CASE 3042: Application of GULF OIL CORP. for approval of the NORTHWEST TATUM STATE UNIT.

CASE NO. 3042

Application,
Transcripts,
Small Exhibits
ETC.

December 2, 1964

Gulf Oil Corporation
P. O. Box 1938
Roswell, New Mexico

Re: Northwest Tatum State Unit
Lea County, New Mexico
Termination

Attention: Mr. William V. Kastler

Gentlemen:

The Commissioner of Public Lands approved as of this date your Application for the Termination of the Northwest Tatum State Unit Agreement, Lea County, New Mexico.

We are enclosing an original and one copy of the Application together with four Certificates of Approval of this Termination.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:

Ted Bilberry, Director
Oil & Gas Department

ESW/mmr/v
cc:

Oil Conservation Commission
Santa Fe, New Mexico

Gulf Oil Corporation

LAW DEPARTMENT

Booth Kellough
DIVISIONAL ATTORNEY
MIDLAND, TEXAS
ATTORNEY ROSWELL
William V. Kastler

P. O. Box 1938
Roswell, New Mexico

November 12, 1964

The Commissioner of Public Lands
for the State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico

Attention: Mrs. Marian M. Rhea, Supervisor
Unit Division

Re: Request for Termination of the
Northwest Tatum State Unit

Gentlemen:

Enclosed please find an original and one copy of the Request for Termination of the Northwest Tatum State Unit. You will no doubt wish to issue an Order of Termination, and I would appreciate it if you would send four copies of such order in addition to the one which should be filed with the Oil Conservation Commission. I am assuming this is a matter in which the State Land Office would prefer to use its own form. If this is not the case, upon being so advised by collect telephone call, I will be glad to prepare such an Order in line with your instructions.

Very truly yours,

William V. Kastler

WVK:eji

Enclosures

cc: New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

GULF

To: The Commissioner of Public Lands
for the State of New Mexico
State Land Office
Santa Fe, New Mexico

'64 NOV 13 AM

REQUEST FOR TERMINATION OF THE
NORTHWEST TATUM STATE UNIT
LEA COUNTY, NEW MEXICO

The undersigned together with other Working Interest Owners executing the original or counterparts hereof, who collectively own, on an acreage basis, in excess of 75% of the working interest in the Northwest Tatum State Unit Area, state as follows:

The initial test well drilled in the NW/4 SE/4 of Section 10, Township 12 South, Range 35 East, to a depth of about 11,500 feet resulted in a dry hole. Further drilling pursuant to Section 8 of the Unit Agreement is, in the opinion of the undersigned Working Interest Owners, unwarranted and impracticable under the circumstances appearing at this time.

The Working Interest Owners under the Northwest Tatum State Unit Agreement who join in this Request for Termination by an executed counterpart hereof respectfully request that the Northwest Tatum State Unit Agreement be terminated.

GULF OIL CORPORATION

ATTEST:
Assistant Secretary

By
Attorney-in-Fact

Date: 1964

AMERADA PETROLEUM CORPORATION

ATTEST:
Assistant Secretary

By
Vice-President

Date: 10-5-64

SKELLY OIL COMPANY

By
Attorney-in-Fact

Date: 10/12/64

TIDEWATER OIL COMPANY

ATTEST:
Assistant Secretary

By
Vice President

Date: 10-27-64

THE STATE OF NEW MEXICO)

COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 16th day of September, 1964, by F. O. MORRIS, Attorney-in-fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

( ) Mexia, Texas
Notary Public

My Commission Expires:
My Commission Expires June 1, 1965

THE STATE OF Oklahoma)

COUNTY OF Tulsa)

The foregoing instrument was acknowledged before me this 5th day of October, 1964, by JOHN P. HAMMOND, Vice-President of AMERADA PETROLEUM CORPORATION, a Delaware corporation, on behalf of said corporation.

Lucille F. Carman
Notary Public

My Commission Expires:
7-30-66

THE STATE OF Oklahoma)

COUNTY OF Tulsa)

The foregoing instrument was acknowledged before me this 13th day of October, 1964, by A. J. O'ROURKE, Attorney-in-Fact for SKELLY OIL COMPANY, a Delaware corporation, on behalf of said corporation.

Hazel M Brady
Notary Public

My Commission Expires:
Jan 22, 1965

THE STATE OF Texas)

COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 21 day of October, 1964, by E. B. MILLER, JR., Vice President of TIDEWATER OIL COMPANY, a Delaware corporation, on behalf of said corporation.

Virginia Holloman
Notary Public

My Commission Expires:
6-1-65

VIRGINIA HOLLOMAN
Notary Public Inside Harris County, Texas

WVK:eji
9-11-64

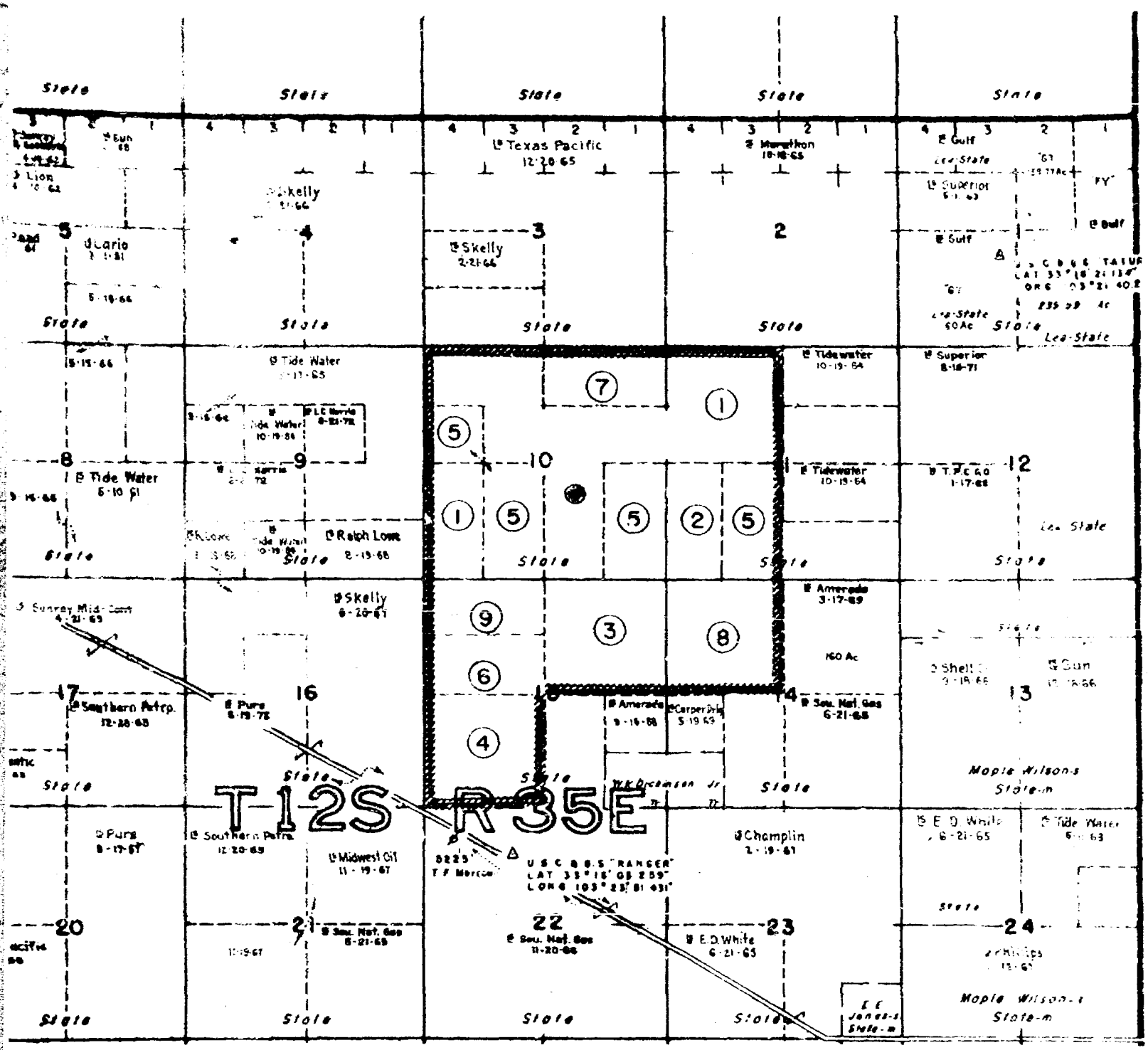

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EXHIBIT "A"

NW TATUM STATE UNIT

1600 Acres

11,500' Strawn Test

Lea County, New Mexico

Scale: 1" = 3000'

Unit Outline

Proposed Location

3042

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 5/8/64

CASE 3042 Hearing Date 9am 5/7/64
DSN ⊙ SE

My recommendations for an order in the above numbered cases are as follows:

Enter order approving
Northwest Tatum State
Unit Agreement as
requested by applicant
Gulf Oil Corp.

GOVERNOR
JACK M. CAMPBELL
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
E. S. JOHNNY WALKER
MEMBER

P. O. BOX 871
SANTA FE

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

May 13, 1964

Mr. Bill Kastler
Gulf Oil Corporation
Post Office Box 1938
Roswell, New Mexico

Re: Case No. 3042
Order No. R-2703
Applicant:
Gulf Oil Corporation

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

ir/

Carbon copy of order also sent to:

Hobbs OCC ___x___
Artesia OCC_____
Aztec OCC _____
OTHER_____

_____

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. 3662
Order No. R-3705

APPLICATION OF GULF OIL CORPORATION
FOR APPROVAL OF THE NORTHWEST TATUM
STATE UNIT AGREEMENT, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 7, 1964, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 13th day of May, 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, Gulf Oil Corporation, seeks approval of the Northwest Tatum State Unit Agreement covering 1,600 acres, more or less, of State land in Township 12 South, Range 33 East, NMPM, Lea County, New Mexico.

(3) That approval of the proposed Northwest Tatum State 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 Northwest Tatum State 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 Northwest Tatum State Unit area, and such plan shall be known as the Northwest Tatum State Unit Agreement Plan.

(3) That the Northwest Tatum State 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 Northwest Tatum State Unit, or relative to the production of oil or gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

LEA COUNTY, NEW MEXICO
TOWNSHIP 12 SOUTH, RANGE 35 EAST
Section 10: All
Section 11: S/2
Section 14: NW/4
Section 15: E/2 and SW/4

containing 1,606 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 Northwest Tatum State 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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

E. S. WALKER, Member

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

S E A L

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. 3042
Order No. R-2703

APPLICATION OF GULF OIL CORPORATION
FOR APPROVAL OF THE NORTHWEST TATUM
STATE UNIT AGREEMENT, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 7, 1964, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 13th day of May, 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, Gulf Oil Corporation, seeks approval of the Northwest Tatum State Unit Agreement covering 1,600 acres, more or less, of State land in Township 12 South, Range 35 East, NMPM, Lea County, New Mexico.

(3) That approval of the proposed Northwest Tatum State 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 Northwest Tatum State 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 Northwest Tatum State Unit Area, and such plan shall be known as the Northwest Tatum State Unit Agreement Plan.

(3) That the Northwest Tatum State 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 Northwest Tatum State Unit, or relative to the production of oil or gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

LEA COUNTY, NEW MEXICO
TOWNSHIP 12 SOUTH, RANGE 35 EAST
Section 10: All
Section 11: W/2
Section 14: NW/4
Section 15: N/2 and SW/4

containing 1,600 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 Northwest Tatum State 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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jack M. Campbell

JACK M. CAMPBELL, Chairman

E. S. Walker

E. S. WALKER, Member

A. L. Porter, Jr.

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

esr/

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. 3042

Order No. R- 2703

APPLICATION OF GULF OIL CORPORATION
FOR APPROVAL OF THE NORTHWEST TATUM
STATE UNIT AGREEMENT, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 7, 1964, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter, ~~Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.~~

NOW, on this ____ day of May, 1964, the Commission, a quorum being present, having considered the ~~application,~~ 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, Gulf Oil Corporation, seeks approval of the Northwest Tatum State Unit Agreement covering 1,600 acres, more or less, of State land in Township 12 South, Range 35 East, NMPM, Lea County, New Mexico.

(3) That approval of the proposed Northwest Tatum State 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 Northwest Tatum State 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 Northwest Tatum State Unit Area, and such plan shall be known as the Northwest Tatum State Unit Agreement Plan.

(3) That the Northwest Tatum State 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 Northwest Tatum State Unit, or relative to the production of oil or gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

LEA COUNTY, NEW MEXICO
TOWNSHIP 12 SOUTH, RANGE 35 EAST
Section 10: All
Section 11: W/2
Section 14: NW/4
Section 15: N/2 and SW/4

containing 1,600 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 Northwest Tatum State 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.

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. B. Hopkins
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION MANAGER
F. O. Mortlock
DISTRICT EXPLORATION MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

P. O. Drawer 1938
Roswell, New Mexico 88201

April 21, 1964

Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Re: Application of Gulf Oil Corporation for the approval of the Northwest Tatum State Unit Agreement providing for exploration of 1,600 acres, consisting of parts of Sections 10, 11, 14 and 15-12S-35E.

Dear Sir:

Gulf Oil Corporation as the proposed Unit Operator respectfully herein requests the Commission's approval of the Northwest Tatum State Unit Area on the grounds that the proposed unit plan will in principle tend to promote the conservation of oil and gas and the prevention of waste. In support of its application, Gulf states as follows:

1. That the Unit Area shall be:

T. 12 S., R. 35 E., N.M.P.M.

Section 10: All
Section 11: W/2
Section 14: NW/4
Section 15: N/2 and SW/4

containing 1,600 acres, more or less, more fully shown on the enclosed Plat, marked Exhibit "A".

2. That a reasonable interpretation of subsurface and seismic information indicates a low-relief Pennsylvanian structure similar to that producing oil from the Cisco formation in the Ranger Pool located approximately six miles to the Southwest.

3. That the Unit Operator shall file with the Commission an executed original or an executed counterpart of the

Northwest Tatum State Unit Agreement within 30 days after the effective date thereof.

4. That any party owning rights in the unitized substances which does not commit such rights to said Unit Agreement before the effective date thereof may thereafter become a party thereto be subscribing to such agreement or a counterpart thereof or by ratifying the same. A subsequent joinder shall become effective on the first day of the month following the filing with the Commissioner of Public Lands and the New Mexico Oil Conservation Commission of duly executed counterparts or ratifications.

5. That there are no federal or fee lands involved in this application and the unit agreement form is an exact facsimile of a form of unit agreement published by the Commissioner of Public Lands for the State of New Mexico.

6. That the Order of the Commission should 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 Unit test well is to be located at a lawful location in the NW/4 SE/4 of Section 10-12S-35E. The well is projected to a depth adequate to test the Pennsylvanian formation, not to exceed 11,500 feet.

It is requested that this matter be set for hearing at the earliest time.

Respectfully submitted,

GULF OIL CORPORATION

By W B Hopkins
W. B. Hopkins

WVK:eji

Enclosure

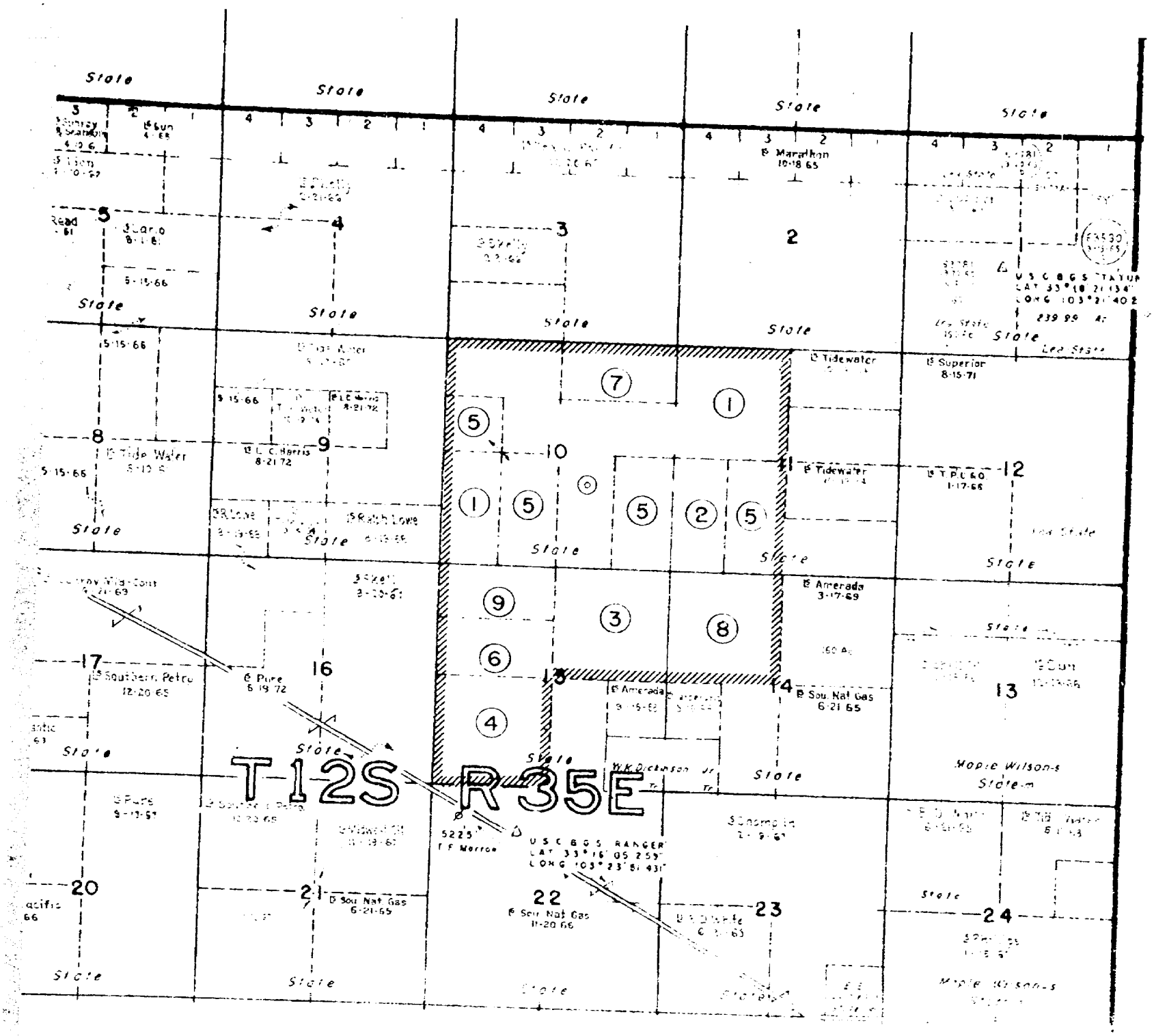

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EXHIBIT "A"

NW TATUM STATE UNIT

1600 Acres

11,500' Strawn Test

Lea County, New Mexico

Scale: 1" = 3000'

Unit Outline

Proposed Location

Gulf Oil Corporation

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1. That the Unit Area shall be:

   T. 12 S., R. 35 E., N.M.P.M.

   Section 10: All
   Section 11: W/2
   Section 14: NW/4
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   containing 1,600 acres, more or less, more fully shown on the enclosed Plat, marked Exhibit "A".

2. That a reasonable interpretation of subsurface and seismic information indicates a low-relief Pennsylvanian structure similar to that producing oil from the Cisco formation in the Ranger Pool located approximately six miles to the Southwest.

3. That the Unit Operator shall file with the Commission an executed original or an executed counterpart of the

Northwest Tatum State Unit Agreement within 30 days after the effective date thereof.

4. That any party owning rights in the unitized substances which does not commit such rights to said Unit Agreement before the effective date thereof may thereafter become a party thereto be subscribing to such agreement or a counterpart thereof or by ratifying the same. A subsequent joinder shall become effective on the first day of the month following the filing with the Commissioner of Public Lands and the New Mexico Oil Conservation Commission of duly executed counterparts or ratifications.

5. That there are no federal or fee lands involved in this application and the unit agreement form is an exact facsimile of a form of unit agreement published by the Commissioner of Public Lands for the State of New Mexico.

6. That the Order of the Commission should 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 Unit test well is to be located at a lawful location in the NW/4 SE/4 of Section 10-12S-35E. The well is projected to a depth adequate to test the Pennsylvanian formation, not to exceed 11,500 feet.

It is requested that this matter be set for hearing at the earliest time.

Respectfully submitted,

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By W. B. Hopkins

WVK:eji

Enclosure

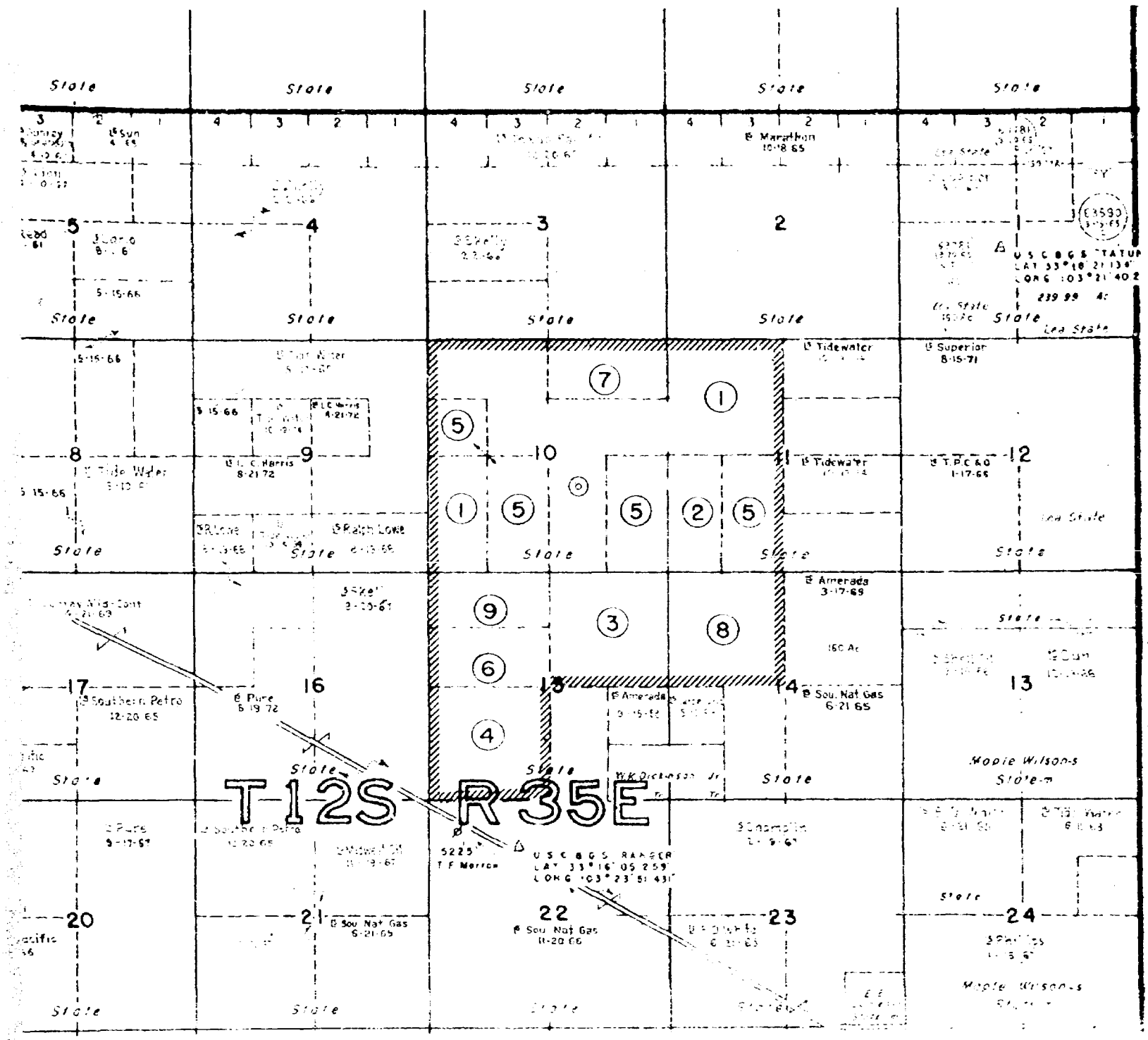

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EXHIBIT "A"

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1600 Acres

11,500' Strawn Test

Lea County, New Mexico

Scale: 1" = 3000'

Unit Outline

Proposed Location

Gulf Oil Corporation

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   Section 11: W/2
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   containing 1,600 acres, more or less, more fully shown on the enclosed Plat, marked Exhibit "A".

2. That a reasonable interpretation of subsurface and seismic information indicates a low-relief Pennsylvanian structure similar to that producing oil from the Cisco formation in the Ranger Pool located approximately six miles to the Southwest.

3. That the Unit Operator shall file with the Commission an executed original or an executed counterpart of the

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Respectfully submitted,

GULF OIL CORPORATION

By W. B. Hopkins

W. B. Hopkins

WVK:eji

Enclosure

DOCKET MAILED

Date 4-27-64

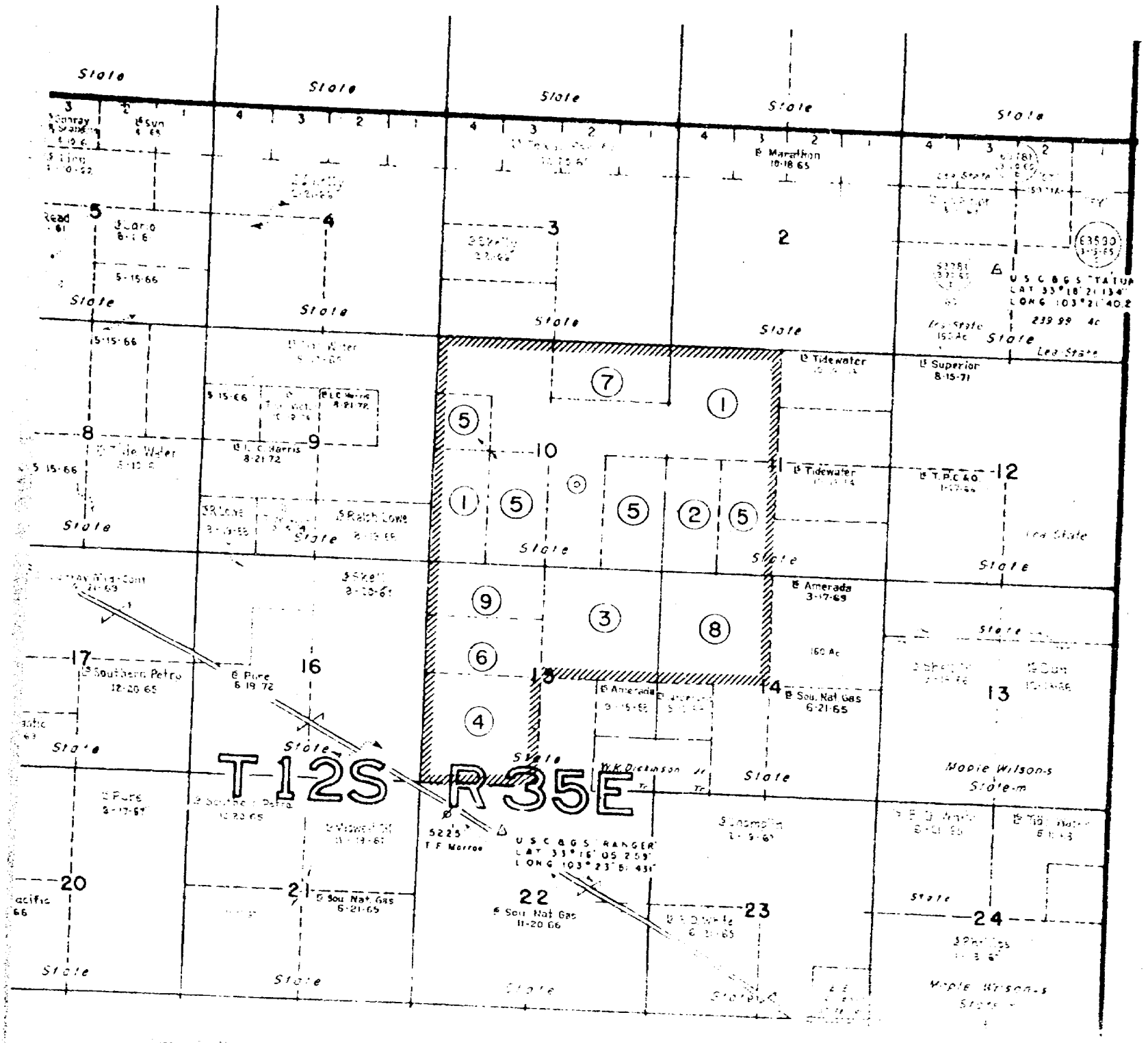

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EXHIBIT "A"

NW TATUM STATE UNIT

1600 Acres

11,500' Strawn Test

Lea County, New Mexico

Scale: 1" = 3000'

Unit Outline

Proposed Location

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 7, 1964

EXAMINER HEARING

IN THE MATTER OF:

Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Northwest Tatum State Unit Area comprising 1600 acres of State land in Township 12 South, Range 35 East, Lea County, New Mexico.

Case No. 3042

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: We will call Case 3042.

MR. DURRETT: Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico.

MR. KASTLER: Bill Kastler, appearing on behalf of the Applicant, Gulf Oil Corporation. Our two witnesses will be Mr. J. P. Cavanaugh and Mr. R. H. Cress.

(Witnesses sworn.)

J. P. CAVANAUGH

called as a witness, having been first duly sworn on oath, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KASTLER:

Q Will you please state for the record your name, where you are from and what your position is?

A My name is J. P. Cavanaugh. I am with Gulf Oil Corporation, Roswell, New Mexico, and I am a land man with that firm.

Q Have you previously appeared before an Examiner of the New Mexico Oil Conservation Commission and given testimony--

A I have.

Q -- as a petroleum land man? Are you familiar with the area which we have proposed as our Northwest Tatum State Unit?

A I am.

MR. KASTLER: Are the witness's qualifications satis-

factory?

MR. NUTTER: Yes, sir, they are.

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

Q I call your attention to a plat which you've marked Exhibit No. 1, Mr. Cavanaugh, will you please explain what is shown on this plat?

A On Exhibit No. 1 is shown in a hatched, colored outline area 1600 acres to be known as the Northwest Tatum State Unit. At a location 1980 from the South and East line of Section 10 is shown the proposed location for the initial unit test well.

Q What is the characteristic of the land and the leases?

A The land is state land, under state leases, one hundred percent of the unit area.

Q One hundred percent state oil and gas leases?

A That's correct.

Q What is the ownership of those leases, if you please?

A The ownership of these leases are Gulf, 42½% of the unit area; Amerada Petroleum, 42½% of the unit area; Skelly Oil Comp .y, 10% of the unit area; Tidewater Oil Company, 5% of the unit area.

(Whereupon, Applicant's Exhibit No. 2 was marked for identification.)

Q I now call your attention to a proposed unit agreement

which has been marked Exhibit No. 2. Will you give the geographical description of the land covered by this proposed unit?

A In Township 12 South, Range 35 East, Section 10, all of Section 10; Section 11, the West Half; Section 14, the Northwest Quarter; Section 15, the North Half of the Southwest Quarter, containing 1600 acres more or less.

Q What are the unitized formations or formation in this unit to be unitized?

A The unitized formations are from the surface to all depths.

Q Is this an exploratory unit?

A This is an exploratory unit.

Q Who is the unit operator?

A Gulf Oil Corporation.

Q What are the provisions pertaining to a successor operator, the selection of a successor?

A A 75% vote of the working interest ownership on an acreage basis.

Q Subject further to the approval of the Commissioner of Public Lands?

A That's correct.

Q You have stated this is an exploratory unit. What is the depth of the proposed initial test well?

A The proposed initial test well is to be drilled to 11,500 feet, or to a depth sufficient to penetrate the top 50 feet of the Pennsylvanian Strawn formation. The top of the Strawn is herein agreed to be the point encountered at 11,575 feet by electrical logs in the Skelly No. 1 West Tatum Unit test in Section 26, Township 12 South, Range 35 East.

Q Does the unit agreement call for continuous drilling until development or until production is obtained?

A Yes, for a period of six months between wells.

Q And what is the allocation of royalty that's set up and the allocation of working interest?

A On an acreage basis.

Q So that if there were one tract of 80 acres, that party would have 80-.16ths of the production, is that correct?

A That is correct.

Q What are the provisions as to the effective date, the term and the termination of the unit agreement?

A The effective date is on approval by the Commissioner. That is the effective date.

Q Have you gotten any indication of approval by the Commissioner of Public Lands as yet?

A Yes, we have heard that the state has verbally approved this agreement as to form and content.

Q What is the term of the unit agreement, did you state?

A I did not state it, but it is for a two-year period unless oil and gas and other utilized substances are produced.

Q What is the provision as to termination, voluntary termination of the unit agreement?

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Q The form of this unit agreement is strictly literally word for word the form of a state-approved unit, is it not?

A That is correct.

Q What percentage of operators or working interest owners do you have that have indicated they would commit their acreage within the unit to this unit area?

A One hundred percent.

Q Has the instrument as yet been formally executed?

A No, it's in the process of being executed, but we have not yet heard of any execution as yet, other than the execution of Gulf Oil Corporation.

(Whereupon, Applicant's Exhibit No. 3 was marked for identification.)

Q I now call your attention to the unit operating agreement which I will mark or cause to be marked as Exhibit No. 3, and ask you briefly if this is not a pure form of operating

agreement, Ross Martin form, that is in common custom and useage throughout the oil industry for joint operations?

A That is correct.

Q Are there any deviations from the strict form that you would particularly care to call to the Commission's attention?

A None.

Q Are there any of any substance other than simply operating provisions?

A No, sir, there are not.

Q Does it have the ordinary provision for non consent drilling in the event less than all parties elect to continue drilling after the first well, for instance?

A It does, yes, sir.

Q Was Exhibit No. 1 prepared by you or at your direction and under your supervision?

A That's correct, it was.

Q And Exhibit No. 2 is a true copy of the unit agreement which has been executed by Gulf, although it was our application copy that we transmitted as executed, and which we trust will be executed by the other working interest owners?

A That is correct.

Q And which we trust will be approved by the Commissioner of Public Lands formally after its execution?

A Yes, sir.

Q And Exhibit No. 3 is the form of operating agreement which is to be used for this unit, executed by all parties?

A Yes, sir.

Q In your opinion would the granting and approving of this unit area prevent waste and protect correlative rights?

A Yes, sir.

MR. KASTLER: This concludes the questions I want to ask this witness on direct.

MR. NUTTER: Are there any questions of Mr. Cavanaugh?

(Witness excused.)

R. H. CRESS

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BY MR. KASTLER:

Q Would you please state your name, your position, by whom and where you are employed?

A My name is R. H. Cress. I am the District Exploration Geologist for the Gulf Oil Corporation in Roswell, New Mexico.

MR. NUTTER: Is that K-r-e-s-s?

A C-r-e-s-s.

Q How long have you been the District Geologist in Roswell

for the Roswell District?

A Since 1956.

Q Have you previously appeared before the New Mexico Oil Conservation Commission or an Examiner Hearing and been qualified as an expert petroleum geologist?

A Yes, I have.

Q Are you familiar with the area that's involved in this hearing--

A Yes, I am.

Q --as the Northwest Tatum State Unit Area?

A Yes.

Q I would like to call your attention to a plat you have marked Exhibit No. 4, the legend on which states it is a contour map, Yates Horizon. What does this show that is pertinent to the granting of this application for unitization?

(Whereupon, Applicant's Exhibit No. 4 was marked for identification.)

A This is a geologic subsurface map on the Yates Permian horizon, and it shows the outline of the proposed unit, the proposed location, and located on the proposed unit is a closed structure which represents our interpretation of this particular structural horizon. You will note that the contours interval is at 50 feet.

Q What points of control did you use in drafting this map?

A Well, in this Township 12 South, 35 East, there were four control points, two of which are not shown on the plat, being the Austral No. 1 State E in Section 6 and the Machoetal No. 1 State in Section 18.

Q This Section 6, that would be at approximately eleven o'clock from the center of the map, would it not?

A Yes. You see Section 5, the next section, of course, is 6.

Q Would you indicate where the location of the other well is, please?

A Well, there are two other wells, one in Section 22, the T. F. Morrow No. 1 State.

Q Which is shown on the plat?

A Which is shown on the plat, and the Skelly No. 1 West Tatum in Section 26.

Q Which is shown on the exhibit?

A Yes.

Q There is still one other that is not shown on the exhibit, would you indicate generally where it bears from your proposed test well?

A One other well, Bill?

Q Yes. You said you had four wells as control --

MR. DURRETT: The Machoetal well.

MR. NUTTER: What's the location of the Machoetal well?

A Section 18, 12 South, 35 East. Here you see Section 17, it would be the next section to the west.

Q Would you discuss how you've drafted and used these control points in drafting this map?

A Well, we feel, of course, this is fair control. It is an interpretation of this data; I think the significant thing is that this Morrow well was a high well structurally, that is high to the regional structure.

Q Then you would conclude this is a reasonable interpretation of the control data that you had available to you?

A Yes, sir.

(Whereupon, Applicant's Exhibit No. 5 was marked for identification.)

Q I now call your attention to Exhibit No. 5, which is a structure contour map on the Devonian, and the seismic picture. What is shown on this, if you please?

A This particular map is contoured on the Devonian horizon, and you will notice that the map is contoured in time. Now, for convenience the ten millisecond interval, contour interval that we used you can use 75 feet, which is roughly the footage equivalent of that time interval. This particular map, as you see, shows

mill control through the unit area, and it shows the structural anomaly centering in Section 10. This particular anomaly we feel has approximately 100 feet of closure at this level.

Q Does Exhibit 5 and the findings there generally confirm what's shown on Exhibit No. 4?

A Yes.

Q What formation is to be tested by the proposed test well?

A Well, our main objective is the Upper Pennsylvanian, the Cisco pays in the Ranger Lake Pool to the west, approximately four miles. We are going down to the Strawn, and if we find any porosity developments in the Strawn which is underlying the canyon, why we will, of course, test those.

Q But the nearest production is the Pennsylvanian production?

A In the Ranger?

Q In the Ranger.

A Yes, sir.

Q What is the proposed cost of the well?

A The proposed cost, well, our estimated cost of the well is $155,500 on a dry hole basis.

Q $155,500?

A Yes.

Q Do you know I neglected to cover this spudding date with Mr. Cavanaugh. Do you know the date that is proposed as the spud date for this well?

A No. I know that it is to be as soon as possible.

MR. KASTLER: May I stipulate that the record in Exhibit 3 here would show that on or before July 1 the test well provision here, this well is to be commenced if the unit is approved.

Q Mr. Cress, can you make a statement in conclusion?

A Yes. I might mention that besides the seismic interpretation that shows a structural anomaly, and the subsurface interpretation that shows a high area, a structural anomaly, that we had sample shows in the nearby wells in the San Andres, the Wolfcamp, Abo and Tubb formations. On drill stem test we had slight shows of oil, and in a test of the Abo in the Austral well located in Section 6 they actually had gas to the surface in six minutes and recovered five feet of mud plus a rainbow show of oil.

We have porosity indicated in the reservoirs that we are going to penetrate; this along with the shows and the structure maps makes us feel that it's an excellent possibility for commercial production.

Q Is it a prospect that a reasonable, prudent operator would drill under in forming a unit of this size?

A In my opinion, yes.

Q Were Exhibits 4 and 5 prepared by you or under your direction and supervision?

A Yes.

MR. KASTLER: This concludes the questions, and at this time I would like to move that Exhibits 1, 2, 3, 4 and 5 be admitted into evidence.

MR. NUTTER: Gulf's Exhibits 1 through 5 will be admitted in evidence.

(Whereupon, Applicant's Exhibits 1 through 5 were admitted in evidence.)

MR. NUTTER: Are there any questions of Mr. Cress?

CROSS EXAMINATION

BY MR. NUTTER:

Q On your Exhibits 4 and 5, all these little numbered circles along the section lines, are those seismic points?

A No, actually those are shot points.

Q That's what I meant, seismic shot points.

A Yes, they're shot points. I thought you meant of all.

Q What's the wavy line on the west side of the Devonian?

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Q I realize that the unit agreement calls for testing the Pennsylvania and that it was mentioned that the Strawn tested, yet you have a structure in the Devonian. Is there a possibility that

this well will be taken to the Devonian if the Pennsylvania looks favorable?

A Yes.

Q On how high you are running when you are in the Pennsylvania?

A Yes.

MR. NUTTER: Are there other questions of Mr. Cress? He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Kastler?

MR. KASTLER: No.

MR. NUTTER: If there's nothing further in this case we will take Case 3042 -- but you have a telegram?

MR. DURRETT: I do have a telegram from Amerada supporting the application.

MR. NUTTER: We will take the Case 3042 under advisement, and the hearing is adjourned.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, 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 this 8th day of June, 1964.

NOTARY PUBLIC

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. 3042, heard by me on 6/7, 1964.

, Examiner
New Mexico Oil Conservation Commission

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
May 7, 1964

EXAMINER HEARING

IN THE MATTER OF:

Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Northwest Tatum State Unit Area comprising 1600 acres of State land in Township 12 South, Range 35 East, Lea County, New Mexico.

Case No. 3042

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: We will call Case 3042.

MR. BURRETT: Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico.

MR. KASTLER: Bill Kastler, appearing on behalf of the Applicant, Gulf Oil Corporation. Our two witnesses will be Mr. J. P. Cavanaugh and Mr. R. H. Cross.

(Witnesses sworn.)

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called as a witness, having been first duly sworn on oath, was examined and testified as follows:

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Q Have you previously appeared before an Examiner of the New Mexico Oil Conservation Commission and given testimony--

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Q -- as a petroleum land man? Are you familiar with the area which we have proposed as our Northwest Tatum State Unit?

A I am.

MR. KASTLER: Are the witness's qualifications satis-

factory?

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BY MR. NUTTER:

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this well will be taken to the Devonian if the Pennsylvania looks favorable?

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Q On how high you are running when you are in the Pennsylvania?

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MR. NUTTER: Are there other questions of Mr. Cress? He may be excused.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Kastler?

MR. KASTLER: No.

MR. NUTTER: If there's nothing further in this case we will take Case 3042 -- but you have a telegram?

MR. DURRETT: I do have a telegram from Amerada supporting the application.

MR. NUTTER: We will take the Case 3042 under advisement, and the hearing is adjourned.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, 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 this 8th day of June, 1964.

Ada Dearnley
NOTARY PUBLIC

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. 3042, heard by me on May 7, 1964.

....., Examiner
New Mexico Oil Conservation Commission

Gulf Oil Corporation

LAW DEPARTMENT

Booth Kellough
DIVISIONAL ATTORNEY
MIDLAND TEXAS

ATTORNEY ROSWELL
William V. Kastler

P. O. Box 1938
Roswell, New Mexico

June 9, 1964

Mr. A. L. Porter, Jr.
Secretary and Director
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico

Re: Northwest Tatum State Unit
Lea County, New Mexico

Gentlemen:

Please find enclosed herewith the following pages:

One completely executed counterpart of the Unit Agreement and one completely executed counterpart of the Unit Operating Agreement showing 100% commitment to the Unit by Gulf, Amerada, Skelly and Tidewater who collectively are the owners of all working interests involved.

We have this date requested final approval by the Commissioner of Public Lands and further that Mrs. Rhea give you a copy of the Commissioner's final approval. (Enclosed)

Very truly yours,

William V. Kastler

William V. Kastler

WVK:eji

Enclosures

GULF

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

NORTHWEST TATUM STATE UNIT
LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated May 1, 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 9th day of June 1964.

E. S. Johnny Walker
Commissioner of Public Lands
of the State of New Mexico

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
NORTHWEST TATUM STATE UNIT AREA
LEA COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 1st day of May, 1964, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M. Statutes 1953 Annot.), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or 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 (Sec. 1, Chap. 162), (Laws of 1951, Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized

by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Northwest Tatum State Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 12 South, Range 35 East, N.M.P.M.
Section 10: All
Section 11: W/2
Section 14: NW/4
Section 15: N/2 and SW/4

containing 1,600 acres, more or less,
Lea County, New Mexico.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

2. UNITIZED SUBSTANCES. All oil, gas natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR. Gulf Oil Corporation whose address is P. O. Box 1938, Roswell, New Mexico, 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 per cent (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 aggreage not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned, among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and

duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY. The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Pennsylvanian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarrented or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 11,500 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the

drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N. M. Statutes 1953 Annotated of intention to cancel on account of any

alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such untized 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 be the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the

unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commening as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE. In the event a well or wells producing oil or gas in paying quantities shaould be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the

interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder the the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesiad. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES. Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to

apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interest party shall also have the right at 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 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.

or failure of any title hereunder.

23. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner 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.

UNIT OPERATOR

GULF OIL CORPORATION

ATTEST:

H. A. Rankin
Assistant Secretary

By W B Hopkins
Attorney-in-Fact

Date: MAY 19 1964

WORKING INTEREST OWNERS

AMERADA PETROLEUM CORPORATION

ATTEST:

_____ By _____

Date: _____

SKELLY OIL COMPANY

ATTEST:

_____ By _____

Date: _____

TIDEWATER OIL COMPANY

ATTEST:

_____ By _____

Date: _____

STATE OF NEW MEXICO)

COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 12th day of Dec., 1964, by W. B. MORRIS, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

Eva Marie Cooper
Notary Public

My Commission Expires:
My Commission Expires March 31, 1968

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, _____ of AMERADA PETROLEUM 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 _____ _____ of SKELLY OIL COMPANY, a _____ corporation, on behalf of said corporation.

_____
Notary Public

My Commission Expires:

_____

APPROVED
A. P. C.

WORKING INTEREST OWNERS

AMERADA PETROLEUM CORPORATION

ATTEST:

ASSISTANT SECRETARY

By _____
Senior Vice President John P. Hammond

Date: June 3, 1964

SKELLY OIL COMPANY

ATTEST:

_____ By _____

Date: _____

TIDEWATER OIL COMPANY

ATTEST:

_____ By _____

Date: _____

STATE OF NEW MEXICO)(

COUNTY OF CHAVES)(

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

_____
Notary Public

My Commission Expires:

_____

STATE OF OKLAHOMA)(

COUNTY OF TULSA)(

The foregoing instrument was acknowledged before me this 3rd day of June, 1964, by John P. Hammond of AMERADA PETROLEUM CORPORATION, a Senior Vice President Delaware corporation, on behalf of said corporation.

MARY DIXON, Notary Public
In and for State of Oklahoma
My commission expires August 12, 1964

Mary Dixon
Notary Public

My Commission Expires:

_____

STATE OF _____)(

COUNTY OF _____)(

The foregoing instrument was acknowledged before me this _____ day of _____ 1964, by _____, _____ of SKELLY OIL COMPANY, a _____ corporation, on behalf of said corporation.

_____
Notary Public

My Commission Expires:

_____

WORKING INTEREST OWNERS

AMERADA PETROLEUM CORPORATION

ATTEST:

_____ By _____

Date: _____

SKELLY OIL COMPANY

[redacted]

_____ By _____
ATTORNEY-IN-FACT

Date: May 5, 1964

TIDEWATER OIL COMPANY

ATTEST:

_____ By _____

Date: _____

STATE OF NEW MEXICO)(

COUNTY OF CHAVES)(

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania 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 AMERADA PETROLEUM CORPORATION, a _____ _____ corporation, on behalf of said corporation.

_____
Notary Public

My Commission Expires:

_____

STATE OF OKLAHOMA)(

COUNTY OF TULSA)(

The foregoing instrument was acknowledged before me this 6th day of May 1964, by A. J. O'ROURKE, Attorney in Fact of SKELLY OIL COMPANY, a Delaware corporation, on behalf of said corporation.

Hazel M Brady
Notary Public

My Commission Expires:

HAZEL M. BRADY
Notary Public Tulsa County Oklahoma
My Commission Expires January 22, 1965

Northwest Tatum State Unit Agreement
dated May 1, 1964.

WORKING INTEREST OWNERS

AMERADA PETROLEUM CORPORATION

ATTEST:

_____ By _____

Date: _____

SKELLY OIL COMPANY

ATTEST:

_____ By _____

Date: _____

TIDEWATER OIL COMPANY

ATTEST:

A. Zimmerman
Asst. Secretary

By E. B. Mallon
VICE PRESIDENT

Date: MAY 15 1964

STATE OF NEW MEXICO)(

COUNTY OF CHAVES)(

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania 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 AMERADA PETROLEUM 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 _____, _____ of SKELLY 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 15th day of May, 1964, by E. B. [illegible], JR., Vice President of TIDEWATER OIL COMPANY, a Delaware corporation, on behalf of said corporation.

Mary Pitkin
Notary Public

My Commission Expires:
June 1, 1965

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

WVK:ejl
4-17-64

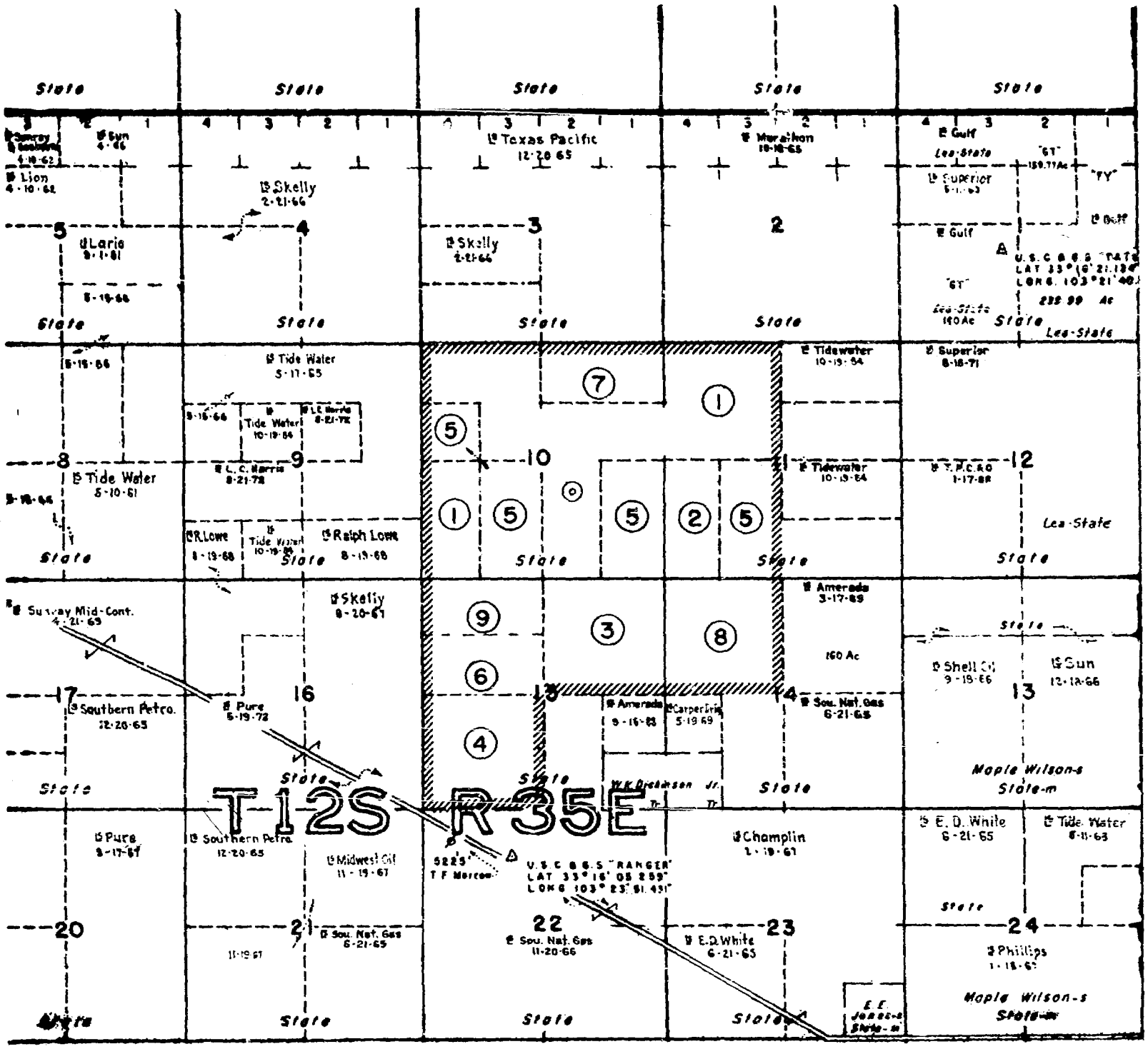


EXHIBIT "A"

NORTHWEST TATUM STATE UNIT

1600 Acres

11,500' Strawn Test

Lea County, New Mexico

Scale: 1" = 3000'

////// Unit Outline

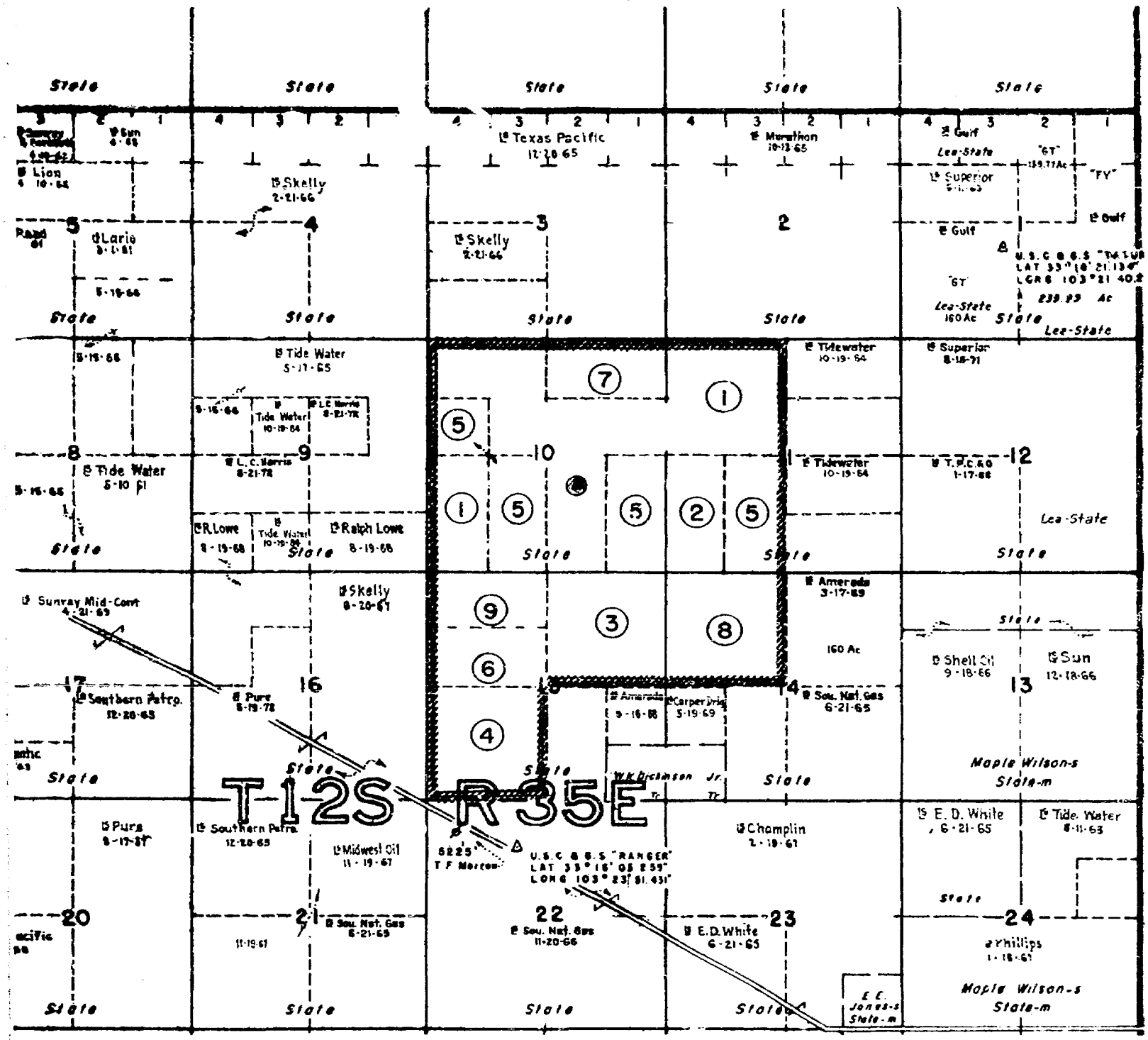
⊙ Proposed Location

TRACT NO.	STATE LEASE NO.
1	E-8469
2	E-8549
3	E-8906
4	OG-1834
5	OG-4040-1
6	OG-4559-1
7	OG-5233-1
8	K-2468-1
9	K-2469-1

EXHIBIT "B"

NORTHWEST TATUM STATE UNIT
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND LEASE DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD
1	S/2 NE/4, N/2 NW/4, SE/4 NW/4, W/2 SW/4, W/2 SE/4 Section 10; and NW/4 Section 11-12S-35E	520	E-8459 9-21-54	1/8	Gulf Oil Corporation
2	W/2 SW/4 Section 11-12S-35E	80	E-8549 10-19-54	1/8	Tidewater Oil Company
3	NE/4 Section 15-12S-35E	160	E-8906 3-15-55	1/8	Skelly Oil Company
4	SW/4 Section 15-12S-35E	160	OG-1834 1-21-58	1/8	Gulf Oil Corporation
5	E/2 SE/4, E/2 SW/4, SW/4 NW/4 Section 10; and E/2 SW/4 Section 11-12S-35E	280	OG-4040-1 7-15-58	1/8	Amerada Petroleum Corporation
6	S/2 NW/4 Section 15-12S-35E	80	OG-4559-1 9-16-58	1/8	Amerada Petroleum Corporation
7	N/2 NE/4 Section 10-12S-35E	80	OG-5233-1 3-17-59	1/8	Amerada Petroleum Corporation
8	NW/4 Section 14-12S-35E	160	K-2468-1 5-15-62	1/8	Amerada Petroleum Corporation
9	N/2 NW/4 Section 15-12S-35E	80	K-2469-1 5-15-62	1/8	Amerada Petroleum Corporation
	TOTAL ACRES	1,600			



Tract No.	State Lease No.
1	E-8469
2	E-8549
3	E-8906
4	OG-1834
5	OG-4040-1
6	OG-4559-1
7	OG-5223-1
8	K-2468-1
9	K-2469-1

EXHIBIT "A"

NW TATUM STATE UNIT

1600 Acres

11,500' Strawn Test

Lea County, New Mexico

Scale: 1" = 3000'

Unit Outline

Proposed Location

I-#1

Case 3642

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
NORTHWEST TATUM STATE UNIT AREA
LEA COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 1st day of May, 1964, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M. Statutes 1953 Annot.), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or 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 (Sec. 1, Chap. 162), (Laws of 1951, Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized

by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Northwest Tatum State Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 12 South, Range 35 East, N.M.P.M.

Section 10: All
Section 11: W/2
Section 14: NW/4
Section 15: N/2 and SW/4

containing 1,600 acres, more or less,
Lea County, New Mexico.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner".

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

2. UNITIZED SUBSTANCES. All oil, gas natural gasoline and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR. Gulf Oil Corporation whose address is P. O. Box 1938, Roswell, New Mexico, 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 per cent (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 aggreage not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of unit operator, and (b) the selection shall have been approved by the Commissioner. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned, among the owners of the unitized working interests in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and

duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY. The unit operator shall, within sixty (60) days after the effective date of this agreement, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Pennsylvanian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarrented or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 11,500 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the

drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six months from the time of the completion of the initial discovery well and within thirty days after the expiration of each twelve months period thereafter file a report with the Commissioner and Commission of the status of the development of the unit area and the development contemplated for the following twelve months period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N. M. Statutes 1953 Annotated of intention to cancel on account of any

alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17, N.M. Statutes 1953 Annotated and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such untized 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 be the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the

unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commening as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE. In the event a well or wells producing oil or gas in paying quantities shaould be brought in on land adjacent to the unit area draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the

interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder the the grantee, transferee or other successor in interest. No assignment or transfer or any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

17. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances are being produced from the unitized land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesiad. This agreement may be terminated at any time by not less than seventy-five per cent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES. Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to

apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interest party shall also have the right at 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 party sending the notice, demand or statement.

21. UNAVOIDABLE DELAY. All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.

22. LOSS OF TITLE. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld.

Unit operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the approval by the Commissioner 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 under 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.

UNIT OPERATOR

GULF OIL CORPORATION

ATTEST:

_____ By _____
Assistant Secretary Attorney-in-Fact

Date: _____

WORKING INTEREST OWNERS

AMERADA PETROLEUM CORPORATION

ATTEST:

_____ By _____

Date: _____

SKELLY OIL COMPANY

ATTEST:

_____ By _____

Date: _____

TIDEWATER OIL COMPANY

ATTEST:

_____ By _____

Date: _____

STATE OF NEW MEXICO)(

COUNTY OF CHAVES)(

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania 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 AMERADA PETROLEUM CORPORATION, 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 SKELLY OIL COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

_____ Notary Public

STATE OF _____)

COUNTY OF _____)

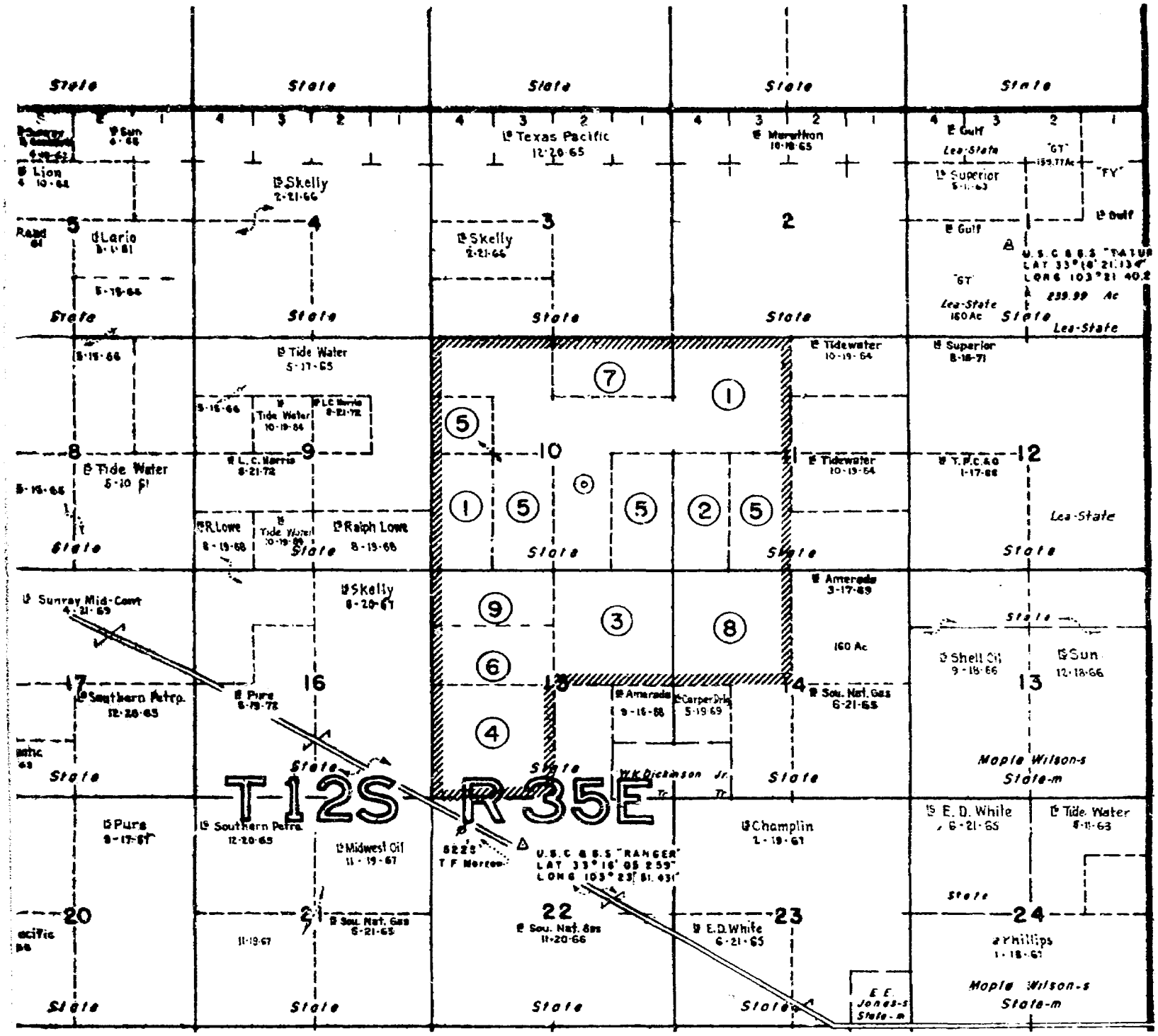
The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____ of TIDEWATER OIL COMPANY, a _____ corporation, on behalf of said corporation.

_____
Notary Public

My Commission Expires:

_____

WVK:eji
4-17-64



Tract No.	State Lease No.
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5	OG-4040-1
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7	OG-5223-1
8	K-2468-1
9	K-2469-1

EXHIBIT "A"

NW TATUM STATE UNIT

1600 Acres

11,500' Strawn Test

Lea County, New Mexico

Scale: 1" = 3000'

////// Unit Outline

⊙ Proposed Location

EXHIBIT "B"

NORTHWEST TATUM STATE UNIT
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND LEASE DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD
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	TOTAL ACRES	1,600			

MODEL FORM OPERATING AGREEMENT—1956

Non-Federal Lands

NORTHWEST TATUM STATE UNIT

OPERATING AGREEMENT

DATED

May 1, 19 64,

FOR UNIT AREA IN TOWNSHIP 12 SOUTH, RANGE 35 EAST,

LEA COUNTY, STATE OF NEW MEXICO.

Published and for Sale by
ROSS-MARTIN CO.
Box 800
Tulsa, Oklahoma

Form 610

OPERATING AGREEMENT

THIS AGREEMENT, entered into this 1st day of May, 1964, between GULF OIL CORPORATION, P. O. Box 1938, Roswell, New Mexico, hereafter designated as "Operator", and the signatory parties other than Operator.

WITNESSETH, THAT:

WHEREAS, the parties to this agreement are owners of oil and gas leases covering and, if so indicated, unleased mineral interests in the tracts of land described in Exhibit "A", and all parties have reached an agreement to explore and develop these leases and interests for oil and gas to the extent and as hereinafter provided;

NOW, THEREFORE, it is agreed as follows:

1. CONFIRMATION OF UNIT AGREEMENT (See Section 30-A, p.12)

2. DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them.

(1) The words "party" and "parties" shall always mean a party, or parties, to this agreement.

(2) The parties to this agreement shall always be referred to as "it" or "they", whether the parties be corporate bodies, partnerships, associations, or persons real.

(3) The term "oil and gas" shall include oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons, unless an intent to limit the inclusiveness of this term is specifically stated.

(4) The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Unit Area which are owned by parties to this agreement.

(5) The term "Unit Area" shall refer to and include all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

(6) The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Unit Area or as fixed by express agreement of the parties.

(7) All exhibits attached to this agreement are made a part of the contract as fully as though copied in full in the contract.

(8) The words "equipment" and "materials" as used here are synonymous and shall mean and include all oil field supplies and personal property acquired for use in the Unit Area.

3. 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 exploratory well is to be drilled in accordance with Section 7, which drilling unit is more particularly described in Exhibit "A", shall be examined on a complete abstract record by Operator's attorney, or, if the location is on one of 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 first exploratory well; provided, if the parties are unable to agree upon another drillsite, this agreement shall, in that case, come to an end and all parties shall then forfeit their rights and be relieved of obligations hereunder. 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

"Individual Loss"

to which title is approved or accepted, or until the parties fail to select another drillsite. As in the case of the drillsite first selected, so also with successive choices if the time comes that the parties have not approved title and are unable to agree upon an alternate drillsite, the contract shall, in that case and at that time, come to an end and all parties shall forfeit their rights and be relieved of obligations under this contract.

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:

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

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

(2) 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

(3) 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 unrecovered costs paid by it in connection with such well; and

(4) 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

(5) 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.

C. Loss of Leases for Causes Other Than Title Failure:

If any lease or interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, or if any lease or interest therein is lost due to the fact that the production therefrom is shut in by reason of lack of market, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of interests in the Unit Area.

~~3. UNLEASED OIL AND GAS INTERESTS~~

If any party owns an unleased oil and gas interest in the Unit Area, that interest shall be treated for the purpose of this agreement as if it were a leased interest under the form of oil and gas lease attached as "Exhibit "B" and for the primary term therein stated. As to such interests, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

4. INTERESTS OF PARTIES

Exhibit "A" lists all of the parties, and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this contract shall be borne and paid, and all equipment and material acquired in operations on the Unit Area shall be owned, by the parties as their interests are given in Exhibit "A". All production of oil and gas from the Unit Area, subject to the payment of lessor's royalties, shall also be owned by the parties in the same manner.

If any oil and gas lease covered by this agreement is subject to an overriding royalty, production payment, or other charge over and above the usual one-eighth (⅛) royalty, the party contributing that lease shall assume and alone bear all such excess obligations and shall account for them to the owners thereof out of its share of the working interest production of the Unit Area.

5. OPERATOR OF UNIT

GULF OIL CORPORATION shall be the Operator of the Unit Area, and shall conduct and direct and have full control of all operations on the Unit Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained, or liabilities incurred, except such as may result from gross negligence or from breach of the provisions of this agreement.

6. EMPLOYEES

The number of employees and their selection, and the hours of labor and the compensation for services performed, shall be determined by Operator. All employees shall be the employees of Operator.

7. TEST WELL

On or before the 1st day of July, 1964, Operator shall commence the drilling of a well for oil and gas in the following location:

T. 12 S., R. 35 E., N.M.P.M.
Section 10: NW/4 SE/4

and shall thereafter continue the drilling of the well with due diligence to 11,500 feet or to a depth sufficient to penetrate the top 50 feet of the Pennsylvanian Strawn Formation. The top of the Strawn is herein agreed to be the point encountered at 11,575 feet by electrical logs in the Skelly No. 1 West Tatum Unit test in Section 26-12S-35E,

unless granite or other practically impenetrable substance is encountered at a lesser depth or unless all parties agree to complete the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If in Operator's judgment the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the test as a dry hole, it shall first secure the consent of all parties to the plugging, and the well shall then be plugged and abandoned as promptly as possible.

8. COSTS AND EXPENSES

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the cost and expense basis provided in the Accounting Procedure attached hereto and marked Exhibit "B". If any provision of Exhibit "B" should be inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

Operator, at its election, shall have the right from time to time to demand and receive from the other parties payment in advance of their respective shares of the estimated amount of the costs to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated costs shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of six percent (6%) per annum until paid. Proper adjustment shall be made monthly between advances and actual cost, to the end that each party shall bear and pay its proportionate share of actual costs incurred, and no more.

9. OPERATOR'S LIEN

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

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

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

10. EFFECTIVE DATE AND TERM OF AGREEMENT

(See Section 30-B, p.12)

~~This agreement shall remain in full force and effect for as long as any of the oil and gas leases subjected~~ to this agreement remain or are continued in force as to any part of the Unit Area, whether by production, extension, renewal or otherwise; provided, however, that in the event the first well drilled hereunder results in a dry hole and no other well is producing oil or gas in paying quantities from the Unit Area, then at the end of ninety (90) days after abandonment of the first test well, this agreement shall terminate unless one or more of the parties are then engaged in drilling a well or wells pursuant to Section 12 hereof, or all parties have agreed to drill an additional well or wells under this agreement, in which event this agreement shall continue in force until such well or wells shall have been drilled and completed. If production results therefrom this agreement shall continue in force thereafter as if said first test well had been productive in paying quantities, but if production in paying quantities does not result therefrom this agreement shall terminate at the end of ninety (90) days after abandonment of such well or wells. It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached ~~prior to the date of such termination.~~

11. LIMITATION ON EXPENDITURES

Without the consent of all parties: (a) No well shall be drilled on the Unit Area except any well expressly provided for in this agreement and except any well drilled pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the drilling of a well shall include consent to all necessary expenditures in the drilling, testing, completing, and equipping of the well, including necessary tankage; (b) No well shall be reworked, plugged back or deepened except a well reworked, plugged back or deepened pursuant to the provisions of Section 12 of this agreement, it being understood that the consent to the reworking, plugging back or deepening of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well to produce, including necessary tankage; (c) Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Five Thousand Dollars ($5,000.00) except in connection with a well the drilling, reworking, deepening, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, but Operator shall, as promptly as possible, report the emergency to the other parties. Operator shall, upon request, furnish copies of its "Authority for Expenditures" for any single project costing in excess of $5,000.00.

12. OPERATIONS BY LESS THAN ALL PARTIES

If all the parties cannot mutually agree upon the drilling of any well on the Unit Area other than the test well provided for in Section 7, 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 or Sunday) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

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

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit "A" 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 relinquished interest shall revert to it under other provisions of this section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and

(B) 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 24, 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.~~ (See Section 30-C, p.12)

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 "B", attached hereto.

Notwithstanding the provisions of this Section 12, 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 in Section 7, 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.

13. RIGHT TO TAKE PRODUCTION IN KIND

Each party shall take in kind or separately dispose of its proportionate share of all oil and gas produced from the Unit Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties, or other payments due on its share of such production, and shall hold the other parties free from any liability therefor. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

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

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

14. ACCESS TO UNIT AREA

Each party shall have access to the Unit Area at all reasonable times, at its sole risk, to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator shall, upon request, furnish each of the other parties with copies of all drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Unit Area.

15. DRILLING CONTRACTS

All wells drilled on the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by 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.

16. ABANDONMENT OF WELLS

No well, other than any well which has been drilled or reworked pursuant to Section 12 hereof for which the Consenting Parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "B", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Unit Area to the aggregate of the percentages of participation in the Unit Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Unit Area.

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

17. DELAY RENTALS AND SHUT-IN WELL PAYMENTS

Delay rentals and shut-in well payments which may be required under the terms of any lease shall be paid by the party who has subjected such lease to this agreement, at its own expense. Proof of each payment shall be given to Operator at least ten (10) days prior to the rental or shut-in well payment date. Operator shall furnish similar proof to all other parties concerning payments it makes in connection with its leases. Any party may request, and shall be entitled to receive, proper evidence of all such payments. If, through mistake or oversight, any delay rental or shut-in well payment is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to pay a rental or shut-in well payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, the interests of the parties shall be revised on an acreage basis effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Unit Area on account of the ownership of the lease which has terminated. In the event the party who failed to pay the rental or the shut-in well payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(1) proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(2) proceeds, less operating expenses thereafter incurred attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which would, in the absence of such lease termination, be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(3) any moneys, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Unit Area or becoming a party to this contract.

18. PREFERENTIAL RIGHT TO PURCHASE

Should any party desire to sell all or any part of its interests under this contract, or its rights and interests in the Unit Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the other party proposes to sell; and, if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interests, or to dispose of its interests by merger, reorganization, consolidation, or sale of all of its assets, or a sale or transfer of its interests to a subsidiary or parent company, or subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.

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

19. MAINTENANCE OF UNIT OWNERSHIP

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

(1) the entire interest of the party in all leases and equipment and production; or

(2) an equal undivided interest in all leases and equipment and production in the Unit Area.

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

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

20. RESIGNATION OF OPERATOR

Operator may resign from its duties and obligations as Operator at any time upon written notice of not less than ninety (90) days given to all other parties. In this case, all parties to this contract shall select by majority vote in interest, not in numbers, a new Operator who shall assume the responsibilities and duties, and have the rights, prescribed for Operator by this agreement. The retiring Operator shall deliver to its successor all records and information necessary to the discharge by the new Operator of its duties and obligations.

21. LIABILITY OF PARTIES

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Unit Area. Accordingly, the lien granted by each party to Operator in Section 9 is given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

22. RENEWAL OR EXTENSION OF LEASES

If any party secures a renewal of any oil and gas lease subject to this contract, each and all of the other parties shall be notified promptly, and shall have the right to participate in the ownership of the renewal lease by paying to the party who acquired it their several proper proportionate shares of the acquisition cost, which shall be in proportion to the interests held at that time by the parties in the Unit Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the unit area to the aggregate of the percentages of participation in the unit area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all the parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this section shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this section.

The provisions in this section shall apply also and in like manner to extensions of oil and gas leases.

23. SURRENDER OF LEASES

The leases covered by this agreement, in so far as they embrace acreage in the Unit Area, shall not be surrendered in whole or in part unless all parties consent.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties not agree or consent, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage, determined in accordance with the provisions of Exhibit "B", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignors' or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Unit Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

24. ACREAGE OR CASH CONTRIBUTIONS

If any party receives while this agreement is in force a contribution of cash toward the drilling of a well or any other operation on the Unit Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly execute an assignment of the acreage, without warranty of title, to all parties to this agreement in proportion to their interests in the Unit Area at that time, and such acreage shall become a part of the Unit Area and be governed by all the provisions of this contract. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Unit Area.

25. PROVISION CONCERNING TAXATION

Each of the parties hereto elects, under the authority of Section 761(a) of the Internal Revenue Code of 1954, to be excluded from the application of all of the provisions of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954. If the income tax laws of the state or states in which the property covered hereby is located contain, or may hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the parties agrees that such election shall be exercised. Each party authorizes and directs the Operator to execute such an election or elections on its behalf and to file the election with the proper governmental office or agency. If requested by the Operator so to do, each party agrees to execute and join in such an election.

Operator shall render for ad valorem taxation all property subject to this agreement which by law should be returned for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Operator shall bill all other parties for their proportionate share of all tax payments in the manner provided in Exhibit "B".

If any tax assessment is considered unreasonable by Operator, it may at its discretion protest such valuation within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. When any such protested valuation shall have been finally determined, Operator shall pay the assessment for the joint account, together with interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "B".

26. INSURANCE

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as may be outlined in Exhibit "C" attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Unit Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "C", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for operator's fully owned automotive equipment.

27. CLAIMS AND LAWSUITS

If any party to this contract is sued on an alleged cause of action arising out of operations on the Unit Area, or on an alleged cause of action involving title to any lease or oil and gas interest subjected to this contract, it shall give prompt written notice of the suit to the Operator and all other parties.

The defense of lawsuits shall be under the general direction of a committee of lawyers representing the parties, with Operator's attorney as Chairman. Suits may be settled during litigation only with the joint consent of all parties. No charge shall be made for services performed by the staff attorneys for any of the parties, but otherwise all expenses incurred in the defense of suits, together with the amount paid to discharge any final judgment, shall be considered costs of operation and shall be charged to and paid by all parties in proportion to their then interests in the Unit Area. Attorneys, other than staff attorneys for the parties, shall be employed in lawsuits involving Unit Area operations only with the consent of all parties; if outside counsel is employed, their fees and expenses shall be considered Unit Area expense and shall be paid by Operator and charged to all of the parties in proportion to their then interests in the Unit Area. The provisions of this paragraph shall not be applied in any instance where the loss which may result from the suit is treated as an individual loss rather than a joint loss under prior provisions of this agreement, and all such suits shall be handled by and be the sole responsibility of the party or parties concerned.

Damage claims caused by and arising out of operations on the Unit Area, conducted for the joint account of all parties, shall be handled by Operator and its attorneys, the settlement of claims of this kind shall be within the discretion of Operator so long as the amount paid in settlement of any one claim does not exceed one thousand ($1000.00) dollars and, if settled, the sums paid in settlement shall be charged as expense to and be paid by all parties in proportion to their then interests in the Unit Area.

28. FORCE MAJEURE

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

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

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

29. NOTICES

All notices authorized or required between the parties, and required by any of the provisions of this agreement, shall, unless otherwise specifically provided, be given in writing by United States mail or Western Union Telegram, postage or charges prepaid, and addressed to the party to whom the notice is given at the

addresses listed on Exhibit "A". The originating notice to be given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

30. OTHER CONDITIONS, IF ANY, ARE:

A. CONFIRMATION OF UNIT AGREEMENT. The Northwest Tatum State Unit Agreement, executed as of even date herewith, is hereby confirmed and by reference made a part of this agreement. If there is any conflict between the unit agreement and this agreement, the unit agreement shall govern.

B. EFFECTIVE DATE AND TERM OF AGREEMENT. This agreement shall become effective on the effective date of the Northwest Tatum State Unit Agreement and shall remain in full force and effect for as long as said Unit Agreement is in effect, and thereafter, until all unit wells have been abandoned and plugged or surrendered in accordance with Section 23 hereof, and all unit equipment and real property acquired for the joint account have been disposed of by operator in accordance with the provisions hereof, and there has been a final accounting.

C. NON-CONSENT OPERATIONS - PURCHASE OF WELL EQUIPMENT BY CONSENTING PARTIES. Before any reworking, plugging back or deeper drilling operation is undertaken on any well which has been completed as a producer the consenting parties shall first obtain the non-consenting parties' permission to carry on such operation and the consenting parties shall then be entitled to purchase each non-consenting party's share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "B", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. The material and equipment shall thereafter, for the purposes of Section 12, be deemed newly acquired material and equipment of the consenting parties and the consenting parties shall in a successful operation be entitled to receive 100% or 200%, as the case may be (depending upon whether the material and equipment is before or beyond the wellhead connection), of the entire net salvage value of said material and equipment before reversion of the interest in the well, the material and equipment thereon to any non-consenting party as provided in Section 12.

D. RIGHTS TO BE EARNED - REAPPORTIONMENT OF COSTS FOR TEST WELL - DEEPER DRILLING OPTION. It is stipulated and agreed that the respective interests of Skelly Oil Company and Tidewater Oil Company in the Unit Area covered hereby are as follows:

Skelly Oil Company, 160 acres, 10%
Tidewater Oil Company, 80 acres, 5%

In addition to their own proportionate shares of the costs for the drilling of the test well provided for under Section 7 hereof, Gulf Oil Corporation and Amerada Petroleum Corporation shall each bear one-half (1/2) of Skelly Oil Company's and Tidewater Oil Company's proportionate shares of the costs of drilling, testing, completing and equipping said well into the tanks or plugging and abandoning the same if a dry hole.

In consideration for being carried for all of such costs Skelly Oil Company and Tidewater Oil Company each agrees in the event said test well is completed as a producer of oil or gas in paying quantities to execute and deliver to Gulf Oil Corporation and Amerada Petroleum Corporation in equal shares an assignment to the depth hereinafter provided of an undivided one-half (1/2) of its total rights, title and interest in and to its oil and gas lease or portion thereof committed to this agreement, said leases more particularly set forth and described in Section 3 of Exhibit "A" hereto. The interests of the parties provided for in Section 2 of Exhibit "A" shall be revised as necessary after Gulf Oil Corporation and Amerada Petroleum

Corporation have earned such assignments from Skelly Oil Company and Tidewater Oil Company; and after said well has been drilled and completed into the tanks all costs incurred in subsequent unit operations affecting the formations and depths covering which such interests are declared shall be borne by the parties hereto in the proportions set forth in Section 2 of Exhibit "A", as currently revised.

The assignments of leasehold interests hereinabove provided for shall cover one-half of the assignor's oil and gas rights from the surface of the ground down to one hundred (100) feet below the total depth to which the test well provided for by Section 7 is drilled; provided, however, such assignment shall cover one-half of the assignor's oil and gas rights to all depths in the event within one year from the completion date of the initial test well Gulf Oil Corporation and Amerada Petroleum Corporation, or either of them, at their sole cost, risk and expense should deepen any unit well to a depth sufficient to test the Devonian formation. (For the purposes of this agreement a well drilled to a depth of 14,300 feet or to a depth sufficient to adequately test conclusive fluid in the Devonian formation at a lesser depth shall be deemed sufficient.) In connection herewith if either Gulf Oil Corporation or Amerada Petroleum Corporation should refuse to join together in bearing the costs involved in the deeper drilling beneath the objective depth provided in Section 7 hereof, the remaining party in consideration for bearing the sole cost, risk and expense of such deeper drilling shall be entitled to receive an assignment of an undivided one-half leasehold interest in the unit area from each of the three parties who have not participated in the costs of said deeper drilling, and such assignment shall cover only oil and gas rights beginning at 100 feet below the objective depth provided in Section 7 and extending to all depths beneath said objective depth.

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their heirs, successors, representatives and assigns.

GULF OIL CORPORATION

ATTEST:

Assistant Secretary

By W. Butt Davis
Attorney-in-Fact

AMERADA PETROLEUM CORPORATION

ATTEST:

Secretary

By

SKELLY OIL COMPANY

ATTEST:

Secretary

By

TIDEWATER OIL COMPANY

ATTEST:

Secretary

By

STATE OF NEW MEXICO)
)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 19th day of May, 1964, by W. Butt Davis, Attorney-in-Fact, for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

Ina Marie 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 _____ of AMERADA PETROLEUM 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 _____, _____ of SKELLY 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 TIDEWATER OIL COMPANY, a _____ corporation, on behalf of said corporation.

_____
Notary Public

My Commission Expires:

_____

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their successors and assigns.

GULF OIL CORPORATION

ATTEST:

_____ By _____
Assistant Secretary Attorney-in-Fact

APVD. A. P. C.
LAND
RECORD
LEGAL
PROD.
ACCTG.
GAS

AMERADA PETROLEUM CORPORATION

ATTEST:

T. H. Humphreys
Assistant Secretary
T. H. Humphreys

John P. Hammond
Senior Vice President
John P. Hammond

SKELLY OIL COMPANY

ATTEST:

_____ By _____
Secretary

TIDEWATER OIL COMPANY

ATTEST:

_____ By _____
Secretary

STATE OF NEW MEXICO)
)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney-in-Fact, for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

_____
Notary Public

My Commission Expires:

_____

STATE OF OKLAHOMA)
)
COUNTY OF TULSA)

The foregoing instrument was acknowledged before me this 3rd day of June, 1964, by John P. Hammond, Senior Vice President of AMERADA PETROLEUM CORPORATION, a Delaware corporation, on behalf of said corporation.

Mary Dixon
Notary Public

My Commission Expires:

MARY DIXON, Notary Public
in and for State of Oklahoma
My commission expires August 12, 1964

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their successors and assigns.

GULF OIL CORPORATION

ATTEST:

_____ By _____
Assistant Secretary Attorney-In-Fact

AMERADA PETROLEUM CORPORATION

ATTEST:

_____ By _____
Secretary

SKELLY OIL COMPANY

ATTEST:

_____ By _____
Secretary

TIDEWATER OIL COMPANY

ATTEST: C. F. Zimmerman By E. B. Miller
Asst. Secretary VICE PRESIDENT

STATE OF NEW MEXICO)
)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney-in-Fact, for GULF OIL CORPORATION, a Pennsylvania 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 AMERADA PETROLEUM 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 _____, _____ of SKELLY 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 15th day of May, 1964, by E. B. MILLER, JR., Vice President of TIDEWATER OIL COMPANY, a Delaware corporation, on behalf of said corporation.

Molly Pitkin
Notary Public

MOLLY PITKIN
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965

My Commission Expires:
June 1, 1965

This agreement may be signed in counterpart, and shall be binding upon the parties and upon their successors and assigns.

GULF OIL CORPORATION

ATTEST:

_____ By _____
Assistant Secretary Attorney-in-Fact

AMERADA PETROLEUM CORPORATION

ATTEST:

_____ By _____
Secretary

[redacted]

SKELLY OIL COMPANY

_____ By _____
[redacted] ATTORNEY-IN-FACT

TIDEWATER OIL COMPANY

ATTEST:

_____ By _____
Secretary

STATE OF NEW MEXICO)
)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____, Attorney-in-Fact, for GULF OIL CORPORATION, a Pennsylvania 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 AMERADA PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

_____
Notary Public

My Commission Expires:

_____

STATE OF OKLAHOMA)

COUNTY OF TULSA)

The foregoing instrument was acknowledged before me this 6th day of May, 1964, by A. J. O'ROURKE Attorney in Fact of SKELLY OIL COMPANY, a Delaware corporation, on behalf of said corporation.

HAZEL M. BRADY
Notary Public Tulsa County Oklahoma
My Commission Expires January 22, 1965

Hazel M Brady
Notary Public

My Commission Expires:

STATE OF _____)

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1964, by _____ of TIDEWATER OIL COMPANY, a _____ corporation, on behalf of said corporation.

_____
Notary Public

My Commission Expires:

EXHIBIT "A"

Attached to and made a part of the Northwest Tatum State Unit Operating Agreement dated May 1, 1964, between Gulf Oil Corporation, as Operator, and Amerada Petroleum Corporation, Skelly Oil Company, and Tidewater Oil Company, as Non-operators.

1. (a) Lands committed to Unit Area

T. 12 S., R. 35 E., N.M.P.M.
Section 10: All
Section 11: W/2
Section 14: NW/4
Section 15: N/2 and SW/4
containing 1,600 acres, more or less.

(b) Restrictions as to Depths

None

(c) Drilling Unit for First Well

T. 12 S., R. 35 E., N.M.P.M.
Section 10: NW/4 SE/4

2. Interests of Parties (See Section 30-D)

	Initially	Surface to _____ Ft.	Below _____ Ft.
Gulf Oil Corporation	42.50%	46.25%	
Amerada Petroleum Corporation	42.50%	46.25%	
Skelly Oil Company	10.00%	5.00%	
Tidewater Oil Company	5.00%	2.50%	

3. Leasehold Interests Contributed to Contract

(a) Leases and lands contributed by Gulf Oil Corporation

State Oil and Gas Lease Nos. E-8469 and OG-1834 covering the following lands:

T. 12 S., R. 35 E., N.M.P.M.
Section 10: S/2 NE/4, W/2 SE/4, E/2 NW/4, W/2 SW/4 and NW/4 NW/4
Section 11: NW/4
Section 15: SW/4
comprising 680 acres, more or less.

(b) Leases and lands contributed by Amerada Petroleum Corporation

State Oil and Gas Lease Nos. OG-4040-1, OG-4559-1, OG-5233-1, K-2468-1 and K-2469-1 covering the following lands:

T. 12 S., R. 35 E., N.M.P.M.
Section 10: N/2 NE/4, E/2 SE/4, E/2 SW/4 and SW/4 NW/4
Section 11: E/2 SW/4
Section 14: NW/4
Section 15: NW/4
comprising 680 acres, more or less.

(c) Lease and lands contributed by Skelly Oil Company

State Oil and Gas Lease No. E-8906 covering the following lands:

T. 12 S., R. 35 E., N.M.P.M.
Section 15: NE/4
comprising 160 acres, more or less, one-half of which shall be assigned pursuant to Section 30-D.

(d) Lease and lands contributed by Tidewater Oil Company

State Oil and Gas Lease No. E-8549 covering the following lands:

T. 12 S., R. 35 E., N.M.P.M.
Section 11: W/2 SW/4
comprising 80 acres, more or less, one half of which shall be assigned pursuant to Section 30-D.

4. Addresses of Parties to which notices shall be sent

Amerada Petroleum Corporation
P. O. Box 2040
Tulsa, Oklahoma 74102

Gulf Oil Corporation
P. O. Box 1938
Roswell, New Mexico 88201

Skelly Oil Company
P. O. Box 1650
Tulsa, Oklahoma 74102

Tidewater Oil Company
P. O. Box 1231
Midland, Texas 79704

EXHIBIT "B"

Attached to and made a part of Northwest Tatum State Unit
Lea 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 A 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:
A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where like material is available, except by agreement with Non-Operators.
B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store 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.
C. 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
A. 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.
B. 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 Hobbs Area office located at or near Hobbs, New Mexico (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~~ a well basis with each drilling well being the equivalent of ten (10) producing wells. The status of wells for this well basis apportionment shall be the same as set forth in Paragraph 5B of this Section III.

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)

	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
Well Depth	Each Well	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 direct - included in Paragraph 1 of this section.

~~4. 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 BASIS (RATE PER WELL PER MONTH)

Well Depth	DRILLING WELL RATE (Use Total Depth) Each Well	PRODUCING WELL RATE (Use Current Producing Depth) 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, 3 % of total cost.
   C. Total cost of $100,000 or more, 2 % of the first $100,000 plus 1 % 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 recommeded 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.

EXHIBIT "C"

Attached to and made a part of Northwest Tatum State Unit, Lea County, New Mexico

INSURANCE

In the development and operation of the subject properties, Operator shall carry the following insurance:

(A) Workmen's Compensation Insurance in accordance with the Laws of the State of New Mexico, and Employer's Liability Insurance in a minimum amount of $100,000.00.

(B) Comprehensive General Public Liability Insurance: In minimum amounts of $150,000.00 for injuries to each person and $300,000.00 for each accident, and Property Damage Insurance in the minimum amounts of $100,000.00 for each accident with the exception of the first $5,000.00 of loss, which is self-insured by the parties hereto, and $200,000.00 in the aggregate.

(C) Automobile Liability Insurance in minimum amounts of $150,000.00 for each person and $300,000.00 for each accident, and Property Damage in the minimum amount of $100,000.00 for each accident.

Each of Operator's aforesaid policies are written to automatically include all Non-Operators, under properties operated by Operator, as additional insured, whether or not such Non-Operators are specifically named.

The self-insured property damage loss incident to each accident shall be charged to the joint account.

No other insurance shall be carried by the Operator for the benefit of the joint account.

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

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

1964 MAY 7 AM 11 06

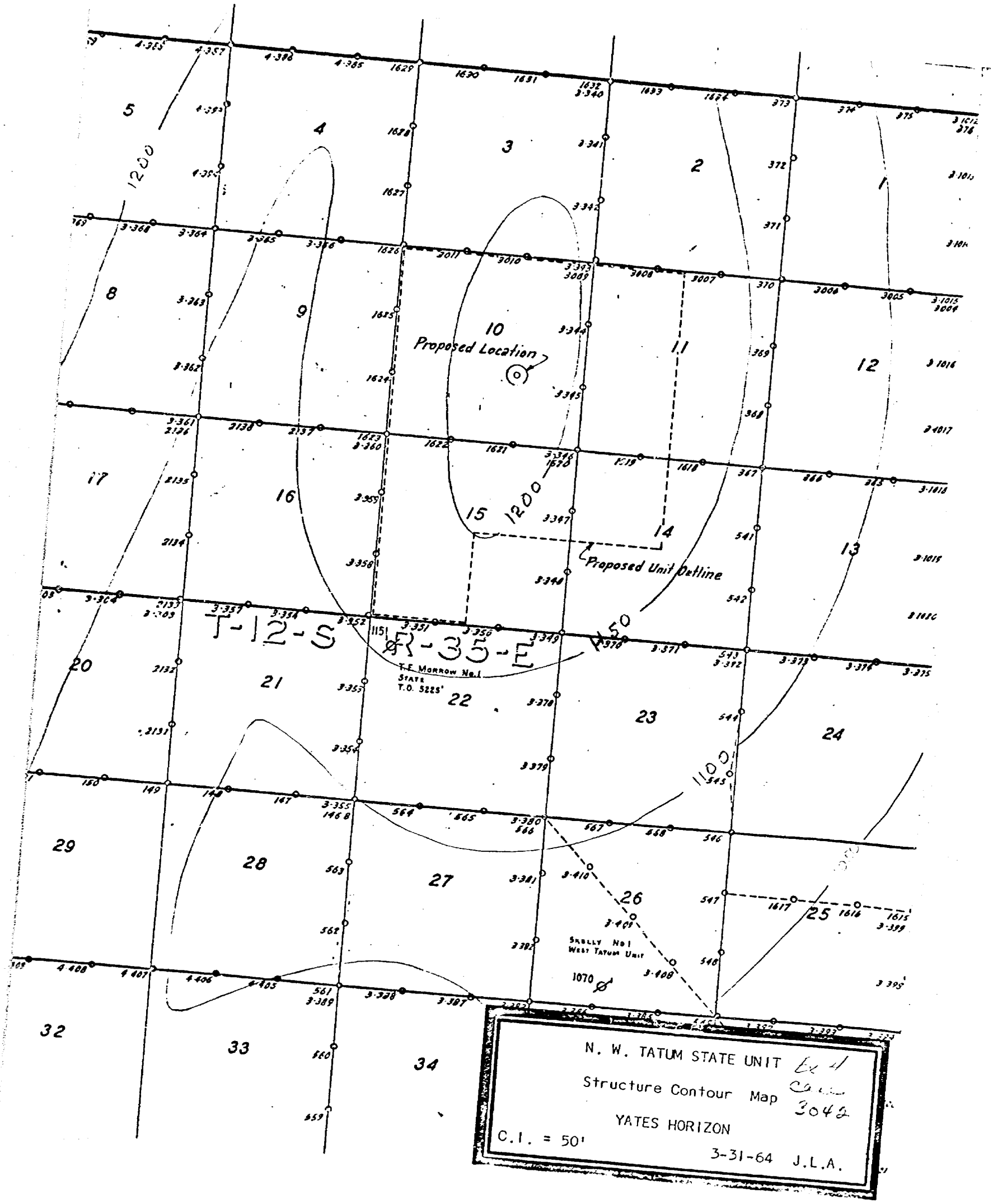
LA059 KA196

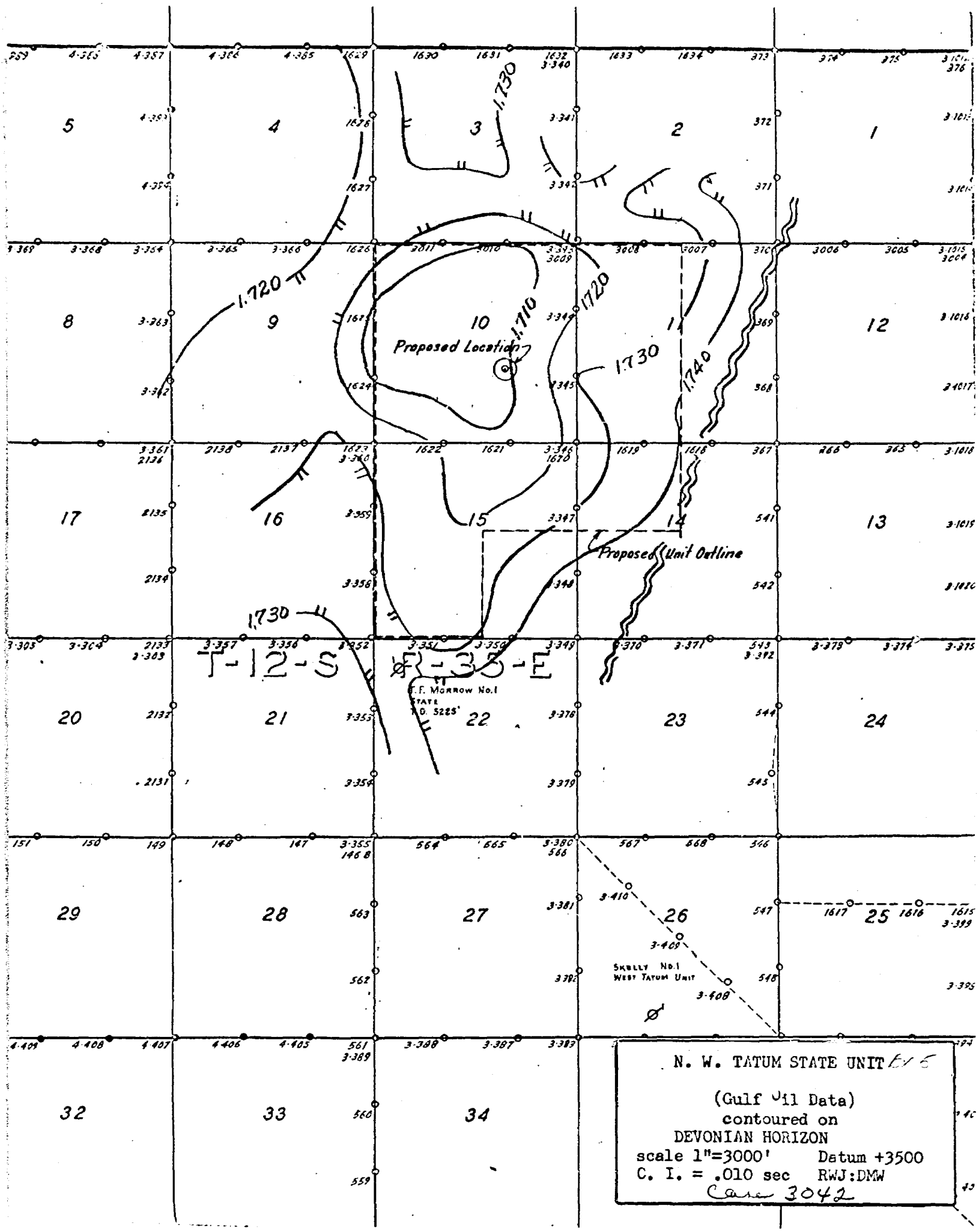
K TUC066 DL PD= FAM TULSA OKLA 5 1109A CST=
OIL CONSERVATION COMMISSION=
SANTA FE, NMEX=

RE: CASE 3042, MAY 7, 1964 AMERADA PETROLEUM CORPORATION AS A WORKING INTEREST OWNER SUPPORTS THE APPLICATION OF GULF OIL FOR APPROVAL OF TH NORTHWEST TATUM STATE UNIT AREA, LEA COUNTY, NEW MEXICO=
R L HOCKER, PRORATION ENGINEER AMERADA PETROLEUM CORPORATION==

3042 RPT 3042 7 1964==

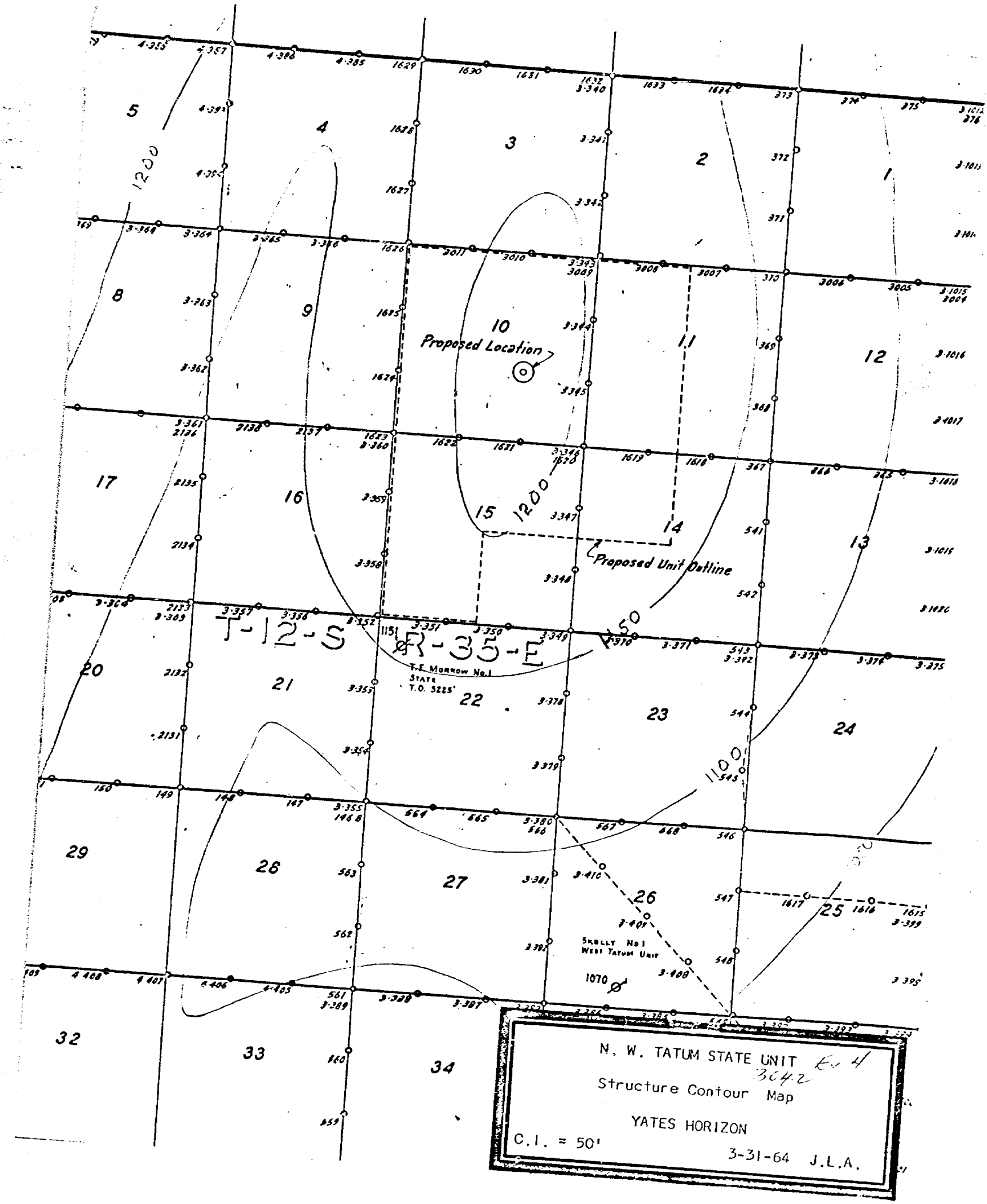
THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE


Proposed Location
Proposed Unit Outline
T-12-S
R-35-E
T.E. Morrow No.1
State
T.D. 5225'
Shelly No.1
West Tatum Unit
1070
1200
1200
1100
N. W. TATUM STATE UNIT
Structure Contour Map
YATES HORIZON
C.I. = 50'
3-31-64 J.L.A.



N. W. TATUM STATE UNIT Ex 6

(Gulf Oil Data)
contoured on
DEVONIAN HORIZON
scale 1"=3000' Datum +3500
C. I. = .010 sec RWJ:DMW
Case 3042


Proposed Location
Proposed Unit Outline
T-12-S
R-35-E
T.F. Morrow No.1
State
T.D. 5225'
Skelly No.1
West Tatum Unit
1070
1200
1100
N. W. TATUM STATE UNIT Ex 4
3642
Structure Contour Map
YATES HORIZON
C.I. = 50'
3-31-64 J.L.A.

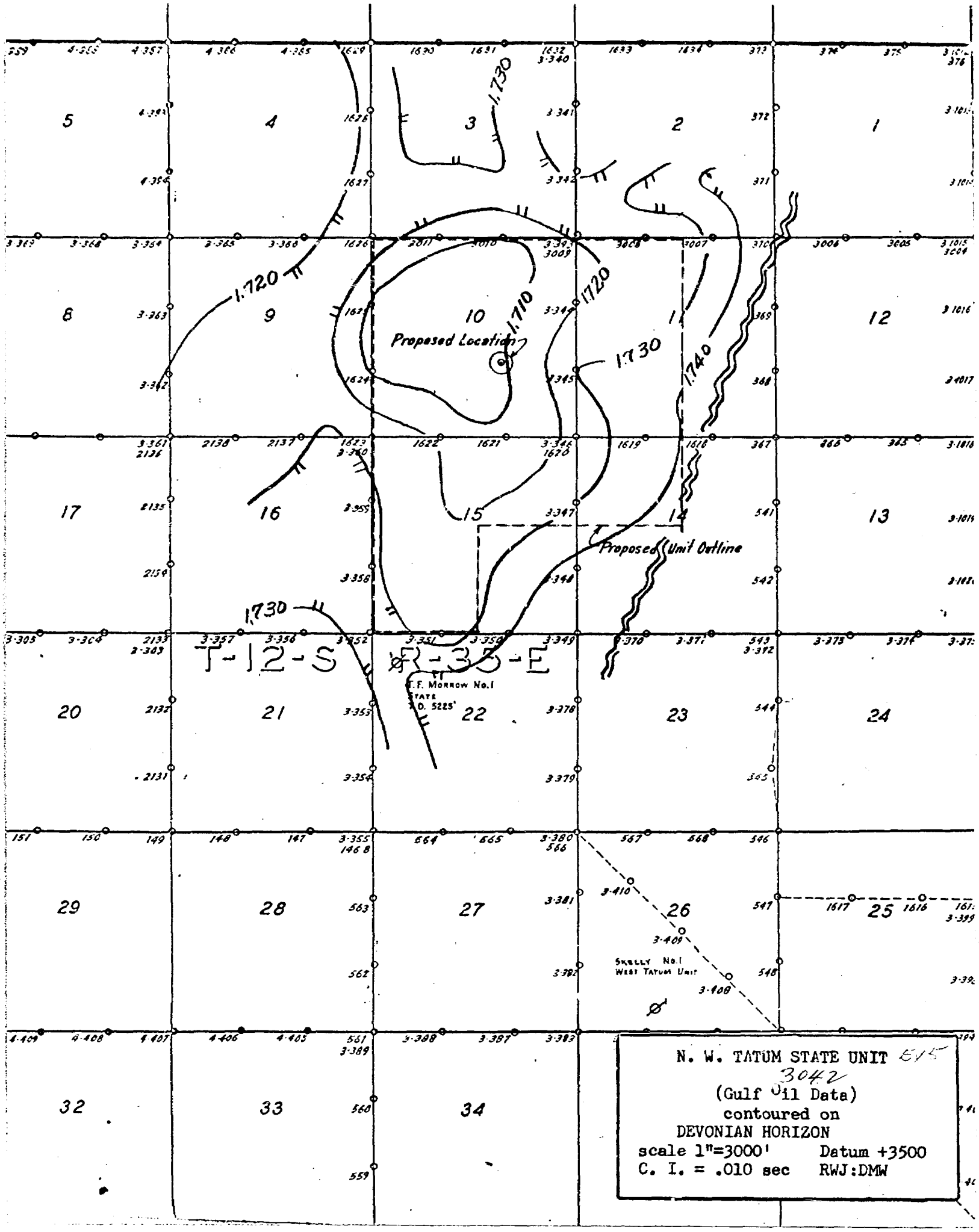
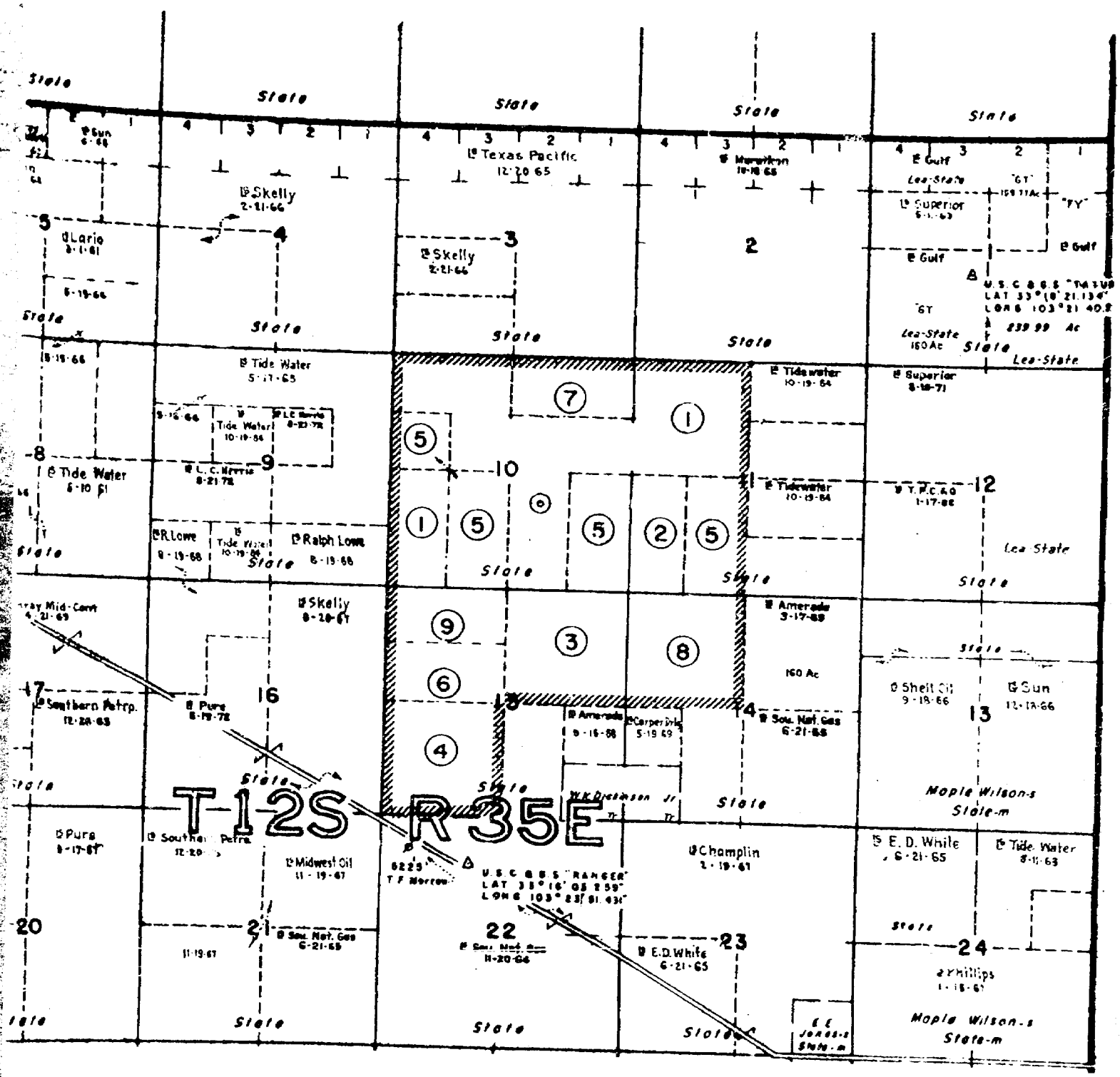

1.730
1.720
1.710
1720
1730
1740
Proposed Location
Proposed Unit Outline
T-12-S
R-35-E
T.F. Morrow No.1
State
O. 5225'
Skelly No.1
West Tatum Unit
5
4
3
2
1
6
9
10
11
12
17
16
15
14
13
20
21
22
23
24
29
28
27
26
25
32
33
34
N. W. TATUM STATE UNIT
3042
(Gulf Oil Data)
contoured on
DEVONIAN HORIZON
scale 1"=3000'
Datum +3500
C. I. = .010 sec
RWJ:DMW

EXHIBIT "B"

NORTHWEST TATUM STATE UNIT
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND LEASE DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD
1	S/2 NE/4, N/2 NW/4, SE/4 NW/4, W/2 SW/4, W/2 SE/4 Section 10; and NW/4 Section 11-12S-35E	520	E-8469 9-21-54	1/8	Gulf Oil Corporation
2	W/2 SW/4 Section 11-12S-35E	80	E-8549 10-19-54	1/8	Tidewater Oil Company
3	NE/4 Section 15-12S-35E	160	E-8906 3-15-55	1/8	Skelly Oil Company
4	SW/4 Section 15-12S-35E	160	OG-1834 1-21-58	1/8	Gulf Oil Corporation
5	E/2 SE/4, E/2 SW/4, SW/4 NW/4 Section 10; and E/2 SW/4 Section 11-12S-35E	280	OG-4040-1 7-15-58	1/8	Amerada Petroleum Corporation
6	S/2 NW/4 Section 5-12S-35E	80	OG-4559-1 9-16-58	1/8	Amerada Petroleum Corporation
7	N/2 NE/4 Section 10-12S-35E	80	OG-5223-1 3-17-59	1/8	Amerada Petroleum Corporation
8	NW/4 Section 14-12S-35E	160	K-2468-1 5-15-62	1/8	Amerada Petroleum Corporation
9	N/2 NW/4 Section 15-12S-35E	80	K-2469-1 5-15-62	1/8	Amerada Petroleum Corporation
	TOTAL ACRES	1,600			

Case 3045



Tract No.	State Lease No.
1	E-8469
2	E-8549
3	E-8906
4	OG-1834
5	OG-4040-1
6	OG-4559-1
7	OG-5223-1
8	K-2468-1
9	K-2469-1

EXHIBIT "A"

NW TATUM STATE UNIT

1600 Acres

11,500' Strawn Test

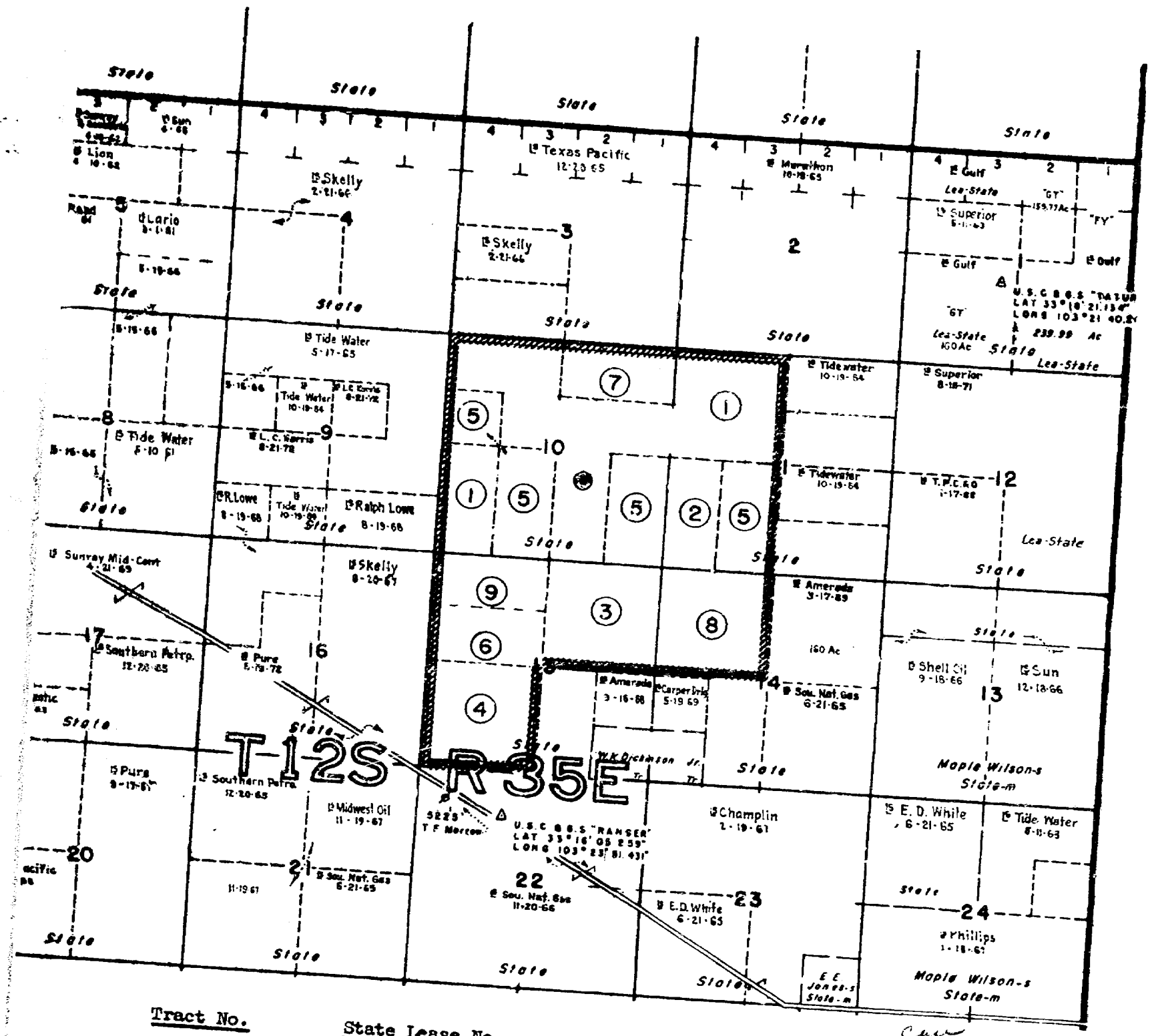
Lea County, New Mexico

Scale: 1" = 3000'

////// Unit Outline

⊙ Proposed Location

Case 3042



Tract No.	State Lease No.
1	E-8469
2	E-8549
3	E-8906
4	OG-1834
5	OG-4040-1
6	OG-4559-1
7	OG-5223-1
8	K-2468-1
9	K-2469-1

Case 3042

EXHIBIT "A"

NW TATUM STATE UNIT

1600 Acres

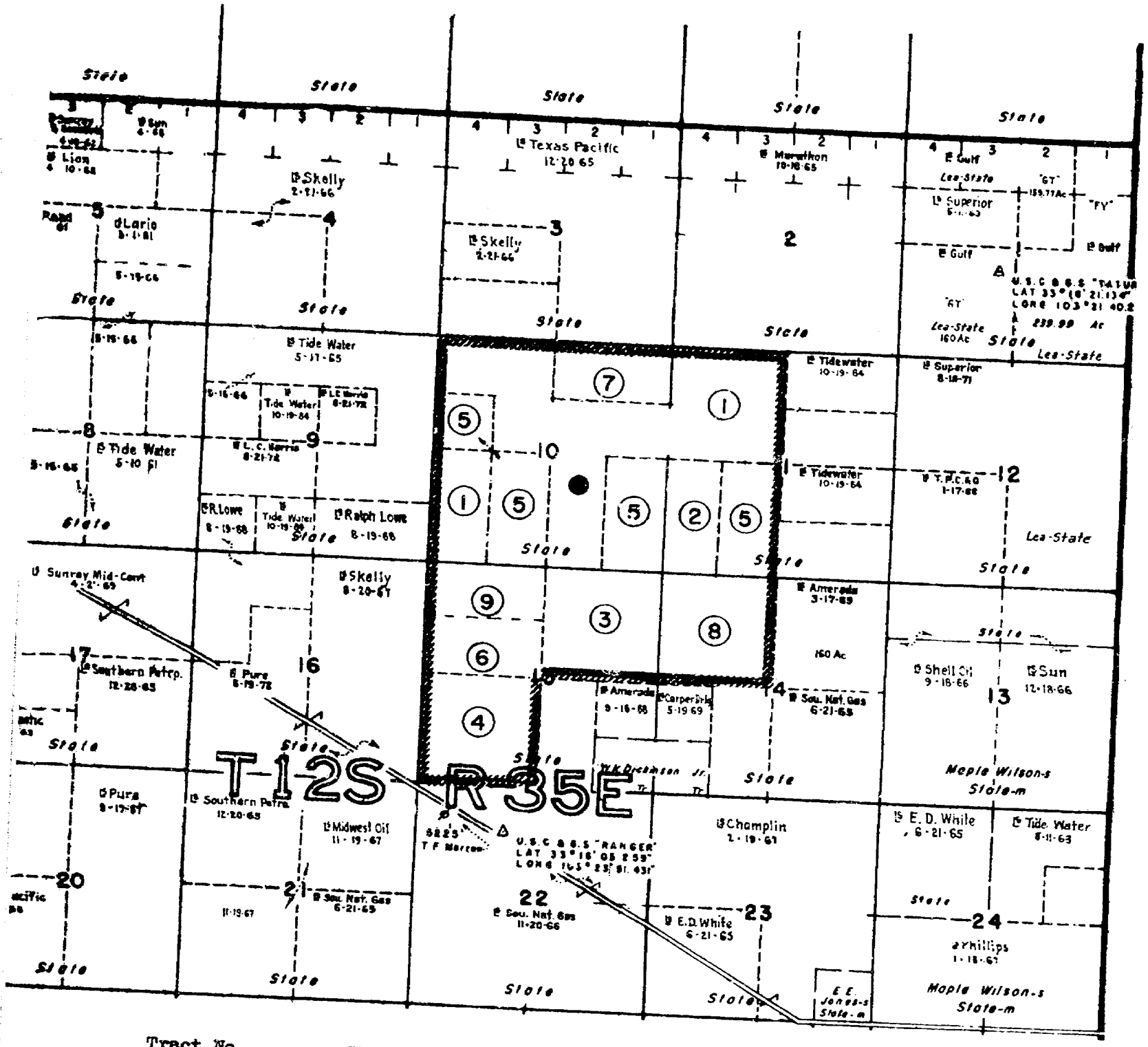
11,500' Strawn Test

Lea County, New Mexico

Scale: 1" = 3000'

Unit Outline

Proposed Location



Tract No.	State Lease No.
1 Gulf	E-8469
2 Tide	E-8549
3 Skelly	E-8906
4 Gulf	OG-1834
5 Amerada	OG-4040-1
6 "	OG-4559-1
7 "	OG-5223-1
8 "	K-2468-1
9 "	K-2469-1

EXHIBIT "A"

NW TATUM STATE UNIT

1600 Acres

11,500' Strawn Test

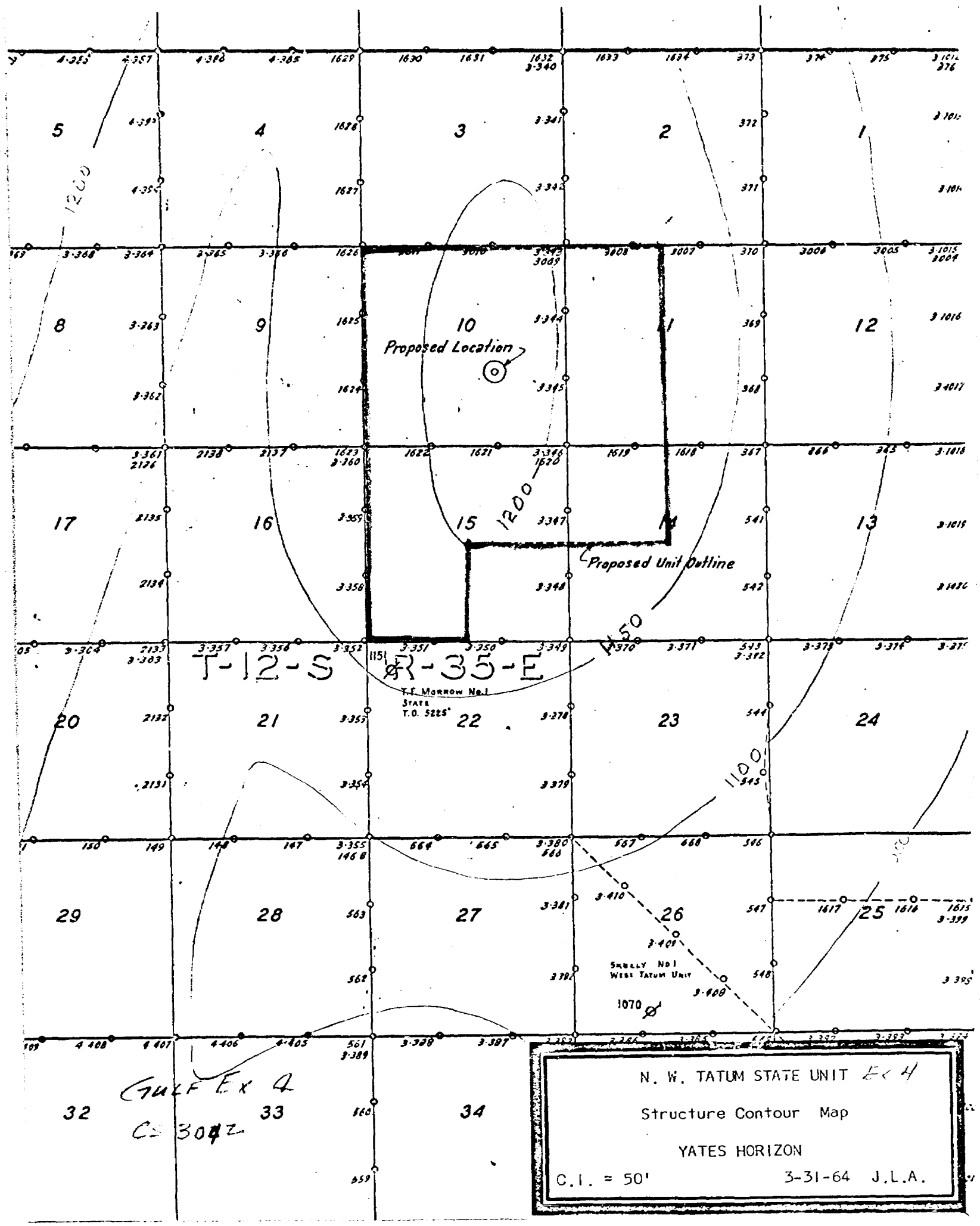
Lea County, New Mexico

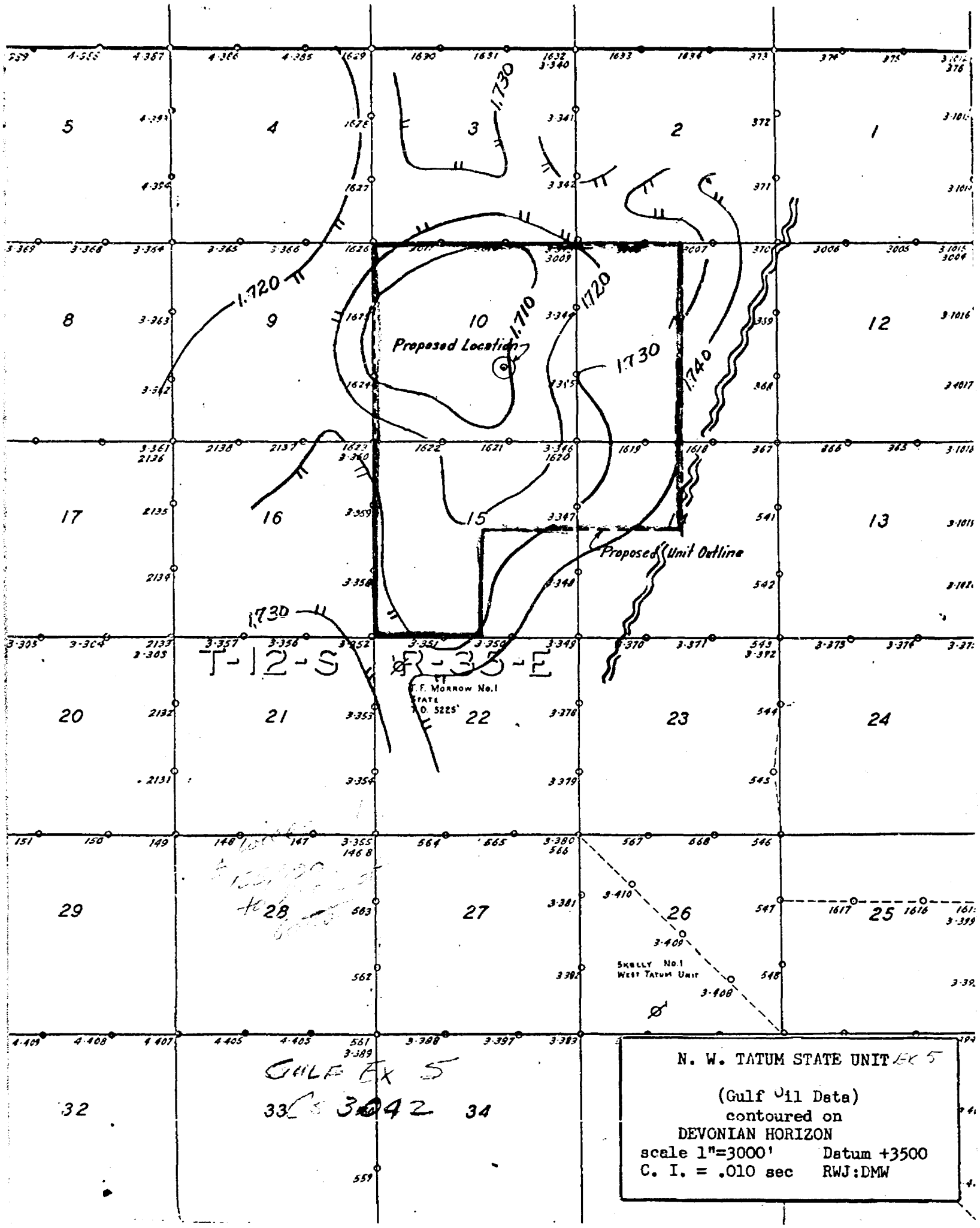
Scale: 1" = 3000'

Unit Outline

Proposed Location

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
Gulf EXHIBIT NO. 1
CASE NO. 3917


T-12-S
R-35-E
Proposed Location
Proposed Unit Outline
1200
1150
1100
T.E. Morrow No.1
State
T.D. 5225'
Shelly No.1
West Tatum Unit
1070
GULF Ex 4
C-3042
N. W. TATUM STATE UNIT Ex 4
Structure Contour Map
YATES HORIZON
C.I. = 50'
3-31-64 J.L.A.



N. W. TATUM STATE UNIT AX 5

(Gulf Oil Data)
contoured on
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scale 1"=3000' Datum +3500
C. I. = .010 sec RWJ:DMW