the Unit Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the rights of the other parties.

If at any time the interest of any party is divided among and owned by four or more co-owners, Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such party's interests within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

Should a sale be made by Unit Operator of its rights and interests, the other parties shall have the right within sixty (60) days after the date of such sale, by majority vote in interest, to select a new Unit Operator. If a new Unit Operator is not so selected, the transferee of the present Unit Operator shall assume the duties of and act as Unit Operator. In either case, the retiring Unit Operator shall continue to serve as Unit Operator and discharge its duties in that capacity under this agreement until its successor Unit Operator is selected and begins to function, but the present Unit Operator shall not be obligated to continue the performance of its duties for more than 120 days after the sale of its rights and interests has been completed.

9.2 COVENANT RUNNING WITH LAND: Subject to the other provisions herein contained, this Agreement shall constitute a covenant running with the land and with the oil and gas estates, and is assignable, and the covenants, obligations, terms

and provisions hereof shall run with the assignment and extend to and be binding upon the parties hereto and their heirs, representatives, successors, and assigns.

9.3 TERMINATION OF INTEREST AND WITHDRAWAL OF PARTY: Should any party at any time desire to surrender any lease committed to the Unit Agreement and the other parties should not agree thereto, the party desiring to surrender shall assign, without express or implied warranty of title, subject to the approval of the Commissioner of Public Lands, all of such party's interest in such lease to the other parties hereto in proportion to the interests then severally held by them on an acreage basis in the Unit Area. If all of the parties are not willing to accept the assignment of such interest, the assignment shall be made to those willing to accept such interest in the proportions that their respective interests bear to the aggregate of their interests in the Unit Area on an acreage basis. Such assignment shall be free and clear of all liens and encumbrances except all lease burdens existing as of the effective date of the Unit Agreement and upon delivery thereof the assigning party shall be relieved of all further obligations with respect to the lease or leases so assigned.

Likewise, if any party hereto so desires it may withdraw from this Agreement by assigning, without warranty either express or implied, all of such party's interest committed to the Unit Agreement to the other parties hereto or if all of said parties are not willing to accept the assignment, to those who are willing to accept such assignment upon the same terms and conditions as hereinabove set forth.

All assignments made pursuant to the provisions of this Section 9.3 shall include all of the assignor's interest in all wells, casing, material, equipment, fixtures and other personal property belonging to the joint account. Such assignment shall not relieve assignor from any obligation or liability accruing or incurred prior to the date thereof; provided, however, the assignees shall pay the assignor for its interest in such casing, material, equipment, fixtures and other personal property owned by the joint account on the basis of the salvage value thereof determined in accordance with the Accounting Procedure attached hereto as Exhibit "E".

9.4 SUBSEQUENT JOINDER: Prior to the commencement of operations under the Unit Agreement or within fifteen (15) days thereafter, all owners of working interests in the Unit Area who have not joined in the Unit Agreement shall be privileged to join in this Agreement by subscribing to the Unit Agreement and this Agreement. After said period of fifteen (15) days after commencement of operations under the Unit Agreement, however, subsequent joinder in the Unit Agreement and in this Agreement by any party owning a working interest in the Unit Area shall be on such reasonable terms and conditions as the parties who are then committed to the



Unit Agreement and this Agreement may require in view of the circumstances existing at the time such subsequent joinder is sought.

#### ARTICLE X

##### MISCELLANEOUS PROVISIONS

10.1 NO DISCRIMINATIONS: In connection with the performance of work under this Agreement, the Unit Operator agrees to comply with the nondiscrimination provisions of Section 202 (1) to (7), inclusive, of Executive Order 11246 (30 F.R. 12319), which are hereby incorporated by reference in this Agreement.

10.2 NOTICES: Except as herein otherwise expressly provided, all notices, reports or other communications required or permitted hereunder shall be deemed to have been properly given when delivered personally or when sent by certified or registered mail or telegraph with all postage or charges fully prepaid, and addressed to the parties hereto, at the addresses set opposite their respective names, or such other addresses as may be thereafter furnished. The date of service by mail shall be the date on which such written notice or other communication is deposited in the United States Post Office, or sent as a telegram, addressed as above provided.

10.3 LIABILITY OF PARTIES: The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Unit Area. Accordingly, the lien granted by each party to Operator in Section 5.4 is given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or other legal entity or to render them liable in any such capacity.

10.4 INCOME TAX ELECTION, SUBCHAPTER K, OF CHAPTER 1, SUBTITLE A, INTERNAL REVENUE CODE: While each of the parties hereto recognizes and intends that its rights and liabilities under this Agreement and the Unit Agreement are several and not joint or collective, if, for income tax purposes, the parties should be regarded as partners or joint venturers, or if this Agreement, the Unit Agreement, or any operations carried on under either Agreement be treated as a partnership for income tax purposes, each and all of the parties hereto do hereby fully and finally elect to exclude themselves, this Agreement, the Unit Agreement and all such operations from the application of all of Subchapter K of Chapter 1, of Subtitle A, of the Internal Revenue Code of 1954 as provided in Section 761 (a) thereof. Should there be any requirement that each party hereto further evidence this election, each party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each party hereto further agrees not to give any notice

or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the State in which the property covered by this Agreement is located, or any future income tax laws of the United States, contain, or shall hereafter contain, any other provisions under which an election similar to that provided by Section 761 of said Subchapter K is permitted, each of the parties hereto hereby makes such election with the same purpose and effect as the election made above and each party agrees to take such action as may be necessary to make such election as may be permitted by such laws.

10.5 FORCE MAJEURE: If any party is rendered unable, wholly or in part, by force majeure to carry out its obligations under this Agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulty by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure" as here employed shall mean an act of God, strike, lockout, or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental restraint, unavailability of equipment, and any other cause, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

10.6 CONTRIBUTIONS TOWARD DRILLING: Any contribution, whether of money or property interest, toward the drilling of any well drilled on the Unit Area pursuant to the provisions of this Agreement, other than the initial test well or subsequent test well, shall be shared by the parties hereto in proportion to their participating interests in such well; provided, however, participation in acreage contributions shall be optional with the respective parties.

10.7 ASSIGNMENT OF PARTIAL INTERESTS: Under various provisions of this Agreement, a party hereto is permitted, or may be obligated, to assign to another party or parties hereto, all or a part of such party's interest in its oil and gas leases subject to this Agreement. In the event assignment of record title is not permitted under the rules and regulations of the Commissioner of Public Lands of the State of New Mexico, then the interest to be assigned shall be conveyed by

appropriate operating agreements or by any other valid instrument that will carry out the intention of such provision, or provisions, or in the case of a State lease, or leases, where undivided interests are to be assigned, the same may be assigned to the Unit Operator to be held in trust for the parties entitled to participation therein in proportion to their respective interests.

10.8 NO CROSS-ASSIGNMENT: This agreement shall never be construed as in any way cross-assigning any lease or leases or oil and gas interests, or any interest therein, and no party hereto shall ever be construed as having any right, title or interest in or to any lease, or leases, or oil and gas interests, or interest therein contributed by any other party beyond the term of this agreement.

10.9 PROVISIONS CONFORMED WITH LAWS AND REGULATIONS: All of the provisions of this Agreement are hereby expressly made subject to all valid, enforceable, and applicable Federal or State laws, orders, rules and regulations, and in the event this Agreement or any provisions hereof are found to be inconsistent with or contrary to any such law, order, rule or regulation, the latter shall be deemed to control, and this Agreement shall be regarded as modified accordingly and, as so modified, shall continue in full force and effect.

10.10 EFFECTIVE DATE AND TERM: This Agreement shall become effective as of the effective date of the Unit Agreement and shall remain in full force and effect during the term of said Unit Agreement and any and all extensions or renewals thereof, and, in the event of the termination of the Unit Agreement for any reason as to all or any part of the land now or hereafter included in the Unit Area, this Agreement shall continue in full force and effect as to all wells which have not been plugged and abandoned as of the time of the termination of the Unit Agreement, and the rights and interests of the parties hereto in such wells and their participation in the production therefrom and in the cost of the operation thereof shall be governed by the provisions hereof, and this Agreement with respect thereto shall remain in full force and effect so long as any such well is capable of producing oil or gas in paying quantities, and thereafter until all accounts hereunder are closed.

10.11 AGREEMENT NOT TO PARTITION: Each party hereto owning an undivided interest in the oil and gas estates committed hereto waives any and all rights that such party may have to partition the estate or estates and have set aside to such party in severalty the interest owned by such party.

10.12 GAS STORAGE AND BALANCING AGREEMENT: Gas well production shall be governed by Exhibit "F"; Gas Storage and Balancing Agreement.

counterparts, no one of which needs to be executed by all other Working Interest Owners, or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such 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 lands within the Unit Area.

IN WITNESS WHEREOF, this Agreement is executed by the undersigned parties hereto as of the day and year first hereinabove written.

UNIT OPERATOR AND WORKING INTEREST OWNER

MARATHON OIL COMPANY

By D. W. Franklin  
D. W. FRANKLIN

~~P. O. Box 552~~ DIVISION EXPLORATION MANAGER  
~~Midland, Texas 79701~~

P. O. Box 3128  
Houston, Texas 77001

Date: July 28, 1976

WORKING INTEREST OWNERS

ATTEST:

Virginia Ezzell  
ASSISTANT Secretary

Date: AUG 18 1976

THE SUPERIOR OIL COMPANY

By Don Mahoney  
Senior Vice-President

P. O. Box 1900  
Midland, Texas 79701

UNION OIL COMPANY OF CALIFORNIA

By \_\_\_\_\_

P. O. Box 671  
Midland, Texas 79701

Date: \_\_\_\_\_

ATTEST:

Secretary

Date: \_\_\_\_\_

ALLIED CHEMICAL CORPORATION

By \_\_\_\_\_

1300 Wilco Building  
Midland, Texas 79701

ATTEST:

Secretary

Date: \_\_\_\_\_

EXXON CORPORATION

By \_\_\_\_\_

P. O. Box 1600  
Midland, Texas 79701

10.13 COUNTERPARTS: This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all other Working Interest Owners, or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such 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 lands within the Unit Area.

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UNIT OPERATOR AND WORKING INTEREST OWNER

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~~Midland, Texas 79701~~

P. O. Box 3128  
Houston, Texas 77001

Date:

July 28, 1976

WORKING INTEREST OWNERS

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

THE SUPERIOR OIL COMPANY

By \_\_\_\_\_

P. O. Box 1900  
Midland, Texas 79701

UNION OIL COMPANY OF CALIFORNIA

By

Samuel C. Fung  
Attorney in Fact

P. O. Box 671  
Midland, Texas 79701

Date:

August 10, 1976

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

ALLIED CHEMICAL CORPORATION

By \_\_\_\_\_

1300 Wilco Building  
Midland, Texas 79701

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

EXXON CORPORATION

By \_\_\_\_\_

P. O. Box 1600  
Midland, Texas 79701

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UNIT OPERATOR AND WORKING INTEREST OWNER

MARATHON OIL COMPANY

By D. W. Franklin  
D. W. FRANKLIN

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~~Midland, Texas 79701~~

P. O. Box 3128  
Houston, Texas 77001

Date: July 28, 1976

WORKING INTEREST OWNERS

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Secretary

Date: \_\_\_\_\_

THE SUPERIOR OIL COMPANY

By \_\_\_\_\_

P. O. Box 1900  
Midland, Texas 79701

UNION OIL COMPANY OF CALIFORNIA

By \_\_\_\_\_

P. O. Box 671  
Midland, Texas 79701

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

ALLIED CHEMICAL CORPORATION

By Attorney-in-Fact  
ATTORNEY-IN-FACT  
1300 Wilco Building  
Midland, Texas 79701

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

EXXON CORPORATION

By \_\_\_\_\_

P. O. Box 1600  
Midland, Texas 79701

Date: August 6, 1976

Date: August 6, 1976

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

HILL REVOCABLE TRUSTS

By: *Kenneth Waltrip*  
~~XXXXXX~~ Kenneth Waltrip, Trustee

By: *Margery Belle Hill*  
Margery Belle Hill, Trustee

3404  
~~XXXX~~ Fort Worth National Bank Bldg.  
Fort Worth, Texas 76102

OIL DEVELOPMENT COMPANY OF TEXAS

By \_\_\_\_\_

P. O. Box 12058  
Amarillo, Texas 79101

\_\_\_\_\_  
Max H. Christensen

\_\_\_\_\_  
Marcella B. Christensen

602 Petroleum Building  
Midland, Texas 79701 -

McALESTER FUEL COMPANY

By \_\_\_\_\_

P. O. Box 10  
Magnolia, Arkansas 71753

\_\_\_\_\_  
Iris Goldston

P. O. Box 22568  
Houston, Texas 77027

\_\_\_\_\_  
Jack H. Mayfield, Jr., Independent  
Executor of the Estate of Patti Lynn  
Goldston Mayfield, deceased.

\_\_\_\_\_  
Margaret Bell, Independent  
Executrix of the Estate of Patti  
Lynn Goldston Mayfield, deceased.

P. O. Box 22568  
Houston, Texas 77027

MAYFIELD CORPORATION

By \_\_\_\_\_

P. O. Box 22568  
Houston, Texas 77027

Date: \_\_\_\_\_

Date: \_\_\_\_\_

George P. Hill

Margery Belle Hill

2400 Fort Worth National Bank Bldg.  
Fort Worth, Texas 76102

ATTEST:

Assistant Secretary

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

OIL DEVELOPMENT COMPANY OF TEXAS

By

*John C. Major*  
President  
P. O. Box 12058  
Amarillo, Texas 79101

Max H. Christensen

Marcella B. Christensen

602 Petroleum Building  
Midland, Texas 79701

ATTEST:

Secretary

Date: \_\_\_\_\_

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Date: \_\_\_\_\_

Date: \_\_\_\_\_

McALESTER FUEL COMPANY

By

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Magnolia, Arkansas 71753

Iris Goldston

P. O. Box 22568  
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Lynn Goldston Mayfield, deceased.

P. O. Box 22568  
Houston, Texas 77027

ATTEST:

Secretary

Date: \_\_\_\_\_

MAYFIELD CORPORATION

By

P. O. Box 22568  
Houston, Texas 77027



Date: \_\_\_\_\_

George P. Hill

Date: \_\_\_\_\_

Margery Belle Hill  
3404  
~~2400~~ Fort Worth National Bank Bldg.  
Fort Worth, Texas 76102

ATTEST:

OIL DEVELOPMENT COMPANY OF TEXAS

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

Date: \_\_\_\_\_

P. O. Box 12058  
Amarillo, Texas 79101

Date: 8-2-76

  
Max H. Christensen

Date: 8-2-76

  
Marcella B. Christensen

602 Petroleum Building.  
Midland, Texas 79701

ATTEST:

McALESTER FUEL COMPANY

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

Date: \_\_\_\_\_

P. O. Box 10  
Magnolia, Arkansas 71753

Date: \_\_\_\_\_

\_\_\_\_\_  
Iris Goldston

P. O. Box 22568  
Houston, Texas 77027

Date: \_\_\_\_\_

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P. O. Box 22568  
Houston, Texas 77027

ATTEST:

MAYFIELD CORPORATION

\_\_\_\_\_  
Secretary

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Date: \_\_\_\_\_

P. O. Box 22568  
Houston, Texas 77027

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Date: \_\_\_\_\_

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3404  
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ATTEST:

OIL DEVELOPMENT COMPANY OF TEXAS

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

Date: \_\_\_\_\_

P. O. Box 12058  
Amarillo, Texas 79101

Date: \_\_\_\_\_

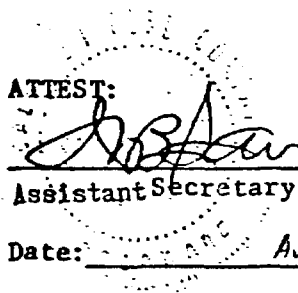
\_\_\_\_\_  
Max A. Christensen

Date: \_\_\_\_\_

\_\_\_\_\_  
Marcella B. Christensen

602 Petroleum Building  
Midland, Texas 79701

ATTEST:

  
\_\_\_\_\_  
Assistant Secretary

McALESTER FUEL COMPANY

By   
Vice President

Date: Aug. 6 1976

P. O. Box 10  
Magnolia, Arkansas 71753

Date: \_\_\_\_\_

\_\_\_\_\_  
Iris Goldston

P. O. Box 22568  
Houston, Texas 77027

Date: \_\_\_\_\_

\_\_\_\_\_  
Jack H. Mayfield, Jr., Independent  
Executor of the Estate of Patti Lynn  
Goldston Mayfield, deceased.

Date: \_\_\_\_\_

\_\_\_\_\_  
Margaret Bell, Independent  
Executrix of the Estate of Patti  
Lynn Goldston Mayfield, deceased.

P. O. Box 22568  
Houston, Texas 77027

ATTEST:

MAYFIELD CORPORATION

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

Date: \_\_\_\_\_

P. O. Box 22568  
Houston, Texas 77027

Date: \_\_\_\_\_

George P. Hill

Date: \_\_\_\_\_

Margery Belle Hill

2400 Fort Worth National Bank Bldg.  
Fort Worth, Texas 76102

ATTEST:

OIL DEVELOPMENT COMPANY OF TEXAS

Secretary

By \_\_\_\_\_

Date: \_\_\_\_\_

P. O. Box 12058  
Amarillo, Texas 79101

Date: \_\_\_\_\_

Max H. Christensen

Date: \_\_\_\_\_

Marcella B. Christensen

602 Petroleum Building  
Midland, Texas 79701

ATTEST:

McALESTER FUEL COMPANY

Secretary

By \_\_\_\_\_

Date: \_\_\_\_\_

P. O. Box 10  
Magnolia, Arkansas 71753

Date: August 24, 1976

Iris Goldston  
Iris Goldston

P. O. Box 22568  
Houston, Texas 77027

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST:

Secretary

Date: 8-18-76

MAYFIELD CORPORATION

By \_\_\_\_\_

P. O. Box 22568  
Houston, Texas 77027

Date: August 11, 1976

ATTEST:

Betty J. Gentry  
Assistant Cashier  
Date: August 6, 1976

Date: August 11, 1976

Date: \_\_\_\_\_

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_

Date: \_\_\_\_\_

Kathleen Hadley Goldston  
Kathleen Hadley Goldston, Individually  
and as Independent Co-Executrix of the  
Estate of W. J. Goldston, deceased.

First City National Bank of Houston,  
Independent Co-Executor of the Estate  
of W. J. Goldston, deceased.

By John P. O'Hare VICE PRESIDENT  
TRUST OFFICER

Joseph C. Goldston  
Joseph C. Goldston, Independent Co-  
Executor of the Estate of W. J.  
Goldston, deceased.

1411 First City National Bank Bldg.  
Houston, Texas 77002

\_\_\_\_\_  
W. C. Partee

\_\_\_\_\_  
Chrystelle Partee

P. O. Box 667  
Magnolia, Arkansas 71753

COLORADO OIL AND GAS CORPORATION

By \_\_\_\_\_

P. O. Box 235  
Midland, Texas 79701

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: 8/6/76

Date: 8/6/76

ATTEST:

\_\_\_\_\_

Date: \_\_\_\_\_

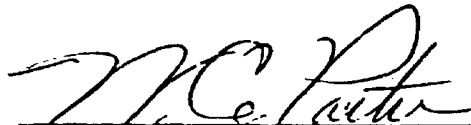
Kathleen Hadley Goldston, Individually  
and as Independent Co-Executrix of the  
Estate of W. J. Goldston, deceased.

First City National Bank of Houston,  
Independent Co-Executor of the Estate  
of W. J. Goldston, deceased.

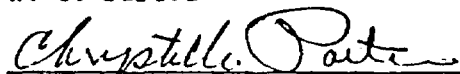
By \_\_\_\_\_

Joseph C. Goldston, Independent Co-  
Executor of the Estate of W. J.  
Goldston, deceased.

1411 First City National Bank Bldg.  
Houston, Texas 77002



W. C. Partee



Chrystelle Partee

P. O. Box 667  
Magnolia, Arkansas 71753

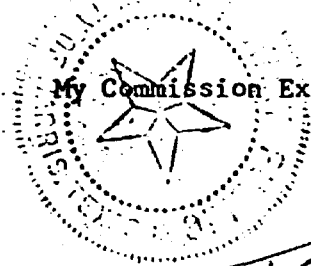
COLORADO OIL AND GAS CORPORATION

By \_\_\_\_\_

P. O. Box 235  
Midland, Texas 79701

STATE OF TEXAS I  
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this 28th day of  
JULY, 1976, by D. W. FRANKLIN who is DIVISION  
EXPLORATION MANAGER of MARATHON OIL COMPANY, an Ohio corporation, for and on  
behalf of said corporation.



My Commission Expires: JUNE 1, 1977

M. J. Richardson  
Notary Public in and for  
Harris County, Texas

M. J. RICHARDSON  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

STATE OF Texas I  
COUNTY OF Harris I

The foregoing instrument was acknowledged before me this 1st day of  
August, 1976, by Don Mathews who is Senior Vice-President  
of THE SUPERIOR OIL COMPANY, a Texas  
(State)  
corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Corinne Steele  
Notary Public in and for  
County, \_\_\_\_\_

CORINNE STEELE  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

STATE OF TEXAS I  
COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_  
of UNION OIL COMPANY OF CALIFORNIA, a California  
corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Midland County, Texas

STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_  
of ALLIED CHEMICAL CORPORATION, a \_\_\_\_\_  
(State)  
corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
County, \_\_\_\_\_

STATE OF TEXAS I  
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this 28th day of  
JULY, 1976, by D. W. FRANKLIN who is DIVISION  
EXPLORATION MANAGER of MARATHON OIL COMPANY, an Ohio corporation, for and on  
behalf of said corporation.

My Commission Expires: JUNE 1, 1977

M. J. Richardson  
Notary Public in and for  
Harris County, Texas  
M. J. RICHARDSON  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_  
\_\_\_\_\_ of THE SUPERIOR OIL COMPANY, a \_\_\_\_\_  
(State)  
corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
\_\_\_\_\_, County, \_\_\_\_\_

STATE OF TEXAS I  
COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this 10<sup>th</sup> day of  
August, 1976, by SAMUEL G. TERRY who is \_\_\_\_\_  
Attorney in Fact of UNION OIL COMPANY OF CALIFORNIA, a California  
corporation, for and on behalf of said corporation.

My Commission Expires: 6-1-77

Alice Monroe  
Notary Public in and for ALICE MONROE  
Midland County, Texas

STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_  
\_\_\_\_\_ of ALLIED CHEMICAL CORPORATION, a \_\_\_\_\_  
(State)  
corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
\_\_\_\_\_, County, \_\_\_\_\_

STATE OF TEXAS I  
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this 28th day of  
JULY, 1976, by D. W. FRANKLIN who is DIVISION  
EXPLORATION MANAGER of MARATHON OIL COMPANY, an Ohio corporation, for and on  
behalf of said corporation.

My Commission Expires: JUNE 1, 1977

M. J. Richardson  
Notary Public in and for  
Harris County, Texas  
M. J. RICHARDSON  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_  
\_\_\_\_\_ of THE SUPERIOR OIL COMPANY, a \_\_\_\_\_  
(State)  
corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

STATE OF TEXAS I  
COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_  
\_\_\_\_\_ of UNION OIL COMPANY OF CALIFORNIA, a California  
corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Midland County, Texas

THE STATE OF TEXAS I  
COUNTY OF HARRIS I

BEFORE ME, the undersigned authority, on this day personally  
appeared Linda Lou Harrison, known to me to be the person whose  
name is subscribed to in the foregoing instrument, as ATTORNEY-IN-FACT of  
ALLIED CHEMICAL CORPORATION, a corporation, and acknowledged to me that he  
executed the same for the purposes and consideration therein expressed, in  
the capacity stated, and as the act and deed of said corporation.

August Given under my hand and seal of office this the 5th day of  
A.D., 1976.

LINDA LOU HARRISON  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

Linda Lou Harrison  
Notary Public in and for  
Harris County, Texas



STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of EXXON CORPORATION, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

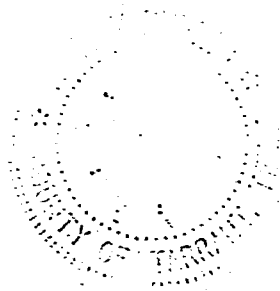
Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

STATE OF TEXAS  
COUNTY OF TARRANT

The foregoing instrument was acknowledged before me this 6<sup>th</sup> day of August, 1976, by KENNETH WALTRIP and MARGERY BELLE HILL, as Trustees of the Hill Revocable Trusts.

My Commission Expires: June 1, 1977

Velma B. Craft  
Notary Public in and for  
Tarrant County, Texas



STATE OF TEXAS  
COUNTY OF POTTER

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of OIL DEVELOPMENT COMPANY OF TEXAS, a \_\_\_\_\_ corporation, for and on behalf of said corporation. (State)

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Potter County, Texas

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

I  
I  
I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of EXXON CORPORATION, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_ County, \_\_\_\_\_

STATE OF TEXAS  
COUNTY OF TARRANT

I  
I  
I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by GEORGE P. HILL and his wife, MARGERY BELLE HILL.

My Commission Expires: \_\_\_\_\_

Notary Public in and for Tarrant County, Texas

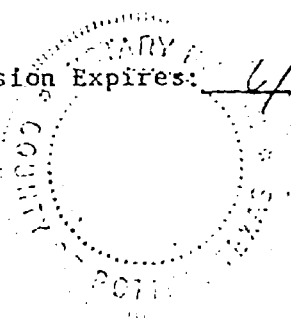
STATE OF TEXAS  
COUNTY OF POTTER

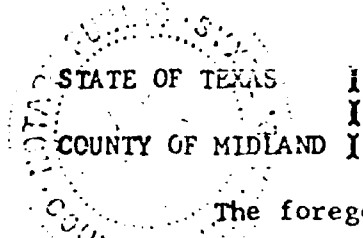
I  
I  
I

The foregoing instrument was acknowledged before me this 18th day of August, 1976, by John C. Major who is President of OIL DEVELOPMENT COMPANY OF TEXAS, a Texas corporation, for and on behalf of said corporation. (State)

My Commission Expires: 6/1/77

*Dianne Adams*  
Notary Public in and for Potter County, Texas





STATE OF TEXAS I  
COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this 2<sup>nd</sup> day of August, 1976, by MAX H. CHRISTENSEN and his wife, MARCELLA B. CHRISTENSEN.

My Commission Expires: 6-1-77

Susan Wilson  
Notary Public in and for  
Midland County, Texas

STATE OF ARKANSAS I  
COUNTY OF COLUMBIA I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of McALESTER FUEL COMPANY, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Columbia County, Arkansas

STATE OF TEXAS I  
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by IRIS GOLDSTON, a widow.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS I  
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by JACK H. MAYFIELD, JR., as Independent Executor of the Estate of Patti Lynn Goldston Mayfield, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS    Y  
                          Y  
COUNTY OF MIDLAND Y

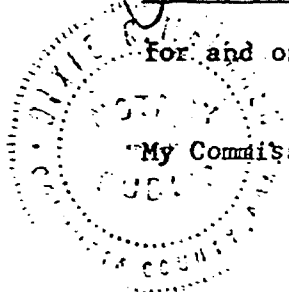
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by MAX H. CHRISTENSEN and his wife, MARCELLA B. CHRISTENSEN.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

STATE OF ARKANSAS   Y  
                          Y  
COUNTY OF COLUMBIA Y

The foregoing instrument was acknowledged before me this 6<sup>th</sup> day of August, 1976, by M. C. Jones who is Exec  
President of McALESTER FUEL COMPANY, a Delaware corporation,  
(State)  
for and on behalf of said corporation.



My Commission Expires: 8-21-79

Dixie D. M. Nelson  
Notary Public in and for  
Columbia County, Arkansas

STATE OF TEXAS    Y  
                          Y  
COUNTY OF HARRIS Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by IRIS GOLDSTON, a widow.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS    Y  
                          Y  
COUNTY OF HARRIS Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by JACK H. MAYFIELD, JR., as Independent Executor of the Estate of Patti Lynn Goldston Mayfield, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS    X  
                             X  
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by MAX H. CHRISTENSEN and his wife, MARCELLA B. CHRISTENSEN.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

STATE OF ARKANSAS    X  
                             X  
COUNTY OF COLUMBIA X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of McALESTER FUEL COMPANY, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Columbia County, Arkansas

STATE OF TEXAS    X  
                             X  
COUNTY OF HARRIS    X

The foregoing instrument was acknowledged before me this 24<sup>th</sup> day of August, 1976, by IRIS GOLDSTON, a widow.

My Commission Expires: \_\_\_\_\_

ROXANNA D. GAGE  
Notary Public in and for Harris County, Texas  
My Commission expires June 1, 1977

Roxanna D. Gage  
\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

~~STATE OF TEXAS    X~~  
~~X~~  
~~COUNTY OF HARRIS    X~~

~~The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by JACK H. MAYFIELD, JR., as Independent Executor of the Estate of Patti Lynn Goldston Mayfield, deceased.~~

~~My Commission Expires: \_\_\_\_\_~~

~~\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas~~

~~STATE OF TEXAS~~ I  
~~COUNTY OF HARRIS~~ I

~~The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by MARGARET BELL, as Independent Executrix of the Estate of Patti Lynn Goldston Mayfield, deceased.~~

~~My Commission Expires: \_\_\_\_\_~~

~~Notary Public in and for  
Harris County, Texas~~

STATE OF TEXAS I  
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of August, 1976, by Jack H. Mayfield, Jr. who is President of MAYFIELD CORPORATION, a Texas corporation, (State) for and on behalf of said corporation.

M. RICHARDSON  
Notary Public in and for Harris County, Texas  
My Commission Expires: June 1, 1977

M. Richardson  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS I  
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by KATHLEEN HADLEY GOLDSTON, Individually and as Independent Co-Executrix of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Harris County, Texas

STATE OF TEXAS I  
COUNTY HARRIS I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of FIRST CITY NATIONAL BANK OF HOUSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Harris County, Texas

STATE OF TEXAS I  
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by MARGARET BELL, as Independent Executrix of the Estate of Patti Lynn Goldston Mayfield, deceased.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Harris County, Texas

STATE OF TEXAS I  
COUNTY OF HARRIS I

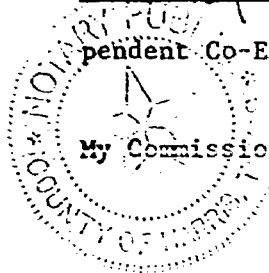
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of MAYFIELD CORPORATION, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Harris County, Texas

STATE OF TEXAS I  
COUNTY OF HARRIS I

The foregoing instrument was acknowledged before me this 11<sup>th</sup> day of August, 1976, by KATHLEEN HADLEY GOLDSTON, Individually and as Independent Co-Executrix of the Estate of W. J. Goldston, deceased.

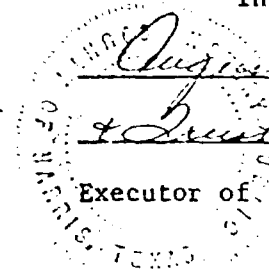


My Commission Expires: JUNE 1, 1977

John D. O'Hare  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS I  
COUNTY HARRIS I

The foregoing instrument was acknowledged before me this 6th day of August, 1976, by John D. O'Hare who is Vice President & Trust Officer of FIRST CITY NATIONAL BANK OF HOUSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.

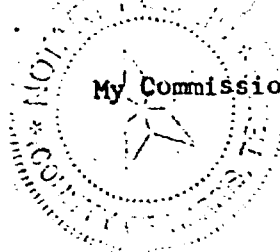


My Commission Expires: June 1, 1977

John D. O'Hare  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     Y  
                          Y  
COUNTY OF HARRIS   Y

The foregoing instrument was acknowledged before me this 11<sup>th</sup> day of August, 1976, by JOSEPH C. GOLDSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.



My Commission Expires: June 1, 1977

Edith L. Luff  
Notary Public in and for  
Harris County, Texas

STATE OF ARKANSAS   Y  
                          Y  
COUNTY OF COLUMBIA Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by W. C. PARTEE and his wife, CHRYSTELLE PARTEE.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Columbia County, Arkansas.

STATE OF \_\_\_\_\_ Y  
                          Y  
COUNTY OF \_\_\_\_\_ Y

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of COLORADO OIL AND GAS CORPORATION, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County,



STATE OF TEXAS     I  
                              I  
COUNTY OF HARRIS   I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by JOSEPH C. GOLDSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF ARKANSAS   I  
                              I  
COUNTY OF COLUMBIA   I

The foregoing instrument was acknowledged before me this 6th day of August, 1976, by W. C. PARTEE and his wife, CHRYSTELLE PARTEE.

My Commission Expires: 9-30-79

Martha Cheatham  
Notary Public in and for  
Columbia County, Arkansas

STATE OF \_\_\_\_\_ I  
                              I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of COLORADO OIL AND GAS CORPORATION, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County,

## NORTHEAST ANDERSON RANCH UNIT OPERATING AGREEMENT

page 1

## SCHEDULE SHOWING GROSS AND NET ACREAGE CONTRIBUTED BY WORKING INTEREST OWNERS AND THEIR PERCENTAGE OF BENEFICIAL INTERESTS: ALSO PARTICIPATION OF RESPECTIVE PARTIES IN INITIAL TEST WELL AND SUBSEQUENT WELLS AND PRODUCTION

Tract No.	Acres	Percent Owned	Acres Committed	Proportionate Part of 12 1/2% Basic Royalty	Overriding Royalties and Lease Burdens	Net Working Interest - %	Net Working Interest Acres	Beneficial Interest - %
<u>Marathon Oil Company</u>								
5.	200.00	100.000000	200.000000	12.500000	none	87.500000	175.000000	
7.	80.00	100.000000	80.000000	12.500000	3%	84.500000	67.600000	
12.	360.00	100.000000	360.000000	12.500000	none	87.500000	315.000000	
13.	520.00	100.000000	520.000000	12.500000	none	87.500000	455.000000	
15.	80.00	100.000000	80.000000	12.500000	none	87.500000	70.000000	
16.	280.00	100.000000	280.000000	12.500000	none	87.500000	245.000000	
17.	200.00	100.000000	200.000000	12.500000	none	87.500000	175.000000	
18.	80.00	100.000000	80.000000	12.500000	none	87.500000	70.000000	
			<u>1,800.000000</u>				<u>1,572.600000</u>	<u>67.235926%</u>
<u>The Superior Oil Company</u>								
9.	160.00	100.000000	160.000000	12.500000	none	87.500000	140.000000	
11.	200.00	100.000000	200.000000	12.500000	none	87.500000	175.000000	
14.	80.00	100.000000	80.000000	12.500000	none	87.500000	70.000000	
			<u>440.000000</u>				<u>385.000000</u>	<u>16.460531%</u>
<u>Union Oil Company of California</u>								
3.	80.00	100.000000	80.000000	12.500000	none	87.500000	70.000000	
6.	40.00	100.000000	40.000000	12.500000	none	87.500000	35.000000	
			<u>120.000000</u>				<u>105.000000</u>	<u>4.489236%</u>
<u>Allied Chemical Corporation</u>								
2.	80.00	100.000000	80.000000	12.500000	none	87.500000	70.000000	
			<u>80.000000</u>				<u>70.000000</u>	<u>2.992824%</u>
<u>Exxon Corporation</u>								
4.	80.00	100.000000	80.000000	12.500000	none	87.500000	70.000000	
			<u>80.000000</u>				<u>70.000000</u>	<u>2.992824%</u>

Revised 8-12-76

EXHIBIT "D"

PART I (continued)

NORTHEAST ANDERSON RANGE UNIT OPERATING AGREEMENT

Page 2

Tract No.	Acres	Percent Owned	Acres Committed	Proportionate Part of 12 1/2% Basic Royalty	Overriding Royalties and Lease Burdens	Net Working Interest - %	Net Working Interest Acres	Beneficial Interest - %
<u>Hill Revocable Trusts</u>								
8.	80.00	75.000000	60.000000 60.000000	12.500000	none		52.500000 52.500000	2.244618%
<u>Oil Development Company of Texas</u>								
10.	40.00	100.000000	40.000000 40.000000	12.500000	none		35.000000 35.000000	1.496412%
<u>Max H. Christensen</u>								
8.	80.00	25.000000	20.000000 20.000000	12.500000	none	21.875000	17.500000 17.500000	.748206%
<u>McAlester Fuel Company</u>								
1.	40.00	25.000000	10.000000 10.000000	12.500000	1/4 of 9.179688%	19.580078	7.832031 7.832031	.334856%
<u>Estate of W. J. Goldston</u>								
1.	40.00	16.666667	6.666667 6.666667	12.500000	1/6 of 9.179688%	13.053386	5.221355 5.221355	.223237%
<u>W. J. Goldston</u>								
1.	40.00	16.666667	6.666667 6.666667	12.500000	1/6 of 9.179688%	13.053385	5.221355 5.221355	.223237%
<u>Colorado Oil and Gas Corporation</u>								
1.	40.00	12.500000	5.000000 5.000000	12.500000	1/8 of 9.179688%	9.790039	3.916015 3.916015	.167428%

## NORTHEAST ANDERSON RANCH UNIT OPERATING AGREEMENT

Tract No.	Acres	Percent Owned	Acres Committed	Proportionate Part of 12 1/2% Basic Royalty	Overriding Royalties and Lease Burdens	Net Working Interest - %	Net Working Interest Acres	Beneficial Interest - %
<u>H. C. Partee</u>								
1.	40.00	12.500000	<u>5.000000</u> 5.000000	12.500000	1/8 of 9.179688%	9.730039	<u>3.916015</u> 3.916015	<u>.167428%</u>
<u>Mayfield Corporation</u>								
1.	40.00	16.666666	<u>6.666666</u> 6.666666	12.500000	1/6 of 9.179688%	13.033384	<u>5.221354</u> 5.221354	<u>.223237%</u>
TOTALS			<u>2,680.000000</u>				<u>2,338.928125</u>	<u>100.000000%</u>

## NORTHEAST ANDERSON RANCH UNIT OPERATING AGREEMENT

	COLUMN 1	COLUMN 2	COLUMN 3	COLUMN 4	COLUMN 5	COLUMN 6	COLUMN 7
	Acres Committed	Percentage Acres Committed	Percentage Cost Participation Initial or Subsequent Test Well and Operating Costs Until Payout*	Percentage Participation in Working In- terest Share of Production Initial or Sub- sequent Test Well	Percentage Overriding Royalty Interest Initial or Subse- quent Test Well Until Payout**	Percentage Working Interest Ownership Initial or Subse- quent Test Well After Payout and in all Subsequent Operations***	Percentage Participation in Working Interest Share of Production Initial or Subse- quent Test Well After Payout and all Subsequent Wells
Marathon Oil Co.	1,800.00	67.164179%	67.164179%	67.235926%	- 0 -	67.164179%	67.235926%
The Superior Oil Co.	440.00	16.417911%	- 0 -	- 0 -	1.026120%	6.567164%	6.584213%
Union Oil Company of California	120.00	4.477612%	- 0 -	- 0 -	.279851%	1.791045%	1.795694%
Allied Chemical Corp.	80.00	2.985075%	- 0 -	- 0 -	.186567%	1.194030%	1.197130%
Exxon Corporation	80.00	2.985075%	- 0 -	- 0 -	.186567%	1.194030%	1.197130%
Hill Revocable Trusts Oil Development Co.	60.00	2.238806%	2.238806%	2.244618%	- 0 -	2.238806%	2.244618%
of Texas	40.00	1.492537%	3.000000%	3.005260%	- 0 -	2.397016%	2.401721%
Max H. Christensen	20.00	.746269%	.746269%	.748206%	- 0 -	.746269%	.748206%
McAlester Fuel Co.	10.00	.373134%	3.000000%	2.964136%	- 0 -	1.949254%	1.912424%
Est. of W. J. Goldston	6.67	.248756%	- 0 -	- 0 -	.015547%	.099502%	.089295%
Iris Goldston	6.67	.248756%	5.036635%	5.015515%	- 0 -	3.121483%	3.098603%
Mayfield Corporation	6.66	.248756%	5.036635%	5.015515%	- 0 -	3.121483%	3.098603%
W. C. Partee	5.00	.186567%	3.777476%	3.761636%	- 0 -	2.341112%	2.323953%
Colorado Oil and Gas Corp.	5.00	.186567%	- 0 -	- 0 -	.011660%	.074627%	.066971%
Jack L. Russell	- 0 -	- 0 -	10.000000%	10.009188%	- 0 -	6.000000%	6.005513%
TOTALS	2,680.00	100.000000%	100.000000%	100.000000%	1.706312%	100.000000%	100.000000%

- \* These participation percentages shall also apply to the initial or subsequent test well after payout if the non-participating parties in Section 6.1 hereof each elect to retain their overriding royalty interests in production from the initial or subsequent test well.
- \*\* These overriding royalty interests shall be borne entirely by Oil Development Co. of Texas, McAlester Fuel Co., Iris Goldston, W. C. Partee, Mayfield Corp. and Jack L. Russell in the proportions shown after their names in Section 6.1 hereof.
- \*\*\* These participation percentages shall also apply to the initial or subsequent test well after payout if the non-participating parties in Section 6.1 hereof each elect to convert their overriding royalty interests in production from the initial or subsequent test well to working interests.

NOTE: The above percentages are for the Unit Area as to all operations and production from the surface down to one hundred feet (100') below the deepest production established in such well as provided in Section 6.1 hereof. In the event of unit operations conducted below such depth, the interests of all parties as to such deeper depths shall be on the basis of net acres committed by each party to the Unit Area as shown in Column 1 above.

## EXHIBIT " E "

Attached to and made a part of Operating Agreement dated July 12, 1976, between Marathon Oil Company, Operator, and The Superior Oil Company et al, 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 as most recently recommended by the Council of Petroleum Accountants Societies of North America.

### 2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

### 3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

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 rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

### 4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided, however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of Controllable Material as provided for in Section V.

### 5. Audits

A. Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the Joint Account for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided, however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

### 6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

## II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

### 1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

### 2. 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.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B 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 2A 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 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

### 3. 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 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

### 4. 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.

### 5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of \$200 or less excluding accessorial charges.

### 6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

### 7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) 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 7A 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.

### 8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

### 9. 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.

#### 10. 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.

#### 11. 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 Workmen'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.

#### 12. 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 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 2A, 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 ( ) shall not ( x ) 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 \$ 1,609.00  
Producing Well Rate \$ 225.00

- (2) Application of Overhead - Fixed Rate Basis shall be as follows:

##### (a) Drilling Well Rate

- [1] Charges for onshore drilling wells shall begin on the date the well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.  
[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days.  
[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive 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, commence through date of rig release except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive 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 may be made for the month in which plugging and abandonment operations are completed on any well.  
[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 Fields 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 9 of Section II and all salvage credits.

(b) Operating

\_\_\_\_\_ Percent ( %) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 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 all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when the well is not completed as a producer, and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 2 of this Section III. All other costs shall be considered as Operating.

**2. Overhead - Major Construction**

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of \$25,000.00 :

A. 5 % of total costs if such costs are more than \$25,000.00 but less than \$100,000.00 ; plus

B. 2 % of total costs in excess of \$100,000.00 but less than \$1,000,000; plus

C. 1 % of total 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 shall be excluded.

**3. 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 reason, 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 bases exclusive of cash discounts:

**A. New Material (Condition A)**

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds 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 where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

**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

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV 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 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

**C. Other Used Material (Condition C and D)**

**(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 2A of this Section IV. 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**

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the 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 not 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 and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.
- (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**

Reconciliation of a physical inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators within six months following the taking of the inventory. Inventory adjustments shall be made by Operator with 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 or change of interest 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.

**4. Expense of Conducting Periodic Inventories**

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "F"  
GAS BALANCING AGREEMENT  
FOR GAS WELL PRODUCTION

Attached to and made a part of Operating Agreement dated July 12, 1976, between Marathon Oil Company, Operator, and The Superior Oil Company et al, Non-Operators

The parties to the Operating Agreement to which this Gas Balancing Agreement is attached own the working interest in the gas rights underlying the Unit Area covered by such agreement and are entitled to share in the percentages as stated in the Operating Agreement.

In accordance with the terms of the Operating Agreement, each party thereto has the right to take its share of gas produced from the Unit Area and market the same. In the event any of the parties hereto does not market its share of gas or has contracted to sell its share of gas produced from the Unit 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.

1.

During any period or periods when the market of a party is not sufficient to take that party's full share of the gas produced from any proration unit within the Unit Area, or its purchaser does not take its share of gas produced from such proration unit, the other party or parties shall be entitled to produce from said proration unit (and take or deliver to a purchaser), each month, all or a part of that portion of the allowable gas production assigned to such proration unit by the regulatory body having jurisdiction and shall be entitled to take and deliver to its or their purchaser all of such gas production. 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, but the party or parties taking such gas shall own all of the gas delivered to its or their purchaser.

2.

Each party not marketing or taking its full share of the gas produced shall be credited with gas in storage equal to its full share of the gas produced, less its share of gas used in lease operations, vented or lost, and less the amount of gas that party took or delivered to its purchaser. Each party taking gas shall furnish the Unit Operator a monthly statement of gas taken. The Operator will maintain a current running account of the gas balance between the parties hereto and will furnish each party monthly statements showing the total quantity of gas

produced, the amount thereof used in lease operations, vented or lost, the total quantity of gas delivered to markets, and the monthly and cumulative over and under account of each party. Measurement of gas for over and under production shall be accomplished by use of sales meters, and lease measurement shall be in accordance with AGA requirements.

3.

After written notice to the Operator, any party may at any time begin taking or delivering to its purchaser its full share of the gas produced from a proration unit under which it has gas in storage (less such party's share of gas 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, in addition to such full share, an amount determined by multiplying twenty-five percent (25%) of the interest of the overproduced party or parties by a fraction, the numerator of which is the interest in the Unit Area of such underproduced party and the denominator of which is the total percentage interest in the Unit Area of all underproduced parties.

4.

Nothing herein shall be construed to deny any party the right, from time to time, to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability test required by its purchaser. Each party shall, at all times, use its best efforts to regulate its takes and deliveries from said Unit Area so that no proration unit will be shut-in for over-producing the allowable assigned thereto by the regulatory body having jurisdiction.

5.

Each party producing and taking or delivering gas to its purchaser shall pay, or cause to be paid, all production taxes due on such gas.

6.

When production of gas from a proration unit permanently ceases, or is permanently discontinued, Unit Operator shall make a final determination of the volumes of the last accrued over and under production, if any, as of the date of such cessation or discontinuance of production and the identity of the party or parties who are over or underproduced. A cash balancing adjustment shall be made by the overproduced party or parties to the underproduced party or parties for the overproduced volumes which have been taken and sold. The amount of money to be paid for such adjustment shall be the actual amount received for the sale of that portion of the gas due to the underproduced party or parties. In the event the

or more prices were received for the gas during the time the final imbalance occurred, the payment will be based on the average price received during the entire period the final imbalance was accumulated, weighted for the volume of gas sold at each price. All moneys paid to adjust for an imbalance in gas sales will be paid less applicable taxes already paid and less any amount subject to possible refund pursuant to directives of the Federal Power Commission. Any amounts due the underproduced parties retained to make such refunds, which are not ultimately required by the Federal Power Commission to be refunded, shall be paid to the underproduced parties at such time as final determination of refund is made.

7.

This agreement shall remain in force and effect as long as the Operating Agreement to which it is attached remains in effect and shall inure to the benefit of and be binding upon the parties hereto, their successors, legal representatives, and assigns.

8.

Nothing herein shall change or affect each party's obligations to pay its proportionate share of all costs and liabilities incurred in operations in the Unit Area, as its share thereof is set forth in the above described Operating Agreement.

9.

The provisions of this agreement shall be applied to each well and/or each formation separately as if each well and/or formation was a separate well and covered by separate but identical agreements.

Unit Name NORTHEAST ANDERSON RANCH UNIT (EXPLORATORY)  
 Operator MARATHON OIL COMPANY  
 County LEA

DATE	OCC CASE NO. 5715	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
<u>APPROVED</u>	<u>OCC ORDER NO. R-5241</u>							
<u>COMMISSIONER</u>	<u>Approved OCC</u>	<u>8-12-76</u>	<u>2,680.00</u>	<u>2,680.00</u>	<u>-0-</u>	<u>-0-</u>	<u>Yes</u>	<u>2Yr.</u>
		<u>7-27-76</u>						

UNIT AREA

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM  
Section 11: E/2  
Sections 12, 13, and 14: All  
Section 23: NE/4, N/2NW/4, SE/4NW/4 and SW/4

TERMINATED  
 2-22-77

622

Unit Name NORTHEAST ANDERSON RANCH UNIT (EXPLORATORY)  
 Operator MARATHON OIL COMPANY  
 County LEA

STATE TRACT NO.	LEASE NO.	INST-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
1	E-1122-2	C.S.	13	15S	32E	NE/4SW/4	8-6-76	40.00		McAlester Fuel Company
2	K-6274	C.S.	14	15S	32E	E/2NW/4	8-5-76	80.00		Allied Chemical Corp.
3	K-6274-1	C.S.	12	15S	32E	W/2NW/4	8-10-76	80.00		Union Oil Company of California
4	K-6510	C.S.	12	15S	32E	SE/4NW/4, NE/4SW/4	8-11-76	80.00		Exxon Corporation
5	K-6511	C.S.	11 13 14	15S 15S 15S	32E 32E 32E	NE/4SE/4, SW/4SE/4 NW/4NE/4, NW/4NW/4 NW/4NE/4	8-28-76	200.00		Marathon Oil Company
6	L-1470-1	C.S.	11	15S	32E	NW/4SE/4	8-10-76	40.00		Union Oil Company of California
7	L-1471-1	C.S.	13	15S	32E	W/2SE/4	7-28-76	80.00		Marathon Oil Company
8	L-1627	C.S.	12	15S	32E	SW/4NE/4, NW/4SE/4	8-2-76	80.00		Max H. Christensen
9	LG-293	C.S.	23	15S	32E	SW/4	8-9-76	160.00		The Superior Oil Company
10	LG-1204-1	C.S.	11	15S	32E	NE/4NE/4	8-9-76	40.00		Oil Development Company of Texas
11	LG-3011	C.S.	12	15S	32E	E/2E/2, SW/4SE/4	8-9-76	200.00		The Superior Oil Company
12	LG-3042	C.S.	13 23	15S 15S	32E 32E	SW/4NE/4, E/2NW/4, SE/4SW/4 E/2NE/4, N/2NW/4, SE/4NW/4	7-28-76	360.00		Marathon Oil Company
13	LG-3043	C.S.	14	15S	32E	NE/4NE/4, S/2NE/4, W/2NW/4, S/2	7-28-76	520.00		Marathon Oil Company
14	LG-3183	C.S.	11	15S	32E	NW/4NE/4, SE/4SE/4	8-9-76	80.00		The Superior Oil Co.
15	LG-3503	C.S.	23	15S	32E	W/2NE/4	7-28-76	80.00		Marathon Oil Company

**TERMINATED**  
 8-2-22-77

Unit Name NORTHEAST ANDERSON RANCH UNIT (EXPLORATORY)  
 Operator MARATHON OIL COMPANY  
 County IEA

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE NOT RATIFIED	LESSEE
							DATE	ACRES		
16	LG-3585	C.S.	13	15S	32E	E/2E/2, SW/4NW/4, W/2SW/4	7-28-76	280.00		Marathon Oil Company
17	LG-3618	C.S.	12	15S	32E	NW/4NE/4, NE/4NW/4, W/2SW/4, SE/4SW/4	7-28-76	200.00		Marathon Oil Company
18	LG-3656	C.S.	11	15S	32E	S/2NE/4	7-28-76	80.00		Marathon Oil Company



Unit Name NORTHEAST ANDERSON RANCH UNIT (EXPLORATORY)  
Operator MARATHON OIL COMPANY  
County LEA

DATE	OCC CASE NO. 5715	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO. R-5241							
COMMISSIONER	Approved OCC	8-12-76	2,680.00	2,680.00	-0-	-0-	Yes	2Yr.
	7-27-76							

UNIT AREA

TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM  
Section 11: E/2  
Sections 12, 13, and 14: All  
Section 23: NE/4, N/2NW/4, SE/4NW/4 and SW/4

Unit Name NORTHEAST ANDERSON RANCH UNIT (EXPLORATORY)  
 Operator MARY IHON OIL COMPANY  
 County LEA

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
1	E-1122-2	C.S.	13	15S	32E	NE/4SW/4	8-6-76	40.00		McAlester Fuel Company
2	K-6274	C.S.	14	15S	32E	E/2NW/4	8-5-76	80.00		Allied Chemical Corp.
3	K-6274-1	C.S.	12	15S	32E	W/2NW/4	8-10-76	80.00		Union Oil Company of California
4	K-6510	C.S.	12	15S	32E	SE/4NW/4, NE/4SW/4	8-11-76	80.00		Exxon Corporation
5	K-6511	C.S.	11 13 14	15S 15S 15S	32E 32E 32E	NE/4SE/4, SW/4SE/4 NW/4NE/4, NW/4NW/4 NW/4NE/4	7-28-76	200.00		Marathon Oil Company
6	L-1470-1	C.S.	11	15S	32E	NW/4SE/4	8-10-76	40.00		Union Oil Company of California
7	L-1471-1	C.S.	13	15S	32E	W/2SE/4	7-28-76	80.00		Marathon Oil Company
8	L-1627	C.S.	12	15S	32E	SW/4NE/4, NW/4SE/4	8-2-76	80.00		Max H. Christensen
9	LG-293	C.S.	23	15S	32E	SW/4	8-9-76	160.00		The Superior Oil Company
10	LG-1204-1	C.S.	11	15S	32E	NE/4NE/4	8-9-76	40.00		Oil Development Company of Texas
11	LG-3011	C.S.	12	15S	32E	E/2E/2, SW/4SE/4	8-9-76	200.00		The Superior Oil Company
12	LG-3042	C.S.	13 23	15S 15S	32E 32E	SW/4NE/4, E/2NW/4, SE/4SW/4 E/2NE/4, N/2NW/4, SE/4NW/4	7-28-76	360.00		Marathon Oil Company
13	LG-3043	C.S.	14	15S	32E	NE/4NE/4, S/2NE/4, W/2NW/4, S/2	7-28-76	520.00		Marathon Oil Company
14	LG-3183	C.S.	11	15S	32E	NW/4NE/4, SE/4SE/4	8-9-76	80.00		The Superior Oil Co.
15	LG-3503	C.S.	23	15S	32E	W/2NE/4	7-28-76	80.00		Marathon Oil Company

Unit Name NORTHEAST ANDERSON RANCH UNIT (EXPLORATORY)  
 Operator MARATHON OIL COMPANY  
 County LEA

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
16	LG-3585	C.S.	13	15S	32E	E/2E/2, SW/4NW/4, W/2SW/4	7-28-76	280.00		Marathon Oil Company
17	LG-3618	C.S.	12	15S	32E	NW/4NE/4, NE/4NW/4, W/2SW/4, SE/4SW/4	7-28-76	200.00		Marathon Oil Company
18	LG-3656	C.S.	11	15S	32E	S/2NE/4	7-28-76	80.00		Marathon Oil Company



PO Box 552  
Midland Texas 79701  
Telephone 915 682 1626

September 3, 1976

Oil Conservation Commission  
State of New Mexico  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey  
Secretary-Director

Gentlemen:

Re: CASE NO. 5715  
Order No. R-5241  
Northeast Anderson Ranch Unit  
T-15-S, R-32-E, N.M.P.M.  
Lea County, New Mexico

In accordance with the subject Order No. R-5241, enclosed is original Northeast Anderson Ranch Unit Agreement showing approval by the Commissioner of Public Lands, State of New Mexico, on August 12, 1976, and executed or ratified by all interest owners with the following exceptions:

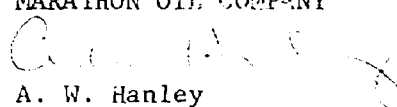
1. Colorado Oil and Gas Corporation, owner of a working interest in Tract 1, who has indicated it is in agreement with this Unit.
2. Estate of Ernest A. Hanson, Roswell, New Mexico, has declined to commit its overriding royalty interest in Tract 1.
3. B. F. Turner, Dallas, Texas, has declined to commit his overriding royalty interest in Tract 1.
4. Michael P. Grace has failed to respond in any way to our contacts concerning his overriding royalty interest in Tract 7.

Jack C. Russell's interest in this Unit is acquired by participating in the cost of the test well to acquire a portion of the farmouts.

You will be furnished evidence of subsequent joiner of any of the above within the thirty day period provided in the referenced Order.

Yours very truly,

MARATHON OIL COMPANY

  
A. W. Hanley  
District Landman

AWH:dkr  
Encls.

copy list attached

ADDRESSEE LIST

NORTHEAST ANDERSON RANCH UNIT - LEA COUNTY, NEW MEXICO

The Superior Oil Company  
P. O. Box 1900  
Midland, Texas 79701  
Attention: Mr. Raymond Parker

Union Oil Co. of California  
P. O. Box 671  
Midland, Texas 79701  
Attention: Mr. Wayne Gill

Allied Chemical Corporation  
1300 Wilco Building  
Midland, Texas 79701  
Attention: Mr. Don F. Dow

Exxon Corporation  
P. O. Box 1600  
Midland, Texas 79701  
Attention: Mr. Marvin L. Wigley

Hill Revocable Trusts  
3404 Fort Worth National Bank Bldg.  
Fort Worth, Texas 76102

Oil Development Company of Texas  
P. O. Box 12058  
Amarillo, Texas 79101  
Attention: Mr. Jack R. Roper

Mr. Max H. Christensen  
602 Petroleum Building  
Midland, Texas 79701

McAlester Fuel Company  
P. O. Box 10  
Magnolia, Arkansas 71753  
Attention: Mr. W. B. Sawyer

Estate of W. J. Goldston  
1411 First City National Bank Bldg.  
Houston, Texas 77002  
Attention: Mr. J. C. Goldston

Mrs. Iris Goldston  
P. O. Box 22568  
Houston, Texas 77027

Colorado Oil and Gas Corporation  
P. O. Box 235  
Midland, Texas 79701  
Attention: Mr. J. W. Eggleston

Mr. W. C. Fartee  
P. O. Box 667  
Magnolia, Arkansas 71753

Mayfield Corporation  
P. O. Box 22568  
Houston, Texas 77027  
Attention: Ms. Margaret Bell

Mr. Jack L. Russell  
100 Permian Building  
Midland, Texas 79701

Featherstone Farms  
1717 West Second Street  
Roswell, New Mexico 88201

State Land Office  
P. O. Box 1148  
Santa Fe, New Mexico 87501  
Attention: Mr. Ray D. Graham  
Director, Oil and Gas Division

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5715  
Order No. R-5241

APPLICATION OF MARATHON OIL COMPANY  
FOR APPROVAL OF THE NORTHEAST ANDERSON  
RANCH UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 21, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 27th day of July, 1976, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Marathon Oil Company, seeks approval of the Northeast Anderson Ranch Unit Agreement covering 2,680 acres, more or less, of State lands described as follows:

LEA COUNTY, NEW MEXICO  
TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM  
Section 11: E/2  
Sections 12, 13, and 14: All  
Section 23: NE/4, N/2 NW/4, SE/4 NW/4, and SW/4

- (3) That although the Commission has previously approved another unit area designated the Northeast Anderson Ranch Unit Area in Township 15 South, Range 32 East, NMPM, Lea County, New Mexico, none of the lands included in said unit area are within the boundaries of the new Northeast Anderson Ranch Unit Area; further, that the former unit was terminated June 1, 1964.

- (4) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Northeast Anderson Ranch Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.


(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

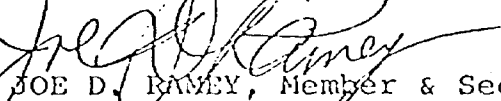
(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

  
PHIL R. LUCERC, Chairman

  
EMERY C. ARNOLD, Member

  
JOE D. RAMEY, Member & Secretary

S E A L

jr/



## NEW MEXICO STATE LAND OFFICE

### CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO  
NORTHEAST ANDERSON RANCH UNIT

LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated July 12, 1976, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the afore-said statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 12th. day of August, 19 76.

Philip R. Hume  
COMMISSIONER OF PUBLIC LANDS  
of the State of New Mexico



UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
NORTHEAST ANDERSON RANCH UNIT AREA  
LEA COUNTY, NEW MEXICO

NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 12th day of July, 1976,  
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 or gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico  
is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as  
amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M.  
Statutes 1953 Annot.), to consent to and approve the development or 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 devel-  
opment 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 (Sec. 1, Chap. 162), (Laws of 1951,  
Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 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 Commission of the State of New Mexico  
(hereinafter referred to as the "Commission") is authorized by an Act of the  
Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953  
Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Northeast  
Anderson Ranch Unit Area covering the land hereinafter described to give reasonably  
effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 15-South, Range 32-East, N.M.P M.

Section 11: E $\frac{1}{2}$   
Section 12: All  
Section 13: All  
Section 14: All  
Section 23: NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$

containing 2,680.00 acres, more or less,  
Lea County, New Mexico.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner."

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

2. UNITIZED SUBSTANCES. All oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

3. UNIT OPERATOR. Marathon Oil Company whose address is P. O. Box 552, Midland, Texas 79701 is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the

unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the 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 the 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 elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit

operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement." No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement, and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY. The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Cisco formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 10,500 feet. Until a discovery

of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:

Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development, this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or

proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N.M. Statutes 1953 Annotated of intention to cancel on account of any alleged breach of said covenant for reasonable development, and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage

of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby

expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement, and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement, and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed, and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of



the lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. 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 State laws or regulations.

15. DRAINAGE. In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests 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 the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling

requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES. Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interest party shall also have the right at its own expense to appear and to participate in any such proceeding.

20. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

21. UNAVOIDABLE DELAY. All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.

22. LOSS OF TITLE. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto,

the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.

24. COUNTERPARTS. 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 separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such 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 lands within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR AND WORKING INTEREST OWNER

MARATHON OIL COMPANY

By D. W. Franklin

~~P. O. Box 552~~  
Midland, Texas

D. W. FRANKLIN  
DIVISION EXPLORATION MANAGER  
79701

P. O. Box 3128  
Houston, Texas 77001

Date: July 28, 1976



CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Northeast Anderson Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST:

THE SUPERIOR OIL COMPANY

By: [Signature]  
Assistant Secretary

By: [Signature]  
Vice President

CORPORATE

STATE OF Texas X

COUNTY OF Harris X

The foregoing instrument was acknowledged before me this 9th day of August, 1976, by ALLAN C. DURHAM who is Vice-President of THE SUPERIOR OIL COMPANY, a NEVADA (State) corporation, for and on behalf of said corporation.

My Commission Expires: VIOLA MARBURGER  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

Viola Marburger  
Notary Public in and for  
Harris County, Texas

INDIVIDUAL

STATE OF \_\_\_\_\_ X

COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
\_\_\_\_\_  
County, \_\_\_\_\_

CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Northeast Anderson Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

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

UNION OIL COMPANY OF CALIFORNIA

By

Samuel C. Terry  
Attorney-in-Fact

CORPORATE

STATE OF TEXAS X  
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this 10<sup>th</sup> day of August, 1976, by SAMUEL C. TERRY who is Attorney-in-Fact of UNION OIL COMPANY OF CALIFORNIA, a California (State) corporation, for and on behalf of said corporation.

My Commission Expires: June 1, 1977

Alice Monroe  
Notary Public in and for ALICE MONROE  
Midland County, Texas

INDIVIDUAL

STATE OF \_\_\_\_\_ X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_  
County, \_\_\_\_\_

CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Northeast Anderson Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ALLIED CHEMICAL CORPORATION

BY: [Signature]

Attorney-in-Fact

CORPORATE

THE STATE OF TEXAS X  
COUNTY OF HARRIS X

BEFORE ME, the undersigned authority, on this day personally appeared [Signature], known to me to be the person whose name is subscribed to in the foregoing instrument, as ATTORNEY-IN-FACT of ALLIED CHEMICAL CORPORATION, a corporation, and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity stated, and as the act and deed of said corporation.

Given under my hand and seal of office this the 5th day of August, A.D., 1976.

LINDA LOU HANCOCK  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

[Signature]  
Notary Public in and for  
Harris County, Texas

STATE OF \_\_\_\_\_ X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Northeast Anderson Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

as of  
Div. Ldm. RA  
Div. Geol. 207  
Jt. Int. 207  
Div. Acct. 1320  
Div. Law 832

EXXON CORPORATION

By: H. Jack Naumann

CORPORATE

H. JACK NAUMANN, DIV. LANDMAN-EXPL. DEPT.  
EXXON COMPANY, U.S.A. (a div. of Exxon  
Corporation), AGENT AND ATTORNEY IN FACT

STATE OF Texas X

COUNTY OF Midland X

The foregoing instrument was acknowledged before me this 11th day of August, 1976, by H. Jack Naumann who is Agent and Attorney-in-Fact of Exxon Corporation, a New Jersey (State) corporation, for and on behalf of said corporation.

My Commission Expires: 6-1-77

Lena P. J. J. J.  
Notary Public in and for  
Midland County, Texas

INDIVIDUAL

STATE OF \_\_\_\_\_ X

COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
\_\_\_\_\_, County, \_\_\_\_\_

CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Northeast Anderson Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

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

HILL REVOCABLE TRUSTS  
By: Kenneth Waltrip  
Margery Belle Hill  
Kenneth Waltrip, Trustee  
Margery Belle Hill, Trustee

CORPORATE

STATE OF \_\_\_\_\_ X

COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

INDIVIDUAL

STATE OF TEXAS X

COUNTY OF TARRANT X

The foregoing instrument was acknowledged before me this 6<sup>th</sup> day of August, 1976, by Kenneth Waltrip and Margery Belle Hill, as Trustees of the Hill Revocable Trusts.

My Commission Expires: June 1, 1977

Velma B. Craft VELMA B. CRAFT  
Notary Public in and for  
Tarrant County, Texas



CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Northeast Anderson Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST

By: *J. Spake*

Assistant Secretary

Oil Development Company of Texas

By: *John C. Major*

President

CORPORATE

STATE OF TEXAS                      X

COUNTY OF POTTER                      X

The foregoing instrument was acknowledged before me this 18th day of August, 1976, by John C. Major who is President of Oil Development Company of Texas, a Texas (State) corporation, for and on behalf of said corporation.

My Commission Expires: 6/1/77

*James L. Adams*  
Notary Public in and for

Potter County, Lea

INDIVIDUAL

STATE OF \_\_\_\_\_ X

COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

Notary Public in and for

County, \_\_\_\_\_

CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Northeast Anderson Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

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

*[Signature]*

Marcella B. Christensen

CORPORATE

STATE OF \_\_\_\_\_ X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

INDIVIDUAL

STATE OF Texas X  
COUNTY OF Midland X

The foregoing instrument was acknowledged before me this 2nd day of August, 1976, by MAX H. CHRISTENSEN and his wife, MARCELLA B. CHRISTENSEN

My Commission Expires: 6-1-77

*[Signature]*  
\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Northeast Anderson Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST:  
By: [Signature]  
Assistant Secretary

McALESTER FUEL COMPANY  
By: [Signature]  
Vice President

CORPORATE

STATE OF Arkansas X  
COUNTY OF Columbia X

The foregoing instrument was acknowledged before me this 16th day of August, 1976, by W. C. Jones who is Vice President of McAlester Fuel Company, a Delaware (State) corporation, for and on behalf of said corporation.

My Commission Expires: 8-21-77

[Signature]  
Notary Public in and for Columbia County, Arkansas

INDIVIDUAL

STATE OF \_\_\_\_\_ X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_

Notary Public in and for \_\_\_\_\_ County, \_\_\_\_\_

CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT OPERATING AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Operating Agreement in connection with the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit, embracing lands situated in Township 15-South, Range 32-East, Lea County, New Mexico, which Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold interests being committed to said Unit Agreement do hereby consent to said Unit Operating Agreement and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Operating Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Suzanne Jay Co

ATTEST:

By: Margaret Bell  
Margaret Bell, Secretary

Iris Goldston  
Iris Goldston  
MAYFIELD CORPORATION

By: Jack H. Mayfield, Jr.  
Jack H. Mayfield, Jr., President

CORPORATE

STATE OF Texas X

COUNTY OF Harris X

The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of August, 1976, by JACK H. Mayfield, Jr. who is President of Mayfield Corporation, a Texas (State) corporation, for and on behalf of said corporation.

M. RICHARDSON  
Notary Public in and for Harris County, Texas  
My Commission Expires: June 1, 1977

M. Richardson  
Notary Public in and for  
Harris County, Texas

INDIVIDUAL

STATE OF Texas X

COUNTY OF Harris X

The foregoing instrument was acknowledged before me this 24<sup>th</sup> day of August, 1976, by Iris Goldston

My Commission Expires: \_\_\_\_\_

ROXANNA D. GAGE  
Notary Public in and for Harris County, Texas  
My Commission expires June 1, 1977

Roxanna D. Gage  
Notary Public in and for  
Harris County, Texas

CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Northeast Anderson Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

<p>_____ <b>ALTESA</b> <u><i>Robert J. Gentry</i></u> Assistant Cashier</p>	<p>ESTATE OF <u>J. J. GOLDSTON, DECEASED</u> by: <u><i>Kathleen Hadley Goldston</i></u> <u><i>Kathleen Hadley Goldston</i></u> Independent Co-Executor <u><i>Joseph C. Goldston</i></u> <u><i>Joseph C. Goldston</i></u> First City National Bank of Houston Independent Co-Executor</p>
---	--

CORPORATE

STATE OF Texas X  
COUNTY OF Harris X

The foregoing instrument was acknowledged before me this 16th day of August, 1976, by *John D. O'Hare* who is *Vice President* & *Trust Officer* of *First City National Bank*, a *Texas* (State) corporation, for and on behalf of said corporation.

My Commission Expires: *June 1, 1977* *John D. O'Hare*  
Notary Public in and for  
*Harris* County, *Texas*

INDIVIDUAL

STATE OF Texas X  
COUNTY OF Harris X

The foregoing instrument was acknowledged before me this 11th day of August, 1976, by *Kathleen Hadley Goldston* and *Joseph C. Goldston* in the capacities therein stated.

My Commission Expires: June 1, 1977 *John D. O'Hare*  
Notary Public in and for  
Harris County, Texas

CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Northeast Anderson Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

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

W. C. Partee  
Chrystelle Partee  
\_\_\_\_\_

CORPORATE

STATE OF \_\_\_\_\_ X

COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

INDIVIDUAL

STATE OF ARKANSAS X

COUNTY OF COLUMBIA X

The foregoing instrument was acknowledged before me this 5th day of August, 1976, by W. C. Partee & Chrystelle Partee

My Commission Expires: 9-30-79

Martha Cheatham  
Notary Public in and for  
Columbia County, Arkansas

CONSENT AND RATIFICATION  
NORTHEAST ANDERSON RANCH UNIT AGREEMENT  
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Anderson Ranch Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated the 12th day of July, 1976, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to the said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Northeast Anderson Ranch Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Jack L. Russell  
Frances E. Russell

CORPORATE

STATE OF \_\_\_\_\_ X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of \_\_\_\_\_, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

INDIVIDUAL

STATE OF TEXAS X  
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this 11th day of August, 1976, by Jack L. Russell and his wife, Frances E. Russell.

My Commission Expires: June 1, 1977

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

WORKING INTEREST OWNERS

ATTEST:

THE SUPERIOR OIL COMPANY

By \_\_\_\_\_

P. O. Box 1900  
Midland, Texas 79701

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

UNION OIL COMPANY OF CALIFORNIA

By \_\_\_\_\_

P. O. Box 671  
Midland, Texas 79701

Date: \_\_\_\_\_

ATTEST:

ALLIED CHEMICAL CORPORATION

By \_\_\_\_\_

1300 Wilco Building  
Midland, Texas 79701

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

ATTEST:

EXXON CORPORATION

By \_\_\_\_\_

P. O. Box 1600  
Midland, Texas 79701

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

HILL REVOCABLE TRUSTS

By: \_\_\_\_\_  
Kenneth Waltrip, Trustee

Date: \_\_\_\_\_

By: \_\_\_\_\_  
Margery Belle Hill, Trustee

Date: \_\_\_\_\_

3404 Fort Worth National Bank Bldg.  
Fort Worth, Texas 76102

ATTEST:

OIL DEVELOPMENT COMPANY OF TEXAS

By \_\_\_\_\_

P. O. Box 12058  
Amarillo, Texas 79101

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

Max H. Christensen

Date: \_\_\_\_\_

Marcella B. Christensen

Date: \_\_\_\_\_

602 Petroleum Building  
Midland, Texas 79701

ATTEST:

McALESTER FUEL COMPANY

By \_\_\_\_\_

P. O. Box 10  
Magnolia, Arkansas 71753

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_



Date: \_\_\_\_\_

\_\_\_\_\_  
Iris Goldston

P. O. Box 22568  
Houston, Texas 77027

ATTEST:

MAYFIELD CORPORATION

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

P. O. Box 22568  
Houston, Texas 77027

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Kathleen Hadley Goldston, Individually  
and as Independent Co-Executrix of the  
Estate of W. J. Goldston, deceased.

ATTEST:

First City National Bank of Houston,  
Independent Co-Executor of the Estate  
of W. J. Goldston, deceased.

\_\_\_\_\_  
Date: \_\_\_\_\_

By \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Joseph C. Goldston, Independent Co-  
Executor of the Estate of W. J.  
Goldston, deceased.

1411 First City National Bank Bldg.  
Houston, Texas 77002

Date: \_\_\_\_\_

\_\_\_\_\_  
W. C. Partee

Date: \_\_\_\_\_

\_\_\_\_\_  
Chrystelle Partee

P. O. Box 667  
Magnolia, Arkansas 71753

ATTEST:

COLORADO OIL AND GAS CORPORATION

By \_\_\_\_\_

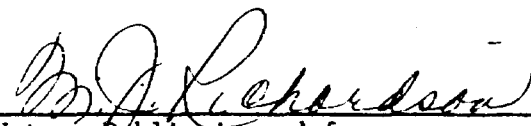
P. O. Box 235  
Midland, Texas 79701

\_\_\_\_\_  
Date: \_\_\_\_\_

STATE OF TEXAS    X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this 28th day of  
JULY, 1976, by D. W. FRANKLIN who is DIVISION  
EXPLORATION MANAGER of MARATHON OIL COMPANY, an Ohio corporation, for and on  
behalf of said corporation.

My Commission Expires: JUNE 1, 1977

  
Notary Public in and for  
Harris County, Texas  
M. J. RICHARDSON  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1977

STATE OF \_\_\_\_\_ X  
                          X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_  
\_\_\_\_\_ of THE SUPERIOR OIL COMPANY, a \_\_\_\_\_  
\_\_\_\_\_, (State)  
corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_, County, \_\_\_\_\_

STATE OF TEXAS    X  
                          X  
COUNTY OF MIDLAND   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_  
\_\_\_\_\_ of UNION OIL COMPANY OF CALIFORNIA, a California  
corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

STATE OF \_\_\_\_\_ X  
                          X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_  
\_\_\_\_\_ of ALLIED CHEMICAL CORPORATION, a \_\_\_\_\_  
\_\_\_\_\_, (State)  
corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_, County, \_\_\_\_\_

STATE OF \_\_\_\_\_ I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of EXXON CORPORATION, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

STATE OF TEXAS I  
COUNTY OF TARRANT I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by KENNETH WALTRIP and MARGERY BELLE HILL, as Trustees of the Hill Revocable Trusts.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Tarrant County, Texas

STATE OF TEXAS I  
COUNTY OF POTTER I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of OIL DEVELOPMENT COMPANY OF TEXAS, a \_\_\_\_\_ corporation, for and on behalf of said corporation. (State)

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Potter County, Texas

STATE OF TEXAS     X  
                          X  
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by MAX H. CHRISTENSEN and his wife, MARCELLA B. CHRISTENSEN.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

STATE OF ARKANSAS   X  
                          X  
COUNTY OF COLUMBIA X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of McALESTER FUEL COMPANY, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Columbia County, Arkansas

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by IRIS GOLDSTON, a widow.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     I  
                          I  
COUNTY OF HARRIS   I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of MAYFIELD CORPORATION, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     I  
                          I  
COUNTY OF HARRIS   I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by KATHLEEN HADLEY GOLDSTON, Individually and as Independent Co-Executrix of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     I  
                          I  
COUNTY HARRIS     I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of FIRST CITY NATIONAL BANK OF HOUSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     I  
                          I  
COUNTY OF HARRIS   I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by JOSEPH C. GOLDSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF ARKANSAS   I  
                          I  
COUNTY OF COLUMBIA   I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by W. C. PARTEE and his wife, CHRYSTELLE PARTEE.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Columbia County, Arkansas

STATE OF \_\_\_\_\_ I  
                          I  
COUNTY OF \_\_\_\_\_ I

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of COLORADO OIL AND GAS CORPORATION, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

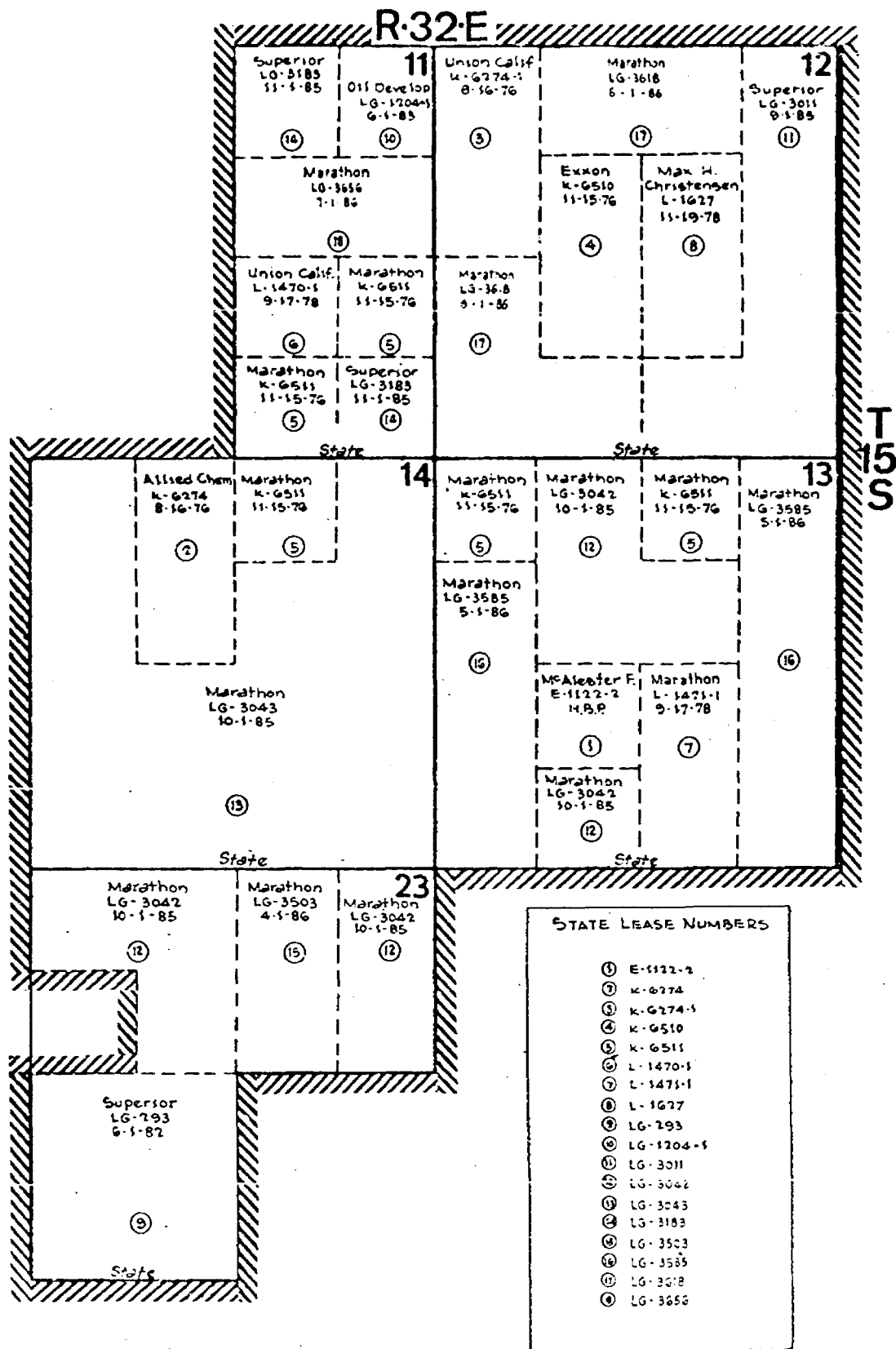
My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

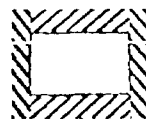
# EXHIBIT A

## NORTHEAST ANDERSON RANCH UNIT

### Lea County, New Mexico



ALL STATE OF NEW MEXICO LAND - 2,680.00 ACRES



UNIT OUTLINE

SCALE 1"=2000'

## EXHIBIT "B"

Revised 8-9-76

NORTHEAST ANDERSON RANCH UNIT  
T-15-S, R-32-E, N.M.P.M.  
LEA COUNTY, NEW MEXICO

TRACT	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1.	<u>T-15-S, R-32-E</u> Sec. 13: NE $\frac{1}{2}$ SW $\frac{1}{4}$	40.00	E-1122-2 H.B.P.	State - All (12 $\frac{1}{2}$ %)	McAlester Fuel Company		McAlester Fuel Co. - 1/4 Iris Goldston - 1/6 W. J. Goldston Est. - 1/6 Colorado Oil and Gas Corp. - 1/8 W. C. Partee - 1/8 Mayfield Corp. - 1/6
2.	<u>T-15-S, R-32-E</u> Sec. 14: E $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	K-6274 8-16-76	State - All (12 $\frac{1}{2}$ %)	Allied Chemical Corporation	None	Allied Chemical Corporation - 100%
3.	<u>T-15-S, R-32-E</u> Sec. 12: W $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	K-6274-1 8-16-76	State - All (12 $\frac{1}{2}$ %)	Union Oil Company of California	None	Union Oil Company of California - 100%
4.	<u>T-15-S, R-32-E</u> Sec. 12: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$	80.00	K-6510 11-15-76	State - All (12 $\frac{1}{2}$ %)	Exxon Corporation	None	Exxon Corporation 100%
5.	<u>T-15-S, R-32-E</u> Sec. 11: NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 14: NW $\frac{1}{4}$ NE $\frac{1}{4}$	200.00	K-6511 11-15-76	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
6.	<u>T-15-S, R-32-E</u> Sec. 11: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	L-1470-1 9-17-78	State - All (12 $\frac{1}{2}$ %)	Union Oil Company of California	None	Union Oil Company of California - 100%
7.	<u>T-15-S, R-32-E</u> Sec. 13: W $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	L-1471-1 9-17-78	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	Michael P. Grace - 3%	Marathon Oil Company 100%
8.	<u>T-15-S, R-32-E</u> Sec. 12: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	L-1627 11-19-78	State - All (12 $\frac{1}{2}$ %)	Max H. Christensen	None	Hill Revocable Trusts - 75% Max H. Christensen - 25%
9.	<u>T-15-S, R-32-E</u> Sec. 23: SW $\frac{1}{4}$	160.00	LG-293 6-1-82	State - All (12 $\frac{1}{2}$ %)	The Superior Oil Company	None	The Superior Oil Company - 100%

Estate of Ernest A.  
Hanson - 1/48  
B. F. Turner - 15/512  
Featherstone Farms, Ltd.  
- 1/24



TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
10.	<u>T-15-S, R-32-E</u> Sec. 11: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	LG-1204-1 6-1-83	State - All (12 $\frac{1}{2}$ %)	Oil Development Company of Texas	None	Oil Development Co. of Texas - 100%
11.	<u>T-15-S, R-32-E</u> Sec. 12: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{2}$ SE $\frac{1}{2}$	200.00	LG-3011 9-1-85	State - All (12 $\frac{1}{2}$ %)	The Superior Oil Company	None	The Superior Oil Company - 100%
12.	<u>T-15-S, R-32-E</u> Sec. 13: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 23: E $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$	360.00	LG-3042 10-1-85	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
13.	<u>T-15-S, R-32-E</u> Sec. 14: NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ W $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$	520.00	LG-3043 10-1-85	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
14.	<u>T-15-S, R-32-E</u> Sec. 11: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	LG-3183 11-1-85	State - All (12 $\frac{1}{2}$ %)	The Superior Oil Company	None	The Superior Oil Company - 100%
15.	<u>T-15-S, R-32-E</u> Sec. 23: W $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	LG-3503 4-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
16.	<u>T-15-S, R-32-E</u> Sec. 13: E $\frac{1}{2}$ E $\frac{1}{2}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ ,	280.00	LG-3585 5-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
17.	<u>T-15-S, R-32-E</u> Sec. 12: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$	200.00	LG-3618 6-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
18.	<u>T-15-S, R-32-E</u> Sec. 11: S $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	LG-3656 7-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%

Eighteen (18) State Tracts 2,680.00 Acres - 100% of Unit Area

## EXHIBIT "C"

NORTHEAST ANDERSON RANCH UNIT - LEA COUNTY, NEW MEXICOPART 1

<u>Tract Number</u>	<u>Tract Description</u>	<u>Acres</u>	<u>Percentage Tract Participation</u>
	<u>T-15-S, R-32-E, N.M P.M.</u>		
1.	Sec. 13: NE $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	1.492537%
2.	Sec. 14: E $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	2.985075%
3.	Sec. 12: W $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	2.985075%
4.	Sec. 12: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$	80.00	2.985075%
5.	Sec. 11: NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 14: NW $\frac{1}{4}$ NE $\frac{1}{4}$	200.00	7.462686%
6.	Sec. 11: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	1.492537%
7.	Sec. 13: W $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	2.585075%
8.	Sec. 12: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	2.985075%
9.	Sec. 23: SW $\frac{1}{4}$	160.00	5.970149%
10.	Sec. 11: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	1.492537%
11.	Sec. 12: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	200.00	7.462686%
12.	Sec. 13: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 23: E $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$	360.00	13.432836%
13.	Sec. 14: NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$	520.00	19.402985%
14.	Sec. 11: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	2.985075%
15.	Sec. 23: W $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	2.985075%
16.	Sec. 13: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$	280.00	10.447761%
17.	Sec. 12: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$	200.00	7.462686%
18.	Sec. 11: S $\frac{1}{2}$ NE $\frac{1}{4}$	<u>80.00</u>	<u>2.985075%</u>
		2,680.00	100.000000%

## EXHIBIT "C"

NORTHEAST ANDERSON RANCH UNIT - LEA COUNTY, NEW MEXICOPART II

		<u>Total Acres</u>	<u>Total Unit Participation</u>
Marathon Oil Co.	Tracts 5, 7, 12, 13, 15, 16, 17 & 18	1,800.00	67.164179%
The Superior Oil Co.	Tracts 9, 11 & 14	44.00	16.417911%
Union Oil Co. of Calif.	Tracts 3 & 6	120.00	4.477612%
Allied Chemical Corp.	Tract 2	80.00	2.985075%
Exxon Corporation	Tract 4	80.00	2.985075%
Hill Revocable Trusts	Tract 8 (75%)	60.00	2.238806%
Oil Development Co. of Texas	Tract 10	40.00	1.492537%
Max H. Christensen	Tract 8 (25%)	20.00	.746269%
McAlester Fuel Co.	Tract 1 (25%)	10.00	.373134%
Estate of W. J. Goldston	Tract 1 (16.67%)	6.67	.248756%
Iris Goldston	Tract 1 (16.67%)	6.67	.248756%
Colorado Oil and Gas Corp.	Tract 1 (12.5%)	5.00	.186567%
W. C. Partee	Tract 1 (12.5%)	5.00	.186567%
Mayfield Corp.	Tract 1 (16.66%)	<u>6.66</u>	<u>.248756%</u>
		2,680.00	100.000000%

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE NO. 5715  
Order No. R-5241

APPLICATION OF MARATHON OIL COMPANY  
FOR APPROVAL OF THE NORTHEAST ANDERSON  
RANCH UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on July 21, 1976, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 27th day of July, 1976, the Commission, a quorum being present, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Marathon Oil Company, seeks approval of the Northeast Anderson Ranch Unit Agreement covering 2,680 acres, more or less, of State lands described as follows:

LEA COUNTY, NEW MEXICO  
TOWNSHIP 15 SOUTH, RANGE 32 EAST, NMPM  
Section 11: E/2  
Sections 12, 13, and 14: All  
Section 23: NE/4, N/2 NW/4, SE/4 NW/4, and SW/4

(3) That although the Commission has previously approved another unit area designated the Northeast Anderson Ranch Unit Area in Township 15 South, Range 32 East, NMPM, Lea County, New Mexico, none of the lands included in said unit area are within the boundaries of the new Northeast Anderson Ranch Unit Area; further, that the former unit was terminated June 1, 1964.

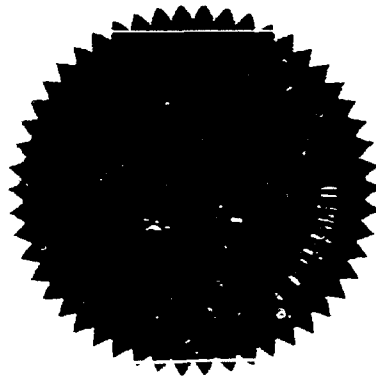
(4) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

-2-  
Case No. 5715  
Order No. R-5241

IT IS THEREFORE ORDERED:

- (1) That the Northeast Anderson Ranch Unit Agreement is hereby approved.
- (2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.
- (3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- (4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



S E A L

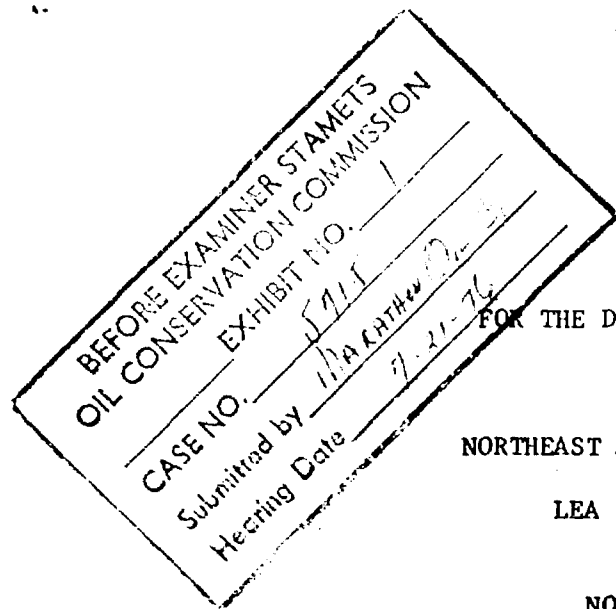
STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Phil R. Lucero*  
PHIL R. LUCERO, Chairman

*Emery C. Arnold*  
EMERY C. ARNOLD, Member

*Joe D. Ramsey*  
JOE D. RAMSEY, Member & Secretary

jr/



UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
NORTHEAST ANDERSON RANCH UNIT AREA  
LEA COUNTY, NEW MEXICO

NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 1976,  
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 or gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico  
is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as  
amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M.  
Statutes 1953 Annot.), to consent to and approve the development or 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 devel-  
opment 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 (Sec. 1, Chap. 162), (Laws of 1951,  
Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 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 Commission of the State of New Mexico  
(hereinafter referred to as the "Commission") is authorized by an Act of the  
Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953  
Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Northeast  
Anderson Ranch Unit Area covering the land hereinafter described to give reasonably  
effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 15-South, Range 32-East, N.M.P M.

Section 11: E $\frac{1}{2}$   
Section 12: All  
Section 13: All  
Section 14: All  
Section 23: NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$  ✓

containing 2,680.00 acres, more or less,  
Lea County, New Mexico.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner."

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

2. UNITIZED SUBSTANCES. All oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

3. UNIT OPERATOR. Marathon Oil Company whose address is P. O. Box 552, Midland, Texas 79701 is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the

unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the 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 the 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 elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit



operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement." No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement, and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY. The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Cisco formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 10,500 feet. Until a discovery

of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:

Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development, this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or

proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N.M. Statutes 1953 Annotated of intention to cancel on account of any alleged breach of said covenant for reasonable development, and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage

of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby

expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement, and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement, and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed, and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of

the lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. 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 State laws or regulations.

15. DRAINAGE. In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests 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 the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling

requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES. Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interest party shall also have the right at its own expense to appear and to participate in any such proceeding.

20. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the notification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

21. UNAVOIDABLE DELAY. All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.

22. LOSS OF TITLE. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto,

the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.

24. COUNTERPARTS. 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 separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such 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 lands within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR AND WORKING INTEREST OWNER

MARATHON OIL COMPANY

By \_\_\_\_\_

P. O. Box 552  
Midland, Texas 79701

Date: \_\_\_\_\_



WORKING INTEREST OWNERS

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

THE SUPERIOR OIL COMPANY

By \_\_\_\_\_

P. O. Box 1900  
Midland, Texas 79701

UNION OIL COMPANY OF CALIFORNIA

By \_\_\_\_\_

P. O. Box 671  
Midland, Texas 79701

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

ALLIED CHEMICAL CORPORATION

By \_\_\_\_\_

1300 Wilco Building  
Midland, Texas 79701

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

EXXON CORPORATION

By \_\_\_\_\_

P. O. Box 1600  
Midland, Texas 79701

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
George P. Hill

\_\_\_\_\_  
Margery Belle Hill

2400 Fort Worth National Bank Bldg.  
Fort Worth, Texas 76102

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

OIL DEVELOPMENT COMPANY OF TEXAS

By \_\_\_\_\_

P. O. Box 12058  
Amarillo, Texas 79101

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Max H. Christensen

\_\_\_\_\_  
Marcella B. Christensen

602 Petroleum Building  
Midland, Texas 79701

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

McALESTER FUEL COMPANY

By \_\_\_\_\_

P. O. Box 10  
Magnolia, Arkansas 71753

Date: \_\_\_\_\_

\_\_\_\_\_  
Iris Goldston

P. O. Box 22568  
Houston, Texas 77027

Date: \_\_\_\_\_

\_\_\_\_\_  
Jack H. Mayfield, Jr., Independent  
Executor of the Estate of Patti Lynn  
Goldston Mayfield, deceased.

Date: \_\_\_\_\_

\_\_\_\_\_  
Margaret Bell, Independent Executrix  
of the Estate of Patti Lynn Goldston  
Mayfield, deceased.

P. O. Box 22568  
Houston, Texas 77027

ATTEST:

MAYFIELD CORPORATION

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

P. O. Box 22568  
Houston, Texas 77027

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Kathleen Hadley Goldston, Individually  
and as Independent Co-Executrix of the  
Estate of W. J. Goldston, deceased.

ATTEST:

\_\_\_\_\_  
First City National Bank of Houston,  
Independent Co-Executor of the Estate  
of W. J. Goldston, deceased.

Date: \_\_\_\_\_

By \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Joseph C. Goldston, Independent Co-  
Executor of the Estate of W. J.  
Goldston, deceased.

1411 First City National Bank Bldg.  
Houston, Texas 77002

Date: \_\_\_\_\_

\_\_\_\_\_  
W. C. Partee

Date: \_\_\_\_\_

\_\_\_\_\_  
Chrystelle Partee

P. O. Box 667  
Magnolia, Arkansas 71753

ATTEST:

COLORADO OIL AND GAS CORPORATION

By \_\_\_\_\_

P. O. Box 235  
Midland, Texas 79701

Date: \_\_\_\_\_

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of MARATHON OIL COMPANY, an Ohio corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF \_\_\_\_\_ X  
                          X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of THE SUPERIOR OIL COMPANY, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

STATE OF TEXAS     X  
                          X  
COUNTY OF MIDLAND   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of UNION OIL COMPANY OF CALIFORNIA, a California corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

STATE OF \_\_\_\_\_ X  
                          X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of ALLIED CHEMICAL CORPORATION, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

STATE OF \_\_\_\_\_ X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of EXXON CORPORATION, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

STATE OF TEXAS X  
COUNTY OF TARRANT X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by GEORGE P. HILL and his wife, MARGERY BELLE HILL.

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Tarrant County, Texas

STATE OF TEXAS X  
COUNTY OF POTTER X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of OIL DEVELOPMENT COMPANY OF TEXAS, a \_\_\_\_\_ corporation, for and on behalf of said corporation. (State)

My Commission Expires: \_\_\_\_\_

Notary Public in and for  
Potter County, Texas

STATE OF TEXAS     X  
                          X  
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by MAX H. CHRISTENSEN and his wife, MARCELLA B. CHRISTENSEN.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Midland County, Texas

STATE OF ARKANSAS   X  
                          X  
COUNTY OF COLUMBIA X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of McALESTER FUEL COMPANY, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Columbia County, Arkansas

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by IRIS GOLDSTON, a widow.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by JACK H. MAYFIELD, JR., as Independent Executor of the Estate of Patti Lynn Goldston Mayfield, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by MARGARET BELL, as Independent Executrix of the Estate of Patti Lynn Goldston Mayfield, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of MAYFIELD CORPORATION, a \_\_\_\_\_ corporation, (State) for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by KATHLEEN HADLEY GOLDSTON, Individually and as Independent Co-Executrix of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     X  
                          X  
COUNTY HARRIS       X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of FIRST CITY NATIONAL BANK OF HOUSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF TEXAS     X  
                          X  
COUNTY OF HARRIS   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by JOSEPH C. GOLDSTON, as Independent Co-Executor of the Estate of W. J. Goldston, deceased.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Harris County, Texas

STATE OF ARKANSAS   X  
                          X  
COUNTY OF COLUMBIA   X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by W. C. PARTEE and his wife, CHRYSTELLE PARTEE.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
Columbia County, Arkansas

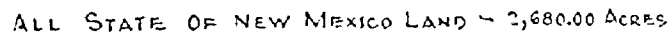
STATE OF \_\_\_\_\_ X  
                          X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1976, by \_\_\_\_\_ who is \_\_\_\_\_ of COLORADO OIL AND GAS CORPORATION, a \_\_\_\_\_ (State) corporation, for and on behalf of said corporation.

My Commission Expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for  
\_\_\_\_\_ County, \_\_\_\_\_

**R-32-E**



## UNIT OUTLINE

SCALE 1"=2000'



## EXHIBIT "B"

NORTHEAST ANDERSON RANCH UNIT  
T-15-S, R-32-E, N.M.P.M.  
LEA COUNTY, NEW MEXICO

TRACT	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1.	<u>T-15-S, R-32-E</u> Sec. 13: NE $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	E-1122-2 H.B.P.	State - All (12 $\frac{1}{2}$ %)	Mcalester Fuel Company		Mcalester Fuel Co. - 1/4 Iris Goldston - 1/6 W. J. Goldston Est. - 1/6 Colorado Oil and Gas Corp. - 1/8 W. C. Partee - 1/8 Mayfield Corp. - 1/12 Patti Lynn Goldston Mayfield Estate - 1/12
2.	<u>T-15-S, R-32-E</u> Sec. 14: E $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	K-6274 8-16-76	State - All (12 $\frac{1}{2}$ %)	Allied Chemical Corporation	None	Allied Chemical Corporation - 100%
3.	<u>T-15-S, R-32-E</u> Sec. 12: W $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	K-6274-1 8-16-76	State - All (12 $\frac{1}{2}$ %)	Union Oil Company of California	None	Union Oil Company of California - 100%
4.	<u>T-15-S, R-32-E</u> Sec. 12: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$	80.00	K-6510 11-15-76	State - All (12 $\frac{1}{2}$ %)	Exxon Corporation	None	Exxon Corporation - 100%
5.	<u>T-15-S, R 32-E</u> Sec. 11: NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 14: NW $\frac{1}{4}$ NE $\frac{1}{4}$	200.00	K-6511 11-15-76	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company - 100%
6.	<u>T-15-S, R-32-E</u> Sec. 11: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	L-1470-1 9-17-78	State - All (12 $\frac{1}{2}$ %)	Union Oil Company of California	None	Union Oil Company of California - 100%
7.	<u>T-15-S, R-32-E</u> Sec. 13: W $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	L-1471-1 9-17-78	State - All (12 $\frac{1}{2}$ %)	Michael P. Grace	Michael P. Grace - 3%	Marathon Oil Company - 100%
8.	<u>T-15-S, R-32-E</u> Sec. 12: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	L-1627 11-19-78	State - All (12 $\frac{1}{2}$ %)	Max H. Christensen	None	George P. Hill - 75% Max H. Christensen - 75%
9.	<u>T-15-S, R-32-E</u> Sec. 23: SW $\frac{1}{4}$	160.00	LG-293 6-1-82	State - All (12 $\frac{1}{2}$ %)	The Superior Oil Company	None	The Superior Oil Company - 100%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
10.	T-15-S, R-32-E Sec. 11: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	LG-1204-1 6-1-83	State - All (12 $\frac{1}{2}$ %)	Oil Development Company of Texas	None	Oil Development Co. of Texas - 100%
11.	T-15-S, R-32-E Sec. 12: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{2}$ SE $\frac{1}{2}$	200.00	LG-3011 9-1-85	State - All (12 $\frac{1}{2}$ %)	The Superior Oil Company	None	The Superior Oil Company - 100%
12.	T-15-S, R-32-E Sec. 13: SW $\frac{1}{2}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{2}$ SW $\frac{1}{2}$ Sec. 23: E $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{2}$ NW $\frac{1}{4}$	360.00	LG-3042 10-1-85	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
13.	T-15-S, R-32-E Sec. 14: NE $\frac{1}{2}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ W $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$	520.00	LG-3043 10-1-85	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
14.	T-15-S, R-32-E Sec. 11: NW $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{2}$ SE $\frac{1}{2}$	80.00	LG-3183 11-1-85	State - All (12 $\frac{1}{2}$ %)	The Superior Oil Company	None	The Superior Oil Company - 100%
15.	T-15-S, R-32-E Sec. 23: W $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	LG-3503 4-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
16.	T-15-S, R-32-E Sec. 13: E $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{2}$	200.00	LG-3585 5-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
17.	T-15-S, R-32-E Sec. 12: NW $\frac{1}{2}$ NE $\frac{1}{4}$ , NE $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{2}$ , SE $\frac{1}{2}$ SW $\frac{1}{2}$	200.00	LG-3618 6-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
18.	T-15-S, R-32-E Sec. 11: S $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	LG-3656 7-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%

Eighteen (18) State Tracts 2,680.00 Acres - 100% of Unit Area

## EXHIBIT "C"

NORTHEAST ANDERSON RANCH UNIT - LEA COUNTY, NEW MEXICOPART 1

<u>Tract Number</u>	<u>Tract Description</u>	<u>Acres</u>	<u>Percentage Tract Participation</u>
<u>T-15-S, R-32-E, N.M P.M.</u>			
1.	Sec. 13: NE $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	1.492537%
2.	Sec. 14: E $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	2.985075%
3.	Sec. 12: W $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	2.985075%
4.	Sec. 12: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$	80.00	2.985075%
5.	Sec. 11: NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 14: NW $\frac{1}{4}$ NE $\frac{1}{4}$	200.00	7.462686%
6.	Sec. 11: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	1.492537%
7.	Sec. 13: W $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	2.585075%
8.	Sec. 12: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	2.985075%
9.	Sec. 23: SW $\frac{1}{4}$	160.00	5.970149%
10.	Sec. 11: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	1.492537%
11.	Sec. 12: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	200.00	7.462686%
12.	Sec. 13: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 23: E $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$	360.00	13.432836%
13.	Sec. 14: NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$	520.00	19.402985%
14.	Sec. 11: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	2.985075%
15.	Sec. 23: W $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	2.985075%
16.	Sec. 13: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$	280.00	10.447761%
17.	Sec. 12: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$	200.00	7.462686%
18.	Sec. 11: S $\frac{1}{2}$ NE $\frac{1}{4}$	<u>80.00</u>	<u>2.985075%</u>
		2,680.00	100.000000%

## EXHIBIT "C"

NORTHEAST ANDERSON RANCH UNIT - LEA COUNTY, NEW MEXICOPART II

		<u>Total Acres</u>	<u>Total Unit Participation</u>
Marathon Oil Co.	Tracts 5, 7, 12, 13, 15, 16, 17 & 18	1,800.00	67.164179%
The Superior Oil Co.	Tracts 9, 11 & 14	440.00	16.417911%
Union Oil Co. of Calif.	Tracts 3 & 6	120.00	4.477612%
Allied Chemical Corp.	Tract 2	80.00	2.985075%
Exxon Corporation	Tract 4	80.00	2.985075%
<del>Michael P. Grace</del>	<del>Tract 7</del>	<del>80.00</del>	
George P. Hill	Tract 8 (75%)	60.00	2.238806%
Oil Development Co. of Texas	Tract 10	40.00	1.492537%
Max H. Christensen	Tract 8 (25%)	20.00	.746269%
McAlester Fuel Co.	Tract 1 (25%)	10.00	.373134%
Estate of W. J. Goldston	Tract 1 (16.67%)	6.67	.248756%
Iris Goldston	Tract 1 (16.67%)	6.67	.248756%
Colorado Oil and Gas Corp.	Tract 1 (12.5%)	5.00	.186567%
W. C. Partee	Tract 1 (12.5%)	5.00	.186567%
Mayfield Corp.	Tract 1 (8.33%)	3.33	.124378%
Estate of Patti Lynn Goldston Mayfield	Tract 1 (8.33%)	<u>3.33</u>	<u>.124378%</u>
		2,680.00	100.000000%

Dockets Nos. 22-76 and 23-76 are tentatively set for hearing on August 4 and August 18, 1976. Applications for hearing must be filed at least 22 days in advance of hearing date.

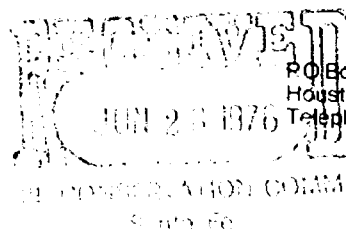
DOCKET: EXAMINER HEARING - WEDNESDAY - JULY 21, 1976

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for August, 1976, from seventeen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for August, 1976, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 5715: Application of Marathon Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Northeast Anderson Ranch Unit Area comprising 2,720 acres, more or less, of State lands in Township 15 South, Range 32 East, Lea County, New Mexico.
- CASE 5716: Application of Atlantic Richfield Company for compulsory pooling and an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the W/2 of Section 33, Township 17 South, Range 28 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at an unorthodox location 1315 feet from the South and West lines of said Section 33. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.
- CASE 5717: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Petroleum Development Corporation, Commercial Union Assurance Companies, and all other interested parties to appear and show cause why the Vaughn State Well No. 1, located in Unit E of Section 16, Township 6 North, Range 17 East, Guadalupe County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5718: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Morad Oil & Mining Company, Western Surety Company, and all other interested parties to appear and show cause why the Campbell Well No. 1, located in Unit A of Section 25, Township 28 North, Range 35 East, Union County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.
- CASE 5719: Application of La Rue and Muncy for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its McClay Federal Wells Nos. 9 and 10, located in Units G and F, respectively, of Section 33, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.
- CASE 5720: Application of Harvey E. Yates for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its State Wells Nos. 1, 2, 3, 4, and 6 located in Units G, B, A, J, and H, respectively, of Section 32, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.
- CASE 5721: Application of H & S Oil Company for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its McClay Well No. 7, located in Unit C of Section 33, Township 18 South, Range 30 East, North Benson-Queen Grayburg Pool, Eddy County, New Mexico.
- CASE 5722: Application of Gene Snow for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from his Elk Well No. 1, located in Unit L of Section 32, Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.
- CASE 5723: Application of Marbob Energy Corporation for an exception to Order No. R-3221, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks, as an exception to the provisions of Commission Order No. R-3221, permission to dispose of, into earthen pits, produced salt water from its Elliott Well No. 1 located in Unit E of Section 28, and its Elliott Wells Nos. 2 and 3 located in Units H and G, respectively, of Section 29, all in Township 18 South, Range 30 East, North Benson Queen-Grayburg Pool, Eddy County, New Mexico.

Robert J Pickens  
Attorney  
Houston Division  
Production US & Canada



P.O. Box 3128  
Houston Texas 77001  
Telephone 713/629 6600

June 25, 1976

Oil Conservation Commission  
State of New Mexico  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Unit Agreement for Northeast Anderson Ranch Unit,  
Embracing 2,720.00 acres, more or less, situated  
in Township 15 South, Range 32 East, N.M.P.M.,  
Lea County, New Mexico.

Gentlemen:

Marathon Oil Company hereby makes application for approval of the Unit Agreement for the development and operation of the Northeast Anderson Ranch Unit Area, embracing 2,720.00 acres, more or less, in Lea County, New Mexico, and more fully described as follows:

T-15-S, R-32-E, N.M.P.M., Section 11, E/2;  
Section 12, all; Section 13, all; Section  
14, all; and Section 23, N/2, SW/4.

In support of this application, Marathon respectfully shows:

(1) That there is filed herewith, in triplicate, the proposed Unit Agreement for the development and operation of the Northeast Anderson Ranch Unit Area, which is in substantially the same form as has heretofore been approved by the Commissioner of Public Lands of the State of New Mexico, in instances in which state lands were involved.

(2) That all owners of interest within the Unit Area have been or will be offered the opportunity to join in the Unit Agreement.

(3) That the Unit Agreement has been approved by most of the working interest owners holding interests within the proposed Unit Area. It is expected that by the date which will be set for a hearing on this application, the Unit

Oil Conservation Commission  
June 25, 1976  
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Agreement will have been executed by all, or substantially all, of the owners of working interest, overriding royalty interest and other interests in the land included within the Unit Area.

(4) That applicant, Marathon Oil Company, is designated as Unit Operator in said Unit Agreement and all oil and gas in any and all formations are unitized under the terms of the agreement.

(5) That preliminary approval of the Unit Agreement as to form and content and as a logical area for unitization was given by the Land Commissioner of the State of New Mexico by letter dated May 4, 1976, and amended by letter dated May 18, 1976.

(6) That in the opinion of applicant, the proposed Unit Area covers all, or substantially all, of the geological structures or anomaly involved; and in the event said Unit Agreement is approved and production of unitized substances is obtained, it is believed that said Unit Agreement will be in the interest of conservation and the prevention of waste, and that it will protect the correlative rights of all parties concerned.

(7) A list of all interested parties known to applicant is attached hereto.

Marathon Oil Company respectfully requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Commission at the earliest possible date, that notice be given as required by law and the regulations, and that the Northeast Anderson Ranch Unit Area and the Unit Agreement be approved.

Respectfully submitted,  
MARATHON OIL COMPANY

By

  
Robert J. Pickens

P. O. Box 3128  
Houston, Texas 77001

LIST OF INTERESTED PARTIES  
Northeast Anderson Ranch Unit Area  
Lea County, New Mexico

Allied Chemical Corporation  
1300 Wilco Building  
Midland, Texas 79701

Michael P. Grace  
P. O. Box 1418  
Carlsbad, New Mexico 88220

Amoco Production Company  
P. O. Box 3092  
Houston, Texas 77001

Estate of Ernest A. Hanson  
P. O. Box 1515  
Roswell, New Mexico 88201

Max H. Christensen  
602 Petroleum Building  
Midland, Texas 79701

George P. Hill  
2400 Fort Worth National  
Bank Building  
Fort Worth, Texas 76102

Colorado Oil and Gas Corporation  
P. O. Box 235  
Midland, Texas 79701

McAllister Fuel Company  
P. O. Box 10  
Magnolia, Arkansas 71753

Commissioner of Public Lands  
State of New Mexico  
P. O. Box 791  
Santa Fe, New Mexico 87501

Oil Development Company  
P. O. Box 12058  
Amarillo, Texas 79101

Exxon Corporation  
P. O. Box 1600  
Midland, Texas 79701

W. C. Partee  
409 North Vine  
Magnolia, Arkansas 71753

Featherstone Farms, Limited  
1717 West Second  
Roswell, New Mexico 88201

The Superior Oil Company  
P. O. Box 1900  
Midland, Texas 79701

W. J. Goldston Estate  
1411 First City National  
Bank Building  
Houston, Texas 77002

B. F. Turner  
485 North Lindhurst  
Dallas, Texas 75229

W. L. Goldston Estate  
P. O. Box 22568  
Houston, Texas 77027

Union Oil Company of  
California  
P. O. Box 671  
Midland, Texas 79701



UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
NORTHEAST ANDERSON RANCH UNIT AREA  
LEA COUNTY, NEW MEXICO

NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 1976,  
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 or gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico  
is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as  
amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M.  
Statutes 1953 Annot.), to consent to and approve the development or 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 devel-  
opment 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 (Sec. 1, Chap. 162), (Laws of 1951,  
Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 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 Commission of the State of New Mexico  
(hereinafter referred to as the "Commission") is authorized by an Act of the  
Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953  
Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Northeast  
Anderson Ranch Unit Area covering the land hereinafter described to give reasonably  
effective control of operations therein; and

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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. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 15-South, Range 32-East, N.M.P M.

Section 11: E $\frac{1}{2}$   
Section 12: All  
Section 13: All  
Section 14: All  
Section 23: N $\frac{1}{2}$ , SW $\frac{1}{2}$

containing 2,720.00 acres, more or less,  
Lea County, New Mexico.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner."

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

2. UNITIZED SUBSTANCES. All oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

3. UNIT OPERATOR. Marathon Oil Company whose address is P. O. Box 552, Midland, Texas 79701 is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the

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unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the 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 the 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 elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit

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operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement." No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement, and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY. The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Cisco formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 10,500 feet. Until a discovery

of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:

Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development, this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or

proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N.M. Statutes 1953 Annotated of intention to cancel on account of any alleged breach of said covenant for reasonable development, and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage

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of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby

expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement, and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement, and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed, and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of



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the lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. 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 State laws or regulations.

15. DRAINAGE. In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests 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 the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling

requirements of Section 8 hereof may subject this agreement to termination as *Case 5715*  
provided in said section.

18. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES. Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interest party shall also have the right at its own expense to appear and to participate in any such proceeding.

20. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

21. UNAVOIDABLE DELAY. All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.

22. LOSS OF TITLE. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto,

the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator as such is relieved from any responsibility for any defect or failure of any title hereunder. Case  
5715

23. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.

24. COUNTERPARTS. 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 separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such 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 lands within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR

MARATHON OIL COMPANY

Date: \_\_\_\_\_

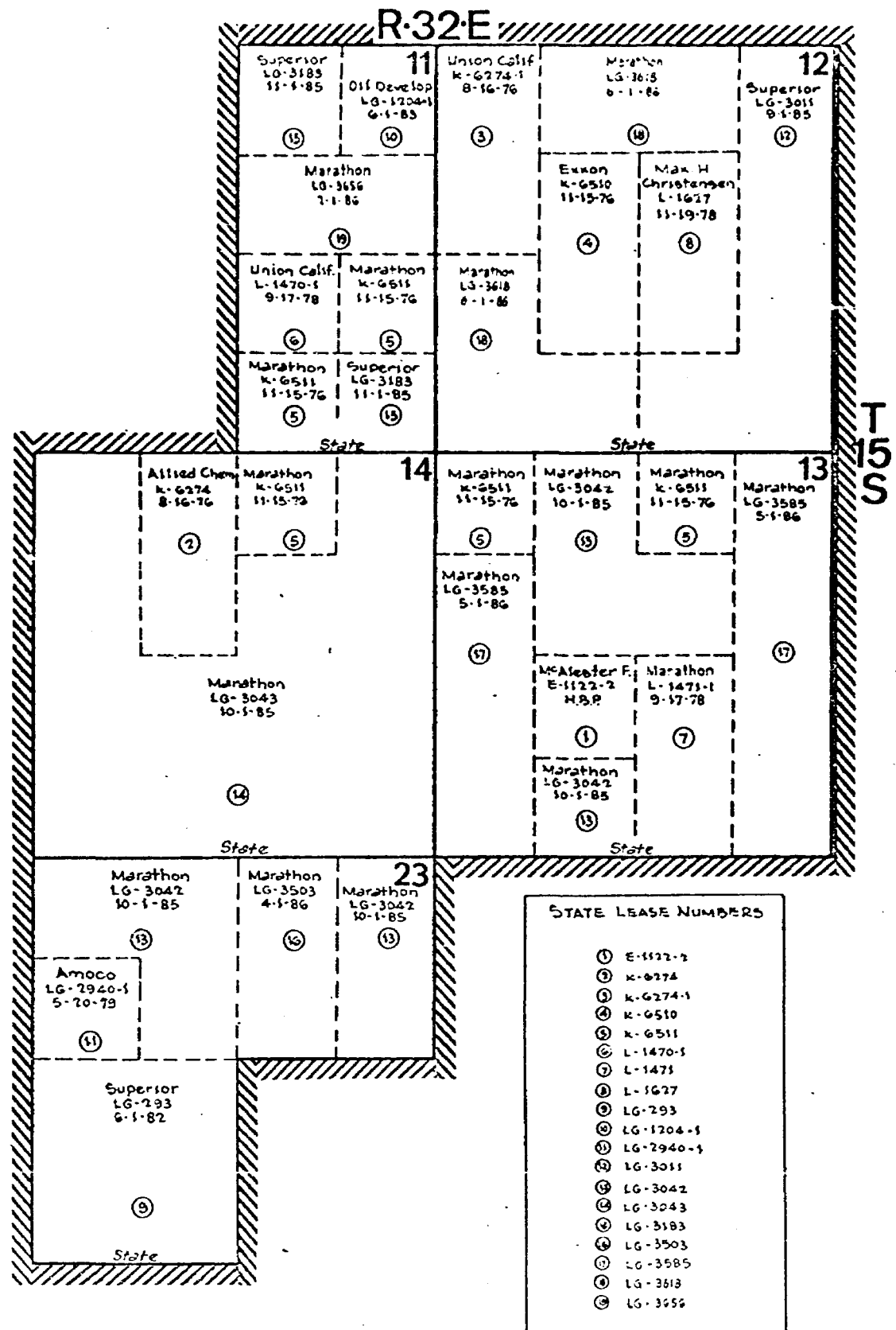
By \_\_\_\_\_

Case  
5715

# EXHIBIT A

## NORTHEAST ANDERSON RANCH UNIT

### Lea County , New Mexico



ALL STATE OF NEW MEXICO LAND ~ 2,720.00 Acres



UNIT OUTLINE

SCALE 1"=2000'

## EXHIBIT "B"

NORTHEAST ANDERSON RANCH UNIT  
T-15-S, R-32-E, N.M.P.M.  
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1.	T-15-S, R-32-E Sec. 13: NE $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	E-1122-2 H.B.P.	State - All (12 $\frac{1}{2}$ %)	McAlester Fuel Company	Ernest A. Hanson - 1/48 B. F. Turner - 15/512 Featherstone Farms, Ltd. - 1/24	McAlester Fuel Company 100%
2.	T-15-S, R-32-E Sec. 14: E $\frac{1}{4}$ NW $\frac{1}{4}$	80.00	K-6274 8-16-76	State - All (12 $\frac{1}{2}$ %)	Allied Chemical Corporation	None	Allied Chemical Corporation - 100%
3.	T-15-S, R-32-E Sec. 12: W $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	K-6274-1 8-16-76	State - All (12 $\frac{1}{2}$ %)	Union Oil Company of California	None	Union Oil Company of California - 100%
4.	T-15-S, R-32-E Sec. 12: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$	80.00	K-6510 11-15-76	State - All (12 $\frac{1}{2}$ %)	Exxon Corporation	None	Exxon Corporation 100%
5.	T-15-S, R-32-E Sec. 11: NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 14: NW $\frac{1}{4}$ NE $\frac{1}{4}$	200.00	K-6511 11-15-76	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
6.	T-15-S, R-32-E Sec. 11: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	L-1470-1 9-17-78	State - All (12 $\frac{1}{2}$ %)	Union Oil Company of California	None	Union Oil Company of California - 100%
7.	T-15-S, R-32-E Sec. 13: W $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	L-1471 9-17-78	State - All (12 $\frac{1}{2}$ %)	Michael P. Grace	Michael P. Grace - 3%	Marathon Oil Company 100%
8.	T-15-S, R-32-E Sec. 12: SW $\frac{1}{4}$ N $\frac{1}{2}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	L-1627 11-19-78	State - All (12 $\frac{1}{2}$ %)	Max H. Christensen	None	Max H. Christensen 100%
9.	T-15-S, R-32-E Sec. 23: SW $\frac{1}{4}$	160.00	LG-293 6-1-82	State - All (12 $\frac{1}{2}$ %)	The Superior Oil Company	None	The Superior Oil Company - 100%
10.	T-15-S, R-32-E Sec. 11: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	LG-1204-1 6-1-83	State - All (12 $\frac{1}{2}$ %)	Oil Development Company of Texas	None	Oil Development Co. of Texas - 100%

Case 5115

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
11.	T-15-S, R-32-E Sec. 23: SW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	LG-2940-1 5-20-79	State - All (12 $\frac{1}{2}$ %)	Amoco Production Company	None	Amoco Production Company - 100%
12.	T-15-S, R-32-E Sec. 12: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	200.00	LG-3011 9-1-85	State - All (12 $\frac{1}{2}$ %)	The Superior Oil Company	None	The Superior Oil Company - 100%
13.	T-15-S, R-32-E Sec. 13: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 23: E $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$	360.00	LG-3042 10-1-85	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
14.	T-15-S, R-32-E Sec. 14: NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$	520.00	LG-3043 10-1-85	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
15.	T-15-S, R-32-E Sec. 11: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	LG-3183 11-1-85	State - All (12 $\frac{1}{2}$ %)	The Superior Oil Company	None	The Superior Oil Company - 100%
16.	T-15-S, R-32-E Sec. 23: W $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	LG-3503 4-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
17.	T-15-S, R-32-E Sec. 13: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$	280.00	LG-3585 5-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
18.	T-15-S, R-32-E Sec. 12: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$	200.00	LG-3618 6-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
19.	T-15-S, R-32-E Sec. 11: S $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	LG-3656 7-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%

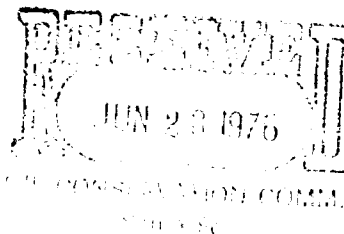
Nineteen (19) State Tracts 2,720.00 Acres - 100% of Unit Area

PART 1

<u>Tract Number</u>	<u>Tract Description</u>	<u>Acres</u>	<u>Percentage Tract Participation</u>
	<u>T-15-S, R-32-E, N.M.P.M.</u>		
1.	Sec. 13: NE $\frac{1}{2}$ SW $\frac{1}{2}$	40.00	1.470588%
2.	Sec. 14: E $\frac{1}{2}$ NW $\frac{1}{2}$	80.00	2.941176%
3.	Sec. 12: W $\frac{1}{2}$ NW $\frac{1}{2}$	80.00	2.941177%
4.	Sec. 12: SE $\frac{1}{2}$ NW $\frac{1}{2}$ , NE $\frac{1}{2}$ SW $\frac{1}{2}$	80.00	2.941177%
5.	Sec. 11: NE $\frac{1}{2}$ SE $\frac{1}{2}$ , SW $\frac{1}{2}$ SE $\frac{1}{2}$ Sec. 13: NW $\frac{1}{2}$ NE $\frac{1}{2}$ , NW $\frac{1}{2}$ NW $\frac{1}{2}$ Sec. 14: NW $\frac{1}{2}$ NE $\frac{1}{2}$	200.00	7.352941%
6.	Sec. 11: NW $\frac{1}{2}$ SE $\frac{1}{2}$	40.00	1.470588%
7.	Sec. 13: W $\frac{1}{2}$ SE $\frac{1}{2}$	80.00	2.941177%
8.	Sec. 12: SW $\frac{1}{2}$ NE $\frac{1}{2}$ , NW $\frac{1}{2}$ SE $\frac{1}{2}$	80.00	2.941176%
9.	Sec. 23: SW $\frac{1}{2}$	160.00	5.882353%
10.	Sec. 11: NE $\frac{1}{2}$ NE $\frac{1}{2}$	40.00	1.470588%
11.	Sec. 23: SW $\frac{1}{2}$ NW $\frac{1}{2}$	40.00	1.470588%
12.	Sec. 12: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{2}$ SE $\frac{1}{2}$	200.00	7.352941%
13.	Sec. 13: SW $\frac{1}{2}$ NE $\frac{1}{2}$ , E $\frac{1}{2}$ NW $\frac{1}{2}$ , SE $\frac{1}{2}$ SW $\frac{1}{2}$ Sec. 23: E $\frac{1}{2}$ NE $\frac{1}{2}$ , N $\frac{1}{2}$ NW $\frac{1}{2}$ , SE $\frac{1}{2}$ NW $\frac{1}{2}$	360.00	13.235294%
14.	Sec. 14: NE $\frac{1}{2}$ NE $\frac{1}{2}$ , S $\frac{1}{2}$ NE $\frac{1}{2}$ , W $\frac{1}{2}$ NW $\frac{1}{2}$ , S $\frac{1}{2}$	520.00	19.117647%
15.	Sec. 11: NW $\frac{1}{2}$ NE $\frac{1}{2}$ , SE $\frac{1}{2}$ SE $\frac{1}{2}$	80.00	2.941177%
16.	Sec. 23: W $\frac{1}{2}$ NE $\frac{1}{2}$	80.00	2.941176%
17.	Sec. 13: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{2}$ NW $\frac{1}{2}$ , W $\frac{1}{2}$ SW $\frac{1}{2}$	280.00	10.294118%
18.	Sec. 12: NW $\frac{1}{2}$ NE $\frac{1}{2}$ , NE $\frac{1}{2}$ NW $\frac{1}{2}$ , W $\frac{1}{2}$ SW $\frac{1}{2}$ , SE $\frac{1}{2}$ SW $\frac{1}{2}$	200.00	7.352941%
19.	Sec. 11: S $\frac{1}{2}$ NE $\frac{1}{2}$	80.00	2.941177%
		<u>2,720.00</u>	<u>100.000000%</u>

PART 11

		<u>Total Acres</u>	<u>Total Unit Participation</u>
Marathon Oil Co.	Tracts 5, 7, 13, 14, 16, 17, 18 & 19	1,800.00	66.176471%
The Superior Oil Co.	Tracts 9, 12 & 15	440.00	16.176471%
Union Oil Co. of Calif.	Tracts 3 and 6	120.00	4.411765%
Allied Chemical Corp.	Tract 2	80.00	2.941177%
Max H. Christensen	Tract 8	80.00	2.941176%
Exxon Corporation	Tract 4	80.00	2.941176%
Amoco Production Co.	Tract 11	40.00	1.470588%
McAlester Fuel Co.	Tract 1	40.00	1.470588%
Oil Development Co.	Tract 10	40.00	1.470588%
		<u>2,720.00</u>	<u>100.000000%</u>



Robert J Pickens  
Attorney  
Houston Division  
Production US & Canada

PO Box 3128  
Houston Texas 77001  
Telephone 713 629 6600

June 25, 1976

Oil Conservation Commission  
State of New Mexico  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey, Secretary-Director

Dear Sir:

Enclosed herewith, in triplicate, is the application of Marathon Oil Company for approval of the Northeast Anderson Ranch Unit, embracing 2,720.00 acres of land, more or less, in Lea County, New Mexico. You will also find enclosed three copies of the proposed Unit Agreement. Marathon requests that this matter be set down for the Examiner's Hearing to be held on July 21, 1976 as certain of the oil and gas leases to be included in the proposed unit have early August expiration dates.

Yours very truly,

*Robert J. Pickens*  
ROBERT J. PICKENS

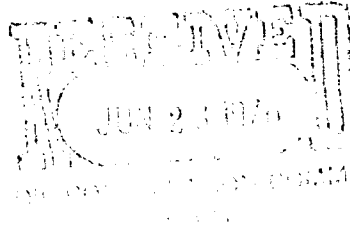
RJP/bt  
Encs.



Robert J Pickens  
Attorney  
Houston Division  
Production US & Canada



Marathon  
Oil Company



PO Box 3128  
Houston Texas 77001  
Telephone 713/629 6600

June 25, 1976

Oil Conservation Commission  
State of New Mexico  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Re: Unit Agreement for Northeast Anderson Ranch Unit,  
Embracing 2,720.00 acres, more or less, situated  
in Township 15 South, Range 32 East, N.M.P.M.,  
Lea County, New Mexico.

Gentlemen:

Marathon Oil Company hereby makes application for approval of the Unit Agreement for the development and operation of the Northeast Anderson Ranch Unit Area, embracing 2,720.00 acres, more or less, in Lea County, New Mexico, and more fully described as follows:

T-15-S, R-32-E, N.M.P.M., Section 11, E/2;  
Section 12, all; Section 13, all; Section  
14, all; and Section 23, N/2, SW/4.

In support of this application, Marathon respectfully shows:

(1) That there is filed herewith, in triplicate, the proposed Unit Agreement for the development and operation of the Northeast Anderson Ranch Unit Area, which is in substantially the same form as has heretofore been approved by the Commissioner of Public Lands of the State of New Mexico, in instances in which state lands were involved.

(2) That all owners of interest within the Unit Area have been or will be offered the opportunity to join in the Unit Agreement.

(3) That the Unit Agreement has been approved by most of the working interest owners holding interests within the proposed Unit Area. It is expected that by the date which will be set for a hearing on this application, the Unit

Oil Conservation Commission  
June 25, 1976  
Page 2

Agreement will have been executed by all, or substantially all, of the owners of working interest, overriding royalty interest and other interests in the land included within the Unit Area.

(4) That applicant, Marathon Oil Company, is designated as Unit Operator in said Unit Agreement and all oil and gas in any and all formations are unitized under the terms of the agreement.


(5) That preliminary approval of the Unit Agreement as to form and content and as a logical area for unitization was given by the Land Commissioner of the State of New Mexico by letter dated May 4, 1976, and amended by letter dated May 18, 1976.

(6) That in the opinion of applicant, the proposed Unit Area covers all, or substantially all, of the geological structures or anomaly involved; and in the event said Unit Agreement is approved and production of unitized substances is obtained, it is believed that said Unit Agreement will be in the interest of conservation and the prevention of waste, and that it will protect the correlative rights of all parties concerned.

(7) A list of all interested parties known to applicant is attached hereto.

Marathon Oil Company respectfully requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Commission at the earliest possible date, that notice be given as required by law and the regulations, and that the Northeast Anderson Ranch Unit Area and the Unit Agreement be approved.

Respectfully submitted,  
MARATHON OIL COMPANY

By   
Robert J. Pickens  
P. O. Box 3128  
Houston, Texas 77001

LIST OF INTERESTED PARTIES  
Northeast Anderson Ranch Unit Area  
Lea County, New Mexico

Allied Chemical Corporation  
1300 Wilco Building  
Midland, Texas 79701

Michael P. Grace  
P. O. Box 1418  
Carlsbad, New Mexico 88220

Amoco Production Company  
P. O. Box 3092  
Houston, Texas 77001

Estate of Ernest A. Hanson  
P. O. Box 1515  
Roswell, New Mexico 88201

Max H. Christensen  
602 Petroleum Building  
Midland, Texas 79701

George P. Hill  
2400 Fort Worth National  
Bank Building  
Fort Worth, Texas 76102

Colorado Oil and Gas Corporation  
P. O. Box 235  
Midland, Texas 79701

McAllister Fuel Company  
P. O. Box 10  
Magnolia, Arkansas 71753

Commissioner of Public Lands  
State of New Mexico  
P. O. Box 791  
Santa Fe, New Mexico 87501

Oil Development Company  
P. O. Box 12058  
Amarillo, Texas 79101

Exxon Corporation  
P. O. Box 1600  
Midland, Texas 79701

W. C. Partee  
409 North Vine  
Magnolia, Arkansas 71753

Featherstone Farms, Limited  
1717 West Second  
Roswell, New Mexico 88201

The Superior Oil Company  
P. O. Box 1900  
Midland, Texas 79701

W. J. Goldston Estate  
1411 First City National  
Bank Building  
Houston, Texas 77002

B. F. Turner  
485 North Lindhurst  
Dallas, Texas 75229

W. L. Goldston Estate  
P. O. Box 22568  
Houston, Texas 77027

Union Oil Company of  
California  
P. O. Box 671  
Midland, Texas 79701

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
NORTHEAST ANDERSON RANCH UNIT AREA  
LEA COUNTY, NEW MEXICO

NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 1976,  
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 or gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico  
is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as  
amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M.  
Statutes 1953 Annot.), to consent to and approve the development or 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 devel-  
opment 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 (Sec. 1, Chap. 162), (Laws of 1951,  
Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 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 Commission of the State of New Mexico  
(hereinafter referred to as the "Commission") is authorized by an Act of the  
Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953  
Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Northeast  
Anderson Ranch Unit Area covering the land hereinafter described to give reasonably  
effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 15-South, Range 32-East, N.M.P M.

Section 11: E $\frac{1}{2}$   
Section 12: All  
Section 13: All  
Section 14: All  
Section 23: N $\frac{1}{2}$ , SW $\frac{1}{4}$

containing 2,720.00 acres, more or less,  
Lea County, New Mexico.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner."

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

2. UNITIZED SUBSTANCES. All oil, gas, natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

3. UNIT OPERATOR. Marathon Oil Company whose address is P. O. Box 552, Midland, Texas 79701 is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of unit operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the

unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it. Case  
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4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the 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 the 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 elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five percent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit

operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

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6. ACCOUNTING PROVISIONS. The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement." No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement, and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OR UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY. The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Cisco formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 10,500 feet. Until a discovery

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of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES:

Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development, this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or



proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N.M. Statutes 1953 Annotated of intention to cancel on account of any alleged breach of said covenant for reasonable development, and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage

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of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

All rentals, if any, due under any leases embracing lands other than the State of New Mexico, shall be paid by the respective lease owners in accordance with the terms of their leases and all royalties due under the terms of any such leases shall be paid on the basis of all unitized substances allocated to the respective leases committed hereto.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby

expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement, and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement, and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed, and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of

the lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands. Case 5715

14. 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 State laws or regulations.

15. DRAINAGE. In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests 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 the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling

requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

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18. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES. Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interest party shall also have the right at its own expense to appear and to participate in any such proceeding.

20. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

21. UNAVOIDABLE DELAY. All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.

22. LOSS OF TITLE. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto,

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the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner and the filing with the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment or revenue.

24. COUNTERPARTS. 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 separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such 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 lands within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

UNIT OPERATOR

MARATHON OIL COMPANY

Date: \_\_\_\_\_

By \_\_\_\_\_

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R-32-E



SCALE 1"=2000'

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## EXHIBIT "B"

NORTHEAST ANDERSON RANCH UNIT  
T-15-S, R-32-E, N.M.P.M.  
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1.	T-15-S, R-32-E Sec. 13: NE $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	E-1122-2 H.B.P.	State - All (12 $\frac{1}{2}$ %)	McAlester Fuel Company	Ernest A. Hanson - 1/43 E. F. Turner - 15/512 Featherstone Farms, Ltd. - 1/24	McAlester Fuel Company 100%
2.	T-15-S, R-32-E Sec. 14: E $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	K-6274 8-16-76	State - All (12 $\frac{1}{2}$ %)	Allied Chemical Corporation	None	Allied Chemical Corporation - 100%
3.	T-15-S, R-32-E Sec. 12: W $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	K-6274-1 8-16-76	State - All (12 $\frac{1}{2}$ %)	Union Oil Company of California	None	Union Oil Company of California - 100%
4.	T-15-S, R-32-E Sec. 12: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$	80.00	K-6510 11-15-76	State - All (12 $\frac{1}{2}$ %)	Exxon Corporation	None	Exxon Corporation 100%
5.	T-15-S, R-32-E Sec. 11: NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 14: NW $\frac{1}{4}$ NE $\frac{1}{4}$	200.00	K-6511 11-15-76	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
6.	T-15-S, R-32-E Sec. 11: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	L-1470-1 9-17-78	State - All (12 $\frac{1}{2}$ %)	Union Oil Company of California	None	Union Oil Company of California - 100%
7.	T-15-S, R-32-E Sec. 13: W $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	L-1471 9-17-78	State - All (12 $\frac{1}{2}$ %)	Michael P. Grace	Michael P. Grace - 3%	Marathon Oil Company 100%
8.	T-15-S, R-32-E Sec. 12: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	L-1627 11-19-78	State - All (12 $\frac{1}{2}$ %)	Max H. Christensen	None	Max H. Christensen 100%
9.	T-15-S, R-32-E Sec. 23: SW $\frac{1}{4}$	160.00	LG-293 6-1-82	State - All (12 $\frac{1}{2}$ %)	The Superior Oil Company	None	The Superior Oil Company - 100%
10.	T-15-S, R-32-E Sec. 11: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	LG-1204-1 6-1-83	State - All (12 $\frac{1}{2}$ %)	Oil Development Company of Texas	None	Oil Development Co. of Texas - 100%



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TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE OF LEASE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
11.	<u>T-15-S, R-32-E</u> Sec. 23: SW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	LG-2940-1 5-20-79	State - All (12 $\frac{1}{2}$ %)	Amoco Production Company	None	Amoco Production Company - 100%
12.	<u>T-15-S, R-32-E</u> Sec. 12: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	200.00	LG-3011 9-1-85	State - All (12 $\frac{1}{2}$ %)	The Superior Oil Company	None	The Superior Oil Company - 100%
13.	<u>T-15-S, R-32-E</u> Sec. 13: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 23: E $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$	360.00	LG-3042 10-1-85	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
14.	<u>T-15-S, R-32-E</u> Sec. 14: NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$	520.00	LG-3043 10-1-85	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
15.	<u>T-15-S, R-32-E</u> Sec. 11: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	LG-3183 11-1-85	State - All (12 $\frac{1}{2}$ %)	The Superior Oil Company	None	The Superior Oil Company - 100%
16.	<u>T-15-S, R-32-E</u> Sec. 23: W $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	LG-3503 4-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
17.	<u>T-15-S, R-32-E</u> Sec. 13: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$	280.00	LG-3585 5-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
18.	<u>T-15-S, R-32-E</u> Sec. 12: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$	200.00	LG-3618 6-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%
19.	<u>T-15-S, R-32-E</u> Sec. 11: S $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	LG-3656 7-1-86	State - All (12 $\frac{1}{2}$ %)	Marathon Oil Company	None	Marathon Oil Company 100%

Nineteen (19) State Tracts 2,720.00 Acres - 100% of Unit Area

PART 1

<u>Tract Number</u>	<u>Tract Description</u>	<u>Acres</u>	<u>Percentage Tract Participation</u>
1.	T-15-S, R-32-E, N.M.P.M. Sec. 13: NE $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	1.470588%
2.	Sec. 14: E $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	2.941176%
3.	Sec. 12: W $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	2.941177%
4.	Sec. 12: SE $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$	80.00	2.941177%
5.	Sec. 11: NE $\frac{1}{4}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 13: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 14: NW $\frac{1}{4}$ NE $\frac{1}{4}$	200.00	7.352941%
6.	Sec. 11: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	1.470588%
7.	Sec. 13: W $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	2.941177%
8.	Sec. 12: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	2.941176%
9.	Sec. 23: SW $\frac{1}{4}$	160.00	5.882353%
10.	Sec. 11: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	1.470588%
11.	Sec. 23: SW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	1.470588%
12.	Sec. 12: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	200.00	7.352941%
13.	Sec. 13: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 23: E $\frac{1}{2}$ NE $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$	360.00	13.235294%
14.	Sec. 14: NE $\frac{1}{4}$ NE $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$	520.00	19.117647%
15.	Sec. 11: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	2.941177%
16.	Sec. 23: W $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	2.941176%
17.	Sec. 13: E $\frac{1}{2}$ E $\frac{1}{2}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$	280.00	10.294118%
18.	Sec. 12: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$	200.00	7.352941%
19.	Sec. 11: S $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	2.941177%
		<u>2,720.00</u>	<u>100.000000%</u>

PART 11

		<u>Total Acres</u>	<u>Total Unit Participation</u>
Marathon Oil Co.	Tracts 5, 7, 13, 14, 16, 17, 18 & 19	1,800.00	66.176471%
The Superior Oil Co.	Tracts 9, 12 & 15	440.00	16.176471%
Union Oil Co. of Calif.	Tracts 3 and 6	120.00	4.411765%
Allied Chemical Corp.	Tract 2	80.00	2.941177%
Max H. Christensen	Tract 8	80.00	2.941176%
Exxon Corporation	Tract 4	80.00	2.941176%
Amoco Production Co.	Tract 11	40.00	1.470588%
McAlester Fuel Co.	Tract 1	40.00	1.470588%
Oil Development Co.	Tract 10	40.00	1.470588%
		<u>2,720.00</u>	<u>100.000000%</u>

DRAFT

*Expedite*

dr/

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
COMMISSION OF NEW MEXICO FOR  
THE PURPOSE OF CONSIDERING:

CASE No. 5715

Order No. R-5241

*pyt*  
APPLICATION OF MARATHON OIL COMPANY  
FOR APPROVAL OF THE NORTHEAST ANDERSON RANCH  
UNIT AGREEMENT, LEA, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION *[Signature]*

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on  
July 21, 1986, at Santa Fe, New Mexico, before Examiner  
Richard L. Stamets.

NOW, on this        day of July, 1986, the Commission,  
a quorum being present, having considered the testimony, the record,  
and the recommendations of the Examiner, and being fully advised  
in the premises,

FINDS:

(1) That due public notice having been given as required by  
law, the Commission has jurisdiction of this cause and the subject  
matter thereof.

(2) That the applicant, Marathon Oil Company,  
seeks approval of the Northeast Anderson Ranch Unit Agreement  
covering <sup>2680</sup>~~2720~~ acres, more or less, of State ~~FEDERAL~~ lands  
~~XXXXXX~~  
described as follows:

LEA COUNTY, NEW MEXICO  
TOWNSHIP 15 SOUTH RANGE 32 EAST, NMPM

*Section 11: E/2  
Sections 12, 13, and 14: A11*

*23 : NE/4, N/2 NW/4, SE/4 NW/4,  
and SW/4*

*(3) (From yellow sheet*

4 That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Northeast Anderson Ranch Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico ~~[and the Director of the United States Geological Survey]~~; that this order shall terminate inso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

(3) That although the Commission has previously approved another unit area designated the Northeast Anderson Ranch Unit Area in Township 10 South, Range 32 East, ~~North~~ Lea County, New Mexico, ~~said unit~~ ~~was terminated~~ none of the lands included in said unit area are within the boundaries of the new Northeast Anderson Ranch Unit Area; further, that the former unit was terminated June 1, 1964.



# OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO  
P. O. BOX 2088 - SANTA FE  
87501



DIRECTOR  
JOE D. RAMEY

LAND COMMISSIONER  
PHIL R. LUCERO

STATE GEOLOGIST  
EMERY C. ARNOLD

July 27, 1976

Mr. Charles Malone  
Attorney at Law  
Box 700  
Roswell, New Mexico 88201

Re: CASE NO. 5715  
ORDER NO. R-5241

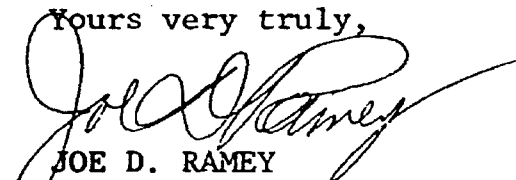
Applicant:

Marathon Oil Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Yours very truly,

  
JOE D. RAMEY  
Director

JDR/fd

Copy of order also sent to:

Hobbs OCC X  
Artesia OCC \_\_\_\_\_  
Aztec OCC \_\_\_\_\_

Other Mr. Robert Hastey and Mr. Robert Pickens

BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
July 21, 1976

## EXAMINER HEARING

IN THE MATTER OF:

Application of Marathon Oil Company  
for a unit agreement, Lea County,  
New Mexico.

CASE  
5715

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARINGA P P E A R A N C E S

For the New Mexico Oil Conservation Commission: William F. Carr, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

For the Applicant: Robert J. Pickens, Esq.  
Robert A. Hasty, Esq.  
Legal Counsels  
Marathon Oil Company  
P. O. Box 3128  
Houston, Texas 77001

Charles F. Malone, Esq.  
ATWOOD, MALONE, MANN & COOTER  
Attorneys at Law  
P. O. Drawer 700  
Roswell, New Mexico

**sid morrish reporting service**

General Court Reporting Service  
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Phone (305) 982-9212

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1 MR. STAMETS: The hearing will please come to order.  
2 We will take first Case 5715.

3 MR. CARR: Case 5715, application of Marathon Oil  
4 Company for a unit agreement, Lea County, New Mexico.

5 MR. MALONE: If it may please the Commission, I'm  
6 Charlie Malone of Atwood, Malone, Mann and Cooter of Roswell  
7 for the applicant with Robert J. Pickens and Robert A. Hasty  
8 who are attorneys for Marathon and members of the Texas Bar.  
9 We have two witnesses and two exhibits?

10 MR. STAMETS: I ask that all of the witnesses stand  
11 and be sworn, please?

12 MR. PICKENS: Mr. Hanley and Mr. Kollaja.

13 (THEREUPON, the witnesses were duly sworn.)

14 MR. Pickens; I would like to call Mr. Hanley at  
15 this time.

16  
17 A. W. HANLEY  
18 called as a witness, having been first duly sworn, was  
19 examined and testified as follows:

20  
21 DIRECT EXAMINATION

22 BY MR. PICKENS:

23 Q Will you please state your name, where you reside and  
24 by whom you are employed and the position you hold?

25 A My name is A. W. Hanley, I live in Midland, Texas

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1 and I'm employed by Marathon Oil Company as a District  
2 Landman.

3 Q Have you previously testified before the Oil  
4 Conservation Commission of the State of New Mexico,  
5 Mr. Hanley?

6 A Yes, sir.

7 MR. PICKENS: Mr. Examiner, will you accept the  
8 previous testimony and qualifications of this witness as a  
9 landman?

10 MR. STAMETS: Yes, the witness' qualifications are  
11 accepted.

12 Q (Mr. Pickens continuing.) Mr. Hanley, in your  
13 capacity as District Landman for Marathon have you been  
14 responsible for and participated in the formation of units  
15 in preparation of unit agreements similar to the one which is  
16 the subject of this proceeding?

17 A Yes, sir, I have worked on projects of this type  
18 in New Mexico and Texas in the past.

19 Q I'm going to hand you, Mr. Hanley, a copy of what  
20 has been marked as Exhibit Number One which is entitled, "Unit  
21 Agreement for the Development and Operation of the Northeast  
22 Anderson Ranch Unit Area, Lea County, New Mexico" and ask if  
23 this is a true copy of the unit agreement which has been  
24 submitted to the various interest owners in the Northeast  
25 Anderson Ranch Unit area?

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1 A. Yes, sir, it is a true copy of the unit agreement  
2 which we have submitted.

3 Q. All right, now, there are certain variations in  
4 this particular exhibit from the one which was submitted with  
5 Marathon's application to the Commission. Will you point out  
6 to the Examiner the changes that have been made in the  
7 Exhibit Number One from the previously submitted -- in other  
8 words, we have found out additional information and have  
9 corrected certain portions of the agreement?

10 A. Yes, with the exception of the description of the  
11 unit area and Exhibits A, B and C to the agreement have been  
12 changed to reflect those changes.

13 Q. Will you point out to the Examiner the specific  
14 changes that have been made in the unit area and the Exhibits  
15 A, B and C?

16 A. On page two under "Unit Area", the unit area has  
17 been revised as to Section 23 to eliminate the forty acres  
18 described as the southwest quarter of the northwest quarter  
19 of Section 23, which would reduce our acreage from the  
20 twenty-seven, twenty acres in the original agreement to  
21 twenty-six hundred and eighty acres.

22 Q. And what was the reason for this deletion?

23 A. Amoco Production Company owns that particular  
24 forty-acre lease and declined to commit it to the unit.

25 Q. What changes were made on Exhibits A, B and C to the

1 unit agreement?

2 A Well, Exhibit A was changed to eliminate that  
3 tract and to renumber the remaining tracts.

4 Q In other words, we have eliminated from the unit  
5 outline the forty-acre tract?

6 A Correct, which was originally Tract Eleven.

7 Q And on Exhibit B what changes were made?

8 A Well, on Exhibit B Tract One was amended to show  
9 what we have now determined to be the correct overriding  
10 royalty ownership and also working interest ownership, as well  
11 as the elimination of the old Tract Eleven on the original  
12 unit agreement which was listed as covering the Amoco forty  
13 acres and renumbering of the remaining tracts.

14 Q In other words, what you have done is you have  
15 conformed this exhibit to the facts as they now exist?

16 A Correct.

17 Q And then Exhibit C which sets out the participation  
18 has also been revised?

19 A The same changes. Part one eliminated that forty  
20 acres and part two showing the the various interests of the  
21 parties which was revised to reflect the resultant twenty-  
22 six hundred and eighty acre unit ownership.

23 Q And the unit agreement as presented in Exhibit  
24 Number One correctly now reflects the unit area to be  
25 covered by the Northeast Anderson Ranch Unit and the exhibits

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1 attached to Exhibit Number One correctly show the ownership,  
2 both working interest, royalty interest and overriding royalty  
3 interest as we know it to be at this time, is that correct?

4 A. Yes, sir.

5 Q. Will you please state the names, Mr. Hanley, of the  
6 working interest owners in the area other than Marathon and  
7 the status of their commitments to the unit?

8 A. Superior Oil Company, Union Oil Company of  
9 California, Allied Chemical Corporation, Exxon Corporation,  
10 George P. Hill, Oil Development Company of Texas, Max H.  
11 Christianson, McAlester Fuel Company, estate of W. J. Golson,  
12 R. S. Golson, Colorado Oil and Gas Corp., W. C. Partee,  
13 Mayfield Corporation and the estate of Patty Lynn Golson  
14 Mayfield.

15 Q. Have all of these working interest owners either  
16 agreed to participate in the unit or farm out their interests  
17 in the unit to other participants?

18 A. They have.

19 Q. What is the ownership of the royalty interest in  
20 the land under the Northeast Anderson Ranch Unit?

21 A. It is one hundred percent State of New Mexico, owned  
22 by the State of New Mexico.

23 Q. And has this proposed unit agreement been submitted  
24 to the Commissioner of Public Lands of the State of New Mexico  
25 and has he given any approval of the same?

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1 A. Yes, in the first part of May we submitted the  
2 proposed unit agreement to the Commissioner of Public Lands  
3 for preliminary approval in the interests of time and by a  
4 letter dated May 4th and as amended by a letter dated May 18th  
5 the Commissioner gave his approval as to form and content of  
6 the unit agreement and as the unit area as a logical area for  
7 unitization.

8 Q Subject to approval --

9 A. Subject to final approval and also approval by the  
10 OCC.

11 Q All right, sir, under the unit agreement who is  
12 designated as operator?

13 A. Marathon Oil Company.

14 Q What formations and substances are unitized under  
15 this agreement?

16 A. All formations.

17 Q In other words, all formations and for what  
18 substances?

19 A. Oil and gas and associated hydrocarbons.

20 Q And what are the initial drilling obligations as  
21 set forth in the unit agreement, Mr. Hanley?

22 A. For a test well to the depth of ten thousand, five  
23 hundred feet or such lesser depth to test the Cisco lime  
24 formation at a location in the northwest quarter of the  
25 southeast quarter of Section 14.

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1 Q All right, and do we have any what we consider  
 2 critical dates by which we would like to commence this well?

3 A There are two eighty-acre leases, each of which has  
 4 an August the sixteenth, 1976, expiration.

5 Q I see and we would like to commence this well if at  
 6 all possible before this date?

7 A Right, to continue those leases.

8 Q Mr. Hanley, in your opinion as a landman who has  
 9 worked in these areas, do you feel that this unitization  
 10 agreement will adequately protect the correlative rights of  
 11 all owners with interest in the Northeast Anderson Ranch Unit?

12 A Yes, sir.

13 MR. PICKENS: I have no further questions of this  
 14 witness. We would like to submit Exhibit One.

15 MR. STAMETS: Exhibit One will be admitted.

16 (THEREUPON, Applicant's Exhibit One was  
 17 admitted into evidence.)

18 MR. STAMETS: Are there any questions of this  
 19 witness? He may be excused.

20 (THEREUPON, the witness was excused.)

21 MR. PICKENS: I would like to call Mr. Alvin  
 22 Kollaja, our second witness.

23 ALVIN A. KOLLAJA

24 called as a witness, having been first duly sworn, was  
 25 examined and testified as follows:

DIRECT EXAMINATION

BY MR. PICKENS:

Q Will you please state your name, where you reside, by whom you are employed and the position you hold?

A Yes, sir, I'm Alvin A. Kollaja, I live in Midland and I'm a Senior Geologist for Marathon Oil Company.

Q Mr. Kollaja, have you previously testified before the Oil Conservation Commission of the State of New Mexico?

A No, sir.

Q You have not?

A I have not.

Q Would you please state your education and work experience background for the Examiner in order that he may consider your qualifications as an expert witness in the field of geology?

A I received my degree, Bachelor of Science degree, in Geology from the Southern Methodist University and I have been employed by Marathon Oil Company for twenty-five years. Seventeen of those years I spent in the Midland District which covers the southeastern portion of the State of New Mexico.

Q And including the proposed unit area which we have under consideration?

A Including the area that we have under consideration.

MR. PICKENS: Mr. Examiner, do you consider the witness qualified as an expert in the area of geology?

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1 MR. STAMETS: Just one question. Mr. Kollaja, this  
2 twenty-five years of experience has been in geological work?

3 THE WITNESS: Yes, sir, as a geologist, right.

4 MR. STAMETS: The Examiner considers the witness  
5 qualified.

6 MR. PICKENS: Thank you.

7 Q (Mr. Pickens continuing.) Mr. Kollaja, you have  
8 before you what has been marked as Exhibit Number Two to  
9 Marathon's presentation which is a plat of the Northeast  
10 Anderson Ranch Unit area. Was this exhibit and the geological  
11 report which you prepared previously and submitted to the  
12 Commissioner of Public Lands prepared under your supervision  
13 and direction?

14 A Yes, sir, they were.

15 Q And will you state in your own words briefly what  
16 Marathon's geological interpretation of the Northeast Anderson  
17 Ranch area is and what is depicted upon this plat as Exhibit  
18 Two?

19 A Yes, sir. The map is a subsurface map on the Lower  
20 Wolfcamp in conjunction with the seismic map. It was mapped  
21 on the Three Brothers formation which is immediately above the  
22 Upper Pennsylvanian, Bursum or Upper Pennsylvanian formation  
which is the primary objective. The Bursum is the primary  
4 objective. You will note that in the cross section immediately  
25 above the map. The scale is one inch to two thousand and it

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1 was contoured on fifty feet.

2           The unit outline you will note is crosshatched and  
3 we anticipate a permeability barrier on the updip side which  
4 is designated by the blue band and the downdip side you will  
5 notice also where we feel like that will be the oil-water  
6 contact of any hydrocarbons.

7           This is a band of carbonate that joins the  
8 Saunders and the North Anderson Ranch field and we feel that  
9 it is a depositional environment that created this band and  
10 it should occur at the Northeast Anderson Ranch area that we  
11 are proposing.

12           The Bursum portion of the Wolfcamp changes facies  
13 from the Union of Texas well, you will note in Section 15, and  
14 it is impermeable and tight in the formation of interest and  
15 then that formation changes facies in the zoning well in  
16 Section 24. We feel that that facies change represents an  
17 accumulation or a deposit of that carbonate in the area of  
18 interest.

19           We believe also that the same trapping mechanism  
20 appears in this area and that the outline represents the best  
21 possible area of accumulation between the facies change and,  
22 of course, the downdip limit but also that the structure  
23 represents, as shown on the map, that it would be a structural  
24 trap but also a stratigraphic trap and the outline shows the  
25 best possible area of the accumulation.

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1 Q In other words, the unit area?

2 A The unit area, across the unit area.

3 Q Mr. Kollaja, does this exhibit show the proposed  
4 initial well location, would you point that out?

5 A Yes, the initial well location is in Section 14,  
6 nineteen, eighty from the south and east lines.

7 Q And in your opinion as a geological witness you  
8 feel that a well drilled to the proposed depth of ten  
9 thousand, five hundred feet would adequately test the objective  
10 formation, is that correct at this location?

11 A Yes, sir, I do.

12 Q Are there any other possibilities of production in  
13 this area, other than the Bursum?

14 A Yes, there are minor possibilities in the Queen  
15 and the San Andres.

16 Q Which are formations?

17 A Yes, overlying formations.

18 Q Mr. Kollaja, in your opinion as an expert geological  
19 witness, do you feel that posing an exploratory unit for this  
20 area would be an adequate way to develop the potential  
21 hydrocarbon reserves in this particular area?

22 A Yes, sir, I do.

23 Q And is it your opinion, again as a geological  
24 witness, that each owner in this unit area will recover, if  
25 successful, his fair share of the hydrocarbon reserves under

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1 a unit form of operation?

2 A. Yes, sir, I do, I feel that it would serve each  
3 owner much better if it was a unitized area.

4 Q. In other words, it would promote conservation of  
5 oil and gas and prevent waste?

6 A. It would promote conservation and reduce the  
7 waste.

8 MR. PICKENS: I have no further questions of the  
9 witness, Mr. Examiner.

10 MR. STAMETS: Are there any questions of the  
11 witness? He may be excused.

12 (THEREUPON, the witness was excused.)

13 MR. STAMETS: Is there anything further in this case?

14 MR. PICKENS: I would like to submit Exhibit Two  
15 into evidence.

16 MR. STAMETS: Exhibit Number Two will be admitted.

17 (THEREUPON, Applicant's Exhibit Number Two  
18 was admitted into evidence.)

19 MR. MALONE: May we mention in the record, Mr.  
20 Examiner, that back in 1963 there was a Northeast Anderson  
21 Ranch Unit created by Order Number R-2466 but that unit was  
22 terminated on June 1, 1964 and the Commissioner of Public  
23 Lands has no objection to the use of that name again for this  
24 unit. I wanted to mention that for clarity.

25 MR. PICKENS: I would like to mention again that we

1 do have some critical lease dates and expeditious action on  
2 the part of the Commission will certainly be appreciated.

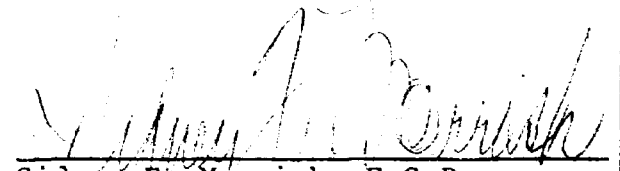
3 MR. STAMETS: Anything further in this case? We  
4 will take the case under advisement.

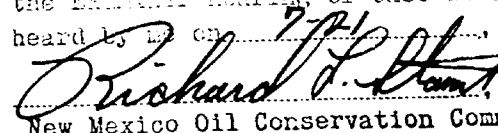
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,  
do hereby certify that the foregoing and attached Transcript  
of Hearing before the New Mexico Oil Conservation Commission  
was reported by me, and the same is a true and correct record  
of the said proceedings to the best of my knowledge, skill and  
ability.

  
Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 5715  
heard by me on 7/1/96.  
 Examiner  
New Mexico Oil Conservation Commission

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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
July 21, 1976

EXAMINER HEARING

IN THE MATTER OF:

Application of Marathon Oil Company ) CASE  
for a unit agreement, Lea County, ) 5715  
New Mexico. )

BEFORE: Richard L. Stamets, Examiner

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil Conservation Commission: William F. Carr, Esq.  
Legal Counsel for the Commission  
State Land Office Building  
Santa Fe, New Mexico

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1 MR. STANETS: The hearing will please come to order.  
2 We will take first Case 5715.

3 MR. CARR: Case 5715, application of Marathon Oil  
4 Company for a unit agreement, Lea County, New Mexico.

5 MR. MALONE: If it may please the Commission, I'm  
6 Charlie Malone of Atwood, Malone, Mann and Cooter of Roswell  
7 for the applicant with Robert J. Pickens and Robert A. Hasty  
8 who are attorneys for Marathon and members of the Texas Bar.  
9 We have two witnesses and two exhibits?

10 MR. STANETS: I ask that all of the witnesses stand  
11 and be sworn, please?

12 MR. PICKENS: Mr. Hanley and Mr. Kollaja.

13 (THEREUPON, the witnesses were duly sworn.)

14 MR. Pickens: I would like to call Mr. Hanley at  
15 this time.

16

17

A. W. HANLEY

18 called as a witness, having been first duly sworn, was  
19 examined and testified as follows:

20

21

DIRECT EXAMINATION

22 BY MR. PICKENS:

23

Q Will you please state your name, where you reside and  
24 by whom you are employed and the position you hold?

25

A My name is A. W. Hanley, I live in Midland, Texas

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1 and I'm employed by Marathon Oil Company as a District  
2 Landman.

3 Q Have you previously testified before the Oil  
4 Conservation Commission of the State of New Mexico,  
5 Mr. Hanley?

6 A Yes, sir.

7 MR. PICKENS: Mr. Examiner, will you accept the  
8 previous testimony and qualifications of this witness as a  
9 landman?

10 MR. STAMETS: Yes, the witness' qualifications are  
11 accepted.

12 Q (Mr. Pickens continuing.) Mr. Hanley, in your  
13 capacity as District Landman for Marathon have you been  
14 responsible for and participated in the formation of units  
15 in preparation of unit agreements similar to the one which is  
16 the subject of this proceeding?

17 A Yes, sir, I have worked on projects of this type  
18 in New Mexico and Texas in the past.

19 Q I'm going to hand you, Mr. Hanley, a copy of what  
20 has been marked as Exhibit Number One which is entitled, "Unit  
21 Agreement for the Development and Operation of the Northeast  
22 Anderson Ranch Unit Area, Lea County, New Mexico" and ask if  
23 this is a true copy of the unit agreement which has been  
24 submitted to the various interest owners in the Northeast  
25 Anderson Ranch Unit area?

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1 A Yes, sir, it is a true copy of the unit agreement  
2 which we have submitted.

3 Q All right, now, there are certain variations in  
4 this particular exhibit from the one which was submitted with  
5 Marathon's application to the Commission. Will you point out  
6 to the Examiner the changes that have been made in the  
7 Exhibit Number One from the previously submitted -- in other  
8 words, we have found out additional information and have  
9 corrected certain portions of the agreement?

10 A Yes, with the exception of the description of the  
11 unit area and Exhibits A, B and C to the agreement have been  
12 changed to reflect those changes.

13 Q Will you point out to the Examiner the specific  
14 changes that have been made in the unit area and the Exhibits  
15 A, B and C?

16 A On page two under "Unit Area", the unit area has  
17 been revised as to Section 23 to eliminate the forty acres  
18 described as the southwest quarter of the northwest quarter  
19 of Section 23, which would reduce our acreage from the  
20 twenty-seven, twenty acres in the original agreement to  
21 twenty-six hundred and eighty acres.

22 Q And what was the reason for this deletion?

23 A Amoco Production Company owns that particular  
24 forty-acre lease and declined to commit it to the unit.

25 Q What changes were made on Exhibits A, B and C to the

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1 unit agreements?

2 A Well, Exhibit A was changed to eliminate that  
 3 tract and to renumber the remaining tracts.

4 Q In other words, we have eliminated from the unit  
 5 outline the forty-acre tract?

6 A Correct, which was originally Tract Eleven.

7 Q And on Exhibit B what changes were made?

8 A Well, on Exhibit B Tract One was amended to show  
 9 what we have now determined to be the correct overriding  
 10 royalty ownership and also working interest ownership, as well  
 11 as the elimination of the old Tract Eleven on the original  
 12 unit agreement which was listed as covering the Amoco forty  
 13 acres and renumbering of the remaining tracts.

14 Q In other words, what you have done is you have  
 15 conformed this exhibit to the facts as they now exist?

16 A Correct.

17 Q And then Exhibit C which sets out the participation  
 18 has also been revised?

19 A The same changes. Part one eliminated that forty  
 20 acres and part two showing the the various interests of the  
 21 parties which was revised to reflect the resultant twenty-  
 22 six hundred and eighty acre unit ownership.

23 Q And the unit agreement as presented in Exhibit  
 24 Number One correctly now reflects the unit area to be  
 25 covered by the Northeast Anderson Ranch Unit and the exhibits

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1 attached to Exhibit Number One correctly show the ownership,  
 2 both working interest, royalty interest and overriding royalty  
 3 interest as we know it to be at this time, is that correct?

4 A Yes, sir.

5 Q Will you please state the names, Mr. Hanley, of the  
 6 working interest owners in the area other than Marathon and  
 7 the status of their commitments to the unit?

8 A Superior Oil Company, Union Oil Company of  
 9 California, Allied Chemical Corporation, Exxon Corporation,  
 10 George P. Hill, Oil Development Company of Texas, Max H.  
 11 Christianson, McAlester Fuel Company, estate of W. J. Golson,  
 12 R. S. Golson, Colorado Oil and Gas Corp., W. C. Partee,  
 13 Mayfield Corporation and the estate of Patty Lynn Golson  
 14 Mayfield.

15 Q Have all of these working interest owners either  
 16 agreed to participate in the unit or farm out their interests  
 17 in the unit to other participants?

18 A They have.

19 Q What is the ownership of the royalty interest in  
 20 the land under the Northeast Anderson Ranch Unit?

21 A It is one hundred percent State of New Mexico, owned  
 22 by the State of New Mexico.

23 Q And has this proposed unit agreement been submitted  
 24 to the Commissioner of Public Lands of the State of New Mexico  
 25 and has he given any approval of the same?

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1 A Yes, in the first part of May we submitted the  
2 proposed unit agreement to the Commissioner of Public Lands  
3 for preliminary approval in the interests of time and by a  
4 letter dated May 4th and as amended by a letter dated May 18th  
5 the Commissioner gave his approval as to form and content of  
6 the unit agreement and as the unit area as a logical area for  
7 unitization.

8 Q Subject to approval --

9 A Subject to final approval and also approval by the  
10 OCC.

11 Q All right, sir, under the unit agreement who is  
12 designated as operator?

13 A Marathon Oil Company.

14 Q What formations and substances are unitized under  
15 this agreement?

16 A All formations.

17 Q In other words, all formations and for what  
18 substances?

19 A Oil and gas and associated hydrocarbons.

20 Q And what are the initial drilling obligations as  
21 set forth in the unit agreement, Mr. Hanley?

22 A For a test well to the depth of ten thousand, five  
23 hundred feet or such lesser depth to test the Cisco lime  
24 formation at a location in the northwest quarter of the  
25 southeast quarter of Section 14.

1 Q All right, and do we have any what we consider  
2 critical dates by which we would like to commence this well?

3 A There are two eighty-acre leases, each of which has  
4 an August the sixteenth, 1976, expiration.

5 Q I see and we would like to commence this well if at  
6 all possible before this date?

7 A Right, to continue those leases.

8 Q Mr. Hanley, in your opinion as a landman who has  
9 worked in these areas, do you feel that this unitization  
10 agreement will adequately protect the correlative rights of  
11 all owners with interest in the Northeast Anderson Ranch Unit?

12 A Yes, sir.

13 MR. PICKENS: I have no further questions of this  
14 witness. We would like to submit Exhibit One.

15 MR. STAMETS: Exhibit One will be admitted.

16 (THEREUPON, Applicant's Exhibit One was  
17 admitted into evidence.)

18 MR. STAMETS: Are there any questions of this  
19 witness? He may be excused.

20 (THEREUPON, the witness was excused.)

21 MR. PICKENS: I would like to call Mr. Alvin  
22 Kollaja, our second witness.

23 ALVIN A. KOLLAJA

24 called as a witness, having been first duly sworn, was  
25 examined and testified as follows:

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DIRECT EXAMINATION

BY MR. PICKENS:

Q Will you please state your name, where you reside, by whom you are employed and the position you hold?

A Yes, sir, I'm Alvin A. Kollaja, I live in Midland and I'm a Senior Geologist for Marathon Oil Company.

Q Mr. Kollaja, have you previously testified before the Oil Conservation Commission of the State of New Mexico?

A No, sir.

Q You have not?

A I have not.

Q Would you please state your education and work experience background for the Examiner in order that he may consider your qualifications as an expert witness in the field of geology?

A I received my degree, Bachelor of Science degree, in Geology from the Southern Methodist University and I have been employed by Marathon Oil Company for twenty-five years. Seventeen of those years I spent in the Midland District which covers the southeastern portion of the State of New Mexico.

Q And including the proposed unit area which we have under consideration?

A Including the area that we have under consideration.

MR. PICKENS: Mr. Examiner, do you consider the witness qualified as an expert in the area of geology?

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1 MR. STAMETS: Just one question. Mr. Kollaja, this  
2 twenty-five years of experience has been in geological work?

3 THE WITNESS: Yes, sir, as a geologist, right.

4 MR. STAMETS: The Examiner considers the witness  
5 qualified.

6 MR. PICKENS: Thank you.

7 Q (Mr. Pickens continuing.) Mr. Kollaja, you have  
8 before you what has been marked as Exhibit Number Two to  
9 Marathon's presentation which is a plat of the Northeast  
10 Anderson Ranch Unit area. Was this exhibit and the geological  
11 report which you prepared previously and submitted to the  
12 Commissioner of Public Lands prepared under your supervision  
13 and direction?

14 A Yes, sir, they were.

15 Q And will you state in your own words briefly what  
16 Marathon's geological interpretation of the Northeast Anderson  
17 Ranch area is and what is depicted upon this plat as Exhibit  
18 Two?

19 A Yes, sir. The map is a subsurface map on the Lower  
20 Wolfcamp in conjunction with the seismic map. It was mapped  
21 on the Three Brothers formation which is immediately above the  
22 Upper Pennsylvanian, Bursum or Upper Pennsylvanian formation  
23 which is the primary objective. The Bursum is the primary  
24 objective. You will note that in the cross section immediately  
25 above the map. The scale is one inch to two thousand and it

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1 was contoured on fifty feet.

2 The unit outline you will note is crosshatched and  
3 we anticipate a permeability barrier on the updip side which  
4 is designated by the blue band and the downdip side you will  
5 notice also where we feel like that will be the oil-water  
6 contact of any hydrocarbons.

7 This is a band of carbonate that joins the  
8 Saunders and the North Anderson Ranch field and we feel that  
9 it is a depositional environment that created this band and  
10 it should occur at the Northeast Anderson Ranch area that we  
11 are proposing.

12 The Bursum portion of the Wolfcamp changes facies  
13 from the Union of Texas well, you will note in Section 15, and  
14 it is impermeable and tight in the formation of interest and  
15 then that formation changes facies in the zoning well in  
16 Section 24. We feel that that facies change represents an  
17 accumulation or a deposit of that carbonate in the area of  
18 interest.

19 We believe also that the same trapping mechanism  
20 appears in this area and that the outline represents the best  
21 possible area of accumulation between the facies change and,  
22 of course, the downdip limit but also that the structure  
23 represents, as shown on the map, that it would be a structural  
24 trap but also a stratigraphic trap and the outline shows the  
25 best possible area of the accumulation.

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1 Q In other words, the unit area?

2 A The unit area, across the unit area.

3 Q Mr. Kollaja, does this exhibit show the proposed  
4 initial well location, would you point that out?

5 A Yes, the initial well location is in Section 14,  
6 nineteen, eighty from the south and east lines.

7 Q And in your opinion as a geological witness you  
8 feel that a well drilled to the proposed depth of ten  
9 thousand, five hundred feet would adequately test the objective  
10 formation, is that correct at this location?

11 A Yes, sir, I do.

12 Q Are there any other possibilities of production in  
13 this area, other than the Bursum?

14 A Yes, there are minor possibilities in the Queen  
15 and the San Andres.

16 Q Which are formations?

17 A Yes, overlying formations.

18 Q Mr. Kollaja, in your opinion as an expert geological  
19 witness, do you feel that posing an exploratory unit for this  
20 area would be an adequate way to develop the potential  
21 hydrocarbon reserves in this particular area?

22 A Yes, sir, I do.

23 Q And is it your opinion, again as a geological  
24 witness, that each owner in this unit area will recover, if  
25 successful, his fair share of the hydrocarbon reserves under

1 a unit form of operation?

2 A Yes, sir, I do, I feel that it would serve each  
3 owner much better if it was a unitized area.

4 Q In other words, it would promote conservation of  
5 oil and gas and prevent waste?

6 A It would promote conservation and reduce the  
7 waste.

8 MR. PICKENS: I have no further questions of the  
9 witness, Mr. Examiner.

10 MR. STAMETS: Are there any questions of the  
11 witness? He may be excused.

12 (THEREUPON, the witness was excused.)

13 MR. STAMETS: Is there anything further in this case?

14 MR. PICKENS: I would like to submit Exhibit Two  
15 into evidence.

16 MR. STAMETS: Exhibit Number Two will be admitted.

17 (THEREUPON, Applicant's Exhibit Number Two  
18 was admitted into evidence.)

19 MR. MALONE: May we mention in the record, Mr.  
20 Examiner, that back in 1963 there was a Northeast Anderson  
21 Ranch Unit created by Order Number R-2466 but that unit was  
22 terminated on June 1, 1964 and the Commissioner of Public  
23 Lands has no objection to the use of that name again for this  
24 unit. I wanted to mention that for clarity.

25 MR. PICKENS: I would like to mention again that we

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1 do have some critical lease dates and expeditious action on  
2 the part of the Commission will certainly be appreciated.

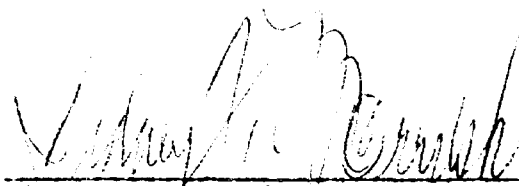
3 MR. STAMETS: Anything further in this case? We  
4 will take the case under advisement.

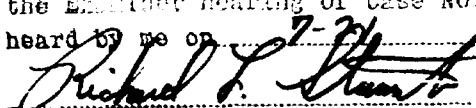
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REPORTER'S CERTIFICATE

I, SIDNEY F. MORRISH, a Certified Shorthand Reporter,  
do hereby certify that the foregoing and attached Transcript  
of Hearing before the New Mexico Oil Conservation Commission  
was reported by me, and the same is a true and correct record  
of the said proceedings to the best of my knowledge, skill and  
ability.

  
Sidney F. Morrish, C.S.R.

I do hereby certify that the foregoing is  
a complete record of the proceedings in  
the Examiner hearing of Case No. 5715,  
heard by me on 7-24-1976.  
, Examiner  
New Mexico Oil Conservation Commission

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