

CASE 2967: Application of STANDARD
OIL CO. OF TEXAS for approval of
the JURNEGAN POINT UNIT AGREEMENT.

9

26.63

26.63

Conf. Jan. 22nd -

CASE NO.
2967

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

February 1, 1965

Delta Drilling Company
P. O. Box 866
Odessa, Texas

Re: Jurnegan Point Unit
Eddy County, New Mexico
Termination of Unit

Attention: Mr. E. G. Durrett

Gentlemen:

The Commissioner of Public Lands approved as of January 29, 1965, termination of the Jurnegan Point Unit, Eddy County, New Mexico, to become effective February 1, 1965. We are returning one approved copy of this termination.

Very truly yours,

GUYTON B. HAYS
COMMISSIONER OF PUBLIC LANDS

BY:
(Mr.) Ted Bilberry, Director
Oil & Gas Department

GBH/tb/mmz/d

cc: Oil Conservation Commission
Santa Fe, New Mexico

RATIFICATION AND JOINDER
IN THE JURNEGAN POINT UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
COUNTY OF EDDY
STATE OF NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement and Unit Operating Agreement for Jurnegan Point Unit Area embracing lands situated in Eddy County, New Mexico, which Agreements are dated January 20, 1964, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned, also being the owners of certain oil and gas leasehold interests committed to said Unit Agreement and Unit Operating Agreement, more particularly described in the Lease Schedule attached to the Unit Agreement as Exhibit "B", do hereby consent to said Unit Agreement and Unit Operating Agreement and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the originals of said Unit Agreement and Unit Operating Agreement or counterparts thereof.

In witness whereof this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

SHELL OIL COMPANY

By

J. V. Lindsey
Attorney-in-Fact

ATTEST:

Secretary

Address: P. O. Box 1509 DATE: _____
Midland, Texas 2/25/64

Address: _____

Address: _____

WORKING INTEREST OWNERS

STATE OF Texas:

COUNTY OF Midland:

The foregoing instrument was acknowledged before me this 25 day of February, 1964, by J. V. Lindsey, Attorney-in-Fact of SHELL OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My commission expires:

JUL 1 1965

Roselyn Magoo
Notary Public in and for
County, _____

Roselyn Magoo
Notary Public in and for
County, _____

1964 MAR 3 AM 9:56

MAIN OFFICE OCC

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 22, 1964

EXAMINER HEARING

IN THE MATTER OF: (Continued from the January
8th Examiner Hearing)

Application of Standard Oil Company of
Texas for a unit agreement, Eddy County,
New Mexico. Applicant, in the above-
styled cause, seeks approval of the Jurne-
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more or less, of State and Fee land in
Township 24 South, Ranges 24 and 25 East,
Eddy County, New Mexico.

Case No. 2967

BEFORE:

ELVIS A. UTZ, EXAMINER.

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691



MR. UTZ: Case No. 2967.

MR. DURRETT: Application of Standard Oil Company of Texas for a unit agreement, Eddy County, New Mexico.

MR. NEWMAN: I am E. Kirk Newman, Houston, Texas, representing Standard Oil Company of Texas, a division of California Oil Company. We have one witness.

(Witness sworn.)

ALVIN E. WEST

called as a witness, having been first duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. NEWMAN:

Q Would you state your name and employment, please?

A My name is Alvin E. West. I am a geologist employed with the Standard Oil Company of Texas at Roswell, New Mexico, and I hold a title of District Stratigrapher.

Q Have you previously qualified as a witness before this Commission?

A No, I haven't.

Q Would you give this Commission a brief history of your educational background?

A Yes, sir. I received a Bachelor of Science in Geology from Kansas State University in summer 1950. I was temporarily

DEARNLEY, MEIER, WILKINS and CROWNOVER

General Court Reporting Service

Suite 20 Simms Building Albuquerque, New Mexico Phone 243-6691



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employed by Dow Oil, Incorporated, an oil well service company, until January of 1951, at which time I was inducted into the Army. I was released from the military service in November, 1953. I enrolled in the graduate school at the University of Oklahoma in January of 1954 and completed the requirement for the Master of Science Degree in Geology in October of 1955.

At this time I was employed by Standard Oil Company of Texas in Houston, Texas as a subsurface geologist in the Exploration Department. I worked there until January of 1958 and was transferred to West Texas. I worked as a geologist in West Texas until August of 1960, at which time I was transferred to Roswell, New Mexico. I have worked in Southeast New Mexico since that date as a geologist.

MR. NEWMAN: Are the witness's qualifications accepted?

MR. UTZ: Yes, sir, they are.

Q (By Mr. Newman) Would you state briefly the purpose of this application before the Commission?

A The purpose of this application is for the forming of a twelve-section exploratory unit for the drilling of eleven to twelve thousand foot well to test the Devonian carbonate.

Q Do you have a plat showing the unit area, copies, I think, are with the application? Would you point out and describe the unit area?



A I do have a plat, and the unit area is outlined on this plat in orange. It includes all of Sections 1, 12 and 13 in Township 24 South, Range 24 East. It includes all of Sections 4, 5, 6, 7, 8, 9, 16, 17 and 18 of Township 24 South, Range 25 East in Western Eddy County.

Q How much of this unit area -- what's the total acreage and how much of that is state and how much is fee?

A Total acreage in this unit is 7,679.84 acres, of this 7,159.84 or 93.22902% is state acreage and 520 acres or 6.7709% is fee acreage.

(Whereupon, Applicant's Exhibit No. 1 was marked for identification.)

Q Mr. West, referring to this plat which we will offer as our Exhibit 1, would you explain to the Commission the significance of the various marks thereon?

A Yes, sir. This plat is a subsurface, structural, contour map, contoured on the top of the Devonian carbonate, the primary objective in the unit, and the well control for this map is circled in black. The structural attitude of the Devonian at each well is noted with the subsea datum of the Devonian at that well. There are four wells on the right-hand side of the map on which I have estimated top of Devonian. This was done by taking the one well that penetrated into the Devonian, the other four wells



on which I estimated a point all penetrated into the Mississippian. We have a uniform section of Mississippian in the area, and I believe a valid estimation of Devonian top therefore could be arrived at.

Q Would you state to the Commission what your green line gravity axis indicates?

A The gravity axis shown on this plat in green is taken from a gravity survey in the area and was transferred to this plat and is believed significant because of its Northwest, Southeast orientation similar to that of the subsurface structural contours. It is anomalous to the normal gravity axes we see in the area which parallel the Capitan Reef trend.

In addition to this we have aerial photo coverage of the Jurnegan Point Area on which we mapped a surface anticlinal anomaly. This anomaly was supported by a plain table survey in the field. The anomaly, like the gravity axis, we believe is significant in that this surface anomaly does not correspond to the Capitan Reef trend as most surface anticlines in the area do, but is itself oriented in a different direction.

Q What do you have shown in blue on this plat?

A The blue on the plat is the Capitan Reef trend in the Jurnegan Point Area. The Capitan Reef trend or complex is a surface feature. You can see on the topographic contours of the



map it enters the map at the lower left-hand corner and is trending across the map in a northeasterly direction across what we believe to be the subsurface extent of the Huapache monocline, which is a subsurface topographic feature to the west until it reaches the area of the Jurnegan Point, and at this place it turns almost due east for a distance of five to six miles and then turns sharply to the north and disappears into the subsurface. We interpret this change in direction of the Capitan Reef trend as being caused by a very strong structural feature causing a deposition of the reef to go around it at this point.

Q Mr. West, I notice that your outline of the aerial photo anomaly does not include all of the unit area. Does the structure you anticipate to find at the lower depth include all of the unit area?

A Yes, sir. We believe that the surface anomaly in this area similar to most other areas is smaller than the structure will be at depth, and we believe the entire unit outline and the additional acreage will be productive.

Q In other words, it is your opinion that all of the unit area will be productive --

A Yes, sir.

Q -- if the structure exists?

A If the structure exists as we interpret it.



Q Will the correlative rights of any parties owning interest, either working interest or royalty, in the unit area be affected in the granting of the formation of any unit?

A No, they will not, in that it is a fully participating unit in which all royalty owners and working owners participate in the production.

Q Is there any possibility that waste could result in any way from the granting of this application?

A No, I do not believe so.

MR. NEWMAN: We have submitted with the application copies of the proposed unit agreement. We now have approval of the form and content of this proposed agreement. However, it has been modified slightly from the copies which have been submitted with our application. I have additional copies of this which I would like to substitute for the ones that were filed, about three or four words were changed.

MR. UTZ: Do you want these back?

MR. NEWMAN: It would probably simplify things if I took these back.

MR. UTZ: Do you want this revised unit agreement marked Exhibit No. 2?

MR. NEWMAN: Yes. We will have that as our Exhibit No.

2. We would like also to offer for your files and the record here



copies of the letter from the Commissioner of Public Lands approving the form and content of the unit agreement, which we will offer as our Exhibit No. 3. We have also submitted with our application and would like to offer a report.

(Whereupon, Applicant's Exhibits Nos. 2, 3 & 4 were marked for identification.)

Q (By Mr. Newman) Mr. West, I will ask you, is the report which we have prepared and which we will offer as our Exhibit 4 a summation, review of the testimony you have given here?

A Yes, sir, it is.

Q Was the report which we will offer as our Exhibit 4, and Exhibit 1, prepared by you?

A Yes, sir, they were.

MR. NEWMAN: We would like to offer our Exhibits 1 through 4.

MR. UTZ: Exhibit No. 1 is the plat and structure map, the Exhibit 2 is the unit agreement. What are the other Exhibits 3 and 4?

MR. NEWMAN: Three is the approval by the State Land Office and four is the report.

MR. UTZ: Without objection, Exhibits 1 through 4 will be accepted in the record of this case.

(Whereupon, Applicant's Exhibits 1 through 4 were offered and admitted in evidence.)



MR. NEWMAN: That is all we have at this time.

CROSS EXAMINATION

BY MR. UTZ:

Q Did you give a location on the commitment well?

A No, sir, I did not.

Q Do you have that?

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A Can you see where it says "The White Ranch"? Section 8 would be immediately south of where it says "The White Ranch".

Q I see. How deep is your commitment on that well?

A 12,000 feet.

Q To the top of the Devonian, wasn't it?

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MR. UTZ: Any questions of the witness? The witness may be excused.

(Witness excused.)

MR. UTZ: Are there any statements in this case?

MR. DURRETT: If the Examiner please, the Commission received telegrams from Sun Oil, Gulf, Redfern and Marathon supporting the application.

MR. UTZ: Are there any other statements? The case will be taken under advisement.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 24th day of January, 1964.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2867, heard by the Examiner on 1/24/64.

[Signature], Examiner
New Mexico Oil Conservation Commission



DEARNLEY-MEIER REPORTING SERVICE, Inc.

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Santa Fe, New Mexico
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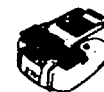
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STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 24th day of January, 1964.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings before the Examiner hearing of Case 2867 heard by me on Jan 22 1964
Ada Dearnley
New Mexico Oil Conservation Commission



Case 2867

Heard 1-22-64

Rec. 1-23-64

1. Grant approval of the Jernegan point unit agreement for Std. J. Dep.

Thurs. 1-23-64

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION

TELEGRAM

W. P. MARSHALL, PRESIDENT

(07) • 201 (4-60)

SYMBOLS

DL=Day Letter
NL=Night Letter
LT=International Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination

LA051 DA253

1964 JAN 22 AM 11 22

D MDA067 PD=MIDLAND TEX 22 1200P CST=
OIL CONSERVATION COMMISSION, ATTN A L "PETE" PORTER=
SANTA FE NMEX=

RALPH LOWE CONCURS IN PRINCIPLE OF JURNEGAN POINT UNIT
AND REQUEST YOU GRANT APPLICATION FOR APPROVAL=

RALPH LOEW=

[Handwritten signature]

Case 2967

Case file

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE
This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

1201 (1-00)

SYMBOLS
DL = Day Letter
NL = Night Letter
LT = International Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is Lf (57) • = of destination

LA045 DA228

1964 JAN 21 AM 11 15

=D HSRA021 PD 4 EX=HSRA HOUSTON TEX 2101140A CST

NEW MEXICO OIL CONSERVATION COMMISSION =

PO BOX 871 SANTA FE NMEX =

:ATTENTION: MR A L PORTER JR SECRETARY DIRECTOR

MARATHON OIL COMPANY REQUESTS APPROVAL OF THE =
JURNEGAN POINT UNIT AREA AS PROPOSED IN CASE 2967. =

:MARATHON WILL COMMIT ITS INTERESTS IN THE PROPOSED =

:UNIT AREA SUBJECT TO ACCEPTABLE UNIT AGREEMENT AND =UNIT
OPERATING AGREEMENT =

MARATHON OIL COMPANY BY R M WILSON ASSISTANT DIVISION =

:MANAGER =

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE
This is a fast message
unless its deferred char-
acter is indicated by the
proper symbol.

WESTERN UNION

TELEGRAM

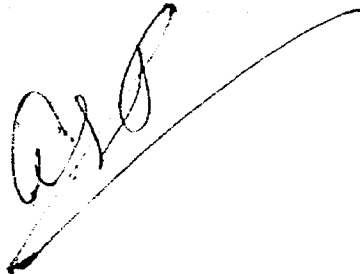
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LA105 DB311

D MDA145 NL PD=MIDLAND TEX 21 =1
NEW MEXICO OIL CONSERVATION COMMISSION=
BOX 871 SANTA FE NMEX=

WE RECOMMEND APPROVAL OF STANDARD OF TEXAS - JURNEGAN
POINT UNIT, EDDY COUNTY, N.M.=
: REDFERN DEVELOPMENT CORPORATION JOHN J REDFERN JR=



THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION

TELEGRAM (13).

W. P. MARSHALL, PRESIDENT

SYMBOLS	
DL	Day Letter
NL	Night Letter
LT	International Letter Telegram

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LA022 SSB024

L RWA011 PD=ROSWELL NMEX 21 909A MST=

A L PORTER JR, SECY DIRECTOR=

OIL CONSERVATION COMMISSION STATE OF NMEX SANTA FE NME>

REFERENCE IS MADE TO EXAMINER HEARING JANUARY 22 1964
CASE NO (2967) STANDARD OIL CO OF TEX APPLICANT JURNEGAN
POINT UNIT EDDY COUNTY NMEX GULF APPROVES IN PRICIPAL
JURNEGAN POINT UNIT REQUEST THAT APPLICATION FOR
APPROVAL BE GRANTED=

GULF OIL COR F O MORTLOCK=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

CLASS OF SERVICE

This is a fast message unless its deferred character is indicated by the proper symbol.

WESTERN UNION TELEGRAM

W. P. MARSHALL, PRESIDENT

(53)

1201 (4-60)

SYMBOLS

DL = Day Letter
NL = Night Letter
LT = International Letter Telegram

The filing time shown in the date line on domestic telegrams is LOCAL TIME at point of origin. Time of receipt is LOCAL TIME at point of destination

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D LLT197 PD=FAX DALLAS TEX 21 1130A CST=

OIL CONSERVATION COMMISSION=

SANTA FE NMEX=

RE: CASE 2967 SUN OIL COMPANY IS FARMING OUT AN
INTEREST IN ITS ACREAGE TO THE OPERATORS OF THE
PROPOSED JURNEGAN POINT UNIT IN T24S, RANGES 24 & 25E,
EDDY COUNTY, NEW MEXICO, RATHER THAN PARTICIPATING IN
THE COST OF THE WELL. WE HAVE NO OBJECTION TO THE
12-SECTION UNIT AS OUTLINED TO US BY THE OPERATORS=

A J VIETS=

=2967 T24S 24 25E 12=

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

STANDARD OIL COMPANY OF TEXAS

A DIVISION OF CALIFORNIA OIL COMPANY

P. O. Box 1837
Roswell, New Mexico

January 15, 1964

CASE 2767

GEOLOGICAL REPORT JURNEGAN POINT AREA Eddy County, New Mexico

The Jurnegan Point Unit is proposed to provide for evaluation of a local anomaly along a northwest-southeast trending structural ridge. The Jurnegan Point ridge appears to parallel the Huerfano Monocline, a prominent surface structure located 12 miles to the west. The two features are believed to be genetically related, both resulting from Wolfcampian tectonism. Structural evidences for the Jurnegan Point trend are regional subsurface contours of the Siluro-Devonian strata and the prevailing gravity axis in the immediate area.

Interpretation of aerial photographs reveals an anticlinal anomaly locally coincident with the crest of the Siluro-Devonian subsurface feature. Although many surface folds are evident in the general area, most are due to drapes over Guadalupian reefs. The Jurnegan Point surface anticline is believed to be a valid inference of deep structure because it trends in a direction differing from that of the Capitan Reef complex. It is suggestive of a buttress around which these late Permian age reefs grew, forming a prominence which extended into the Delaware Basin.

The proposed unit outline is designed to encompass the surface feature, to locate within the postulated subsurface anomaly, and to incorporate the axis of the local gravity maximum.

The primary stratigraphic objective in the area is the porous, fractured Siluro-Devonian carbonate section, with additional zones of interest provided by Pennsylvanian and lower Permian rocks. Sufficient well control exists to indicate that a 12,000 foot test will adequately evaluate the primary objective.

A. E. West
A. E. WEST

MRS:ab



STANDARD OIL COMPANY OF TEXAS

A DIVISION OF CALIFORNIA OIL COMPANY

P. O. Box 1837
Roswell, New Mexico

January 15, 1964

GEOLOGICAL REPORT JURNEGAN POINT AREA Eddy County, New Mexico

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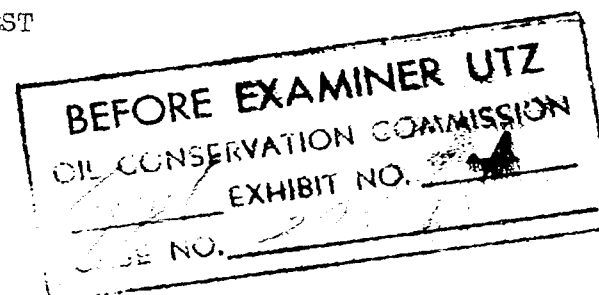
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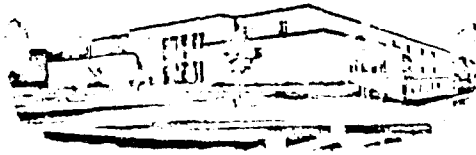
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A. E. West
A. E. WEST

MRS:ab



State of New Mexico



Commissioner of Public Lands

E. S. JOHNNY WALKER
COMMISSIONER



P. O. BOX 791
SANTA FE, NEW MEXICO

January 21, 1964

Standard Oil Company
Roswell, New Mexico

RE: Proposed Jurnegan Point Unit
Eddy County, New Mexico

Attention: Mr. W. G. Smith

Gentlemen:

This office approves as to form and content the
Jurnegan Point Unit Agreement, Eddy County, New Mexico.

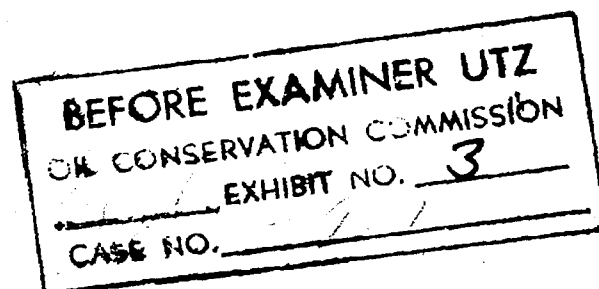
Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

Marian M. Rhea
BY:
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

ESW/mmr/v

cc: Oil Conservation Commission
Santa Fe, New Mexico



State of New Mexico



Commissioner of Public Lands

E. S. JOHNNY WALKER
COMMISSIONER



P. O. BOX 781
SANTA FE, NEW MEXICO

January 21, 1964

Standard Oil Company
Roswell, New Mexico

RE: Proposed Jurnegan Point Unit
Eddy County, New Mexico

Attention: Mr. W. G. Smith

Gentlemen:

This office approves as to form and content the
Jurnegan Point Unit Agreement, Eddy County, New Mexico.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:

Marian M. Rhea
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

ESW/mmr/v

cc: Oil Conservation Commission
Santa Fe, New Mexico



STANDARD OIL COMPANY OF TEXAS

A DIVISION OF CALIFORNIA OIL COMPANY

ES-1000 1 11 12

January 3, 1964
P. O. 1837
Roswell, New Mexico

Case No. 2967
OCC Docket 1-64
Purposed Jurnigan
Point Unit
Eddy County, New Mexico

Oil Conservation Commission
State Land Office Building
Sante Fe, New Mexico

Gentlemen:

The captioned case is scheduled for EXAMINER'S Hearing on Wednesday, January 8, 1964. Please be advised in the preparation for our hearing, we have met with several deterrent factors which will prevent us from presenting our case.

In accordance with the above, we respectfully request that you grant a continuance of the subject case and we would appreciate your placing it on your next published docket.

Thank you kindly for your past courtesies and continued cooperation.

Yours very truly,

W. G. Smith
W. G. Smith
District Landman

WGS:bg

cc - Mr. H. H. Kuester
Mr. H. C. Johnson

DOCKET MAILED

1-10-64

file
Jan 29 1967

January 21, 1967

Standard Oil Company
Newhall, New Mexico

Re: Proposed Jurnegan Point Unit
Eddy County, New Mexico

Attention: Mr. W. G. Smith

Gentlemen:

This office approves as to form and content the
Jurnegan Point Unit Agreement, Eddy County, New Mexico.

Very truly yours,

L. S. JOHNNY WALKER
COMMISSIONER OF LAND

BY:
(Mrs.) Marian S. Walker, Supervisor
Unit Division

cc: Oil Conservation Commission
Santa Fe, New Mexico

Standard Oil Company
Roswell, New Mexico

Re: Spring Lake Point Salt Water
Wells, County, New Mexico

Attention: Mr. W. G. Smith

Gentlemen:

The Commissioner of Public Lands approved of
February 14, 1964, the Spring Point Salt.

We handed Certification of Approval to your Mr.
W. G. Smith.

We are enclosing Official Receipt No. G-35245
in the amount of Sixty (\$60.00) Dollars which covers
the filing fee.

Very truly yours,

E. C. JERRY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

ESW/mm/v

encl:

cc: Oil Conservation Commission

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
JURNEGAN POINT UNIT AREA
EDDY COUNTY, NEW MEXICO

INDEX

<u>SECTION</u>		<u>PAGE</u>
1.	UNIT AREA	2
2.	UNITIZED SUBSTANCES	2
3.	UNIT OPERATOR	3
4.	RESIGNATION OR REMOVAL OF UNIT OPERATOR	3
5.	SUCCESSOR UNIT OPERATOR	4
6.	ACCOUNTING PROVISIONS	4
7.	RIGHTS AND OBLIGATIONS OF UNIT OPERATOR	4
8.	DRILLING TO DISCOVERY	5
9.	OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES	6
10.	PARTICIPATION AFTER DISCOVERY	7
11.	ALLOCATION OF PRODUCTION	8
12.	PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES	8
13.	LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA	9
14.	CONSERVATION	11
15.	DRAINAGE	11
16.	COVENANTS RUN WITH LAND	11
17.	EFFECTIVE DATE AND TERM	11
18.	RATE OF PRODUCTION	12
19.	APPEARANCES	12
20.	NOTICES	12
21.	UNAVOIDABLE DELAY	12
22.	LOSS OF TITLE	13
23.	SUBSEQUENT JOINDER	13
24.	COUNTERPARTS	13

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 2.
CASE NO. 227

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
JURNEGAN POINT UNIT AREA
EDDY COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 20th day of January, 1964,
by and between the parties subscribing, ratifying or consenting hereto, and
herein sometimes referred to as the "parties hereto,"

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty or
other oil and gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Chap. 7, Art. 11, Sec.
39, N.M. Statutes 1953 Annot.), to consent to and approve the development
and operation of State lands under agreements made by lessees of State land
jointly or severally with other lessees where such agreements provide for
the unit operation or development of part of or all of any oil or gas pool,
field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Chap. 7, Art. 11, Sec.
41 N.M. Statutes 1953 Annotated) to amend with the approval of lessee, evi-
denced 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. 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 Jurne-
gan Point 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:

T-24-S, R-24-E NMPM

All of Sections 1, 12 and 13

T-24-S, R-25-E NMPM

All of Sections 4, 5, 6, 7, 8, 9, 16,

17 and 18,

comprising 7,679.84 acres, more or less.

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 rights 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 the unit area render such revisions necessary or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner".

All lands 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 lands are unitized under the terms of this agreement and herein are called

"unitized substances".

3. UNIT OPERATOR: California Oil Company (Standard Oil Company of Texas Division) with offices at Houston, Texas 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 his 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 percent (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, but in any event no later than February 16, 1964, commence ^{drilling} ~~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 Devonian formation or to that shallower depth at which it shall, in the opinion of working interest owners voting in accordance with the provisions of the unit operating agreement, 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 12,000 feet; provided, further, however, that if oil or gas is encountered in paying quantities before reaching the Devonian formation, unit operator may complete the well at such depth, in which event, unit operator shall commence operations on a new well within ninety (90) days after such completion and shall diligently prosecute drilling operations thereon until the Devonian formation is tested or until it shall be determined, in the opinion of working interest owners voting in accordance with the provisions of the unit operating agreement, that the further drilling of said well shall be unwarranted or impracticable but unit operator shall in no event be required to drill said new well to a depth in excess of 12,000 feet. Until a discovery of a deposit of unitized substances (at whatever depth) 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 with the approval of working interest owners voting in accordance with the provisions of the unit operating agreement, shall continue drilling diligently, one well at a time, allowing not more than six (6)

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 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.

Any well commenced prior to the effective date of this agreement upon the unit area and being 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 but no such extension shall be requested by unit operator with respect to the first well for a period beyond February 16, 1964 unless such request is agreed to by all working interest owners. 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 (6) months from the time of the completion of the initial discovery well and within thirty (30) days after the expiration of each twelve-month period thereafter file a report with the Commissioner and the Commission of the status of the development of the unit area and the development contemplated for the following twelve-month 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 term of each such lease as to lands within the unitized area to the provisions and term 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 so 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 may be 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 capable of 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 if 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 by the grantee, transferee or other successor in interest. No assignment or transfer of 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 recorded 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 can be produced from the unitized land in paying quantities, 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 percent (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. DATE 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 interested party shall also have the right at his 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 the 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 substance 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 either by the Commission or 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 ^{approval by} ~~the filing with the Commissioner and 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 of 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 initialed 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.

CALIFORNIA OIL COMPANY

By _____
Attorney in Fact

Date _____

By _____
Attorney in Fact

Address: P. O. Box 1249
Houston Texas 77001

UNIT OPERATOR & WORKING INTEREST OWNER

ATTEST:

Secretary

Date _____

HUMBLE OIL & REFINING COMPANY

By _____
(Title)

Address: _____

ATTEST:

Secretary

Date _____

SUN OIL COMPANY

By _____
(Title)

Address: _____

ATTEST:

Secretary

Date _____

GULF OIL CORPORATION

By _____
Attorney in Fact

Address: _____

ATTEST:

Secretary

Date _____

SHELL OIL COMPANY

By _____
Attorney in Fact

Address: _____

ATTEST:

Secretary

Date _____

MARATHON OIL COMPANY

By _____ (Title)

Address: _____

ATTEST:

Secretary

Date _____

REDFERN DEVELOPMENT COMPANY

By _____ (Title)

Address: _____

Ralph Lowe

(Wife)

WORKING INTEREST OWNERS

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ and _____, Attorneys in Fact for California Oil Company, a California corporation, on behalf of said corporation.

My Commission Expires _____

Notary Public in and for Harris
County, Texas

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ of Humble Oil & Refining Company, a _____ corporation, on behalf of said corporation.

My Commission Expires _____

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ of Sun Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____, Attorney in Fact for Gulf Oil Corporation, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____, Attorney in Fact for Shell Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ of Marathon Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ of Redfern Development Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by Ralph Love and wife, _____.

Notary Public

My Commission Expires _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____.

Notary Public

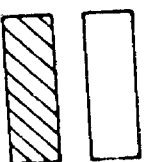
My Commission Expires _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____.

Notary Public

My Commission Expires _____



STATE LAND - 7,159.84 Ac.
 FEE LAND - 520.00 Ac.
 TOTAL 7,679.84 Ac.

① Tract Number as listed on Exhibit B
 --- Unit Outline

EXHIBIT "A"
 JURNEGAN POINT UNIT AREA
 EDDY COUNTY, NEW MEXICO
 SCALE: 2" = 1 MILE

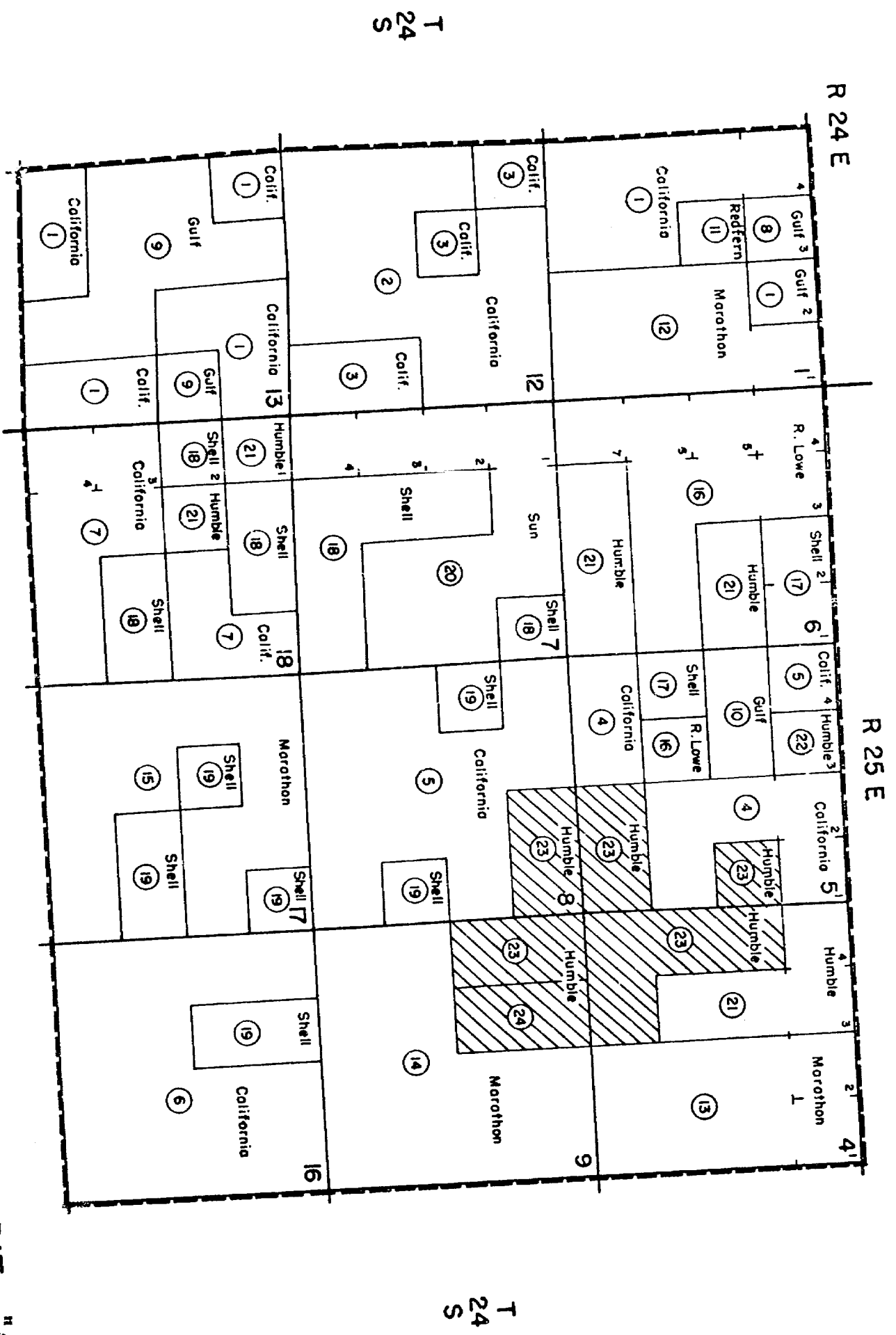


EXHIBIT "B"
JURNEGAN POINT UNIT AREA
Eddy County, New Mexico

Tract No.	Description of Land	Number of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage (Based on 12%)	Lessee of Record	Overriding Royalty & Percentage	Working Interest and Percentage
STATE LANDS							
1.	T24S, R24E, N4EM Sec. 1: Lots 2 & 4, SW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ Sec. 13: NW $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$	600.27	E-8721 12-21-54	State - All	California	None	California - All
2.	T24S, R24E, N4EM Sec. 12: NE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$	480.00	E-7935 2-16-54	State - All	California	None	California - All
3.	T24S, R24E, N4EM Sec. 12: NW $\frac{1}{4}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$	160.00	K-855 10-15-60	State - All	California	None	California - All
4.	T24S, R25E, N4EM Sec. 5: Lots 1, 2, 4, SW $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$	320.31	E-7936 2-16-54	State - All	California	None	California - All
5.	T24S, R25E, N4EM Sec. 8: NW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$	480.00	E-7938 2-16-54	State - All	California	None	California - All
6.	T24S, R25E, N4EM Sec. 16: W $\frac{1}{2}$ NE $\frac{1}{4}$, E $\frac{1}{2}$, SW $\frac{1}{4}$	560.00	E-7942 2-16-54	State - All	California	None	California - All

EXHIBIT "B"

7.	<u>T24S, R25E, N4PM</u> Sec. 10: Lots 3, 4, NE 1/4 NE 1/4, S 1/2 SE 1/4, S 1/2 SW 1/4	359.04	E-7944 2-16-54	State - All	California	None	California - All
8.	<u>T24S, R25E, N4PM</u> Sec. 11: Lot 3	140.14	K-207 2-16-60	State - All	Gulf	None	Gulf - All
9.	<u>T24S, R24E, N4PM</u> Sec. 13: NE 1/4 NW 1/4, S 1/2 NW 1/4, SE 1/4 NW 1/4, W 1/2 SE 1/4, NE 1/4 SW 1/4	320.00	K-359 4-19-60	State - All	Gulf	None	Gulf - All
10.	<u>T24S, R25E, N4PM</u> Sec. 11: S 1/2 NW 1/4	80.00	K-2938 12-18-62	State - All	Gulf	None	Gulf - All
11.	<u>T24S, R24E, N4PM</u> Sec. 11: SE 1/4 NW 1/4	40.00	K-3005 1-15-63	State - All	Redfern	None	Redfern - All
12.	<u>T24S, R24E, N4PM</u> Sec. 11: Lot 1, S 1/2 NW 1/4, SE 1/4	280.03	OG-1234 8-20-57	State - All	Marathon	None	Marathon - All
13.	<u>T24S, R25E, N4PM</u> Sec. 4: Lots 1, 2, S 1/2 NW 1/4, SE 1/4	321.41	E-7932 2-16-54	State - All	Marathon	None	Marathon - All
14.	<u>T24S, R25E, N4PM</u> Sec. 9: NW 1/4, S 1/2	460.00	E-7939 2-16-54	State - All	Marathon	None	Marathon - All
15.	<u>T24S, R25E, N4PM</u> Sec. 17: NW 1/4, S 1/2 NW 1/4, S 1/2 SE 1/4, S 1/2 SW 1/4, S 1/4	430.00	E-7943 2-16-54	State - All	Marathon	None	Marathon - All
16.	<u>T24S, R25E, N4PM</u> Sec. 5: NE 1/4 NW 1/4 Sec. 6: Lots 3, 4, 5, 6, 7, SE 1/4 NW 1/4, NE 1/4 SW 1/4	399.10	K-22 12-15-59	State - All	Ralph Lowe	None	Ralph Lowe - All

EXHIBIT "B"

17.	T24S, R25E, N4PM Sec. 5: NW1/4SW1/4 Sec. 6: Lots 1, 2	113.70	K-113 1-19-60	State - All	Shell	None	Shell - All
18.	T24S, R25E, N4PM Sec. 7: SE1/4NW1/4, NE1/4NE1/4, S1/2SE1/4, R1/2SW1/4 Sec. 18: Lot 2, NE1/4NW1/4, NW1/4NE1/4, N1/2SE1/4	439.76	K-114 1-19-60	State - All	Shell	None	Shell - All
19.	T24S, R25E, N4PM Sec. 8: SW1/4NW1/4, NE1/4SE1/4 Sec. 16: E1/4NW1/4 Sec. 17: SE1/4NW1/4, NE1/4NE1/4, N1/2SE1/4	320.00	K-115 1-19-60	State - All	Shell	None	Shell - All
20.	T24S, R25E, N4PM Sec. 7: Lots 1, 2, 3, 4, NE1/4NW1/4, NW1/4NE1/4, S1/2NE1/4, N1/2SE1/4	399.20	E-7037 2-16-54	State - All	Sun	None	Sun - All
21.	T24S, R25E, N4PM Sec. 4: Lots 3, 4, SE1/4NW1/4, NE1/4SW1/4 Sec. 6: S1/2NE1/4, S1/2SE1/4, SE1/4SW1/4 Sec. 18: Lot 1, SE1/4NW1/4	440.87	E-3722 12-21-54	State - All	Humble	None	Humble - All
22.	T24S, R25E, N4PM Sec. 5: Lot 3	40.01	OG-1235 8-20-57	State - All	Humble	None	Humble - All

22 State Tracts containing 7,159.84 acres or 93.22902% of the Unit Area

EXHIBIT "B"

Tract No.	Description of Land	Number of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage (Based on 12 1/2%)	Lessee of Record	Overriding Royalty & Percentage	Working Interest and Percentage
<u>FEE LANDS</u>							
23.	T24S, R25E, N2PM Sec. 4: S41NW1/4, W1/2SW1/4, S21SW1/4, S21SE1/4	440.00	Fee 2-28-63		Humble	None	Humble - All
	Sec. 5: S21NE1/4, S1/2SE1/4 Sec. 8: N1/2NE1/4, W1/2NW1/4 Sec. 9: W1/2NW1/4						
24.	T24S, R25E, N2PM Sec. 9: E1/2NW1/4	80.00	Fee 12-7-59		Humble	None	Humble - All
				John Guitier, Jr., Repps B. Guitier and Earl B. Guitier, Trustees of the Guitier Trust Estate - 1/2 C. P. Pardue - 1/4 Bruce D. Pardue - 1/8 Maurice P. Pardue-1/8			

2 Fee Tracts containing 520 acres or 6.77098% of the Unit Area

As used in this Exhibit, California refers to California Oil Company, Marathon refers to Marathon Oil Company, Humble refers to Humble Oil & Refining Company, Gulf refers to Gulf Oil Corporation, Shell refers to Shell Oil Company, Sun refers to Sun Oil Company, and Redfern refers to Redfern Development Company.

<u>RECAPITULATION</u>	
Type of Acreage	Acres
22 State Tracts	7,159.84
2 Fee Tracts	520.00
24 Total	7,679.84
<u>Per Cent of Unit Area</u>	
	93.22902%
	6.77098%
	100.00000%

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
JURNEGAN POINT UNIT AREA
EDDY COUNTY, NEW MEXICO

*1000
2907*

INDEX

<u>SECTION</u>		<u>PAGE</u>
1.	UNIT AREA	2
2.	UNITIZED SUBSTANCES	2
3.	UNIT OPERATOR	3
4.	RESIGNATION OR REMOVAL OF UNIT OPERATOR	3
5.	SUCCESSOR UNIT OPERATOR	4
6.	ACCOUNTING PROVISIONS	4
7.	RIGHTS AND OBLIGATIONS OF UNIT OPERATOR	4
8.	DRILLING TO DISCOVERY	5
9.	OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES	6
10.	PARTICIPATION AFTER DISCOVERY	7
11.	ALLOCATION OF PRODUCTION	8
12.	PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES	8
13.	LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA	9
14.	CONSERVATION	11
15.	DRAINAGE	11
16.	COVENANTS RUN WITH LAND	11
17.	EFFECTIVE DATE AND TERM	11
18.	RATE OF PRODUCTION	12
19.	APPEARANCES	12
20.	NOTICES	12
21.	UNAVOIDABLE DELAY	12
22.	LOSS OF TITLE	13
23.	SUBSEQUENT JOINDER	13
24.	COUNTERPARTS	13

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
JURNEGAN POINT UNIT AREA
EDDY COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 20th day of January, 1964,
by and between the parties subscribing, ratifying or consenting hereto, and
herein sometimes referred to as the "parties hereto,"

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty or
other oil and gas interests in the unit area subject to this agreement; and

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Chap. 7, Art. 11, Sec.
39, N.M. Statutes 1953 Annot.), to consent to and approve the development
and operation of State lands under agreements made by lessees of State land
jointly or severally with other lessees where such agreements provide for
the unit operation or development of part of or all of any oil or gas pool,
field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New
Mexico is authorized by an Act of the Legislature (Chap. 7, Art. 11, Sec.
41 N.M. Statutes 1953 Annotated) to amend with the approval of lessee, evi-
denced 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. 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 Jurne-
gan Point 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 promises 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:

T-24-S, R-24-E NMPM

All of Sections 1, 12 and 13

T-24-S, R-25-E NMPM

All of Sections 4, 5, 6, 7, 8, 9, 16,

17 and 18,

comprising 7,679.34 acres, more or less.

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 rights 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 the unit area render such revisions necessary or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner".

All lands 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 lands are unitized under the terms of this agreement and herein are called

"unitized substances".

3. UNIT OPERATOR: California Oil Company (Standard Oil Company of Texas Division) with offices at Houston, Texas 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 his 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 percent (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, but in any event no later than February 16, 1964, commence drilling 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 Devonian formation or to that shallower depth at which it shall, in the opinion of working interest owners voting in accordance with the provisions of the unit operating agreement, 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 12,000 feet; provided, further, however, that if oil or gas is encountered in paying quantities before reaching the Devonian formation, unit operator may complete the well at such depth, in which event, unit operator shall commence operations on a new well within ninety (90) days after such completion and shall diligently prosecute drilling operations thereon until the Devonian formation is tested or until it shall be determined, in the opinion of working interest owners voting in accordance with the provisions of the unit operating agreement, that the further drilling of said well shall be unwarranted or impracticable but unit operator shall in no event be required to drill said new well to a depth in excess of 12,000 feet. Until a discovery of a deposit of unitized substances (at whatever depth) 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 with the approval of working interest owners voting in accordance with the provisions of the unit operating agreement, shall continue drilling diligently, one well at a time, allowing not more than six (6)

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 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.

Any well commenced prior to the effective date of this agreement upon the unit area and being 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 but no such extension shall be requested by unit operator with respect to the first well for a period beyond February 16, 1964 unless such request is agreed to by all working interest owners. 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 (6) months from the time of the completion of the initial discovery well and within thirty (30) days after the expiration of each twelve-month period thereafter file a report with the Commissioner and the Commission of the status of the development of the unit area and the development contemplated for the following twelve-month 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 term of each such lease as to lands within the unitized area to the provisions and term 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 so 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 may be provided in Section 9 hereof.

Any lease embracing State of New Mexico lands or fee lands 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 or fee lands 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 capable of 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 the lease shall remain in full force and effect so long as such operations are being diligently prosecuted, and if 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 by the grantee, transferee or other successor in interest. No assignment or transfer of 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 recorded 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 can be produced from the unitized land in paying quantities, 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 percent (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 interested party shall also have the right at his 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 the 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 either by the Commission or 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 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 of 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.

Date 2-7-64

CALIFORNIA OIL COMPANY
By G. R. Taylor
Attorney in Fact
By J. H. Domin
Attorney in Fact

Address: P. O. Box 1249
Houston Texas 77001

UNIT OPERATOR & WORKING INTEREST OWNER

ATTEST:

Secretary

Date _____

HUMBLE OIL & REFINING COMPANY

By _____
(Title)

Address: _____

ATTEST:

Secretary

Date _____

SUN OIL COMPANY

By _____
(Title)

Address: _____

ATTEST:

Secretary

Date _____

GULF OIL CORPORATION

By _____
Attorney in Fact

Address: _____

ATTEST:

Secretary

Date _____

SHELL OIL COMPANY

By _____
Attorney in Fact

Address: _____

ATTEST:

Secretary

Date FEB - 7 1964

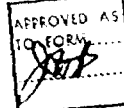
MARATHON OIL COMPANY

By

(Title)

Address: P.O. Box 552

Midland, Texas



ATTEST:

Secretary

Date

REDFERN DEVELOPMENT COMPANY

By

(Title)

Address:

Ralph Lowe

(Wife)

WORKING INTEREST OWNERS

Mr M. Wilson

Mrs M. Wilson

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 7th day of February, 1964, by M. E. TAYLOR and H. L. SMITH, Attorneys in fact for California Oil Company, a California corporation, on behalf of said corporation.

Barbara Robertson
Notary Public in and for Harris
County, Texas

My Commission Expires
BARBARA ROBERTSON

Notary Public in and for Harris County, Texas

My Commission Expires June 1, 1965

STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this ___ day of ___, 1964, by ___ of Humble Oil & Refining Company, a ___ corporation, on behalf of said corporation.

My Commission Expires

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____, _____ of Gulf Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____, Attorney in Fact for Gulf Oil Corporation, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____, Attorney in Fact for Shell Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF Texas

COUNTY OF Harris

The foregoing instrument was acknowledged before me this 7th day of February, 1964, by H. M. Wilson, Asst. Dir. Manager of Marathon Oil Company, a Del. corporation, on behalf of said corporation.

Irma Green
Notary Public

My Commission Expires _____

IRMA GREEN
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ of Redfern Development Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by Ralph Lowe and wife, _____.

Notary Public

My Commission Expires _____

STATE OF New Mexico

COUNTY OF Santa Fe

The foregoing instrument was acknowledged before me this 14th day of February, 1964, by Mr. W. Wilson & Helen M. Wilson, his wife.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____.

Notary Public

My Commission Expires _____

ATTEST:

Secretary

Date FEB - 7 1964

ATTEST:

Secretary

Date _____

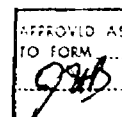
MARATHON OIL COMPANY

By [Signature] (P.M. Wilson)

(Title)

Address: P.O. Box 552

Midland, Texas



NORTHERN DEVELOPMENT COMPANY

By _____ (Title)

Address: _____

[Signature]
Ralph Lowe

[Signature]
(Wife)

WORKING INTEREST OWNERS

[Signature]

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 7th day of February 1964, by V. E. TAYLOR and H. L. SMITH, Attorneys in Fact for California Oil Company, a California corporation, on behalf of said corporation.

[Signature]
Notary Public in and for Harris
County, Texas

My Commission Expires

BARBARA ROBERTSON

Notary Public in and for Harris County, Texas

My Commission Expires June 1, 1965

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ of Humble Oil & Refining Company, a _____ corporation, on behalf of said corporation.

My Commission Expires

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____ of Redfern Development Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF Texas

COUNTY OF Midland

The foregoing instrument was acknowledged before me this 13th day of February, 1964, by Ralph Lowe and wife, Erma Lowe.

Jay R. Leach
Notary Public

My Commission Expires _____

June 1, 1965

STATE OF New Mexico

COUNTY OF Santa Fe

The foregoing instrument was acknowledged before me this 14th day of February, 1964, by Mrs. M. Wilson & Helen M. Wilson, his wife

Shamir M. Wright
Notary Public

My Commission Expires _____

9-30-67

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____.

Notary Public

My Commission Expires _____

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.

CALIFORNIA OIL COMPANY

By _____
Attorney in Fact

Date _____

By _____
Attorney in Fact

Address: P. O. Box 1249
Houston Texas 77001

UNIT OPERATOR & WORKING INTEREST OWNER

ATTEST:

Secretary

Date _____

HUMBLE OIL & REFINING COMPANY

By _____
(Title)

Address: _____

ATTEST:

Secretary

Date _____

SUN OIL COMPANY

By _____
(Title)

Address: _____

ATTEST:

J. A. R. [Signature]
Secretary

Date FEB 1, 1976

GULF OIL CORPORATION

By *[Signature]*
Attorney in Fact

Address: P. O. BOX 1033
ROSWELL, N.M. MEXICO 88201

ATTEST:

Secretary

Date _____

SHELL OIL COMPANY

By _____
Attorney in Fact

Address: _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ of Sun Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF ILLINOIS

COUNTY OF JEFFERSON

The foregoing instrument was acknowledged before me this 12 day of February, 1964, by E. O. MORLOCK, Attorney in Fact for Gulf Oil Corporation, a PENNSYLVANIA corporation, on behalf of said corporation.

Don M. Cooper
Notary Public

My Commission Expires _____

My Commission Expires August 15, 1966

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____, Attorney in Fact for Shell Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ of Marathon Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

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.

CALIFORNIA OIL COMPANY

By _____
Attorney in Fact

Date _____

By _____
Attorney in Fact

Address: P. O. Box 1249
Houston Texas 77001

UNIT OPERATOR & WORKING INTEREST OWNER

ATTEST:

Secretary

Date _____

HUMBLE OIL & REFINING COMPANY

By _____
(Title)

Address: _____

~~ATTEST:~~

Secretary

Date _____

SUN OIL COMPANY

By Deirdre A. Corbille *mbt*
Agent and Attorney in Fact (Title) *ad*

Address: P.O. Box 2880

DALLAS, TEXAS

ATTEST:

Secretary

Date _____

GULF OIL CORPORATION

By _____
Attorney in Fact

Address: _____

ATTEST:

Secretary

Date _____

SHELL OIL COMPANY

By _____
Attorney in Fact

Address: _____

STATE OF TEXAS

COUNTY OF DALLAS

The foregoing instrument was acknowledged before me this 14 day of FEBRUARY, 1964, by Cecil R. Colville, Agent and Attorney in Fact of Sun Oil Company, a New Jersey corporation, on behalf of said corporation.

[Signature]
Notary Public

My Commission Expires 6-1-64

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney in Fact for Gulf Oil Corporation, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney in Fact for Shell Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, _____ of Marathon Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE LAND - 7,159.84 Ac.
 FEE LAND - 520.00 Ac.
 TOTAL 7,679.84 Ac.

① Tract Number as listed on Exhibit B
 --- Unit Outline

EXHIBIT "A"
 JURNEGAN POINT UNIT AREA
 EDDY COUNTY, NEW MEXICO

SCALE: 2" = 1 MILE

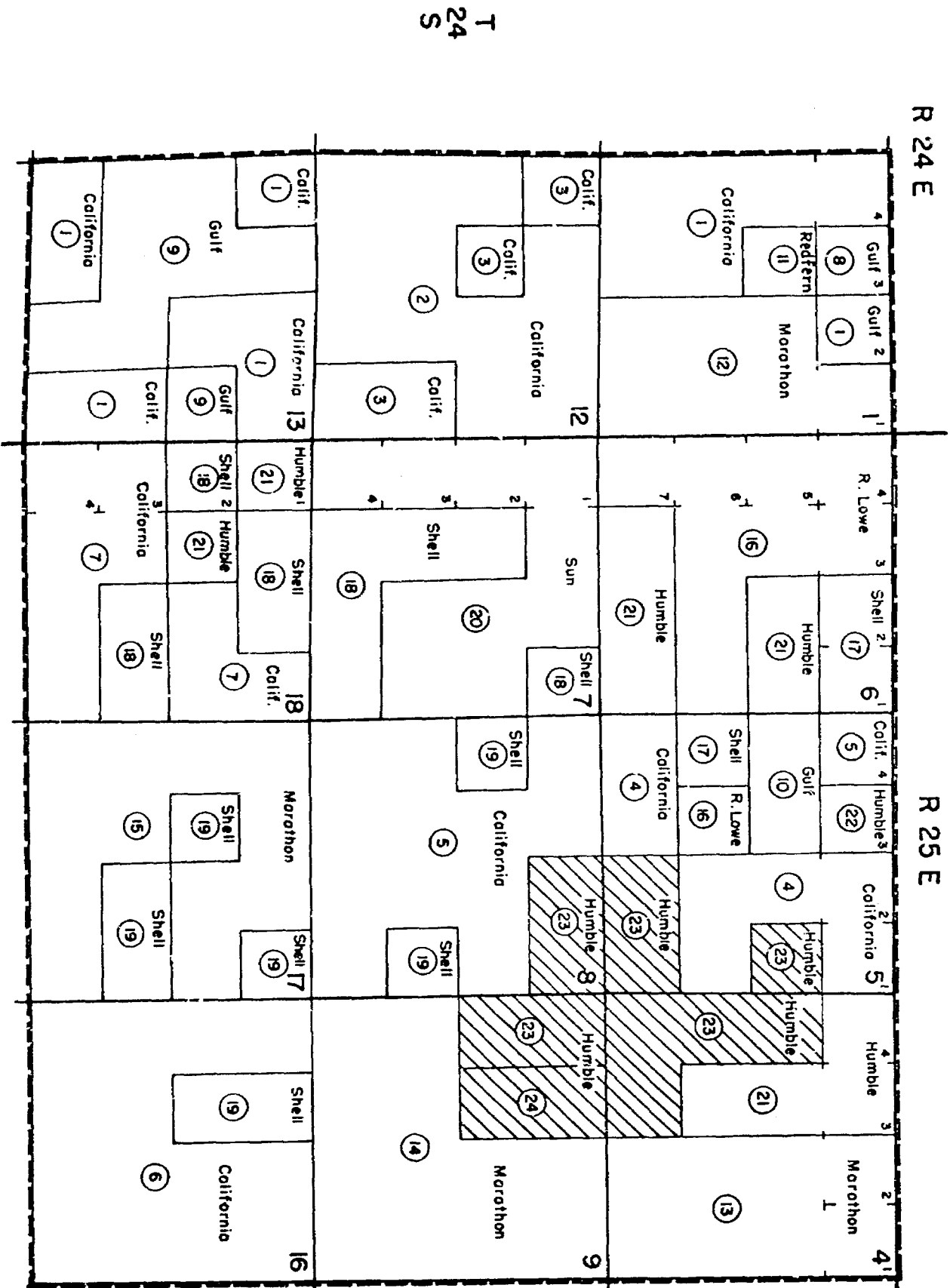


EXHIBIT "B"
JURNEGAN POINT UNIT AREA
Eddy County, New Mexico

Section	Description	Number of Acres	Serial No. & Date of Lease	Basic Royalty & Percentage (Based on 12 3/4%)	Lessee of Record	Overriding Royalty & Percentage	Working Interest and Percentage
1.	<p>T24S, R24E, N40W Sec. 1: Lots 2 & 3 S24NW, S24E Sec. 13: N40NW, N40NE, S24NW, S24E, S2SW</p>	600.27	E-7921 12-21-54	State - All	California	None	California - All
2.	<p>T24S, R24E, N40W Sec. 12: N40NW, S24NW, N40E, S2SW, S2E</p>	400.00	E-7935 2-16-54	State - All	California	None	California - All
3.	<p>T24S, R24E, N40W Sec. 12: N40NW, S24NW, S2SW</p>	150.00	K-855 10-18-60	State - All	California	None	California - All
4.	<p>T24S, R25E, N40W Sec. 9: Lots 1, 2, 3 S24NW, S2SW, S2SE</p>	320.31	E-7936 2-16-54	State - All	California	None	California - All
5.	<p>T24S, R25E, N40W Sec. 9: N40NW, S24NW, S2SW, N40SE, S2SE, S2E</p>	400.00	E-7933 2-16-54	State - All	California	None	California - All
6.	<p>T24S, R25E, N40W Sec. 10: N40NW, S2E, S2E</p>	560.00	E-7942 2-16-54	State - All	California	None	California - All

1.	724-S, 3253, 1224 Sec. 1: Lots 3, 4, 1224 S253, S253, S253, S253	359.04	E-7944 2-16-54	State - All	California	None	California - All
2.	724-S, 3253, 1224 Sec. 1: Lot 3	40.14	K-207 2-16-60	State - All	Gulf	None	Gulf - All
3.	724-S, 3253, 1224 Sec. 1: Lot 3	320.60	K-359 4-19-60	State - All	Gulf	None	Gulf - All
4.	724-S, 3253, 1224 Sec. 1: Lot 3	80.00	K-2938 12-16-62	State - All	Gulf	None	Gulf - All
5.	724-S, 3253, 1224 Sec. 1: Lot 3	40.00	K-3005 1-15-63	State - All	Redfern	None	Redfern - All
6.	724-S, 3253, 1224 Sec. 1: Lot 3	230.03	06-1234 8-20-57	State - All	Marathon	None	Marathon - All
7.	724-S, 3253, 1224 Sec. 1: Lot 3	321.44	E-7932 2-16-54	State - All	Marathon	None	Marathon - All
8.	724-S, 3253, 1224 Sec. 1: Lot 3	400.00	E-7939 2-16-54	State - All	Marathon	None	Marathon - All
9.	724-S, 3253, 1224 Sec. 1: Lot 3	400.00	E-7943 2-16-54	State - All	Marathon	None	Marathon - All
10.	724-S, 3253, 1224 Sec. 1: Lot 3	399.10	K-22 12-15-59	State - All	Ralph Lowe	None	Ralph Lowe - All

1.	2248, 2253, 2254 Sec. 1: 12/5/54 Sec. 2: 12/5/54, 2	129.70	K-113 1-13-60	State - All	Shell	None	Shell - All
2.	2248, 2253, 2254 Sec. 1: 12/5/54, 12/5/54 Sec. 2: 12/5/54, 12/5/54 Sec. 3: 12/5/54, 12/5/54	439.70	K-114 1-13-60	State - All	Shell	None	Shell - All
3.	2248, 2253, 2254 Sec. 1: 12/5/54, 12/5/54 Sec. 2: 12/5/54, 12/5/54 Sec. 3: 12/5/54, 12/5/54	380.00	K-115 1-13-60	State - All	Shell	None	Shell - All
4.	2248, 2253, 2254 Sec. 1: 12/5/54, 12/5/54 Sec. 2: 12/5/54, 12/5/54 Sec. 3: 12/5/54, 12/5/54	31.20	E-7937 2-13-54	State - All	Sun	None	Sun - All
5.	2248, 2253, 2254 Sec. 1: 12/5/54, 12/5/54 Sec. 2: 12/5/54, 12/5/54 Sec. 3: 12/5/54, 12/5/54	440.97	E-6722 12-21-54	State - All	Humble	None	Humble - All
6.	2248, 2253, 2254 Sec. 1: 12/5/54, 12/5/54 Sec. 2: 12/5/54, 12/5/54 Sec. 3: 12/5/54, 12/5/54	40.01	OG-1235 3-20-57	State - All	Humble	None	Humble - All

On 2/28/58, containing 1,111.04 acres of 33.22302% of the Unit Area

Tract or Block of Acres	Serial No. & Date of Lease (Based on 125%)	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest and Percentage

[illegible]

containing 920 acres or 0.770999 of the Unit Area

As used in this Exhibit, California refers to California Oil Company, Marathon refers to Marathon Oil Company, the word Gulf refers to Gulf Oil Corporation, Shell refers to Shell Oil Company, Standard refers to Standard Oil Company, and Redfern refers to Redfern Development Company.

<u>RECAPITULATION</u>	
<u>Type of Acreage</u>	<u>Acres</u>
22 State Tracts	7,159.84
2 Fee Tracts	<u>520.00</u>
24 Total	7,679.84

<u>Type of Acreage</u>	<u>Per Cent of Unit Area</u>
22 State Tracts	93.22902%
2 Fee Tracts	<u>5.77098%</u>
24 Total	100.00000%

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission



LAND COMMISSIONER
E. B. JOHNNY WALKER
MEMBER

P. O. BOX 871
SANTA FE

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

January 24, 1964

Mr. E. Kirk Newman
239 Petroleum Building
Roswell, New Mexico

Re: Case No. 2967
Order No. R-2641
Applicant:

Standard Oil Company of Texas

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ix/

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Astec OCC

OTHER

NEW MEXICO OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
JURNEGAN POINT UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

ad 296)

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Comes the undersigned, California Oil Company (Standard Oil Company of Texas Division), with offices at Houston, Texas, and files herewith three copies of the proposed Unit Agreement for the Development and Operation of the Jurnegan Point Unit Area, Eddy County, New Mexico, and hereby makes application for the approval of said Unit Agreement as provided by law, and in support thereof states:

1. That the proposed unit area covered by said agreement embraces 7,679.84 acres, more or less, more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN

Township 24 South, Range 24 East

Sections 1, 12 and 13 - All

Township 24 South, Range 25 East

Sections 4, 5, 6, 7, 8, 9,
16, 17 and 18 - All

2. That of the lands embraced within the proposed unit area 7,159.84 acres are lands of the State of New Mexico and 520 acres are fee or privately owned lands.
3. That application is being made for the designation of said unit area and for the approval of the form of said Unit Agreement by the Commissioner of Public Lands of the State of New Mexico.
4. That applicant is informed and believes, and upon such information and belief states, that the proposed unit area contains all or substantially all of the geological features involved, and that in the event of the discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

5. That the California Oil Company (Standard Oil Company of Texas Division), is designated as the Unit Operator in said Unit Agreement, and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an initial test well to a depth sufficient to test the Devonian formation, but that applicant is not obligated to drill said well, in any event, to a depth in excess of 12,000 feet.

6. That applicant believes that in the event oil or gas in paying quantities is discovered on the lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that the maximum recovery will be obtained of unitized substances, and that said Unit Agreement is in the interest of conservation and prevention of waste as contemplated by the New Mexico Oil Conservation Commission statutes and regulation.

7. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico, an approved copy will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of the approval of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste.

DATED this 2nd day of January, 1964.

Respectfully submitted,

CALIFORNIA OIL COMPANY

By V. Z. Juyler
Attorney in Fact

By W. H. Dominick
Attorney in Fact

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
JURNEGAN POINT UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Comes the undersigned, California Oil Company (Standard Oil Company of Texas Division), with offices at Houston, Texas, and files herewith three copies of the proposed Unit Agreement for the Development and Operation of the Jurnegan Point Unit Area, Eddy County, New Mexico, and hereby makes application for the approval of said Unit Agreement as provided by law, and in support thereof states:

1. That the proposed unit area covered by said agreement embraces 7,679.84 acres, more or less, more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN

Township 24 South, Range 24 East

Sections 1, 12 and 13 - All

Township 24 South, Range 25 East

Sections 4, 5, 6, 7, 8, 9,
16, 17 and 18 - All

2. That of the lands embraced within the proposed unit area 7,159.84 acres are lands of the State of New Mexico and 520 acres are fee or privately owned lands.

3. That application is being made for the designation of said unit area and for the approval of the form of said Unit Agreement by the Commissioner of Public Lands of the State of New Mexico.

4. That applicant is informed and believes, and upon such information and belief states, that the proposed unit area contains all or substantially all of the geological features involved, and that in the event of the discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

5. That the California Oil Company (Standard Oil Company of Texas Division), is designated as the Unit Operator in said Unit Agreement, and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an initial test well to a depth sufficient to test the Devonian formation, but that applicant is not obligated to drill said well, in any event, to a depth in excess of 12,000 feet.

6. That applicant believes that in the event oil or gas in paying quantities is discovered on the lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that the maximum recovery will be obtained of unitized substances, and that said Unit Agreement is in the interest of conservation and prevention of waste as contemplated by the New Mexico Oil Conservation Commission statutes and regulation.

7. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico, an approved copy will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of the approval of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste.

DATED this 2nd day of January, 1964.

Respectfully submitted,

CALIFORNIA OIL COMPANY

By _____
Attorney in Fact

By _____
Attorney in Fact

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
JURNEGAN POINT UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

Comes the undersigned, California Oil Company (Standard Oil Company of Texas Division), with offices at Houston, Texas, and files herewith three copies of the proposed Unit Agreement for the Development and Operation of the Jurnegan Point Unit Area, Eddy County, New Mexico, and hereby makes application for the approval of said Unit Agreement as provided by law, and in support thereof states:

1. That the proposed unit area covered by said agreement embraces 7,679.84 acres, more or less, more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN

Township 24 South, Range 24 East

Sections 1, 12 and 13 - All

Township 24 South, Range 25 East

Sections 4, 5, 6, 7, 8, 9,
16, 17 and 18 - All

2. That of the lands embraced within the proposed unit area 7,159.84 acres are lands of the State of New Mexico and 520 acres are fee or privately owned lands.

3. That application is being made for the designation of said unit area and for the approval of the form of said Unit Agreement by the Commissioner of Public Lands of the State of New Mexico.

4. That applicant is informed and believes, and upon such information and belief states, that the proposed unit area contains all or substantially all of the geological features involved, and that in the event of the discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

5. That the California Oil Company (Standard Oil Company of Texas Division), is designated as the Unit Operator in said Unit Agreement, and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an initial test well to a depth sufficient to test the Devonian formation, but that applicant is not obligated to drill said well, in any event, to a depth in excess of 12,000 feet.

6. That applicant believes that in the event oil or gas in paying quantities is discovered on the lands within the unit area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that the maximum recovery will be obtained of unitized substances, and that said Unit Agreement is in the interest of conservation and prevention of waste as contemplated by the New Mexico Oil Conservation Commission statutes and regulation.

7. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval thereof by the Commissioner of Public Lands of the State of New Mexico, an approved copy will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of the approval of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste.

DATED this 2nd day of January, 1964.

Respectfully submitted,

CALIFORNIA OIL COMPANY

By _____
Attorney in Fact

By _____
Attorney in Fact

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. 2967
Order No. R-2641

APPLICATION OF STANDARD OIL COMPANY
OF TEXAS FOR APPROVAL OF THE JURNEGAN
POINT UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
January 22, 1964, at Santa Fe, New Mexico, before Examiner Elvis
A. Utz.

NOW, on this 24th day of January, 1964, 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, Standard Oil Company of Texas,
seeks approval of the Jurnegan Point Unit Agreement covering
7,680 acres, more or less, of state and fee land in Township
24 South, Ranges 24 and 25 East, NMPM, Eddy County, New Mexico.

(3) That approval of the proposed Jurnegan Point Unit
Agreement will in principle tend to promote the conservation of
oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Jurnegan Point Unit Agreement is hereby
approved.

CASE No. 2967
Order No. R-2641

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Jurnegan Point Unit Area, and such plan shall be known as the Jurnegan Point Unit Agreement Plan.

(3) That the Jurnegan Point Unit Agreement Plan 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 Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Jurnegan Point Unit, or relative to the production of oil or gas therefrom.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO
TOWNSHIP 24 SOUTH, RANGE 24 EAST

Section 1: All
Section 12: All
Section 13: All

TOWNSHIP 24 SOUTH, RANGE 25 EAST

Sections 4 through 9: All
Sections 16 through 18: All

containing 7,680 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Jurnegan Point Unit Agreement within 30 days after the effective date thereof. 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.

-3-

CASE No. 2967
Order No. R-2641

(6) 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 shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

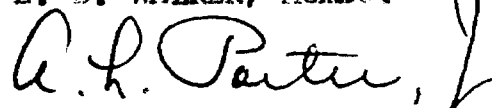
(7) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

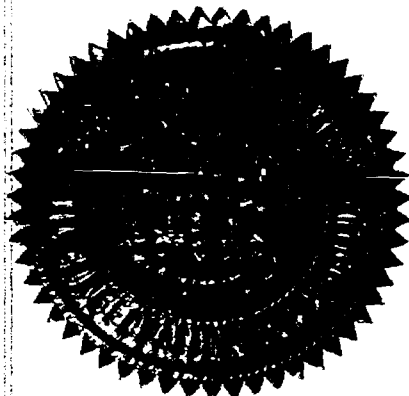
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JACK M. CAMPBELL, Chairman


E. S. WALKER, Member


A. L. PORTER, Jr., Member & Secretary



esr/

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO


JURGEN G. ENCHART
EDDY 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 January 20, 1964, which has been executed or is to be 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, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 14th day of February 19 64.


Commissioner of Public Lands
of the State of New Mexico

DESIGNATION OF OPERATOR AND
DESIGNATION OF SUCCESSOR OPERATOR
JURNEGAN POINT UNIT
SANTA FE COUNTY, NEW MEXICO

THIS AGREEMENT made and entered into as of the tenth day of February, 1964, by and between the undersigned owners of unified working interests and operating rights in the Jurnegan Point Unit Area,

W I T N E S S E T H:

WHEREAS, heretofore under date of January 20, 1964, the undersigned parties hereto, other than Max M. Wilson, entered into a unit agreement for the development and operation of the Jurnegan Point Unit Area, which said unit agreement has been approved by the Commissioner of Public Lands of the State of New Mexico, and

WHEREAS, California Oil Company, named as Operator of the unit area in the said Unit Agreement and in the Unit Operating agreement entered into in conjunction therewith, desires to resign as Unit Operator and the undersigned parties hereto desire to designate and appoint Max M. Wilson as successor Unit Operator;

NOW, THEREFORE, in consideration of the mutuality hereof it is covenanted and agreed by and between the undersigned parties hereto as follows:

1. California Oil Company has and does hereby resign as Unit Operator of the Jurnegan Point Unit effective as of this day upon approval hereof and approval of the designation of a successor Unit Operator by the Commissioner of Public Lands of the State of New Mexico.
2. Max M. Wilson is hereby designated and appointed Operator of the Jurnegan Point Unit Area and by these presents covenants and agrees to fulfill the duties and assume the obligations of Unit Operator under and pursuant to the terms of the Jurnegan Point Unit Agreement and the Unit Operating Agreement entered into in conjunction therewith, this designation to be effective as of this date upon approval hereof by the Commissioner of Public Lands of the State of New Mexico.
3. This agreement may be executed in counterparts and shall be binding upon any party executing any copy hereof or a ratification hereof the same as though all parties had executed the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed this agree-
ment as of the day and date first hereinabove written.

CALIFORNIA OIL COMPANY

By

Attorney in Fact

By

Attorney in Fact

Date FEB 7 64

Address: P. O. Box 1249
Houston, Texas 77001

ATTEST:

Secretary

Date

ATTEST:

Secretary

Date

ATTEST:

Secretary

Date

ATTEST:

Secretary

Date

HUMBLE OIL & REFINING COMPANY

By

(Title)

Address:

SUN OIL COMPANY

By

(Title)

Address:

GULF OIL CORPORATION

By

Attorney in Fact

Address:

SHELL OIL COMPANY

By

Attorney in Fact

Address:

MARATHON OIL COMPANY

By

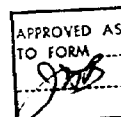
ASSISTANT DIVISION MANAGER (Title)

Address: Box 557

Midland, Tex.

Date FEB - 7 1964

R. M. WILSON



ATTEST:

REOFERN DEVELOPMENT COMPANY

Secretary

By _____
(Title)

Date _____

Address: _____

Ralph Lowe

(Wife)

Max M. Wilson

Helen M. Wilson

STATE OF TEXAS
COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 7th day of February 1964, by N. L. TAYLOR and H. L. SMITH, Attorneys in Fact for California Oil Company, a California corporation, on behalf of said corporation.

BARBARA ROBERTSON
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965

Notary Public in and for Harris
County, Texas

My Commission Expires _____

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____ of Humble Oil & Refining Company, a _____ corporation, on behalf of said corporation.

My Commission Expires _____

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____, of Sun Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____, Attorney in Fact for Gulf Oil Corporation, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____, Attorney in Fact for Shell Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF Texas

COUNTY OF Harris

The foregoing instrument was acknowledged before me this 22nd day of February, 1964, by R. M. Wilson, ASSISTANT DIVISION MANAGER of Marathon Oil Company, a Texaco corporation, on behalf of said corporation.

Irma Green
Notary Public

My Commission Expires _____

IRMA GREEN
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____ of Redfern Development Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF Texas

COUNTY OF Midland

The foregoing instrument was acknowledged before me this 13th day of February, 1964, by Ralph Lowe and wife, Erma Lowe.

Joyce R. Leach
Notary Public

My Commission Expires _____

June 1, 1965

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this 14th day of February, 1964, by Max M. Wilson, and Helen M. Wilson, his wife.

Hoover R. Hughes
Notary Public

My Commission Expires _____

9-30-67

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____.

Notary Public

My Commission Expires _____

IN WITNESS WHEREOF, the parties hereto have executed this agree-
ment as of the day and date first hereinsabove written.

CALIFORNIA OIL COMPANY

By

Attorney in Fact

By

Attorney in Fact

Date FEB 7 1964

Address: P. O. Box 1249
Houston, Texas 77001

ATTEST:

Secretary

Date

ATTEST:

Secretary

Date

ATTEST:

Secretary

Date

ATTEST:

Secretary

Date

HUMBLE OIL & REFINING COMPANY

By

Bill R. Payne

AGENT AND ATTORNEY-IN-FACT

(Title)

Address:

BOX #1600, MIDLAND, TEXAS

SUN OIL COMPANY

By

(Title)

Address:

GULF OIL CORPORATION

By

Attorney in Fact

Address:

SHELL OIL COMPANY

By

Attorney in Fact

Address:

MARATHON OIL COMPANY

By

ASSISTANT DIVISION MANAGER (Title)

Address: P. O. Box 552

Midland, Texas

Date FEB - 7 1964

R. M. WILSON



ATTEST:

Secretary

Date _____

RECONSTRUCTION DEVELOPMENT COMPANY

By _____ (Title)

Address: _____

Ralph Lowe

(Wife)
Max M. Wilson
Max M. Wilson

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 7th day of February, 1964, by V. L. TAYLOR and H. L. SMITH, Attorneys in Fact for California Oil Company, a California corporation, on behalf of said corporation.

BARBARA ROBERTSON
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965

Barbara Robertson
Notary Public in and for Harris
County, Texas

My Commission Expires _____

STATE OF Texas

COUNTY OF Midland

The foregoing instrument was acknowledged before me this 13th day of February, 1964, by Bill R. Payne, Agent And Attorney-in-Fact of Humble Oil & Refining Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires
My Commission Expires June 1, 1965

Mary Sue Sloan
Notary Public
MARY SUE SLOAN
NOTARY PUBLIC IN AND FOR
MIDLAND COUNTY, TEXAS

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and date first hereinabove written.

CALIFORNIA OIL COMPANY

By _____
Attorney in Fact

Date _____

By _____
Attorney in Fact

Address: P. O. Box 1249
Houston, Texas 77001

ATTEST:

Secretary

Date _____

HUMBLE OIL & REFINING COMPANY

By _____
(Title)

Address: _____

ATTEST:

Secretary

Date _____

SUN OIL COMPANY

By _____
(Title)

Address: _____

ATTEST:

C. LaRue

Secretary

Date FEB 21 1964

GULF OIL CORPORATION

By *[Signature]*

Attorney in Fact

Address: P. O. BOX 1838
ROCKWELL, NEW MEXICO 88201

Law	<i>WOK</i>
Notary	<i>9-6-64</i>
Pro.	

ATTEST:

Secretary

Date _____

SHELL OIL COMPANY

By _____
Attorney in Fact

Address: _____

MARATHON OIL COMPANY

By _____
(Title)

Address: _____

Date _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ of Sun Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this 12 day of January, 1964, by _____, Attorney in Fact for Gulf Oil Corporation, a _____ corporation, on behalf of said corporation.

E. M. Coyle

Notary Public

My Commission Expires _____

My Commission Expires August 15, 1964

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____, Attorney in Fact for Shell Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this ____ day of _____, 1964, by _____ of Marathon Oil Company, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires _____

STANDARD OIL COMPANY OF TEXAS

A DIVISION OF CALIFORNIA OIL COMPANY

P. O. Box 1837
Roswell, New Mexico

January 15, 1964

GEOLOGICAL REPORT JURNEGAN POINT AREA Eddy County, New Mexico

The Jurnegan Point Unit is proposed to provide for evaluation of a local anomaly along a northwest-southeast trending structural ridge. The Jurnegan Point ridge appears to parallel the Huerfano Monocline, a prominent surface structure located 12 miles to the west. The two features are believed to be genetically related, both resulting from Wolfcampian tectonism. Structural evidences for the Jurnegan Point trend are regional subsurface contours of the Siluro-Devonian strata and the prevailing gravity axis in the immediate area.

Interpretation of aerial photographs reveals an anticlinal anomaly locally coincident with the crest of the Siluro-Devonian subsurface feature. Although many surface folds are evident in the general area, most are due to drapes over Guadalupian reefs. The Jurnegan Point surface anticline is believed to be a valid inference of deep structure because it trends in a direction differing from that of the Capitan Reef complex. It is suggestive of a buttress around which these late Permian age reefs grew, forming a prominence which extended into the Delaware Basin.

The proposed unit outline is designed to encompass the surface feature, to locate within the postulated subsurface anomaly, and to incorporate the axis of the local gravity maximum.

The primary stratigraphic objective in the area is the porous, fractured Siluro-Devonian carbonate section, with additional zones of interest provided by Pennsylvanian and lower Permian rocks. Sufficient well control exists to indicate that a 12,000 foot test will adequately evaluate the primary objective.


A. E. WEST

MRE:eb

DRAFT

JMD/esr

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. 2967

Order No. R- 264/

APPLICATION OF STANDARD OIL COMPANY
OF TEXAS FOR APPROVAL OF THE JURNEGAN
POINT UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.


ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
January 22, 1964, at Santa Fe, New Mexico, before Examiner Elvis A. Utz.
~~Examiner appointed by the Oil Conservation Commission of New~~
~~Mexico, hereinafter referred to as the Commission, to hear and~~
~~with the 12th of the Commission Rules and Regulations.~~

NOW, on this _____ day of January, 1964, the Commission,
a quorum being present, having considered the ~~application, the~~ testimony,
the record, ~~evidence adduced,~~ 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, Standard Oil Company of Texas, seeks
approval of the Jurnegan Point Unit Agreement covering 7,680 acres,
more or less, of State and Fee land in Township 24 South, Ranges 24
and 25 East, NMPM, Eddy County, New Mexico.

(3) That approval of the proposed Jurnegan Point Unit Agree-
ment will in principle tend to promote the conservation of oil and
gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Jurnegan Point Unit Agreement is hereby approved.

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Jurnegan Point Unit Area, and such plan shall be known as the Jurnegan Point Unit Agreement Plan.

(3) That the Jurnegan Point Unit Agreement Plan 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 Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Jurnegan Point Unit, or relative to the production of oil or gas therefrom.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO

Township 24 South, Range 24 East
Section 1: All
" 12: All
" 13: All
Township 24 South Range 25 East
Sections 4 through 9: All
Sections 16 through 18: All

containing 7,680 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Jurnegan Point

Unit Agreement within 30 days after the effective date thereof. 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.

(6) 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 shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

(7) 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.

Lincoln Oil Co. of Texas

Gerris Jermigan Point Unit

7679.84 acres

Bill

Smith

Roswell

State and for

Twp 24S R 24E 25E

called this in 2:15p Eddy Co.

Friday 5/20/63

2967

UNIT OPERATING AGREEMENT
FOR THE JURNEGAN POINT UNIT AREA
EDDY COUNTY, NEW MEXICO

INDEX

<u>SECTION</u>	<u>PAGE</u>
1. UNIT OPERATOR AND EMPLOYEES	1
2. UNIT OPERATOR - DUTIES	2
3. UNIT OPERATOR - RESTRICTIONS	2
4. UNIT OPERATOR - LIABILITIES	3
5. SUPERVISION BY AND CONSENT OF WORKING INTEREST OWNERS	3
6. COST OF OPERATIONS	5
7. OPERATOR'S LIEN	6
8. ADVANCES	7
9. TAXES	8
10. INSURANCE	8
11. INITIAL TEST WELL AND OTHER WELLS	9
12. MODIFICATION OF DRILLING REQUIREMENTS OF UNIT AGREEMENT	10
13. WELL CONTRACTS	10
14. OPERATIONS BY LESS THAN ALL PARTIES	11
15. ABANDONMENT OF PRODUCING WELLS	15
16. LEASE RENTALS, MINIMUM ROYALTY AND SHUT-IN WELL PAYMENTS	15
17. NOT FOR BENEFIT OF THIRD PARTIES	16
18. TITLE EXAMINATION, LOSS OF LEASES AND OIL AND GAS INTERESTS	16
19. ASSIGNMENTS	18
20. COVENANTS RUNNING WITH THE LAND	19
21. SURRENDER OR TERMINATION OF LEASES	19
22. NOTICES	20
23. RELATIONSHIP OF PARTIES	20
24. INTERNAL REVENUE CODE ELECTION	20
25. FORCE MAJEURE	21
26. ASSIGNMENTS OF PARTIAL INTERESTS	22
27. PROVISIONS CONFORMED WITH LAWS AND REGULATIONS	22
28. EFFECTIVE DATE AND TERM	22
29. ACREAGE OR CASH CONTRIBUTIONS	23
30. TAKING UNITIZED SUBSTANCES IN KIND	23
31. EXHIBITS	24
32. DEFINITIONS	24
33. COUNTERPARTS	24

UNIT OPERATING AGREEMENT
FOR THE JURNEGAN POINT UNIT AREA
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, made and entered into this 20th day of January, 1964, by and between CALIFORNIA OIL COMPANY, a California corporation, with offices in Houston, Texas, hereinafter referred to as "Unit Operator", and such other working interest owners who may subscribe to this agreement who may have working interests subject to the Unit Agreement for the Development and Operation of the Jurnegan Point Unit Area, which said parties are hereinafter referred to as "Working Interest Owners" or sometimes as the "parties hereto",

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 Jurnegan Point Unit Area, which is hereinafter referred to as "Unit Agreement", embracing lands situated in Eddy County, State of New Mexico, described as follows and hereinafter referred to as the "Unit Area":

T-24-S, R-24-E, NMPM

All of Sections 1, 12 and 13

T-24-S, R-25-E, NMPM

All of Sections 4, 5, 6, 7, 8, 9, 16, 17 and 18

Comprising 7,679.84 acres, more or less.

WHEREAS, California Oil Company (Standard Oil Company of Texas Division) 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 enter into this agreement pursuant to the provisions of the Unit Agreement.

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

1. UNIT OPERATOR AND EMPLOYEES: California Oil Company (Standard Oil Company of Texas Division) the party hereto named as Unit Operator of the

UNIT OPERATING AGREEMENT
FOR THE JURNEGAN POINT UNIT AREA
EDDY COUNTY, NEW MEXICO

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All of Sections 1, 12 and 13

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WHEREAS, California Oil Company (Standard Oil Company of Texas Division) 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 enter into this agreement pursuant to the provisions of the Unit Agreement.

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

1. UNIT OPERATOR AND EMPLOYEES: California Oil Company (Standard Oil Company of Texas Division) 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 the employees of Unit Operator alone and their working hours, rates of compensation and all other matters relating to their employment shall be determined solely by Unit Operator.

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

- (a) 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;
- (b) Keep full and accurate records of all costs incurred 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;
- (c) 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;
- (d) Furnish to each of the other parties 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;
- (e) Upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of Five Thousand and No/100 Dollars (\$5,000.00).
- (f) Comply with the terms and conditions of the Unit Agreement and all 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 contest, and save only the lien granted the Unit Operator under this agreement.

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 or rework any well or let any contract therefor. The approval by Working Interest Owners of the drilling, deepening, plugging back, or reworking of any well shall be construed to mean and include the approval of any necessary expenditures for the drilling, deepening, reworking or plugging back, and completing and equipping of

such well, including 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 expenditures in excess of Five Thousand Dollars (\$5,000) for any single item; provided, however, in case of blowout, explosion, fire, flood or other 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;
- (c) Make any partial relinquishment of the rights of the Unit Operator;
- (d) Abandon any well or wells or dispose of any major items of surplus material or equipment other than junk, having an original cost of One Thousand Five Hundred Dollars (\$1,500) 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) Enter into any plans for development of the Unit Area;
- (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 arrangements for repressuring, cycling or pressure maintenance, or change the existing method of operation;
- (i) Revise Exhibit A or B;
- (j) Complete the first well on the Unit Area at a shallower depth as permitted in Section 8 of the Unit Agreement without the consent of all Working Interest Owners.

Subject to the provisions hereof, 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 for the account of the parties hereto.

4. 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 of 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 but Unit Operator shall be solely responsible to third parties for its gross negligence or willful misconduct. Unit Operator shall not be responsible for the neglect or default of any drilling contractor or other independent contractor engaged by Unit Operator in operations hereunder.

5. SUPERVISION BY AND CONSENT OF WORKING INTEREST OWNERS: Working Interest Owners shall exercise overall supervision and control of all matters pertaining to operations hereunder and the Unit Agreement. In the

exercise of such authority, each Working Interest Owner shall act solely in its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety. The matters with respect to which the Working Interest Owners shall decide and take action shall include, but not be limited to, the following:

- (a) To determine the extent of drilling operations and development to be carried on by the Unit Operator, including the approval or disapproval of the contemplated drilling, deepening, plugging back, reconditioning, abandonment or the use to be made of any well or wells.
- (b) To pass upon and approve or disapprove all costs and estimates of costs and any proposed expenditure by the Unit Operator in excess of Five Thousand Dollars (\$5,000).
- (c) To determine the kind, character and method of operation and development of the Unit Area.
- (d) To pass upon, approve or disapprove the purchase, sale or other disposal of materials and equipment by the Unit Operator otherwise than in the normal course of approved operations.
- (e) To approve and authorize the sale or other disposal of surplus material or equipment, other than junk, having an original cost of One Thousand Five Hundred Dollars (\$1,500) or more. (Any such item of less cost may be disposed of without such approval.)
- (f) To appoint such committees as it may deem proper and requisite, as for example, an advisory committee, legal committee, or engineering committee.
- (g) To approve or disapprove any proposed plan of development or operation or amendment thereof required to be submitted to any regulatory body having jurisdiction over the subject matter thereof.
- (h) To approve or disapprove any proposed expenditures for expert technical advice, including any extra services rendered by the Unit Operator's technical staff, not contemplated by the provisions of the Accounting Procedure hereto attached, marked Exhibit "C" and not covered by the overhead charges therein authorized.
- (i) The abandonment of operations and dissolution of the Unit.
- (j) To consult with the Unit Operator on all matters pertaining to the duties and functions of the Unit Operator.

Each Working Interest Owner shall in writing inform Unit Operator of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to Unit Operator.

All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of one or more Working Interest Owners having a total voting interest of not less than ten percent (10%).

No meeting shall be called on less than fourteen (14) days' advance written notice, with agenda for the meeting attached. Working Interest Owners who attend the meeting shall not be prevented from amending items included in the agenda or from deciding the amended item or other items presented at the meeting, provided that any such amendments or new items may not be voted on except by letter ballot if they would result in expenditures of more than Ten Thousand Dollars (\$10,000). The representative of Unit Operator shall be chairman of each meeting.

Except in those cases where the consent of all Working Interest Owners is necessary with respect to any proposal, and except in those cases where a proposal may be approved by less than all of the Working Interest Owners by an affirmative vote of a specified percentage of voting interest different from that specified in this section, the Working Interest Owners shall decide all such matters by an affirmative vote of more than fifty percent (50%) voting interest; provided that should any one Working Interest Owner have fifty percent (50%) or more voting interest, its vote must be supported by the vote of one or more Working Interest Owners having a combined vote of at least five percent (5%).

The "voting interest" of any Working Interest Owner shall be the fraction, expressed in percentage, calculated by dividing such Owner's leasehold interest on an acreage basis in the Unit Area by the total number of leasehold acres committed to the Unit Agreement.

Any Working Interest Owner who is not represented at a meeting may vote by letter or telegram addressed to the representative of the Unit Operator if its vote is received prior to the vote on the item but such vote by letter or telegram shall be valid only for items included in the agenda for the meeting that have not been amended at the meeting.

Working Interest Owners may vote on and decide, by letter or telegram, any matter submitted in writing to Working Interest Owners, if no meeting is requested, within seven (7) days after proposal is sent to Working Interest Owners. Unit Operator will give prompt notice of the results of the voting to all Working Interest Owners.

6. COST OF OPERATIONS: The actual costs of the Unit Operator of performing its obligations as Unit Operator hereunder shall be apportioned

among the Working Interest Owners in proportion to their lease ownership in the Unit Area on an acreage basis and shall be paid by the several Working Interest Owners as herein provided. The cost of other separate operations shall likewise be separately kept and charged to the Working Interest Owners affected. 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. 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, and made a part hereof and marked Exhibit "C".

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. 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 "C" shall be deemed to refer to the Unit Operator, and the term "Non-Operators" as used in Exhibit "C" shall be deemed to refer to the other Working Interest Owners herein.

7. OPERATOR'S LIEN: Unit Operator is hereby granted a prior lien on the rights and interest of each Working Interest Owner in the Unit Area and such Working Interest Owner's interest in the unitized substances, and its interest in the material and equipment thereon purchased for operations on the Unit Area, to secure the payment of its proportionate part of the said costs and expenses. Should any Working Interest Owner fail to pay its proportionate part of said costs and expenses within thirty (30) days after being billed therefor as provided in the referred to Accounting Procedure, Exhibit "C", Unit Operator shall have the right at its option at any time thereafter, such default continuing, to foreclose said lien on the respective interest of such Working Interest Owners. In lieu of or in addition to such remedy, the parties hereto agree that in the event of default, except in cases of a bona fide dispute, the Unit Operator may notify the purchaser of the defaulting party's share of unitized substances (the purchaser not to be bound

by the provisions thereof unless so notified) and such purchaser shall pay all proceeds accruing on account thereof to Unit Operator until said obligation is extinguished without any liability to the defaulting party. In lieu of or in addition to the remedy above specified for such default, Unit Operator may have any other remedy afforded by law or equity against the defaulting party for such default. Each party hereto agrees, at any time when it shall be in arrears in payment hereunder, but only in such event, to execute upon request, such additional instruments as are necessary or desired to further evidence such lien and to provide for the prior discharge thereof.

Likewise, all Working Interest Owners 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 hereunder from Unit Operator to any of the Working Interest Owners, which lien shall be subject to all of the terms and conditions provided for in the preceding paragraph.

8. 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 thirty (30) days after receipt of said estimate, the amount due shall bear interest at the rate of six percent (6%) 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.

As soon as practical after the effective date hereof, Working Interest Owners, acting in conjunction with the Unit Operator, shall prepare a budget of estimated costs to be incurred hereunder for the remainder of the calendar year and on or before the first day of each December shall prepare a budget of estimated costs by quarterly periods. Unless otherwise specified in the budget, it shall be presumed for the purpose of advance billings as aforesaid, that the estimated costs for each month of a quarterly period shall be one-third (1/3) of the estimate for the quarterly period. Budgets

by the provisions thereof unless so notified) and such purchaser shall pay all proceeds accruing on account thereof to Unit Operator until said obligation is extinguished without any liability to the defaulting party. In lieu of or in addition to the remedy above specified for such default, Unit Operator may have any other remedy afforded by law or equity against the defaulting party for such default. Each party hereto agrees, at any time when it shall be in arrears in payment hereunder, but only in such event, to execute upon request, such additional instruments as are necessary or desired to further evidence such lien and to provide for the prior discharge thereof.

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so prepared shall be estimates only and shall be corrected from time to time by Unit Operator if it shall appear that an adjustment or correction is proper. A copy of each such budget and adjusted budget shall be promptly furnished each Working Interest Owner.

9. TAXES: The jointly owned personal property shall be rendered by Unit Operator for ad valorem taxes to the extent the same are taxable. Unit Operator shall pay all such ad valorem taxes lawfully assessed against said properties and all such amounts so paid by Unit Operator shall be charged to the joint account of the parties. Each Working Interest Owner shall pay or cause to be paid all production, severance, gathering or other direct taxes and assessments lawfully imposed upon or on account of the production or handling of its share of unitized substances.

10. INSURANCE: Unit Operator shall purchase or provide the following insurance with respect to operations hereunder:

- (1) Workmen's Compensation and Employers Liability Insurance to cover full liability in accordance with the laws of the State of New Mexico;
- (2) General Public Liability Insurance with limits of not less than \$100,000 applicable to bodily injury, sickness or death of any one person in any one accident and \$300,000 for more than one person;
- (3) Automobile Public Liability Insurance, including non-ownership and hired cars, with limits of not less than:

Bodily Injuries - \$100,000 - one person
 - \$300,000 - one accident.

All premiums for insurance coverage above described shall be included in operating costs hereunder and apportioned between Working Interest Owners accordingly. However, premiums for Automobile Public Liability Insurance on Unit Operator's fully owned equipment shall not be charged or apportioned directly but will instead be covered by the charges assessed by Unit Operator for the use of such equipment under the provisions of Article III, paragraph 5 of Exhibit "C". Unit Operator shall require all of its contractors to carry insurance to comply with the laws of the State of New Mexico and, in addition, such reasonable amounts of public liability and property damage insurance as it may deem advisable.

Except as provided in Section 4 hereof, all damage or injury to any property held, controlled or operated by Unit Operator for the joint account of the parties hereto, shall be borne by the parties hereto in

proportion to their interest therein at the time of such damage or injury. Except as provided in Section 4 hereof the liability, if any, of the parties hereto and damages for claims growing out of personal injury to, or death of, third persons or injury to, or destruction of, property of third persons resulting from any operations conducted hereunder, shall be borne in proportion to the interest of the parties in the operation which caused such damage, personal injury, death or destruction, and each party individually may acquire such insurance as it deems proper to protect itself against such claim. Unit Operator shall not be obligated to provide fire, windstorm, explosion or other forms of insurance for the joint account of the parties hereto. Unit Operator shall promptly advise all Working Interest Owners of any loss of or damage to any jointly owned property or to property of third persons.

11. INITIAL TEST WELL AND OTHER WELLS: Unit Operator is hereby authorized to drill the initial test well within the time, in the manner, and to the depth as specified in the Unit Agreement. In the event the test well proves to be a dry hole or a well not capable of producing untized substances in paying quantities, the same shall be plugged and abandoned and, in such event, Unit Operator shall make a diligent effort to salvage as much of the casing equipment and other materials used in the drilling of such well as may prove economically feasible and for the account of the parties who initially paid the cost thereof.

All costs incurred by Unit Operator by reason of drilling the initial test well to the Devonian formation, or 12,000 feet or to such lesser depth required for the initial test well as set out in Section 8 of the Unit Agreement, and completing into tanks, if productive, or plugging and abandoning if dry, shall be borne by all Working Interest Owners in the following proportions:

California	38.53753%
Gulf	5.73110%
Redfern	.52084%
Marathon	20.33168%
Ralph Lowe	5.19672%
Shell	11.45155%
Sun	5.19672% 5.19802 %
Humble	13.03256%
	100.00000%

All of the percentages set out above for each party are based on the assumption that all tracts described in Exhibit B of the Unit Agreement will constitute the Unit Area prior to commencement of actual drilling operations hereunder but if one or more tracts do not constitute a part of the Unit Area prior to such commencement, all of the above percentage figures shall be recalculated accordingly.

Without the consent of all Working Interest Owners, no well shall be drilled on the Unit Area for the joint account of all parties, except the initial test well provided for in the Unit Agreement, and no well shall be reworked, plugged back or deepened for the joint account of all parties without such consent. If the consent of all Working Interest Owners to any such operation is not obtained, the work shall be performed under the provisions hereof providing for Operations by Less Than All Parties.

12. MODIFICATION OF DRILLING REQUIREMENTS OF UNIT AGREEMENT:

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 thereto but Unit Operator shall promptly notify all Working Interest Owners of any request for such modification or extension. Provided, however, with respect to the initial test well, no application for extension of time in excess of sixty (60) days shall be made without the consent of all Working Interest Owners.

13. WELL CONTRACTS: All wells drilled in the Unit Area by Unit

Operator after the effective date of this agreement shall be drilled on a competitive contract basis at not to exceed the usual rates prevailing in the region of the Unit Area. Unit Operator, if it so desires, may employ its own tools and equipment in the drilling of such wells but in such event, the charge therefor shall not exceed the competitive prevailing rate charged by independent contractors doing work of a similar nature and the 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. If the parties who are to participate in the cost of drilling any well are unable to mutually agree on the competitive contract price, Unit Operator shall obtain bids from at least three responsible drilling contractors who are ready, able and willing to drill a well of the type contemplated by the parties hereto on lease acreage covered hereby; and said competitive contract price shall be the lowest acceptable bid received which will result in the most economical drilling of said well.

14. OPERATIONS BY LESS THAN ALL PARTIES: If all the parties hereto cannot mutually agree upon the drilling of any well on the Unit Area, other than the initial test well provided for in the Unit Agreement, 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 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 a holiday) 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 participating interests in the Unit Area 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 oil and/or gas 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 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 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:

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 participating interests in the Unit Area 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 oil and/or gas 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 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 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 relinquishment 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) 200% 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 29, and 200% 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 operation, 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 said well in accordance with the terms of this agreement and the Accounting Procedure schedule, Exhibit "C", attached hereto.

In the event any operation is conducted on a non-consent basis where production could otherwise be commingled, it will not be necessary to construct separate storage facilities for the purpose of separately determining production from the non-consent well. Unit Operator will be permitted to allocate production on the basis of quarterly 24-hour production tests or on the basis of continuously metered volumes.

Notwithstanding the provisions of this section, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Unit Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this section shall have no application whatsoever to the drilling of the initial test well on the Unit Area, but shall apply to the reworking, deepening, or plugging back of the initial test well after it has been drilled to the depth specified, if it is, or thereafter shall prove to be, a dry hole or non-commercial well, and to all other wells drilled, reworked, deepened, or plugged back, or proposed to be drilled, reworked, deepened, or plugged back, upon the Unit Area subsequent to the drilling of the initial test well.

15. ABANDONMENT OF PRODUCING WELLS: If some but not all of the affected Working Interest Owners determine to abandon any well or wells completed as a producer but any other party or parties having an interest therein object thereto, then such party or parties not desiring to abandon the same shall, within ten (10) days thereafter, notify the other parties of their desire to take over and operate said well and shall tender to the other affected Working Interest Owner or Owners a sum equal to the last named parties' proportionate share in the salvage of the material and equipment in said well or wells determined in accordance with the Accounting Procedure Exhibit "C" attached hereto, and on receipt of said sum, the said parties having an interest in the well, and wishing to abandon said well, shall within twenty-five (25) days thereafter, assign without warranty to the other Working Interest Owners their rights in the well and well property as to the producing formation only in the land on which said well is situated, and their interest in the leasehold estate in a tract surrounding said well of an area equal to that prescribed by the spacing rule of the State, but if there is no such established rule, then said assignment shall cover the working interest and leasehold estate in the producing formation only in forty (40) acres surrounding said well, if an oil well, or one hundred sixty (160) acres if a gas well. Said well may thereafter be operated by the Unit Operator for the separate account of the remaining Working Interest Owners. Proper bills of sale and division orders shall be executed by the assigning parties to accomplish the purposes hereof.

16. LEASE RENTALS, MINIMUM ROYALTY AND SHUT-IN WELL PAYMENTS: Any and all lease rentals, minimum royalty and shut-in well payments required to be paid under any lease subject hereto, shall be borne and paid by the party or parties who have subjected such lease to this agreement. Copies of receipts or other evidence of the payment thereof shall, on request, be furnished to any other party hereto at least fifteen (15) days prior to the date any such payment is due. Unit Operator shall promptly notify all Working Interest Owners of the date on which any gas well located on the Unit Area is shut in.

If, through mistake or oversight, any 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:

- (a) 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;
- (b) 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 agreement.

17. NOT FOR BENEFIT OF THIRD PARTIES: Nothing in this agreement shall be construed to be for the benefit of any Working Interest Owner or other party who is not bound by the terms hereof.

18. TITLE EXAMINATION, LOSS OF LEASES AND OIL AND GAS INTERESTS:

A. Title Examination

There shall be no examination of title to leases, or to oil and gas interests, except that title to the drilling unit on which the initial test well is to be drilled, shall be examined on a complete abstract record by Unit Operator's attorney, or, if the location is on one of Unit Operator's leases, by an attorney for one of the other parties, and the title to both the oil and gas lease and to the fee title of the lessors must be approved by the examining attorney, or accepted by all parties. A copy of the examining attorney's opinion shall be sent to each party immediately after the

opinion is written, and, also, each party 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 the party owning the lease covering the drillsite.

If title to the proposed drillsite is not approved by the examining attorney or the lease is not acceptable for a material reason, and all the parties do not accept the title, the parties shall select a new drillsite for the initial test well. If a new drillsite is selected, title to the oil and gas lease covering it and to the fee title of the lessor shall be examined, and title shall be approved or accepted or rejected in like manner as provided above concerning the drillsite first selected. If title to the oil and gas lease covering the second choice drillsite is not approved or accepted, other drillsites shall be successively selected and title examined, until a drillsite is chosen to which title is approved or accepted, or until the parties fail to select another drillsite.

No well other than the first test shall be drilled in the Unit Area until after (1) the title to the drilling unit has been examined by an attorney for one of the parties other than the party whose lease embraces the drillsite, and (2) the title has been approved by the examining attorney or the title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Failure of Title

Subject to the provisions of Section 22 of the Unit Agreement, 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 Unit 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 is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less operating costs attributable thereto) until it has been reimbursed for uncovered costs paid by it in connection with such well; and
- (d) Should any person 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 cost of operation, development, or equipment, 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 proportions in which they shared in such prior production; and
- (f) The failure of title to any Working Interest in any tract by reason of operations hereunder, including nonproduction from such tract, and over which the Owner or Owners of such Working Interest have no control because of the terms and provisions of the Unit Agreement and of this agreement, the loss occasioned thereby shall not be considered a failure of title but shall be the joint loss of all Working Interest Owners and shall not change the interest of the Working Interest Owner or Owners whose title so failed in relation to the interests of all other Working Interest Owners at the time of such failure.

19. ASSIGNMENTS: Any party hereto may, at any time, transfer or assign all of its working interest in the Unit Area and interest in materials subject hereto; provided, however, except as otherwise expressly provided for herein, and except with the written consent of the other parties first obtained, no party hereto shall make any assignment or transfer or other disposition of interest in its leases and the materials unless the same covers either the entire interest of such party in the Unit Area and the materials thereon, or an undivided interest in all of its leases and jointly owned materials in the Unit Area. Every such transfer and assignment or other disposition made by any party hereto shall be made expressly subject to this agreement and the Unit Agreement and without prejudice to the rights of the other parties hereto and any instrument of transfer shall require that the Assignee shall accept and agree to perform all duties, obligations and liabilities thereof. Any party making such assignment or transfer shall remain liable for its obligations under this agreement and the Unit Agreement with respect to the properties assigned or transferred until Unit Operator has been furnished written notice of such assignment or transfer, describing the properties and the interest conveyed, together with such other evidence of title as Unit Operator may require, including abstracts of title down to date if requested by Unit Operator, and the address of Assignee to which notices,

consents, and requests provided for herein may be given.

Each of the parties hereto owning an interest in the Unit Area waives and relinquishes any and all rights of partition granted by statute, at law or in equity and no party hereto shall have the right to partition the Unit Area, any lease or any interest therein, or any personal property installed thereon or used therewith, by segregation or differences in kind or by sale or otherwise except as herein expressly provided.

If any party hereto so desires, it may withdraw from this agreement by conveying, assigning and transferring, without warranty, either express or implied, to the other parties hereto who do not desire to withdraw, all of its right, title and interest in and under the leases included in the Unit Area, together with the withdrawing party's interest in all wells, casing material, equipment, fixtures and other personal property belonging to the joint account, but such conveyance or assignment shall not relieve said party from any obligation or liability accruing or incurred prior to the date thereof. The interest so conveyed and assigned shall be held and owned by the Assignees in the proportion to their interests and thereupon the withdrawing party shall be relieved from all obligations and liabilities thereafter to accrue under this agreement, and the right of such party to any benefits subsequently accruing hereunder shall cease; but Assignees shall pay Assignor for its interest in all casing, material, equipment, fixtures and other personal property owned by the joint account at the salvage value thereof computed in accordance with the Accounting Procedure, Exhibit "C", hereto attached. If all of the parties ~~who~~ 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.

20. COVENANTS RUNNING WITH THE LAND: This agreement shall be deemed a covenant running with the leases and the lands subject hereto and shall be binding upon and inure to the benefit of the heirs, personal representatives, successors and assigns of the parties respectively.

21. SURRENDER OR TERMINATION OF LEASES: No lease, insofar as it is embraced in the Unit Area, shall be surrendered in whole or in part without the mutual consent of all parties hereto.

22. 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 or delivered if and when deposited in the United States mails, duly registered with return receipt requested or filed with a recognized telegraph company 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 a notice is given by mail or telegraph shall be the date on which such written notice is deposited in the United States Post Office or the date on which the notice by telegraph is delivered to the telegraph company for transmission to the party as above provided.

23. RELATIONSHIP OF PARTIES: The rights, duties, obligations and liabilities of the parties hereto shall be several and not joint or collective, and nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, an association or a trust or as imposing upon any one or more of the parties hereto any partnership duty, obligation or liability. Each party hereto shall be individually responsible for only its obligations, as set out in this agreement. Provided, however, if a claim is made against any Working Interest Owner or if any Working Interest Owner is sued on account of any matter arising from operations hereunder and over which such Working Interest Owner individually has no control because of the rights given the Working Interest Owners and Unit Operator by this agreement and the Unit Agreement, the Working Interest Owner shall immediately notify the Unit Operator and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

24. INTERNAL REVENUE CODE ELECTION: While each of the parties hereto recognizes that its rights and liabilities hereunder are several and not joint or collective, if, ~~solely~~ for Federal Income Tax purposes, ~~and for no other reason~~, the parties should be regarded as partners or joint venturers, and the operations carried on under this agreement be required to be treated as a partnership as defined in Section 761 of the Internal Revenue Code of 1954 for Federal Income Tax purposes, each and all of the parties hereto do hereby elect to exclude 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. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the State in which the property covered by this agreement is located, or any future income tax laws of the United States contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of said Subchapter K is permitted, each of the parties hereto hereby makes such election or agrees to make such election as may be permitted by such laws.

25. FORCE MAJEURE: As between the parties hereto, in the event any party hereto is rendered unable, wholly or in part, by force majeure to carry out its obligations under this agreement other than the obligation to make payments of amounts due hereunder, it is agreed that upon such party's giving notice and reasonably full particulars of force majeure in writing or by telegraph to the other parties hereto within a reasonable time after the occurrence of the cause relied upon, then the obligations of the party giving the notice, so far as they are affected by force majeure, shall be suspended during the continuance of any liability so caused, but for no longer period; and the cause of the force majeure shall, so far as possible, be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean delay or loss resulting from fire, flood, action of the elements, strikes or other labor difficulties, acts or orders of civil or military authorities, restrictions or restraints imposed by law or ordinance, or by order or regulation of public authority, whether federal, state or local, inability to procure necessary materials or labor in the open market and on usual and lawful terms, or any other cause reasonably beyond the control of the party claiming suspension.

The settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty and the above mentioned requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by according to the demands of opposing party when such course is inadvisable in the discretion of the party having the difficulty.

26. ASSIGNMENTS 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 agreement or by any other valid instrument that will carry out the intention of such provision or provisions, or, in 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.

27. PROVISIONS CONFORMED WITH LAWS AND REGULATIONS: All of the provisions of this agreement are hereby expressly made subject to all applicable Federal or State laws, orders, rules and regulations, and in the event this agreement or any provision hereof is 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.

28. 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. In the event of the termination of the Unit Agreement for any reason, in whole or in part, 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 until same is plugged and abandoned and the accounts of all parties are finally settled.

29. ACREAGE OR CASH CONTRIBUTIONS: 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, shall be shared in by the parties hereto in proportion to their participating interest in such well.

30. TAKING UNITIZED SUBSTANCES IN KIND: The unitized substances allocated to each tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Such parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided that they are so constructed, maintained, and operated as not to interfere with unit operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the unitized substances shall be borne by the receiving party. If any party fails to take in kind or separately dispose of its share of unitized substances, Unit Operator shall have the right, for the time being and subject to revocation at will by the party owning the share, to purchase for its own account or sell to others such share; provided that, all contracts of sale by Unit Operator of any other party's share of unitized substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. The proceeds of the unitized substances so disposed of by Unit Operator shall be paid to the party entitled thereto. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any party's share of gas production without first giving such party ninety (90) days advance written notice of such intended sale.

31. EXHIBITS: All exhibits attached to said Unit Agreement are hereby confirmed and made a part of this agreement.

32. DEFINITIONS: As between the parties hereto and for the purposes of this agreement and the Unit Agreement, the following words and phrases shall have the meanings herein given unless the context clearly requires a different meaning:

- (a) "Unitized Substances": See definition in the Unit Agreement.
- (b) "Working Interest" means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing, and operating the lands subject to this agreement.
- (c) "Royalty Interest" means a right to or interest in any portion of the Unitized Substances or proceeds thereof, other than a Working Interest and is sometimes referred to as "royalty".
- (d) "Royalty Owner" means a party hereto who owns a Royalty Interest.
- (e) "Working Interest Owner" means a party hereto who owns a Working Interest. The owner of Oil and Gas Rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of $7/8$ of his interest in Unitized Substances and as a Royalty Owner with respect to his remaining $1/8$ interest therein.
- (f) "Oil and Gas Rights" means the right to explore, develop and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.
- (g) "Tract" means each parcel of land described as such and given a tract number in Exhibit A and Exhibit B attached hereto.
- (h) Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

33. Provisions of Paragraph No. 11 hereof to the contrary notwithstanding, those of the working interest owners subscribing hereto who have farmed out or otherwise contracted with Max M. Wilson for the said Max M. Wilson to bear all or part of their proportionate part of the costs incurred in connection with the initial test well, subsequent wells or

operating expenses in connection with any such well or wells, shall be responsible for only that portion of such costs incurred in unit operations not provided to be borne by Max M. Wilson under the terms of their agreement with him. In the same manner, the right to receive and dispose of unitized substances produced from the Unit Area, shall, as to each party farming out or otherwise transferring all or any part of such party's interest in the Unit Area, be governed and controlled by the terms of such farmout or other agreement. The fractional interest set forth opposite the name of each party hereto in Paragraph 11 above, shall be accepted as accurately reflecting the percentage of charges to and allocation of production to each party hereto except that as to each party farming out or assigning to Max M. Wilson all or a part of such party's interest in the Unit Area, the said fractional interest reflects the combined interest of the named party and Max M. Wilson which will be subject to the agreement between them. Max M. Wilson joins in execution of this agreement to commit hereto any interest in the Unit Area which he may acquire.

34. Any oil and gas working interest not committed to this operating agreement at the time of final execution and delivery hereof, may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement or executing a ratification hereof. The allocation of charges and costs (theretofore incurred and thereafter to be incurred) to the interest so committed to this operating agreement shall be upon such terms as the parties to this agreement may mutually agree. In a like manner, allocation of unitized substances produced shall be made on a basis to be mutually agreed upon.

35. COUNTERPARTS: This agreement may be executed in any number of counterparts, no one of which needs to be executed by the other parties hereto, and all counterparts signed by one or more of the parties hereto shall constitute and be construed together as one instrument; or this agreement may be ratified with like force and effect by a separate instrument in writing specifically referring hereto. Provided, however, this agreement shall be of no force and effect unless all parties owning working interests

in the Unit Area have either signed this agreement or a counterpart thereof or have ratified same.

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

Date 2-7-64

CALIFORNIA OIL COMPANY

By

J. L. Taylor
Attorney in Fact

By

J. H. Smith
Attorney in Fact

Address: P. O. Box 1249
Houston Texas 77001

UNIT OPERATOR & WORKING INTEREST OWNER

ATTEST:

Secretary

Date _____

HUMBLE OIL & REFINING COMPANY

By _____

(Title)

Address: _____

ATTEST:

Secretary

Date _____

SUN OIL COMPANY

By _____

(Title)

Address: _____

ATTEST:

Secretary

Date _____

GULF OIL CORPORATION

By _____

Attorney in Fact

Address: _____

ATTEST:

Secretary

Date _____

SHELL OIL COMPANY

By _____

Attorney in Fact

Address: _____

ATTEST:

Secretary

Date FEB - 7 1964

MARATHON OIL COMPANY

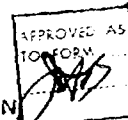
By

R. M. Wilson

ASSISTANT DIVISION MANAGER (Title)

Address: P.O. Box 552

Midland, Texas



in the Unit Area have either signed this agreement or a counterpart thereof or have ratified same.

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

CALIFORNIA OIL COMPANY

By _____
Attorney in Fact

Date _____

By _____
Attorney in Fact

Address: P. O. Box 1249
Houston Texas 77001

UNIT OPERATOR & WORKING INTEREST OWNER

ATTEST:

Secretary

Date _____

HUMBLE OIL & REFINING COMPANY

By _____
(Title)

Address: _____

ATTEST:

Secretary

Date _____

SUN OIL COMPANY

By Cecil A. Cobble
Agent and Attorney in Fact (Title) *msj*

Address: P.O. Box 1880
DALLAS, TEXAS

ATTEST:

Secretary

Date _____

GULF OIL CORPORATION

By _____
Attorney in Fact

Address: _____

ATTEST:

Secretary

Date _____

SHELL OIL COMPANY

By _____
Attorney in Fact

Address: _____

ATTEST:

Secretary

Date _____

MARATHON OIL COMPANY

By _____
(Title)

Address: _____

ATTEST:

REDFERN DEVELOPMENT COMPANY

Secretary

By _____
(Title)

Date _____

Address: _____

Ralph Lowe
(Wife)

WORKING INTEREST OWNERS

STATE OF TEXAS }
COUNTY OF HARRIS }

[Handwritten signature]

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____ and _____, Attorneys in Fact for California Oil Company, a California corporation, on behalf of said corporation.

Notary Public in and for Harris
County, Texas

My Commission Expires

STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, _____ of Humble Oil & Refining Company, a _____ Corporation, on behalf of said Corporation.

Notary Public

My Commission Expires

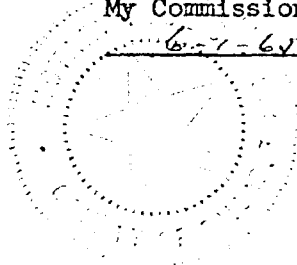
STATE OF TEXAS }
COUNTY OF DALLAS }

The foregoing instrument was acknowledged before me this 12 day of FEBRUARY, 1964, by CECIL A. CIVILLE Agent and Attorney in Fact of Sun Oil Company, a _____ Corporation, on behalf of said Corporation.

[Handwritten signature]

Notary Public

My Commission Expires
6-7-65



ATTEST:

REDFERN DEVELOPMENT COMPANY

Secretary

By _____
(Title)

Date _____

Address: _____

John M. Skislow
Nolan M. Watson

Ralph Lowe
Ralph Lowe
Erna Lowe
(Wife)

WORKING INTEREST OWNERS

STATE OF TEXAS }
COUNTY OF HARRIS }

The foregoing instrument was acknowledged before me this 7th day of February, 1964, by V.L. Taylor and H.L. Smith, Attorneys in Fact for California Oil Company, a California corporation, on behalf of said corporation.

BARBARA ROBERTSON
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965

Barbara Robertson
Notary Public in and for Harris
County, Texas

My Commission Expires

STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, _____ of Humble Oil & Refining Company, a _____ Corporation, on behalf of said Corporation.

My Commission Expires

Notary Public

STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, _____ of Sun Oil Company, a _____ Corporation, on behalf of said Corporation.

My Commission Expires

Notary Public

STATE OF **NEW MEXICO**
COUNTY OF **SANTA FE** } ss.

On this **14th** day of **February**, 19**64**, before me appeared
Max M. Wilson and Helen M. Wilson, his wife

to me personally known to be the person^s described in and who executed the foregoing instru-
ment and acknowledged that **they** executed the same as **their** free act
and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day
and year in this certificate above written.

My commission expires:
September 30, 1967.

James H. Wright
Notary Public.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney in Fact for Gulf Oil Corporation, a _____ Corporation, on behalf of said Corporation.

Notary Public

My Commission Expires _____

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney in Fact for Shell Oil Company, a _____ Corporation, on behalf of said Corporation.

Notary Public

My Commission Expires _____

STATE OF Texas)
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 7th day of February, 1964, by Ruth Wilson, Attorney in Fact of Marathon Oil Company, a Corporation, on behalf of said Corporation.

IRMA GREEN
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965

Notary Public

My Commission Expires _____

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, _____ of Redfern Development Company, a _____ Corporation, on behalf of said Corporation.

Notary Public

My Commission Expires _____

STATE OF Texas)
COUNTY OF Midland)

The foregoing instrument was acknowledged before me this 13th day of February, 1964, by Ralph Lowe and wife, Erma Lowe.

Notary Public

My Commission Expires _____

June 1, 1965

in the Unit Area have either signed this agreement or a counterpart thereof or have ratified same.

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

CALIFORNIA OIL COMPANY

By _____
Attorney in Fact

Date _____

By _____
Attorney in Fact

Address: P. O. Box 1249
Houston Texas 77001

UNIT OPERATOR & WORKING INTEREST OWNER

ATTEST:

Secretary

Date _____

HUMBLE OIL & REFINING COMPANY

By _____
(Title)

Address: _____

ATTEST:

Secretary

Date _____

SUN OIL COMPANY

By _____
(Title)

Address: _____

ATTEST:

Asst. Secretary

Date FEB 12 1954

GULF OIL CORPORATION

By *[Signature]*
Attorney in Fact
Address P. O. BOX 1003
ROSWELL, NEW MEXICO 83201

ATTEST:

Secretary

Date _____

SHELL OIL COMPANY

By _____
Attorney in Fact

Address: _____

ATTEST:

Secretary

Date _____

MARATHON OIL COMPANY

By _____
(Title)

Address: _____

STATE OF NEW MEXICO)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 12 day of December, 1964, by E. O. MCINTOCK, Attorney in Fact for Gulf Oil Corporation, a PENNSYLVANIA Corporation, on behalf of said Corporation.

[Signature]
Notary Public

My Commission Expires

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney in Fact for Shell Oil Company, a _____ Corporation, on behalf of said Corporation.

Notary Public

My Commission Expires

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, _____ of Marathon Oil Company, a _____ Corporation, on behalf of said Corporation.

Notary Public

My Commission Expires

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, _____ of Redfern Development Company, a _____ Corporation, on behalf of said Corporation.

Notary Public

My Commission Expires

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by Ralph Lowe and wife, _____.

Notary Public

My Commission Expires

ATTEST:

Secretary

Date _____

REDFERN DEVELOPMENT COMPANY

By _____ (Title)

Address: _____

_____ Ralph Lowe

_____ (Wife)

WORKING INTEREST OWNERS

STATE OF TEXAS }
COUNTY OF HARRIS }

The foregoing instrument was acknowledged before me this 7th day of February, 1964, by W. Taylor and H. L. Smith, Attorneys in Fact for California Oil Company, a California corporation, on behalf of said corporation.

BARBARA ROBERTSON
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965
My Commission Expires _____

Barbara Robertson
Notary Public in and for Harris
County, Texas

STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, _____ of Humble Oil & Refining Company, a _____ Corporation, on behalf of said Corporation.

Notary Public

My Commission Expires

STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, _____ of Sun Oil Company, a _____ Corporation, on behalf of said Corporation.

Notary Public

My Commission Expires

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney in Fact for Gulf Oil Corporation, a _____ Corporation, on behalf of said Corporation.

Notary Public

My Commission Expires _____

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney in Fact for Shell Oil Company, a _____ Corporation, on behalf of said Corporation.

Notary Public

My Commission Expires _____

STATE OF Texas)
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 7th day of February, 1964, by R.M. Wilson, Asst. Division Manager of Marathon Oil Company, an Ohio Corporation, on behalf of said Corporation.

IRMA GREEN
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965
My Commission Expires _____

Irma Green
Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, _____ of Redfern Development Company, a _____ Corporation, on behalf of said Corporation.

Notary Public

My Commission Expires _____

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by Ralph Lowe and wife, _____.

Notary Public

My Commission Expires _____

EXHIBIT "C"

Attached to and made a part of Operating Agreement for
Jurnegan Point Unit, Eddy County, New Mexico

ACCOUNTING PROCEDURE (JOINT OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this "Accounting Procedure" is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the nonoperating parties, whether one or more.

"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.

"Parties" shall mean Operator and Non-Operators.

"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. Conflict with Agreement

In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the agreement to which this Accounting Procedure is attached, the provisions of the agreement shall control.

3. Collective Action by Non-Operators

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

4. Statements and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses, for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under Subparagraph C below:

A. Statement in detail of all charges and credits to the Joint Account.

B. Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.

C. Statement of all charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.

5. Payment and Advances by Non-Operators

Each Non-Operator shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

6. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operators 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 the Joint Property as provided for in Section VII.

7. 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 accounting hereunder 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 adjustment of accounts as provided for in Paragraph 6 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.

II. DIRECT CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Delay or other rentals and royalties when such rentals and royalties are paid by Operator for the Joint Account of the Parties.

2. Labor

A. Salaries and wages of Operator's employees directly engaged on the Joint Property in the conduct of the Joint Operations, and salaries or wages of technical employees who are temporarily assigned to and directly employed on the Joint Property.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost 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 and Paragraph 1 of Section III. 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 labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

3. **Employee Benefits**

Operator's current cost 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; provided however, the total of such charges shall not exceed ten percent (10%) of Operator's labor costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

4. **Material**

Material purchased or furnished by Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and 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:

- 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 or railway receiving point where like material is available, except by agreement with Non-Operators.
- 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 or railway receiving point, except by agreement with Non-Operators. No charge shall be made to Joint Account for moving Material to other properties belonging to Operator, except by agreement with Non-Operators.
- In the application of subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.

6. **Services**

- The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 2 of Section III.
- Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.

7. **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 any other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

8. **Legal Expense**

All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), except by agreement with Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.

9. **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.

10. **Insurance Premiums**

Premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties.

11. **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 for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus a fixed rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraphs 1, 2, and 3 of this Section III OR by combining all three of said items under the fixed rate provided for in Paragraph 4 of this Section III, as indicated next below:

OPERATOR SHALL CHARGE THE JOINT ACCOUNT UNDER THE TERMS OF:

- ☒ Paragraphs 1, 2 and 3. (Allocation of district expense plus fixed rate for administrative overhead plus warehousing.)
- ☐ Paragraph 4. (Combined fixed rate)

1. **District Expense**

Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's lowest echelon office ~~at the location nearest~~ serving the Unit Area (or a comparable office if location changed), and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice. ~~Drilling and producing operations will be allocated on a well basis with one~~ drilling well equal to 10 producing wells and the maximum charge permitted shall be \$350.00 per month per drilling well and \$50.00 per month per producing well.

2. **Administrative Overhead**

Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1 of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charges shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged as direct charges as provided in Paragraphs 2 and 8 of Section II.

WELL BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
		First Five	Next Five	All Wells Over Ten
All Depths	\$350.00	\$60.00	\$50.00	\$40.00

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 this Paragraph 2 of Section III, unless such cost and expense are agreed upon between Operator and Non-Operators as a direct charge to the Joint Account.

3. **Operator's Fully Owned Warehouse Operating and Maintenance Expense**
(Describe fully the agreed procedure to be followed by the Operator.)

None

1. Combined Fixed Rates

Operator shall charge the Joint Account for the services covered by Paragraph 1, 2 and 3 of this Section III, the following fixed per well rates:

Well Depth	WELL BASIS (RATE PER WELL PER MONTH)			
	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten

Said fixed rate (shall) (shall not) include salaries and expenses of production foremen.

5. Application of Administrative Overhead or Combined Fixed Rates

The following limitations, instructions and charges shall apply in the application of the per well rates as provided under either Paragraph 2 or Paragraph 4 of this Section III:

- A. Charges for drilling wells shall begin on the date each 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 the suspension of drilling operations for fifteen (15) or more consecutive days.
- B. The status of wells shall be as follows:
 - (1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for water flooding operations and salt water disposal wells shall be considered the same as producing wells.
 - (2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. When such a well is plugged a charge shall be made at the producing well rates.
 - (3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling or workover rig shall be considered the same as drilling wells.
 - (4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, all wells capable of producing will be counted in determining the charge.
 - (5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.
 - (6) Wells completed in multiple horizons, in which the production is not commingled down hole, shall be considered as a producing well for each separately producing horizon.
- C. The well rates shall apply to the total number of wells being drilled or operated under the agreement to which this Accounting Procedure is attached, irrespective of individual leases.
- D. The well rates shall be adjusted on the first day of April of 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 preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.
6. For the construction of compressor plants, water stations, secondary recovery systems, salt water disposal facilities, and other such projects, as distinguished from the more usual drilling and producing operations, Operator in addition to the Administrative Overhead or Combined Fixed Rates provided for in Paragraph 2 and 4 of this Section III, shall charge the Joint Account with an additional overhead charge as follows:
 - A. Total cost less than \$25,000, no charge.
 - B. Total cost more than \$25,000 but less than \$100,000, $\frac{1}{2}\%$ of total cost. *To be negotiated.*
 - C. Total cost of \$100,000 or more, $\frac{1}{2}\%$ of the first \$100,000 plus $\frac{1}{4}\%$ of all over \$100,000 of total cost.
 Total cost shall mean the total 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 wells shall be excluded.
7. The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. BASIS OF CHARGES TO JOINT ACCOUNT

Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operator may supply Material or services for the Joint Property.

1. Purchases

Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.

2. Material furnished from Operator's Warehouse or Other Properties

A. New Material (Condition "A")

- (1) Tubular goods, two inch (2") and over, shall be priced on Eastern Mill base (i. e. Youngstown, Ohio; Lorain, Ohio; and Indiana Harbor, Indiana) on a minimum carload basis effective at date of movement and f. o. b. railway receiving point nearest the Joint Property, regardless of quantity. In equalized hauling charges, Operator is permitted to include ten cents (10c) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.
- (2) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f. o. b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is available.
- (3) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.

B. Used Material (Condition "B" and "C")

- (1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
- (2) Material which cannot be classified as Condition "B" but which,
 - (a) After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or
 - (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.
- (3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. 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.

- (4) 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 prices specified in Paragraphs 1 and 2 of this Section IV 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 procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that 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 10 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.

5. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. Rates for automotive equipment shall generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against Joint Property operations. Rates for laboratory services shall not exceed those currently prevailing if performed by outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.

B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.

C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSAL OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be subject to agreement between Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from the Joint Property.

1. Material Purchased by the Operator or Non-Operators

Material purchased by either the Operator or Non-Operators shall be credited by the Operator to the Joint Account for the month in which the Material is removed by the purchaser.

2. Division in Kind

Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator in the monthly statement of operations.

3. Sales to Outsiders

Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless otherwise agreed to between Operator and Non-Operators shall be priced on the following basis:

1. New Price Defined

New price as used in this Section VI shall be the price specified for New Material in Section IV.

2. New Material

New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. Good Used Material

Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:

A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or

B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five percent (75%) of new price.

4. Other Used Material

Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:

A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or

B. Is serviceable for original function but not suitable for reconditioning.

5. Bad-Order Material

Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.

6. Junk Material

Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.

7. Temporarily Used Material

When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3 B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

VII. INVENTORIES

The Operator shall maintain detailed records of Material generally considered controllable by the Industry.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include all such Material as is ordinarily considered controllable. 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, who shall in that event furnish Non-Operators with a copy thereof.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the Joint Account shall be made, and a list of overages and shortages shall be jointly determined by Operator and Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operator 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.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
January 8, 1964

EXAMINER HEARING

IN THE MATTER OF:

Application of Standard Oil Company of Texas
for a unit agreement, Eddy County, New
Mexico.

Case No. 2967

BEFORE: DANIEL S. NUTTER, EXAMINER

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE, Inc.

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ALBUQUERQUE, N. M.
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DEARNLEY, MEIER, WILKINS and CROWNOVER

General Court Reporting Service

Suite 1120 Simms Building Albuquerque, New Mexico Phone 243-6691

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MR. NUTTER: We will call Case 2967 next.

MR. DURRETT: Application of Standard Oil Company of
Texas for a unit agreement, Eddy County, New Mexico.

If the Examiner please, we have received a request from
Mr. Smith, District Land Man with Standard Oil Company of Texas,
requesting that this case be continued to the 22nd.

MR. NUTTER: Case Number 2967 will be continued to the
nine o'clock A. M., January 22nd Examiner hearing, at this same
place.

* * * * *



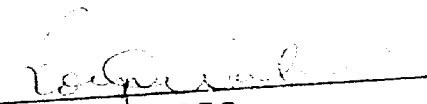
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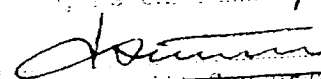
STATE OF NEW MEXICO X
COUNTY OF BERNALILLO X

I, ROY D. WILKINS, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me, and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill, and ability.

WITNESS my Hand and Seal of Office, this 9th day of January, 1964.


NOTARY PUBLIC

My Commission Expires:
September 6, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the hearing of Case No. 2967 held on 1/8, 1964.

Examiner
New Mexico Oil Conservation Commission



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
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PHONE 243-6691

BEFORE THE
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Santa Fe, New Mexico
January 8, 1964

EXAMINER HEARING

IN THE MATTER OF:

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BEFORE: DANIEL S. NUTTER, EXAMINER

TRANSCRIPT OF HEARING



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Examiner
New Mexico Oil Conservation Commission



STANDARD OIL COMPANY OF TEXAS

A DIVISION OF CALIFORNIA OIL COMPANY

P. O. Box 1837
Roswell, New Mexico

January 15, 1964

GEOLOGICAL REPORT JURNEGAN POINT AREA Eddy County, New Mexico

The Jurnegan Point Unit is proposed to provide for evaluation of a local anomaly along a northwest-southeast trending structural ridge. The Jurnegan Point ridge appears to parallel the Huerfano Monocline, a prominent surface structure located 12 miles to the west. The two features are believed to be genetically related, both resulting from Wolfcampian tectonism. Structural evidences for the Jurnegan Point trend are regional subsurface contours of the Siluro-Devonian strata and the prevailing gravity axis in the immediate area.

Interpretation of aerial photographs reveals an anticlinal anomaly locally coincident with the crest of the Siluro-Devonian subsurface feature. Although many surface folds are evident in the general area, most are due to drapes over Guadalupian reefs. The Jurnegan Point surface anticline is believed to be a valid inference of deep structure because it trends in a direction differing from that of the Capitan Reef complex. It is suggestive of a buttress around which these late Permian age reefs grew, forming a prominence which extended into the Delaware Basin.

The proposed unit outline is designed to encompass the surface feature, to locate within the postulated subsurface anomaly, and to incorporate the axis of the local gravity maximum.

The primary stratigraphic objective in the area is the porous, fractured Siluro-Devonian carbonate section, with additional zones of interest provided by Pennsylvanian and lower Permian rocks. Sufficient well control exists to indicate that a 12,000 foot test will adequately evaluate the primary objective.


A. E. WEST

MRS:ab