

CASE 3746: Application of ATLANTIC
RICHFIELD for approval of the
CANLEY UNIT AGREEMENT.

Case No.

3746

Application, Transcript,
Small Exhibits, Etc.

State of New Mexico



Commissioner of Public Lands



July 19, 1968

GUYTON B. HAYS
COMMISSIONER

REC JUL 22 1968
P. O. BOX 1148
SANTA FE, NEW MEXICO

Atlantic Richfield Company
P. O. Box 1978
Roswell, New Mexico 88201

Re: Cawley Unit
TERMINATION
Eddy County, New Mexico

ATTENTION: Mr. Dan Goodwin

Gentlemen:

The Commissioner of Public Lands has received the ballots of approximately 75% per cent of the Working Interest Owners requesting the termination of the Cawley Unit, Eddy County, New Mexico as provided for under Section 20 of the Unit Agreement, and does hereby approve the termination effective as of the United States Geological Survey's approval.

Please furnish us the date of approval of termination by the United States Geological Survey.

We are enclosing three (3) Certificates of Termination. Please note we have left the effective date blank on our Certificate and is to be filled in when the United States Geological Survey approves.

Very truly yours,

GUYTON B. HAYS
COMMISSIONER OF PUBLIC LANDS

BY:
Ted Bilberry, Director
Oil and Gas Department

GBH/TB/s
encls.

cc: USGS-Roswell, New Mexico
OCC- Santa Fe, New Mexico

Powers
Revised

Drawer 1857
Roswell, New Mexico 88201

July 25, 1968

1146

Atlantic Richfield Company
P. O. Box 1978
Roswell, New Mexico 88201

Gentlemen:

Termination of the Cowley unit agreement, Eddy County, New Mexico, was approved July 25, 1968, effective July 22, 1968, pursuant to the last paragraph of Section 20 thereof.

Copies of the termination are being distributed to the Federal agencies concerned and two copies are returned herewith. It is requested that you furnish notice of this approval to each party in interest.

Sincerely yours,

CARL C. THOMPSON
Acting Oil and Gas Supervisor

cc:
Washington
BIM, Santa Fe
Com. of Pub. Lands, Santa Fe
Artesia

CFDaniel:rp:7-26-68

1968 JUL 31 PM 4:10

Atlantic Richfield Company North American Producing Division
New Mexico-Arizona District
Post Office Box 1978
Roswell, New Mexico 88201
Telephone 505 622 4041
Jack Biard
District Landman

APR 22 1968



April 19, 1968

File

Cawley Unit
T22S, R22E
Eddy County, New Mexico

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

Attention: Mr. Dan Nutter

Gentlemen:

For your files we enclose a copy of the State Certificate of Approval and the U.S.G.S. Certification - Determination of the Cawley Unit.

We will sincerely appreciate receiving your order of Case 3746 which was heard April 17, 1968, as soon as possible since the test well on this unit must commence by April 30 and we still must locate a rig.

Your help and cooperation is sincerely appreciated.

Yours very truly,

ATLANTIC RICHFIELD COMPANY

Fred N. Millsap, Jr.

Fred N. Millsap, Jr.
Land Department

FTM/dlm
Encls.



CERTIFICATION - DETERMINATION

14-00000-1001

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, I do hereby:

A. Approve the attached agreement for the development and operation of the Cawley Unit Area, State of New Mexico.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, reworking, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

APR 10 1950
Dated _____.

Robert B. Baker
ACTING Director, United States Geological Survey

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

CRAWLEY UNIT

EDDY COUNTY, NEW MEXICO

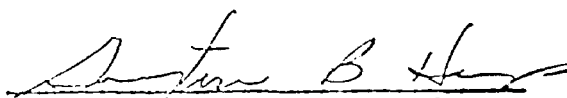
UNITIZED ABOVE THE BASE OF THE CISCO-CANYON FORMATION

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 March 1, 1968, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the afore-said statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 29th. day of MARCH, 19 68.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

Atlantic Richfield Company North American Producing Division
New Mexico-Arizona District
Post Office Box 1978
Roswell, New Mexico 88201
Telephone 505 622 4041

Jack Biard
District Landman

3746



July 18, 1968

Termination Agreement for
Cawley Unit Area
T22S, R22E, Eddy County, New Mexico

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

68 JUL 19 AM 11 26

Attention: Mr. A. L. Porter

Gentlemen:

Enclosed for your records please find copy of the
Termination Agreement for the above subject unit.
The Termination Agreement is now in the process
of being approved by the Commissioner of Public
Lands. Upon their approval the instrument will
be submitted to the U.S.G.S. for its approval.

We hope to have this termination accomplished
within the next ten days. If you have any other
questions please feel free to contact us.

Yours very truly,

ATLANTIC RICHFIELD COMPANY

Dan Goodwin

Dan Goodwin
Land Department

DG/lgb
Enclosure

TERMINATION OF UNIT AGREEMENT FOR THE
DEVELOPMENT AND OPERATION OF THE
CAWLEY UNIT AREA
COUNTY OF EDDY, STATE OF NEW MEXICO,
AND APPLICATION FOR APPROVAL THEREOF

NO. 14-08-0001-8919

Jul 19 1968

The Unit Agreement for the Development and Operation of the Cawley Unit Area dated March 1, 1968, was approved on April 10, 1968, by the Acting Director of the United States Geological Survey and on March 29, 1968, by the Commissioner of Public Lands, State of New Mexico.

Whereas, the undersigned parties are the owners of more than seventy-five (75) per centum on an acreage basis of the working interests in the Cawley Unit Area in Eddy County, New Mexico, and

Whereas, under the terms of Section 20 of the said Unit Agreement, the Agreement may be terminated at any time by not less than seventy-five (75) per centum, on an acreage basis, of the owners of working interests signatory thereto, with the approval of the Director of the United States Geological Survey and of the Commissioner of Public Lands, State of New Mexico.

Now, therefore, the working interest owners of the Cawley Unit Area agree to terminate the Unit Agreement for the Development and Operation of the Cawley Unit Area and do hereby request the approval of the termination of said Unit Agreement by the Supervisor of the United States Geological Survey and by the Commissioner of Public Lands, State of New Mexico.

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

In Witness Whereof, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

ATLANTIC RICHFIELD COMPANY-Operator

Date:

July 12, 1968

By:

S. L. Smith
S. L. Smith
Attorney-in-Fact

HONDO OIL & GAS COMPANY

Attest:

Karen May Stephenson
Assistant Secretary

Date:

July 12, 1968

By:

Stanley L. Smith
Stanley L. Smith
Vice President

Date:

July 10, 1968

Date:

July 10, 1968

G. Dee Williamson
G. Dee Williamson

Lanita C. Williamson
Lanita C. Williamson

Attest:

Date:

HUMBLE OIL & REFINING COMPANY

By:

Attest:

KERR-MCGEE CORPORATION

Date: _____

By: _____

RALPH LOWE ESTATE

By: _____
H. L. Landua

By: _____
James L. Morris

By: _____
Charles L. Morgan, Jr.

By: _____
V. H. Van Horn, Jr.

By: _____
Erma Lowe, Individually and
as Independent Executrix of
the Estate of Ralph Lowe, Deceased

Attest:

SINCLAIR OIL & GAS COMPANY

Date: _____

By: _____

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 12th
day of July, 1968, by S. L. Smith, Attorney-in-Fact for
ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation, on behalf of
said corporation.

My Commission Expires:
July 14, 1971

Sarah L. McGee
Notary Public

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 12th
day of July, 1968, by Stanley L. Smith, Vice President of
RONDO OIL & GAS COMPANY, a New Mexico corporation, on behalf of said
corporation.

My Commission Expires:
July 14, 1971

Sarah L. McGee
Notary Public

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 11th
day of July, 1968, by G. DEE WILLIAMSON and LANITA C. WILLIAMSON,
his wife.

My Commission Expires: 3-30-71

G. Dee Williamson
Notary Public

STATE OF OKLAHOMA)
) ss.
COUNTY OF OKLAHOMA)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by _____
of KERR-McGEE CORPORATION, a _____ corporation, on
behalf of said corporation.

My Commission Expires: _____ Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by _____
of HUMBLE OIL & REFINING COMPANY, a Delaware corporation, on behalf of
said corporation.

My Commission Expires: _____ Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by H. L. Landua, Charles L. Morgan, Jr.,
James L. Morris and V. H. Van Horn, Jr., a majority of the duly
appointed, qualified and acting Independent Executors of the Estate
of Ralph Lowe, Deceased, and Erma Lowe, Individually and as Independent
Executrix of the Estate of Ralph Lowe, Deceased.

My Commission Expires: _____ Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by _____
of SINCLAIR OIL & GAS COMPANY, a Maine corporation, on behalf of said
corporation.

My Commission Expires: _____ Notary Public

TERMINATION OF UNIT AGREEMENT FOR THE
DEVELOPMENT AND OPERATION OF THE
CAWLEY UNIT AREA
COUNTY OF EDDY, STATE OF NEW MEXICO,
AND APPLICATION FOR APPROVAL THEREOF

NO. 14-08-0001-8919

The Unit Agreement for the Development and Operation of the Cawley Unit Area dated March 1, 1968, was approved on April 10, 1968, by the Acting Director of the United States Geological Survey and on March 29, 1968, by the Commissioner of Public Lands, State of New Mexico.

Whereas, the undersigned parties are the owners of more than seventy-five (75) per centum on an acreage basis of the working interests in the Cawley Unit Area in Eddy County, New Mexico, and

Whereas, under the terms of Section 20 of the said Unit Agreement, the Agreement may be terminated at any time by not less than seventy-five (75) per centum, on an acreage basis, of the owners of working interests signatory thereto, with the approval of the Director of the United States Geological Survey and of the Commissioner of Public Lands, State of New Mexico.

Now, therefore, the working interest owners of the Cawley Unit Area agree to terminate the Unit Agreement for the Development and Operation of the Cawley Unit Area and do hereby request the approval of the termination of said Unit Agreement by the Supervisor of the United States Geological Survey and by the Commissioner of Public Lands, State of New Mexico.

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

In Witness Whereof, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

ATLANTIC RICHFIELD COMPANY-Operator

Date: _____

By: _____
S. L. Smith
Attorney-in-Fact

HONDO OIL & GAS COMPANY

Attest:

Assistant Secretary
Date: _____

By: _____
Stanley L. Smith
Vice President

Date: _____

G. Dee Williamson

Date: _____

Lanita C. Williamson

~~Witness~~: _____

HUMBLE OIL & REFINING COMPANY

Date: July 12, 1968

By: Bill R. Payne
Agent and Attorney in Fact

APPROVED	
Disc.	<input checked="" type="checkbox"/>
Acreage	<input checked="" type="checkbox"/>
Int.	<input checked="" type="checkbox"/>
Form	<input checked="" type="checkbox"/>
Tr.	<input checked="" type="checkbox"/>

Attest:

KERR-MCGEE CORPORATION

Date: _____

By: _____

By: H. L. Landua
H. L. Landua

RALPH LOWE ESTATE
By: James L. Morris
James L. Morris

By: Dee H. Rose
~~XXXXXXXXXXXXXXX~~
Dee H. Rose

By: V. H. Van Horn, Jr.
V. H. Van Horn, Jr.

By: Erma Lowe
Erma Lowe, Individually and
as Independent Executrix of
the Estate of Ralph Lowe, Deceased

Date: July 11, 1968

Attest:

SINCLAIR OIL & GAS COMPANY

Date: _____

By: _____

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by S. L. Smith, Attorney-in-Fact for
ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation, on behalf of
said corporation.

My Commission Expires:
July 14, 1971

Notary Public

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by Stanley L. Smith, Vice President of
HONDO OIL & GAS COMPANY, a New Mexico corporation, on behalf of said
corporation.

My Commission Expires:
July 14, 1971

Notary Public

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by G. DEE WILLIAMSON and LANITA C. WILLIAMSON,
his wife.

My Commission Expires:

Notary Public

STATE OF OKLAHOMA)
) ss.
COUNTY OF OKLAHOMA)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by _____
of KERR-McGEE CORPORATION, a _____ corporation, on
behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 12th
day of July, 1968, by Bill R. Payne, Agent and Attorney in Fact
of HUMBLE OIL & REFINING COMPANY, a Delaware corporation, on behalf of
said corporation.

My Commission Expires:
June 1, 1969

John H. Davis
Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 11th
day of July, 1968, by H. L. Landua, ~~Charles L. McGee, xxxxx~~ Dee H. Rose,
James L. Morris and V. H. Van Horn, Jr., a majority of the duly
appointed, qualified and acting Independent Executors of the Estate
of Ralph Lowe, Deceased, and Erma Lowe, Individually and as Independent
Executrix of the Estate of Ralph Lowe, Deceased.

My Commission Expires:
JOYCE R. LEACH * Notary Public
In and for Midland County, Texas
My Commission Expires June 1, 1969

Joyce R. Leach
Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by _____
of SINCLAIR OIL & GAS COMPANY, a Maine corporation, on behalf of said
corporation.

My Commission Expires:

Notary Public

TERMINATION OF UNIT AGREEMENT FOR THE
DEVELOPMENT AND OPERATION OF THE
CAWLEY UNIT AREA
COUNTY OF EDDY, STATE OF NEW MEXICO,
AND APPLICATION FOR APPROVAL THEREOF

NO. 14-08-0001-8919

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Whereas, the undersigned parties are the owners of more than seventy-five (75) per centum on an acreage basis of the working interests in the Cawley Unit Area in Eddy County, New Mexico, and

Whereas, under the terms of Section 20 of the said Unit Agreement, the Agreement may be terminated at any time by not less than seventy-five (75) per centum, on an acreage basis, of the owners of working interests signatory thereto, with the approval of the Director of the United States Geological Survey and of the Commissioner of Public Lands, State of New Mexico.

Now, therefore, the working interest owners of the Cawley Unit Area agree to terminate the Unit Agreement for the Development and Operation of the Cawley Unit Area and do hereby request the approval of the termination of said Unit Agreement by the Supervisor of the United States Geological Survey and by the Commissioner of Public Lands, State of New Mexico.

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

In Witness Whereof, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

ATLANTIC RICHFIELD COMPANY-Operator

Date: _____

By: _____
S. L. Smith
Attorney-in-Fact

HONDO OIL & GAS COMPANY

Attest: _____

Assistant Secretary
Date: _____

By: _____
Stanley L. Smith
Vice President

Date: _____

G. Dee Williamson

Date: _____

Lanita C. Williamson

Attest: _____

HUMBLE OIL & REFINING COMPANY

Date: _____

By: _____

Attest:
Charles C. Dudley
Charles C. Dudley, Notary Public
Date: July 2, 1968

KERR-MCGEE CORPORATION

George C. Hardin, Jr.

GEORGE C. HARDIN, JR., Vice President
RALPH LOWE ESTATE

By: _____
H. L. Landua

By: _____
James L. Morris

By: _____
Charles L. Morgan, Jr.

By: _____
V. H. Van Horn, Jr.

By: _____
Erma Lowe, Individually and
as Independent Executrix of
the Estate of Ralph Lowe, Deceased

Attest: _____

SINCLAIR OIL & GAS COMPANY

Date: _____

By: _____

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by S. L. Smith, Attorney-in-Fact for
ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation, on behalf of
said corporation.

My Commission Expires:
July 14, 1971

Notary Public

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by Stanley L. Smith, Vice President of
HONDO OIL & GAS COMPANY, a New Mexico corporation, on behalf of said
corporation.

My Commission Expires:
July 14, 1971

Notary Public

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by G. DEE WILLIAMSON and LANITA C. WILLIAMSON,
his wife.

My Commission Expires:

Notary Public

STATE OF OKLAHOMA)
) ss.
COUNTY OF OKLAHOMA)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by _____
of KERR-McGEE CORPORATION, a _____ corporation, on
behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by _____
of HUMBLE OIL & REFINING COMPANY, a Delaware corporation, on behalf of
said corporation.

My Commission Expires: _____

Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by H. L. Landua, Charles L. Morgan, Jr.,
James L. Morris and V. H. Van Horn, Jr., a majority of the duly
appointed, qualified and acting Independent Executors of the Estate
of Ralph Lowe, Deceased, and Erma Lowe, Individually and as Independent
Executrix of the Estate of Ralph Lowe, Deceased.

My Commission Expires: _____

Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____
day of _____, 1968, by _____
of SINCLAIR OIL & GAS COMPANY, a Maine corporation, on behalf of said
corporation.

My Commission Expires: _____

Notary Public

AtlanticRichfieldCompany North American Producing Division
New Mexico-Arizona District
Post Office Box 1978
Roswell, New Mexico 86201
Telephone 505 622 4041

Jack Biard
District Landman



Case 3746

March 28, 1968

Cawley Unit
T22S, R22E
Eddy County, New Mexico

160 MAR 29 AM 10 33

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

Attention: Mr. Dan Nutter

Gentlemen:

Reference is made to my letter of March 27, 1968, wherein I forwarded the agreements covering subject unit. I called to your attention that we had not received a Ratification from R. L. Bunnell. I now attach one Xerox copy of Ratification and Joinder executed by Mr. Bunnell and his former wife.

This instrument represents 100% of the interested parties to sign the agreements.

Yours very truly,

ATLANTIC RICHFIELD COMPANY



Fred N. Millsap, Jr.
Land Department

FTM/dlr
Attachs.

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

IN WITNESS WHEREOF this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments. 60 MAR 29 AM 8 33

[Signature]
[Signature]

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

The foregoing instrument was acknowledged before me this 21st day of March, 1968, by Vola V. Horst (formerly Vola V. Bunnel).

My Commission Expires:
June 1, 1969

[Signature]
Notary Public

STATE OF COLORADO }
COUNTY OF JEFFERSON } ss.

The foregoing instrument was acknowledged before me this 26th day of March, 1968, by Robert L. Bunnel.

My Commission Expires:
January 5th, 1971

[Signature]
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

Notary Public

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMAS BLDG. • P. O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Hobbs, New Mexico
April 17, 1968
REGULAR HEARING

IN THE MATTER OF:)

Application of Atlantic Richfield)
Company for a unit agreement,)
Eddy County, New Mexico.)

Case 3746

BEFORE:

A.L. "Pete" Porter, Secretary-Director
Guyton B. Hayes, Land Commissioner
David F. Cargo, Governor

TRANSCRIPT OF HEARING



MR. PORTER: We'll call next Case 3746.

MR. HATCH: Case 3746. Application of Atlantic Richfield Company for a unit agreement, Eddy County, New Mexico.

MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant & Christy, representing Atlantic Richfield. We have two witnesses we would like to call and have sworn.

(Witnesses sworn)

MR. HINKLE: We have several exhibits here I would like to have identified.

(Whereupon, Applicant's Exhibits 1 through 3 marked for identification)

GLEN C. LUFF

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, please.

A Glen C. Luff.

Q By whom are you employed?

A Atlantic Richfield Company.

Q In what capacity?

A Senior Geologist in the Roswell office.

Q Have you ever testified before the Conservation

Commission?

A No, sir.

Q Please state briefly your educational background.

A I received a Bachelor of Science Degree from the University of Oklahoma in 1951 and a Master of Science Degree in 1957 from the University of Oklahoma.

Q What has been your geological experience and employment since your graduation?

A I worked for Atlantic Richfield since 1956 with five years in Oklahoma and the last six and a half years in New Mexico.

Q Are you familiar with Atlantic Richfield's operations in southeast New Mexico?

A Yes, sir.

Q Are you familiar with the application of Atlantic Richfield in this case?

A Yes.

Q What are they seeking to do?

A We are proposing to drill to a 7,500 foot upper Pennsylvanian or upper Cisco Canyon test at the location that we have indicated.

Q And to unitize the Cawley area for that purpose?

A Yes.

Q Now refer to Exhibit 1 and explain what this is and what it shows.

A Exhibit 1 is a general locator map indicating the southeast New Mexico area with production, the towns and the proposed Cawley unit which we have outlined here in red. It is some twenty-five miles west of the town of Carlsbad and approximately four miles west of the Indian Basin Gas Field.

Q Now refer to Exhibit 2 and explain what this shows.

A Exhibit 2 is a structural map on the top of the Pennsylvanian indicating general structural conditions and stratigraphic conditions extending west from the Indian Basin gas field to the Wapachee Fletcher, the structural uplift in the southwest portion of the map. The proposed Cawley unit is outlined and our proposed location is indicated.

Q What is the blue line, what does it indicate?

A The blue line indicates our geological interpretation of the continuation of the producing horizon of the Cisco Canyon dolomite section in the Indian Basin gas field.

Q Which lies toward the northeast?

A To the west, yes, sir, I mean, to the east.

Q Upon what information was this structural map based?

A The map is based on data derived in the surrounding wells in the township of 22 South, 22 East; all of the wells indicated within this blue band of tested zones dolomite zones or the producing interval that produces at Indian Basin and the wells had indication of this dolomite band being present.

Q Does the proposed unit area cover all or substantially all of the geological feature or anomaly involved?

A Yes, sir, I believe it does.

Q In the event of production it would give you effective control of the pool or field?

A Yes.

Q Now, refer to Exhibit 3 and explain what this shows.

A Exhibit 3 is a diagrammatic cross section, the line of the cross section is indicated as the green line and marked A, A prime on Exhibit 2, it is a diagrammatic cross section running from southwest to northeast through the proposed unit. It has the datum from the Pan American CU Well in Section 22 South, 22 East and the Inman Cawley

Draw well in Section 3, 22 South, 22 East. Both wells indicated the presence of the Indian Basin reservoir rock which I have marked on the cross section and extends across our proposed location for the Cawley unit.

Q Does this cross section tend to corroborate the structural map?

A Yes, sir.

Q What information was it based upon?

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MR. HINKLE: I would like to offer in evidence Exhibits 1 and 2 and 3.

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(Whereupon, Applicant's Exhibits 1 through 3 were offered and admitted in evidence.)

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Q Is this Inman well a producing well?

A No, sir, it was abandoned, it was plugged on August 11, 1965.

Q And you won't test the Morrow with this well?

A No, sir.

MR. NUTTER: I believe that's all.

MR. UTZ: How much acreage is in this unit?

A It's 3480.

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may be excused.

(Witness excused)

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witness, Fred Millsap.

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witness has previously been sworn.

FRED MILLSAP

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

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Q State your name, by whom you are employed and
where you reside.

A My name is Fred Millsap, I am a Senior Land
Man with the Atlantic Richfield Company, Roswell, New
Mexico.

Q How long have you been employed by Atlantic?

A Approximately 17 years.

Q You have spent most of your time in New Mexico?

A The last 13 years.

Q You are familiar with Atlantic Richfield's operations in southeast New Mexico?

A Yes, sir.

Q You are familiar with their activity in the proposed Cawley area?

A Yes, sir.

Q You are familiar with the application of Atlantic Richfield in this case?

A I am.

Q Have you handled the matter of getting up the unitization agreement?

A Yes, sir.

Q Are you familiar with the form of unit agreement copies of which have been filed with the application?

A I am.

Q Has the form been approved by the U.S.G.S. and by the Commissioner of Public Lands?

A Yes, sir.

Q What are the character of the lands involved in the unit area?

A 85.7 per cent are Federal lands, and 14.3 percent being State land, there are no fee lands.

Q I believe you stated that this form has been

approved by the Commissioner of Public Lands?

A Yes, sir.

Q What is the status of the commitment of the working interest owners at this time?

A We presently have one hundred per cent signed up.

Q Is all of the working interest owner --

A Every bit of the working interest, yes, sir.

Q Who is designated as the operator in the unit?

A Atlantic Richfield Company.

Q Does the unit provide for the drilling of initial test well?

A Yes, sir.

Q To the same depth and the same well that was testified to by the previous witness?

A Yes, sir.

Q Do you propose to unitize all formations by this agreement or to limit it to certain formations?

A The Section 3 of the Unit Agreement provides that the unitization will be limited to the base of the Cisco Canyon formation as approximately 7,500 feet.

Q How is that identified? How do you propose to identify this particular formation?

A It is based on another well which was drilled and logged in the immediate vicinity, I would have to refer to what well it is.

Q Curtis R. Inman Cawley Unit Well No. 1?

A Yes, Curtis R. Inman Cawley Draw Unit No. 1, Township 22 South, 22 East.

Q Why was that well used to identify this particular formation?

A We were able to identify the objective on the log, electrical log.

Q And the U.S.G.S. suggested that that be used for identification?

A Yes, sir.

Q In the event of discovery of unitized substances in paying quantities in the initial test well, in your opinion would the unit agreement be in the interest of conservation and the prevention of waste?

A Yes, sir.

Q Would it tend to promote the greatest ultimate recovery of unitized substances?

A Yes, sir.

MR. HINKLE: That's all we have.

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A Yes, sir.

Q Does the Commissioner of Public Lands want to know if you can reverse that land status?

A If he will tell me how, I will be glad to try.

MR. PORTER: Does anyone else have a question of this witness? Witness may be excused.

(Witness excused)

MR. HINKLE: We did have, I believe, the letter of the U.S.G.S. identified as Exhibit 4. Would you refer to that and explain what it is?

A This is the designation of the unit area as an area suitable and proper for unitization by the acting director of the U.S.G.S. This letter is dated February 14, 1968.

MR. HINKLE: I would like to offer that exhibit in evidence.

MR. PORTER: The letter will be made part of the record.

(Whereupon, Applicant's Exhibit 4 was offered and admitted in evidence)

MR. STIPP: Russell Stipp, Standard Oil Company of Texas. What is the location of the test well?

MR. PORTER: Would you give the location of the test well, please, sir?

MR. MILLSAP: It will be 1,980 from the west line, 1,800 feet from the north line of Section 16, Township 22 South, Range 22 East.

MR. PORTER: Does anyone else have anything?
The Commission will take the case under advisement.

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, KAY EMBREE, 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 29th day of April, 1968.



NOTARY PUBLIC

My Commission Expires:

November 19, 1971

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMAS BLDG. • P. O. BOX 1092 • PHONE: 243-6691 • ALBUQUERQUE, NEW MEXICO

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Hobbs, New Mexico
April 17, 1968
REGULAR HEARING

IN THE MATTER OF:

Application of Atlantic Richfield) Case 3746
Company for a unit agreement,)
Eddy County, New Mexico.)
)
)
)

BEFORE:

A.L. "Pete" Porter, Secretary-Director
Guyton B. Hayes, Land Commissioner
David F. Cargo, Governor

TRANSCRIPT OF HEARING

MR. PORTER: We'll call next Case 3746.

MR. HATCH: Case 3746. Application of Atlantic Richfield Company for a unit agreement, Eddy County, New Mexico.

MR. HINKLE: Clarence Hinkle, Hinkle, Bondurant & Christy, representing Atlantic Richfield. We have two witnesses we would like to call and have sworn.

(Witnesses sworn)

MR. HINKLE: We have several exhibits here I would like to have identified.

(Whereupon, Applicant's Exhibits 1 through 3 marked for identification)

GLEN C. LUFF

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

DIRECT EXAMINATION

BY MR. HINKLE:

Q State your name, please.

A Glen C. Luff.

Q By whom are you employed?

A Atlantic Richfield Company.

Q In what capacity?

A Senior Geologist in the Roswell office.

Q Have you ever testified before the Conservation

Commission?

A No, sir.

Q Please state briefly your educational background.

A I received a Bachelor of Science Degree from the University of Oklahoma in 1951 and a Master of Science Degree in 1957 from the University of Oklahoma.

Q What has been your geological experience and employment since your graduation?

A I worked for Atlantic Richfield since 1956 with five years in Oklahoma and the last six and a half years in New Mexico.

Q Are you familiar with Atlantic Richfield's operations in southeast New Mexico?

A Yes, sir.

Q Are you familiar with the application of Atlantic Richfield in this case?

A Yes.

Q What are they seeking to do?

A We are proposing to drill to a 7,500 foot upper Pennsylvanian or upper Cisco Canyon test at the location that we have indicated.

Q And to unitize the Cawley area for that purpose?

A Yes.

Q Now refer to Exhibit 1 and explain what this is and what it shows.

A Exhibit 1 is a general locator map indicating the southeast New Mexico area with production, the towns and the proposed Cawley unit which we have outlined here in red. It is some twenty-five miles west of the town of Carlsbad and approximately four miles west of the Indian Basin Gas Field.

Q Now refer to Exhibit 2 and explain what this shows.

A Exhibit 2 is a structural map on the top of the Pennsylvanian indicating general structural conditions and stratigraphic conditions extending west from the Indian Basin gas field to the Wapachee Fletcher, the structural uplift in the southwest portion of the map. The proposed Cawley unit is outlined and our proposed location is indicated.

Q What is the blue line, what does it indicate?

A The blue line indicates our geological interpretation of the continuation of the producing horizon of the Cisco Canyon dolomite section in the Indian Basin gas field.

Q Which lies toward the northeast?

A To the west, yes, sir, I mean, to the east.

Q Upon what information was this structural map based?

A The map is based on data derived in the surrounding wells in the township of 22 South, 22 East; all of the wells indicated within this blue band of tested zones dolomite zones or the producing interval that produces at Indian Basin and the wells had indication of this dolomite band being present.

Q Does the proposed unit area cover all or substantially all of the geological feature or anomaly involved?

A Yes, sir, I believe it does.

Q In the event of production it would give you effective control of the pool or field?

A Yes.

Q Now, refer to Exhibit 3 and explain what this shows.

A Exhibit 3 is a diagrammatic cross section, the line of the cross section is indicated as the green line and marked A, A prime on Exhibit 2, it is a diagrammatic cross section running from southwest to northeast through the proposed unit. It has the datum from the Pan American CU Well in Section 22 South, 22 East and the Inman Cawley

Draw well in Section 3, 22 South, 22 East. Both wells indicated the presence of the Indian Basin reservoir rock which I have marked on the cross section and extends across our proposed location for the Cawley unit.

Q Does this cross section tend to corroborate the structural map?

A Yes, sir.

Q What information was it based upon?

A The cross section shows -- starts to the southwest with the Wapachee Fletcher, the large uplift crossing, which we believe here to be a structural nose set up by two faults to the west and to the east and going across the carbonate reservoir band. Evidence for faulting is found in the two wells to the west in Sections 1 and 12 of 22 South, 21 East due to the difference in upper Pennsylvanian section that was present in these two wells.

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NOTARY PUBLIC

My Commission Expires:

November 19, 1971

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. 3746
Order No. R-3404

APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR APPROVAL OF THE CAWLEY
UNIT AGREEMENT, EDDY COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on April 17, 1968, at Hobbs, New Mexico, before the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission."

NOW, on this 22nd day of April, 1968, the Commission, a quorum being present, having considered the testimony presented and the exhibits received at said hearing, 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, Atlantic Richfield Company, seeks approval of the Cawley Unit Agreement covering 4480 acres, more or less, of Federal and State Lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM
Sections 8 and 9: All
Section 10: W/2
Section 15: W/2
Sections 16 and 17: All
Section 20: N/2
Section 21: All
Section 22: W/2

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

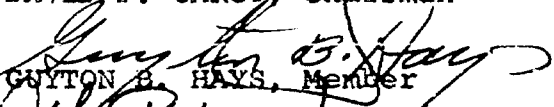
IT IS THEREFORE ORDERED:


- (1) That the Cawley Unit Agreement is hereby approved.
- (2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.
- (3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- (4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

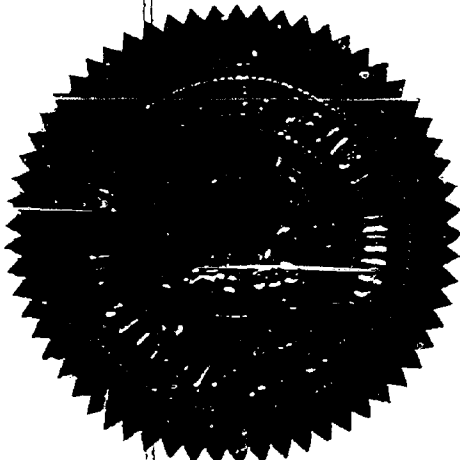
DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


DAVID F. CARGO, Chairman


GUYTON B. HAYS, Member


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



State of New Mexico
Oil Conservation Commission



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

April 22, 1968

Mr. Clarence Hinkle
Hinkle, Bondurant & Christy
Attorneys at Law
Post Office Box 10
Roswell, New Mexico 88201

Re: Case No. 3746
Order No. R-3404
Applicant:
Atlantic Richfield

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.
Secretary-Director

ALP/ir

Carbon copy of order also sent to:

Hobbs OCC x

Artesia OCC x

Aztec OCC

Other Unit Division - State Land Office

UNIT AGREEMENT
CRAWLEY UNIT AREA
EDDY COUNTY, NEW MEXICO

Case 3746

TABLE OF CONTENTS

MAIN OFFICE CTO

SECTION

TITLE

60 HARAGE PH 1 06

1	ENABLING ACT AND REGULATIONS -----	2
2	UNIT AREA -----	2
3	UNITIZED LAND AND UNITIZED SUBSTANCES -----	5
4	UNIT OPERATOR -----	6
5	RESIGNATION OR REMOVAL OF UNIT OPERATOR -----	6
6	SUCCESSOR UNIT OPERATOR -----	7
7	ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT -----	8
8	RIGHTS AND OBLIGATIONS OF UNIT OPERATOR -----	9
9	DRILLING TO DISCOVERY -----	9
10	PLAN OF FURTHER DEVELOPMENT AND OPERATION -----	10
11	PARTICIPATION AFTER DISCOVERY -----	11
12	ALLOCATION OF PRODUCTION -----	13
13	DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS -----	14
14	ROYALTY SETTLEMENT -----	15
15	RENTAL SETTLEMENT -----	16
16	CONSERVATION -----	17
17	DRAINAGE -----	17
18	LEASES AND CONTRACTS CONFORMED AND EXTENDED -----	17
19	COVENANTS RUN WITH LAND -----	20
20	EFFECTIVE DATE AND TERM -----	21
21	RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION -----	22
22	CONFLICT OF SUPERVISION -----	23
23	APPEARANCES -----	23
24	NOTICES -----	23
25	NO WAIVER OF CERTAIN RIGHTS -----	24

CAWLEY UNIT AREA
TABLE OF CONTENTS (Continued)

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
26	UNAVOIDABLE DELAY -----	24
27	NONDISCRIMINATION -----	24
28	LOSS OF TITLE -----	24
29	NON-JOINDER AND SUBSEQUENT JOINDER -----	25
30	COUNTERPARTS -----	26
31	NO PARTNERSHIP -----	26

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

NO. _____

THIS AGREEMENT made and entered into as of the 1st day of March, 1968, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto"

W I T N E S S E T H:

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

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Sec. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of Legislature (Article 3, Chapter 65, Vol. 9, Page 2, 1953 Statutes), to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Cawley 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. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to State of New Mexico and privately owned lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of New Mexico are hereby accepted and made a part of this agreement.

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

Township 22 South, Range 22 East, N.M.P.M.
Section 8: All
Section 9: All
Section 10: $W\frac{1}{2}$
Section 15: $W\frac{1}{2}$
Section 16: All
Section 17: All
Section 20: $N\frac{1}{2}$
Section 21: All
Section 22: $W\frac{1}{2}$

containing 4,480 acres, more or less

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the

acreage, percentage and kind of ownership of oil and gas interests in all land 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 in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less than seven copies of the revised exhibits shall be filed with the Supervisor, and two copies thereof shall be filed with the Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

The above described unit area shall, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the Commissioner, but only after preliminary concurrence by the Director and the Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, the Commissioner and the Commission and copies thereof mailed to the last known address of each working interest owner, lessee and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the Commissioner and the Commission evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director, the Commissioner and the Commission, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection) no parts of which are entitled to be in a participating area within five years commencing the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said five-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to

become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director and the Commissioner. Elimination taking place after the completion of a well that has deferred elimination shall be effective on the first day after the time allowed to commence the next well. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90 percent of the current unitized working interests and 60 percent of the current unitized basic royalty interests (exclusive of the basic royalty interest of the United States) on a total non-participating acreage basis, respectively, with approval of the Director and Commissioner, provided such extension application is submitted to the Director and Commissioner not later than 60 days prior to the expiration of said 10-year period.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands.

3. UNITIZED LANDS AND UNITIZED SUBSTANCES. All land committed to this agreement, as to all formations above the base of the Cisco-Canyon formation occurring at a depth of 8,160 on the Welex acoustic velocity log of the Curtis R. Inman Cawley Draw unit well No. 1 in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 3, T. 22 S., R. 22 E., N.M.P.M., shall constitute land referred to herein as "unitized land" or "land subject to this agreement." All oil and gas in any and all formations lying above the base of the Cisco-Canyon as identified above, are unitized under the terms of this

agreement and herein are called "unitized substances."

4. UNIT OPERATOR. Atlantic Richfield Company, with offices at Roswell, New Mexico, is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it 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 owner of an interest 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.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, the Commissioner and Commission and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and by the Commission as to State and privately owned lands unless a new unit operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participating area established hereunder is in existence, but in all instances of resignation or removal, until a successor unit operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of the unit operator, and shall, not later than 30 days before such

resignation or removal becomes effective, appoint a common agent to represent them in any action to be taken hereunder.

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

The 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 Director and the Commissioner.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials and appurtenances used in conducting 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.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator. Provided, that, if a majority but less than 75 percent of the working interests

qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owner shall be required to select a new operator. Such selection shall not become effective until:

(a) the Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been filed with the Supervisor and approved by the Commissioner. If no successor Unit Operator is qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working 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 "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating 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 inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant

to this section should be filed with the Supervisor and one (1) true copy with the Commissioner, prior to approval of this unit agreement by the Director.

8. 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.

9. DRILLING TO DISCOVERY. Within six months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Commissioner if on State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Cisco Canyon formation of Pennsylvanian age has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish, to the satisfaction of the Supervisor if located on Federal lands, or the Commissioner if located on State lands, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 7,500 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities,

the 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 Supervisor, if on Federal lands, or the Commissioner, if on State lands, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and 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.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for

the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

(a) specify the number and location of wells to be drilled and the proposed order and time for such drilling; and

(b) to the extent practicable, specify the operating practices regarded as necessary and advisable for proper conservation of natural resources.

Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Commissioner.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the six month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the Commissioner shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall, within the month of such completion, if practicable, or as soon thereafter as required by the Supervisor or the Commissioner submit for approval by the Director and the Commissioner a schedule, based on subdivisions of the public land survey or aliquot

parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of the initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be produc-

give in paying quantities; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director and the Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands and the Commissioner for State lands and the amount thereof deposited, as directed by the Supervisor and the Commissioner respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor as to wells drilled on Federal land and the Commissioner as to wells drilled on State land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION: All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices

within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor and Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land and the Commission as to State or privately owned land, at such party's sole risk, cost and expense, drill a well to test any formation for which

a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated, such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States and any state and all royalty owners who, under existing contracts, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in the case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interests not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations

for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor and the Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and 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 the plan of operations or as may otherwise be consented to by the Supervisor and the Commissioner as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this unit agreement.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulations; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

Royalty due on account of State lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under

their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

With respect to any lease on other than Federal or State land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provisions of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or some portion of such land is included within a participating area.

16. 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 or Federal law or regulations.

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or with prior consent of the Director and the Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty, as determined by the Supervisor as to Federal lands and by the Commissioner as to State lands.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operations for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to

the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Commissioner, or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States or State of New Mexico committed to

this agreement, which, by its terms might expire prior to the termination of this agreement is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operating and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, subject to the provisions of subsection (e) of Section 2.

(h) The segregation of any Federal lease committed to this

agreement is governed by the following provisions in the fourth paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities".

(i) 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 the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, 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 or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease, 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 in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND. The covenants herein shall be

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

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Director and the Commissioner or their duly authorized representatives as of the date of approval by the Director and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and the Commissioner, or

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new produc-

tion and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized and generally adhered to by the majority of operators in such state, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority vested in the Commission in and by any provisions of this agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

23. 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 Department of the Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the Commission or Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the Commissioner, or Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceedings.

24. 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 personally delivered to the party or sent by postpaid registered or certified 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.

25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the state wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

26. 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, 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.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246, (30 F.R. 12319), which are hereby incorporated by reference in this agreement.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment

of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject hereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor, and such funds of the State of New Mexico shall be deposited as directed by the Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner, and the Unit Operator prior to the approval of this agreement by the Director and Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owners committed hereto and responsible for the payment of any benefits

that may accrue hereunder in behalf of such non-working interests. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director and the Commissioner; provided, however, that as to State lands all subsequent joinders must be approved by the Commissioner.

30. 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.

31. NO PARTNERSHIP. It is expressly agreed that the relationship of the parties hereto is that of independent contractors and nothing in this agreement contained, express or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

Date: 3-1-68

ATLANTIC RICHFIELD COMPANY

By: [Signature]
Attorney-In-Fact

Address: P. O. Box 1978

Roswell, New Mexico

UNIT OPERATOR AND WORKING INTEREST
OWNER

WORKING INTEREST OWNERS

Attest: [Signature]
Assistant Secretary
Date: 3-1-68

HONDO OIL & GAS COMPANY

By: [Signature]

Address: Box 1978
Roswell, N.M.

Attest: _____

Date: _____

HUMBLE OIL & REFINING COMPANY

By: _____

Address: _____

Attest: _____

Date: _____

KERR-McGEE CORPORATION

By: _____

Address: _____

Attest: _____

Date: _____

RALPH LOWE, ESTATE

By: _____

Address: _____

Attest: _____

Date: _____

PAN AMERICAN PETROLEUM CORPORATION

By: _____

Address: _____

Attest: _____

Date: _____

SINCLAIR OIL & GAS COMPANY

By: _____

Address: _____

Date: _____

Curtis R. Inman

Address: _____

Date: _____

James A. O'Neill

Address: _____

Date: _____

G. Dee Williamson

Address: _____

Date: _____

Lillie M. Yates

Address: _____

STATE OF New Mexico)

COUNTY OF Chaves)

ss

The foregoing instrument was acknowledged before me this 1st
day of March, 1968 by S. L. Smith, Attorney-in-Fact
of Atlantic Richfield Company, a Pennsylvania corporation, on behalf
of said corporation.

My Commission Expires:

7-14-71

Barbara L. McQueen
Notary Public

STATE OF New Mexico)

COUNTY OF Chaves)

ss

The foregoing instrument was acknowledged before me this 1st
day of March, 1968 by Stanley L. Smith, Vice President
of Hondo Oil & Gas Company, a New Mexico corporation, on behalf
of said corporation.

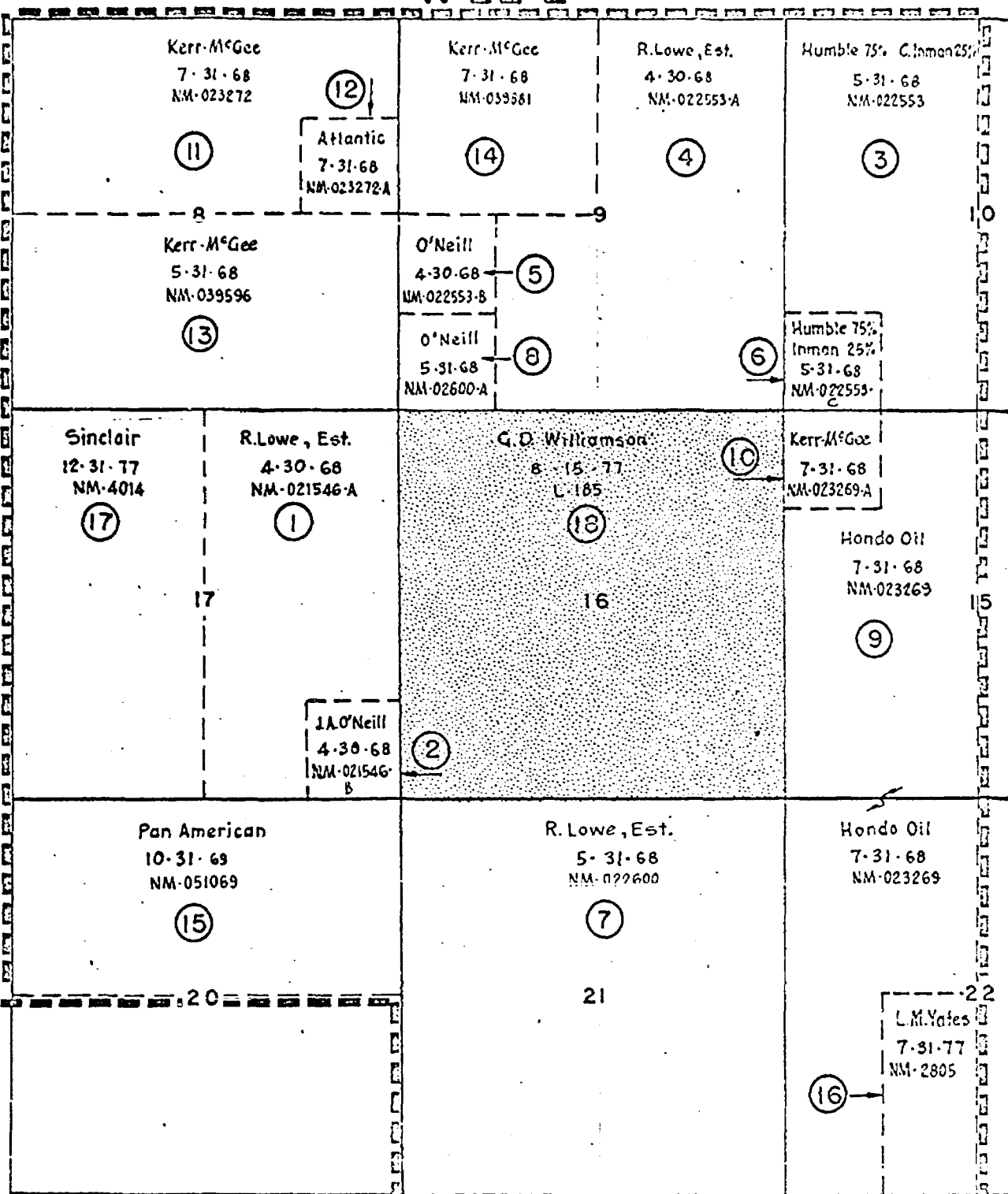
My Commission Expires:

7-14-71

Barbara L. McQueen
Notary Public

R 22 E

T
22
S



LEGEND

Total number of acres — 4480

--- Unit Outline

①

Tract Number



Federal Lands
3840 Acres
85.7%



State Lands
640 Acres
14.3%



CAWLEY
UNIT AREA
Eddy Co., New Mexico

Exhibit "A"

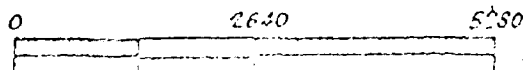


Exhibit B -- Cawley Unit Area, Eddy County, New Mexico, T-22-S, R-22-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
T-22-S, R-22-E Federal Land New Mexico Serials							
1	NE/4, W/2SE/4, NE/4SE/4 Section 17	280.00	021546-A 4-30-68	12.5 U.S.	R. Lowe, Est.	M. V. Harris, 2% Sohio Petroleum, 3%	R. Lowe Est., 100%
2	SE/4SE/4 Section 17	40.00	021546-B 4-30-68	12.5 U.S.	J. A. O'Neill	M. V. Harris, 2% Sohio Petroleum, 3%	J. A. O'Neill, 100%
3	NW/4, W/2SW/4, SE/4SW/4 Section 10	280.00	022553 5-31-68	12.5 U.S.	Sohio Petroleum Corp.	E. D. White, 2% Sohio Petroleum Corp., 6.125%	Humble Oil & Ref., 7 C. R. Inman, 25%
4	E/2, E/2SW/4 Section 9	400.00	022553-A 4-30-68	12.5 U.S.	R. Lowe, Est.	E. D. White, 2% Sohio Petroleum, 3%	R. Lowe Est., 100%
5	NW/4SW/4 Section 9	40.00	022553-B 4-30-68	12.5 U.S.	J. A. O'Neill	E. D. White, 2% Sohio Petroleum, 3%	J. A. O'Neill, 100%
6	SW/4SW/4 Section 10	40.00	022553-C 5-31-68	12.5 U.S.	E. I. White	E. D. White, 2% Sohio Petroleum Corp., 6.125%	Humble Oil & Refinin 75% C. R. Inman, 25%
7	All Section 21	640.00	022600 5-31-68	12.5 U.S.	R. Lowe, Est.	E. D. White, 2% Sohio Petroleum, 3%	R. Lowe, Est., 100%
8	SW/4SW/4 Section 9	40.00	022600-A 5-31-68	12.5 U.S.	E. I. White	E. D. White, 2% Sohio Petroleum, 3%	J. A. O'Neill, 100%
9	NE/4NW/4, S/2NW/4, SW/4 Section 15 E/2NW/4, W/2W/2 Section 22	520.00	023269 7-31-68	12.5 U.S.	Hondo Oil & Gas Company	M. V. Harris, 3% \$750 p/a PP	Hondo Oil & Gas Comp 100%

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Tessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
10	NW/4NW/4 Section 15	40.00	023269-A 7-31-68	12.5 U.S.	Kerr-McGee Oil Company	M. V. Harris, 3% \$750 p/a PP	Kerr-McGee Oil Company, 100%
11	NW/4, N/2NE/4, SW/4NE/1 Section 8	280.00	023272 7-31-68	12.5 U.S.	Kerr-McGee Oil Company	L. C. Hotchkiss, 3%	Kerr-McGee Oil Company, 100%
12	SE/4NE/4 Section 8	40.00	023272-A 7-31-68	12.5 U.S.	Atlantic Richfield Company	L. C. Hotchkiss, 3%	Atlantic Richfield Company, 100%
13	S/2 Section 8	320.00	039596 5-31-68	12.5 U.S.	Kerr-McGee Oil Company	D. Fitzgerald, $\frac{1}{2}$ of 1% David J. Sorenson, 1% Joe Schutz, $\frac{5}{8}$ of 1% Hoover Wright, $\frac{5}{8}$ of 1% R. L. Bunnell, $\frac{1}{4}$ of 1%	Kerr-McGee Oil Company, 100%
14	NW/4 Section 9	160.00	039881 7-31-68	12.5 U.S.	Kerr-McGee Oil Company	Joe Schutz, $\frac{1}{2}$ of 1% Hoover Wright, $\frac{1}{2}$ of 1%	Kerr-McGee Oil Company, 100%
15	N/2 Section 20	320.00	051069 10-31-69	12.5 U.S.	Pan American Petroleum Corp.	R. L. Graham, 5%	Pan American Petroleum Corporation, 100%
16	E/2SW/4 Section 22	80.00	2805 7-31-77	12.5 U.S.	William M. Yates	Myco Industries, Inc., 6.25%	L. M. Yates, 100%
17	W/2 Section 17	320.00	4014 12-31-77	12.5 U.S.	Sinclair Oil & Gas Company	None	Sinclair Oil & Gas Company, 100%
17 Federal tracts 3840.00 acres or 85.7% of unit area.							
State Land							
18	All Section 16	640.00	L-185 8-15-77	12.5 State of New Mexico	G. L. Williamson	None	G. D. Williamson, 100%
1 State of New Mexico tract 640.00 acres or 14.3% of unit area.							

Total: 18 tracts 4480.00 acres in entire unit area.

3840
640
4480

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

Marion V. Harris

STATE OF NEW MEXICO }
COUNTY OF CHAVES } ss.

The foregoing instrument was acknowledged before me this 29th day of February, 1968, by Marion V. Harris & L. C. Harris, her husband.

My Commission Expires:

My Commission Expires Oct. 31, 1968

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

Notary Public

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

SOHIO PETROLEUM COMPANY (An Ohio Corporation)

Clifton E. Storm, Jr. JAY
AGENT AND ATTORNEY IN FACT

STATE OF OKLAHOMA }
COUNTY OF OKLAHOMA } ss.

The foregoing instrument was acknowledged before me this 6th day of March, 1968, by CLIFTON E. STORM, JR. Agent and Attorney in Fact for Sohio Petroleum Company, an Ohio Corporation
My Commission Expires: August 24, 1969
William M. Depina
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.
My Commission Expires: _____
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.
My Commission Expires: _____
Notary Public

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

Emmett D. White
Blanche V. White

STATE OF NEW MEXICO }
 COUNTY OF CHAVES } ss.

The foregoing instrument was acknowledged before me this 28th day of February, 1968, by Emmett D. White & Blanche V. White, his wife.

My Commission Expires:
January 12, 1971

Bettie R. Hughes
 Notary Public

STATE OF _____ }
 COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

 Notary Public

STATE OF _____ }
 COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

 Notary Public

RATIFICATION AND JOINDER

CRAWLEY UNIT AGREEMENT

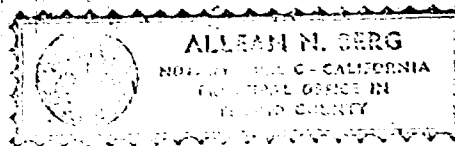
The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

Lester C. Hotchkiss

Alpha L. Hotchkiss
Wife of Lester C. Hotchkiss

STATE OF California }
COUNTY OF Fresno } ss.



The foregoing instrument was acknowledged before me this 16th day of March, 1968, by Lester C. Hotchkiss and Alpha L. Hotchkiss.

My Commission Expires:
February 18, 1972.

Allan N. Berg
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

Notary Public

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

Witnessed: 3/15/68 David Fitzgerald
Ray Ryan Ellen Fitzgerald
Harriet Ryan
Box 373, Esq. Calif Hat Creek, Wyoming
 STATE OF New Mexico }
 COUNTY OF Chavez } ss.

The foregoing instrument was acknowledged before me this 15th day of March, 1968, by David Fitzgerald + his wife Ellen Fitzgerald
 My Commission Expires: 1-2-70
Fred N. Mallory, Jr.
 Notary Public

STATE OF _____ }
 COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires: _____

 Notary Public

STATE OF _____ }
 COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires: _____

 Notary Public

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

David J. Sorenson
Bonnie J. Sorenson

STATE OF NEW MEXICO }
COUNTY OF Chaves } ss.

The foregoing instrument was acknowledged before me this 28th day of February, 1968, by David J. Sorenson and Bonnie J. Sorenson, husband and wife.

My Commission Expires:
10-4-71

Elaine Howard
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

Notary Public

CAWLEY UNIT AGREEMENT

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

Notary Public

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "F", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

ATTEST:

Lillie M. Yates, Secty-Treas.

MYCO INDUSTRIES, INC.

By: Martin Yates III
Martin Yates III, President

STATE OF NEW MEXICO }
COUNTY OF EDDY } ss.

The foregoing instrument was acknowledged before me this 1st day of March, 1968, by Martin Yates III, President of MYCO INDUSTRIES, INC., a New Mexico corporation.
My Commission Expires: Nov. 17, 1968
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires: _____

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires: _____

Notary Public

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

P. O. Box 1600

HUMBLE OIL & REFINING COMPANY

Midland, Texas 79701

BY: [Signature]
Agent and Attorney in Fact

ATTENTION: Joint Interest Manager

APPROVED	
Exec.	<u>[Signature]</u>
Adm.	<u>[Signature]</u>
Int.	<u>[Signature]</u>
Rec.	<u>[Signature]</u>
Sec.	<u>[Signature]</u>
Prod.	<u>[Signature]</u>
Treas.	<u>[Signature]</u>

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires: _____

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires: _____

Notary Public

STATE OF TEXAS }
COUNTY OF MIDLAND }

The foregoing instrument was acknowledged before me this 15th day of March, 1968, by L. H. Boyd Agent and Attorney in Fact of Humble Oil & Refining Company, a Delaware corporation, in behalf of said corporation.

My Commission Expires: _____

Lyle H. Davis
Notary Public

June 1, 1969

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

Curtis R. Inman

Muriel Henderson Inman

STATE OF Texas }
 COUNTY OF Midland } ss.

The foregoing instrument was acknowledged before me this 5th day of March, 1968, by Curtis R. Inman and Muriel Henderson Inman, his wife.

My Commission Expires:
June 1, 1969

Ellen Fegett (Ellen Fegett)
 Notary Public in and for Midland
 County, Texas

STATE OF _____ }
 COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

 Notary Public

STATE OF _____ }
 COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

 Notary Public

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

ATTEST:

Carl S. Dudley
Assistant Secretary
Carl S. Dudley

KERR-McGEE CORPORATION

George C. Hardin, Jr.
George C. Hardin, Jr.
Vice President

STATE OF OKLAHOMA }
COUNTY OF OKLAHOMA } ss.

The foregoing instrument was acknowledged before me this 19th day of March, 1968, by GEORGE C. HARDIN, JR.

My Commission Expires:
May 27, 1969

Ernest W. Wade
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

Notary Public

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

James A. O'Neill

Frances W. O'Neill

STATE OF TEXAS }
COUNTY OF MIDLAND } ss.

The foregoing instrument was acknowledged before me this 6th day of March, 1968, by James A. O'Neill.

My Commission Expires:
JOYCE R. LEACH * Notary Public
In and for Midland County, Texas
My Commission Expires June 1, 1969

Joyce R. Leach
Notary Public

STATE OF TEXAS }
COUNTY OF MIDLAND } ss.

The foregoing instrument was acknowledged before me this 12th day of March, 1968, by Frances W. O'Neill.

My Commission Expires:
JOYCE R. LEACH * Notary Public
In and for Midland County, Texas
My Commission Expires June 1, 1969

Joyce R. Leach
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

Notary Public

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

ATTEST:

[Signature]
Assistant Secretary

PAN AMERICAN PETROLEUM CORPORATION

By *[Signature]*
Attorney in Fact

APPROVED
HKG
CSC

STATE OF TEXAS }
COUNTY OF TARRANT } ss.

The foregoing instrument was acknowledged before me this 14th day of June, 1968, by D. R. Mason, Jr. Attorney in Fact, on behalf of Pan American Petroleum Corporation.
My Commission Expires: June 1, 1969
[Signature]
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires: _____
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires: _____
Notary Public

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

H. L. Landua
H. L. Landua

Charles L. Morgan, Jr.
Charles L. Morgan, Jr.

James L. Morris
James L. Morris

V. H. Van Horn, Jr.
V. H. Van Horn, Jr.

A majority of the duly appointed, qualified and acting
Independent Executors of the Estate of Ralph Lowe, Deceased

Erma Lowe
Erma Lowe, Individually and as
Independent Executrix of the
Estate of Ralph Lowe, Deceased

THE STATE OF TEXAS |
|
COUNTY OF MIDLAND |

The foregoing instrument was acknowledged before me this 5th day of March, 1968, by H. L. Landua, Charles L. Morgan, Jr., James L. Morris and V. H. Van Horn, Jr., a majority of the duly appointed, qualified and acting Independent Executors of the Estate of Ralph Lowe, Deceased, and Erma Lowe, Individually and as Independent Executrix of the Estate of Ralph Lowe, Deceased.

My commission expires:
JOYCE R. LEACH • Notary Public
In and for Midland County, Texas
My Commission Expires June 1, 1969

Joyce R. Leach
Notary Public in and for
Midland County, Texas.

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

ATTEST

Assistant Secretary

Sinclair Oil & Gas Company

Vice-President

APPROVED	
FORM	SUBSTANCE
	Ch
	MAF

STATE OF TEXAS

COUNTY OF MIDLAND

ss.

The foregoing instrument was acknowledged before me this 15th day of March, 1968, by O. G. Simpson, Vice President of SINCLAIR OIL & GAS COMPANY, a Maine Corporation.
My Commission Expires: June 1, 1969

Notary Public in and for
Midland, County, Texas

STATE OF

COUNTY OF

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

Notary Public

STATE OF

COUNTY OF

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires:

Notary Public

RATIFICATION AND JOINDER

CAWLEY UNIT AGREEMENT

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Cawley Unit Agreement embracing lands situated in Eddy County, New Mexico, said Agreement dated March 1, 1968, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned being the owners of a royalty, record title, or other interest in and to the lands or minerals embraced in the Unit Area, as indicated on the schedule attached to the Unit Agreement as Exhibit "B", do hereby expressly join said Unit and do hereby commit all of their said interest to the Cawley Unit Agreement and do hereby consent thereto the same as if the undersigned had executed the original of said Unit Agreement or counterparts thereof.

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

Lillie M. Yates
Martin Yates III

STATE OF NEW MEXICO }
 COUNTY OF EDDY } ss.

The foregoing instrument was acknowledged before me this 1st day of March, 1968, by LILLIE M. YATES, joined by MARTIN YATES III, her husband.
 My Commission Expires: Nov. 17, 1968

Dorothy Patterson
 Notary Public

STATE OF _____ }
 COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires: _____

 Notary Public

STATE OF _____ }
 COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____.

My Commission Expires: _____

 Notary Public

CAWLEY UNIT AGREEMENT

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

Notary Public

AtlanticRichfieldCompany

North American Producing Division
New Mexico-Arizona District
Post Office Box 1978
Roswell, New Mexico 88201
Telephone 505 622 4041

Jack Biard
District Landman



Case 3746

March 27, 1968

Cawley Unit
T22S, R22E
Eddy County, New Mexico

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

MAIL ROOM

'68 MAR 28 PM 1 06

Attention: Mr. Dan Nutter

Gentlemen:

This will confirm our telephone call earlier today requesting a hearing on subject unit on April 17, 1968, in Hobbs, New Mexico.

The proposed unit consists of 4,480 federal and state acres. We enclose Xerox copies of the Unit Agreement and Joint Operating Agreement. You will note that all interested parties have signed these agreements except R. L. Bunnell who owns 1/4 of 1% overriding royalty under Tract #13. He advised his Ratification is in the mail and should be received in the near future, at which time we will furnish you copies of same.

Your help and cooperation are sincerely appreciated and if you have any questions, please call me.

Yours very truly,

ATLANTIC RICHFIELD COMPANY

Fred N. Millsap, Jr.

Fred N. Millsap, Jr.
Land Department

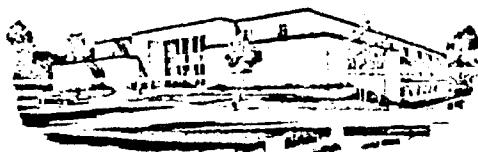
FTM/dlm
Enclosures

DOCKET MAILED

Date 4-4-68

R

State of New Mexico



Commissioner of Public Lands

GUYTON B. HAYS
COMMISSIONER



March 29, 1968

P. O. BOX 1148
SANTA FE, NEW MEXICO

Atlantic Richfield Company
P. O. Box 1978
Roswell, New Mexico 88201

Re: Cawley Unit
Eddy County, New Mexico

MAIL OFFICE

260 APR 2 AM 8 20

ATTENTION: Mr. Fred N. Millsap, Jr.

Gentlemen:

The Commissioner of Public Lands tentatively grants final approval of the Cawley Unit Agreement located in Township 22-South, Range 22-East, Eddy County, New Mexico comprising 4,480.00 acres as described in the agreement.

Final approval is contingent upon the approval of the New Mexico Oil Conservation Commission at its hearing on April 17, 1968 and is subject to like approval by the United States Geological Survey and will become effective upon approval by the Director and the Commissioner.

Very truly yours,

GUYTON B. HAYS
COMMISSIONER OF PUBLIC LANDS

BY:
Eddie Lopez, Supervisor
Unit Division

GBH/TB/EL/s
encls.

cc: USGS- Roswell, New Mexico
OCC- Santa Fe, New Mexico

DOCKET: REGULAR HEARING - WEDNESDAY - APRIL 17, 1968

OIL CONSERVATION COMMISSION - 9 A.M. - THE HOLIDAY INN, 200 SOUTH LINAM,
HOBBS, NEW MEXICO

- ALLOWABLE: (1) Consideration of the oil allowable for May, 1968;
- (2) Consideration of the allowable production of gas for May, 1968, from thirteen prorated pools in Lea, Eddy, and Roosevelt Counties, New Mexico. Consideration of the allowable production of gas from nine prorated pools in San Juan, Rio Arriba and Sandoval Counties, New Mexico, for May, 1968.

CASE 3745: Application of Humble Oil & Refining Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North White City Unit Area comprising 5114 acres, more or less, of Federal, State, and Fee lands in Township 23 South, Ranges 25 and 26 East, Eddy County, New Mexico.

CASE 3746: Application of Atlantic Richfield Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Cawley Unit Area comprising 4,480 acres, more or less, of Federal and State lands in Township 22 South, Range 22 East, Eddy County, New Mexico.

CASE 3747: Application of Depco, Inc. for an amendment to Order No. R-2869, Eddy County, New Mexico. Applicant, as successor to International Oil & Gas Corporation, seeks the amendment of Order No. R-2869 to substitute its Dunn "B" Well No. 5 in Unit I of Section 11 and its Dunn "B" Well No. 6, and Dunn "A" Well No. 1 located in Units M and G, respectively, of Section 12 for its Dunn "B" Wells Nos. 15, 19, and 21 which were included in the originally authorized water injection wells for a waterflood project authorized by said order in Township 18 South, Range 28 East, Artesia Pool, Eddy County, New Mexico.

CASE 3711: (Reopened):

In the matter of Case No. 3711, originally heard January 24, 1968, and in which no order has yet been entered, being reopened on the motion of the Commission to hear additional testimony regarding the amendment of Rule 509 of the Commission Rules and Regulations; among other things, the Commission will consider the assignment of an oil discovery allowable to each zone of a multiple discovery well based on the depth of said zone from the surface of the ground.

CASE 3748: Southeastern New Mexico nomenclature case calling for an order for the creation, extension, abolishment, contraction and re-definition of certain pools in Chaves, Eddy, Lea and Roosevelt Counties, New Mexico.

(a) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Upper Pennsylvanian production and designated as the Antelope Sink-Upper Pennsylvanian Gas Pool. The discovery well is Marathon Oil Company, Antelope Sink Unit No. 1, located in Unit G of Section 18, Township 19 South, Range 24 East, NMPM. Said pool should comprise the following described acreage:

TOWNSHIP 19 SOUTH, RANGE 24 EAST, NMPM
SECTION 18: N/2

(b) Create a new pool in Eddy County, New Mexico, classified as an oil pool for Delaware production and designated as the Big Eddy-Delaware Pool. The discovery well is Pan American Petroleum Corporation, Big Eddy Unit No. 11, located in Unit I of Section 7, Township 20 South, Range 31 East, NMPM. Said pool should comprise the following described acreage:

TOWNSHIP 20 SOUTH, RANGE 31 EAST, NMPM
SECTION 7: NE/4 SE/4

(c) Create a new pool in Lea County, New Mexico, classified as an oil pool for Abo production and designated as the House-Abo Pool. The discovery well is Pan American Petroleum Corporation, Howse "C" No. 1 located in Unit H of Section 11, Township 20 South, Range 38 East, NMPM. Said pool should comprise the following described acreage:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
SECTION 11: NE/4

(d) Create a new pool in Eddy County, New Mexico, classified as a gas pool for Morrow production and designated as the Huapahce-Morrow Gas Pool. The discovery well is Humble Oil & Refining Company, Huapahce Unit No. 10, located in Unit F of Section 10, Township 23 South, Range 22 East, NMPM. Said pool should comprise the following described acreage:

TOWNSHIP 23 SOUTH, RANGE 22 EAST, NMPM
SECTION 10: N/2

(e) Create a new pool in Lea County, New Mexico, classified as an oil pool for Tubb Drinkard production and designated as the Imperial Tubb-Drinkard Pool. The discovery well is Bronco Oil Corporation, E. C. Hill "A" No. 3, located in Unit O of Section 27, Township 23 South, Range 37 East, NMPM. Said pool should comprise the following described acreage:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
SECTION 27: SE/4

(f) Contract the Cave-Grayburg Pool in Eddy County, New Mexico, by the deletion of the following described acreage:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
SECTION 15: NW/4
SECTION 17: NE/4

(g) Extend the Grayburg-Jackson Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 17 SOUTH, RANGE 29 EAST, NMPM
SECTION 16: N/2 and SW/4

(h) Extend the West Bronco-Devonian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 38 EAST, NMPM
SECTION 6: SW/4

(i) Extend the East Brunson-McKee Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
SECTION 23: SW/4 SE/4

(j) Abolish the Middle Lane Permo-Pennsylvanian Pool in Lea County, New Mexico, described as:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM
SECTION 3: SE/4
SECTION 10: E/2
SECTION 11: All
SECTION 13: S/2
SECTION 14: All
SECTION 15: E/2 NW/4, NE/4, and S/2
SECTION 22: W/2 and NE/4
SECTION 23: N/2 and N/2 SW/4
SECTION 24: NW/4, N/2 SW/4, and SE/4

(k) Extend the Inbe Permo-Pennsylvanian Pool in Lea County, New Mexico, to include the area described above from the abolished Middle Lane Permo-Pennsylvanian Pool and also the following described area:

TOWNSHIP 10 SOUTH, RANGE 33 EAST, NMPM
SECTION 22: SE/4
SECTION 27: N/2

TOWNSHIP 11 SOUTH, RANGE 33 EAST, NMPM
SECTION 26: NE/4

(l) Extend the North Indian Hills-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 24 EAST, NMPM
SECTION 9: All

(m) Extend the McMillan-Morrow Gas Pool in Eddy County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM
SECTION 24: All

(n) Extend the Tatum-Wolfcamp Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 36 EAST, NMPM
SECTION 5: NE/4

(o) Extend the Teague-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 23 SOUTH, RANGE 37 EAST, NMPM
SECTION 33: NE/4

(p) Extend the Todd-Lower San Andres Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 36 EAST, NMPM
SECTION 29: NW/4
SECTION 32: NW/4

(q) Extend the Twin Lakes-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 28 EAST, NMPM
SECTION 36: N/2 NW/4

(r) Redefine the vertical limits of the Cedar Hills-Wolfcamp Gas Pool in Eddy County, New Mexico, which comprises:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
SECTION 15: SE/4

to be the Upper Pennsylvanian formation rather than the Wolfcamp formation and rename said pool Cedar Hills-Upper Pennsylvanian Gas Pool.

Extend said Cedar Hills-Upper Pennsylvanian Gas Pool to include therein:

TOWNSHIP 21 SOUTH, RANGE 27 EAST, NMPM
SECTION 15: NE/4

(s) Contract the Monument (Grayburg-San Andres) Pool in Lea County, New Mexico, by the deletion of the following-described acreage:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
SECTION 19: N/2 NE/4

(t) Extend the Eunice (Grayburg-San Andres) Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 37 EAST, NMPM
SECTION 19: N/2 NE/4

CASE 3749:

Northwestern New Mexico nomenclature case calling for an order for the extension of certain pools in San Juan, Rio Arriba, Sandoval, and McKinley Counties, New Mexico:

(a) Extend the Aztec-Pictured Cliffs Pool boundary in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 10 WEST, NMPM
SECTION 11: SW/4
SECTION 13: SE/4

(b) Extend the Blanco-Pictured Cliffs Pool boundary in San Juan County, New Mexico, to include therein:

TOWNSHIP 29 NORTH, RANGE 8 WEST, NMPM
SECTION 7: S/2
SECTION 8: N/2

TOWNSHIP 30 NORTH, RANGE 8 WEST, NMPM
SECTION 18: S/2
SECTION 30: S/2
SECTION 31: NW/4

TOWNSHIP 30 NORTH, RANGE 9 WEST, NMPM
SECTION 25: S/2
SECTION 30: W/2

(c) Extend the South Blanco-Pictured Cliffs Pool boundary in Rio Arriba, Sandoval, and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 5 WEST, NMPM
SECTION 35: All

(d) Extend the Tapacito-Pictured Cliffs Pool boundary in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 3 WEST, NMPM
SECTION 6: SW/4

TOWNSHIP 27 NORTH, RANGE 3 WEST, NMPM
SECTION 30: SW/4
SECTION 31: W/2 and SE/4

(e) Extend the Otero-Chacra Pool boundary in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 25 NORTH, RANGE 5 WEST, NMPM

Section 6: W/2
Section 7: All
Section 19: NW/4

TOWNSHIP 25 NORTH, RANGE 6 WEST, NMPM

SECTION 2: All
SECTION 3: S/2
SECTION 4: All
SECTION 5: N/2
SECTION 9: N/2
ALL OF SECTIONS 10, 11, AND 12
SECTION 13: W/2 and SE/4
SECTION 14: All
SECTION 15: E/2
SECTION 22: E/2
SECTION 24: NE/4

TOWNSHIP 26 NORTH, RANGE 6 WEST, NMPM

SECTION 29: SE/4
SECTION 31: S/2
SECTION 32: All
SECTION 33: W/2
SECTION 35: All

(f) Extend the Blanco-Mesaverde Pool boundary in Rio Arriba and San Juan Counties, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM

SECTION 15: N/2

TOWNSHIP 28 NORTH, RANGE 9 WEST, NMPM

Section 30: W/2

TOWNSHIP 28 NORTH, RANGE 10 WEST, NMPM

SECTION 25: N/2

(g) Extend the South Hospah-Lower Sand Oil Pool boundary in McKinley County, New Mexico, to include therein:

TOWNSHIP 17 NORTH, RANGE 8 WEST, NMPM

SECTION 7: NW/4 NE/4

TOWNSHIP 17 NORTH, RANGE 9 WEST, NMPM

SECTION 12: NE/4, E/2 NW/4, and SW/4 NW/4

Regular Hearing - April 17, 1968

(h) Extend the South Hospah-Upper Sand Oil Pool boundary in McKinley County, New Mexico, to include therein:

TOWNSHIP 17 NORTH, RANGE 9 WEST, NMPM
SECTION 12: SW/4 NW/4

(i) Extend the Tapacito-Gallup Associated Pool boundary in Rio Arriba County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 5 WEST, NMPM
SECTION 26: All

(j) Extend the Slick Rock-Dakota Oil Pool boundary in San Juan County, New Mexico, to include therein:

TOWNSHIP 30 NORTH, RANGE 17 WEST, NMPM
SECTION 36: N/2 SE/4 & SE/4 NE/4

(k) Extend the Tocito Dome-Pennsylvanian D Oil Pool boundary in San Juan County, New Mexico, to include therein:

TOWNSHIP 26 NORTH, RANGE 18 WEST, NMPM
SECTION 22: SW/4
SECTION 27: NW/4

UNIT OPERATING AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE CAWLEY UNIT AREA
COUNTY OF EDDY, STATE OF NEW MEXICO

Case 3746

NOT RECORDED

THIS AGREEMENT made and entered into this the first day of March, 1968, 28 MAR 28 PM 1 00
by and between Atlantic Richfield Company with offices at Roswell, New Mexico,
hereinafter referred to as "Unit Operator", and the undersigned as owners of
working interests in the unitized substances within the unit area subject to
the Unit Agreement hereinafter referred to as may subscribe to this agreement
and become parties hereto, which owners are hereinafter referred to as
"Working Interest Owners", or as "Non-Operators",

W I T N E S S E T H.

WHEREAS, the parties hereto have concurrently herewith, as of the date
hereof, entered into a certain Unit Agreement for the development and opera-
tion of the Cawley Unit Area, hereinafter referred to as the "Unit Agreement",
and which said agreement embraces the following described land situated in
Eddy County, New Mexico, hereinafter referred to as the "unit area":

Township 22 South, Range 22 East, N.M.P.M.

Section 8: All
Section 9: All
Section 10: $W\frac{1}{2}$
Section 15: $W\frac{1}{2}$
Section 16: All
Section 17: All
Section 20: $N\frac{1}{2}$
Section 21: All
Section 22: $W\frac{1}{2}$

Containing 4,480.00 acres, more or less,

WHEREAS, the parties hereto enter into this agreement pursuant to
Section 7 of the Unit Agreement.

NOW THEREFORE, it is mutually agreed between the parties hereto as fol-
lows:

ARTICLE I

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

ARTICLE II

2.1 TITLE EXAMINATION: Each party hereto shall, as to its contribution
and upon request, furnish each other party with certified or photostatic
copies of all title papers and opinions in its possession.

There shall be no examination of title to leases, or to oil and gas interests, except that title to the drillsite shall be examined on a complete abstract record by Operator's attorney, and the title to the drillsite 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 or parties owning the drillsite.

No well other than the first test shall be drilled in the Unit Area until after (1) the title to the drillsite has been examined by an attorney for one of the participating parties, 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.

The examining attorney under this Section 2.1, may accept title papers and another qualified attorney's opinion as the opinion called for above rather than conduct a separate title examination.

Should Unit Operator point out any bona fide title requirements with respect to any leasehold interest committed to the Unit Agreement, the owner thereof shall make a good faith effort to promptly satisfy all such title requirements.

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

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

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

(c) If the proportionate interests of the other parties hereto in any producing well theretofore drilled on the unit area 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

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

(e) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the parties in the same proportion in which they shared in such prior production.

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

ARTICLE III

MANAGEMENT OF UNIT

3.1 UNIT OPERATOR AND EMPLOYEES: Atlantic Richfield Company, of Roswell, New Mexico, the party hereto named as Unit Operator of the unit area under the provisions of the Unit Agreement, or its duly appointed successor Unit Operator, shall have the exclusive right to develop and operate the unit area subject to the provisions of this agreement and the Unit Agreement. All individuals employed by Unit Operator in the conduct of operations hereunder shall be the employees of Unit Operator alone and their working hours, rates of compensation and all other matters relating to their employment shall be determined solely by Unit Operator.

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

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

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

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

(d) Permit the Working Interest Owners, each through their duly authorized representatives, but at their sole risk and expense, to have access to the unit area at all times, and to the derrick floor of each well drilled or being drilled hereunder, for the purpose of observing operations conducted hereunder and inspecting jointly owned materials, equipment and other property, and to have access at reasonable times to information and data in the possession of Unit Operator concerning the unit area;

(e) Furnish to each of the other parties who make timely written request therefor, copies of Unit Operator's authorization for expenditures or itemizations thereof in excess of Five Thousand Dollars (\$5,000.00) and copies of all drilling reports, well logs, basic engineering data, tank tables, gauge reports, and run tickets, and reports of stock on hand at the first of each month, if available, and samples of cores or cuttings taken from wells drilled hereunder, containers therefor to be furnished by the party requesting such samples;

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

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

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

(a) Locate, drill, complete, deepen, or plug back any well or let any contract therefor. The approval of the drilling, deepening or plugging back of any well shall be construed to mean and include the approval of any necessary expenditures therefor and the approval of any completion attempt shall be construed to include all expenditures incurred in completing and equipping of such well, including flow lines, separators and necessary tankage if a producer, and if a dry hole, the plugging and abandonment thereof, except as otherwise provided in Article V hereof;

(b) Make any expenditures in excess of Five Thousand Dollars (\$5,000.00) for any one single project;

(c) Make any expenditure for expert technical advice, including any extra services rendered by Unit Operator's technical staff, not contemplated by the provisions of Exhibit "D" attached hereto, and not covered by the overhead, district and camp expenses therein authorized, which overhead in Exhibit "D" is intended to cover only normal development and operations;

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

(e) Abandon any well which has been completed as a producing well or dispose of any major items of surplus material or equipment, other than junk, having an original cost of Two Thousand Five Hundred Dollars (\$2,500.00) or more (any such item or items of less cost may be disposed of without such approval), except as may otherwise be provided herein;

(f) Designate the lands to be included in any participating area or enlargement thereof, or submit for approval any plan for the development and operation of the unit area or any participating area or supplement or amendment thereto in accordance with the provisions of the Unit Agreement;

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

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

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

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

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

3.4 CONSENT OF WORKING INTEREST OWNERS: On matters on which the consent of Working Interest Owners is required, each Working Interest Owner shall have a vote equal to the proportionate or fractional gross acreage interest owned by such party in the unit area. Except as otherwise specified herein or in the Unit Agreement, an affirmative vote of 75% of the voting power of the Working Interest Owners involved shall constitute the decision of the Working Interest Owners, which decision shall be binding upon all; provided, however, where any Working Interest Owner owns as much as 75%, but less than 100%, voting interest in the unit area such party's vote must be supported by the affirmative vote of at least one additional Working Interest Owner; and provided, further, that if any party owns 25% or more voting interest, but less than 50%, the vote of such party shall not serve to defeat or disapprove any matters approved by the majority (over 50%) unless supported by at least one additional voting interest.

The Working Interest Owners shall meet in regular or special meetings for the purpose of discussing unit business and of voting on the matters set out in Section 3.3 hereof, and of exercising any other powers by this agreement or by the Unit Agreement committed to the Working Interest Owners. Each Working Interest Owner shall designate a representative and an alternate to represent him at such meeting who shall have such powers as are conferred on him by his principal, which powers shall be sufficiently broad to enable

the representative to vote on matters coming before said meeting. Notice of meetings and place of holding the same and other notices shall be served on such representative by the Unit Operator. The representative of the Unit Operator shall act as Chairman at all meetings. Each Working Interest Owner shall have the right, from time to time, on notice to the Unit Operator, to change the representative or the alternate. It shall be sufficient for the Unit Operator to poll by telegram all of the affected Working Interest Owners on all such matters without calling a meeting, and any vote so taken pursuant to such poll shall be as binding on the Working Interest Owners as if done at a regular or special meeting at which a quorum was present. The Working Interest Owners shall be notified by the Unit Operator of the results of any such poll as soon as practicable.

3.5 UNIT OPERATOR - LIABILITIES: Unit Operator shall not be liable to any of the Working Interest Owners for anything done or omitted to be done by it in the conduct of operations hereunder while acting in compliance with Section 3.2(a) hereof. The provisions of this section shall not relieve Operator of his duty to obtain the consent of the Working Interest Owners in accordance with the provisions of Section 3.3.

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

ARTICLE IV

COST OF OPERATIONS AND ALLOCATION OF PRODUCTION

4.1 COST OF OPERATIONS AND ACCOUNTING PROCEDURE: The actual cost to the Unit Operator of performing his obligations as Unit Operator hereunder

shall be apportioned, except with respect to the initial test well as provided in Section 5.1 hereof, among the Working Interest Owners having leasehold interests committed to the Unit Agreement in accordance with the applicable percentages shown on Exhibit "C" attached hereto and made a part hereof, and said costs shall be paid by the respective Working Interest Owners in accordance with the Accounting Procedure attached hereto, made a part hereof, and for purposes of identification marked Exhibit "D".

4.2 ALLOCATION OF PRODUCTION: All unitized substances produced and saved from each participating area established pursuant to the Unit Agreement shall be deemed to have been produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and for the purpose of computing and paying all royalties, overriding royalties and obligations payable out of production of the respective Working Interest Owners each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of each tract included in said participating area bears to the total number of acres of unitized land in said participating area in conformity with Section 12 of the Unit Agreement.

All production remaining after allocating the production for the purpose of paying royalties, overriding royalties and obligations payable out of production as above provided (and being the working interest) shall be allocated to the respective Working Interest Owners in accordance with the applicable percentages reflecting their net respective beneficial interests as shown on Exhibit "C" attached hereto.

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

The beneficial interests of the respective Working Interest Owners as shown on Exhibit "C" have been determined as to each party on an adjusted surface acreage basis. The adjustment in surface area has been made by determining the fraction of the total unitized substances produced from or allocated to any tract which may be required to meet all royalty, overriding

royalty, production payments or other obligations payable out of production from or allocated to such tract and multiplying that fraction by the number of acres contained in such tract and deducting the product from the total number of acres in said tract, the remainder being the adjusted surface acreage in each such tract. The beneficial interest of each party shown on Exhibit "C" attached hereto represents the sum of the net acre interest in all tracts committed to the Unit Agreement divided by the total number of net acres committed to the unit area.

Except as hereinafter provided, the percentages of participation of the parties hereto in costs of operation and allocation of production as shown on Exhibit "C" shall remain the same regardless of any contraction of the unit area or automatic elimination of lands therefrom in accordance with Section 2 of the Unit Agreement. There shall be a readjustment of the adjusted surface acres among the parties hereto on the basis set forth hereinabove and the interest of the parties recomputed on the basis of the revised acreage upon the occurrence of any of the following events:

- (i) the working interest in any tract shown on Exhibit "C" is not committed to the Unit Agreement;
- (ii) any tract is eliminated through failure of title or lost through failure to pay rentals in conformity with Section 6.1 hereof;
- (iii) if there should be any errors in mathematical computations or there is any additional overriding royalty interest or lease burden unknown to the parties hereto outstanding as of the time of the commitment of the respective tracts to the Unit Agreement;
- (iv) to carry out the adjustments in acreage ownership and participating interests required by the farmout agreements referred to in Section 5.1 hereof.
- (v) upon satisfaction of the production payments in connection with Tracts 9 and 10 as shown on Exhibit "C", or either of them.

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

4.3 CONFLICT OF INSTRUMENTS: In the event of any conflict between the provisions contained either in the body of this instrument or in the Unit Agreement and those contained in the Accounting Procedure, the provisions of

the Unit Agreement shall govern to the extent of such conflict. The term "Operator" as used in Exhibit "D" shall be deemed to refer to the Unit Operator, and the term "Non-Operators" as used in Exhibit "D" shall be deemed to refer to the Working Interest Owners herein.

4.4 OPERATOR'S LIEN: Unit Operator is hereby granted a prior lien on the rights and interest of each Working Interest Owner in the unit area and the unitized substances allocated to each such Working Interest Owner, and the material and equipment thereon, to secure the payment of its proportionate part of said costs and expenses. Should any Working Interest Owner fail to pay its proportionate part of said costs and expenses within thirty (30) days after being billed therefor as provided in the referred to Accounting Procedure, Exhibit "D", Unit Operator shall notify such Working Interest Owner of the default by registered mail and thereafter the Unit Operator shall have the right, at its option, to foreclose said lien on the respective interests of such Working Interest Owner. In lieu of or in addition to such remedy, the parties hereto agree that in the event of default and after notice of same to the defaulting party, the Unit Operator may notify the purchaser of the defaulting party's share of unitized substances and such purchaser shall pay all proceeds accruing on account thereof to Unit Operator until said obligation is extinguished without any liability to the defaulting party; provided, however, no purchaser of unitized substances shall be required to respect such lien until so notified by the Unit Operator of the default. In lieu of or in addition to the remedy above specified for such default, Unit Operator may have any other remedy afforded by law or in equity against the defaulting party for such default.

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

4.5 ADVANCES: Unit Operator, at its election, may require each Working

Interest Owner herein to advance its respective portion of development costs hereunder in accordance with an estimate by Unit Operator to be made not less than ten (10) days in advance of the month in which the costs and expenses are to be incurred. Adjustment between estimates and actual costs shall be made by the Unit Operator at the close of each calendar month and the accounts of the Working Interest Owners adjusted accordingly.

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

4.7 INSURANCE: As to all operations hereunder, Unit Operator shall carry for the benefit and protection of the parties hereto workmen's compensation insurance in accordance with the laws of the State of New Mexico. The Unit Operator shall not be required to carry any other insurance for the joint account. The liability, if any, of the parties hereto in damages for claims growing out of personal injury to or death of third persons or injury or destruction of property of third persons resulting from the operation and development of the unit area shall be borne by the parties hereto in the proportions of their participation as shown on Exhibit "C"; and each party individually may acquire such insurance as it deems proper to protect itself against such claims. Unit Operator shall require all third party contractors performing work in or on the unit area to carry insurance for the benefit and protection of the Working Interest Owners consistent with Unit Operator's then existing minimum requirements.

ARTICLE V

WELLS

5.1 INITIAL TEST WELL: Within thirty (30) days after the effective date of the Unit Agreement, Unit Operator shall commence operations upon the

test well which is required to be drilled pursuant to the provisions of Section 9 of the Unit Agreement (unless such well should be commenced prior to the effective date of said Unit Agreement). Said well shall be drilled in compliance with Section 9 of the Unit Agreement and shall also be drilled in accordance with the applicable regulations of the Secretary of the Interior and the New Mexico Oil Conservation Commission.

The initial test well shall be drilled and completed, if a discovery of oil or gas in paying quantities is made, or plugged and abandoned, if the same is a dry hole or well not capable of producing unitized substances in paying quantities, at the sole cost, risk and expense of the parties who are to participate in the drilling of said well as shown on Exhibit "C" in proportion to their respective interests. In case of a dry hole, said well shall be plugged and abandoned in accordance with all applicable rules and regulations and all casing, equipment and other material which may be salvaged shall be and remain the property of Unit Operator and the other parties participating in the cost of the well in proportion to their participating interests.

In the event of the discovery of unitized substances in paying quantities, said well shall be completed and placed on production as such wells are usually and customarily completed in accordance with good oil field practice and all casing, tubing, wellhead connections, flow lines, tanks and other equipment which may be installed in or used in connection with said well shall be owned by the parties hereto in proportion to their participating interests in said well as shown on Exhibit "C" attached hereto.

Should the initial test well be lost through mechanical failure, blow-out or any other cause beyond the control of Unit Operator, the Unit Operator shall have the right to commence, within thirty (30) days, another well to be drilled to the same depth and in the same manner and said well shall for all purposes of this agreement be considered as the initial test well.

In connection with the drilling of the initial test well, Kerr-McGee Corporation, Pan American Petroleum Corporation and Curtis R. Inman agreed to contribute one-half of their leasehold interests committed to the Unit Agreement, as shown by Exhibit "B" attached thereto, to certain of the parties participating in the cost of drilling said well as to all lease

rights which are unitized under the Unit Agreement down to a depth of 100 feet below the depth to which the initial test well is drilled, subject to the existing lease burdens as shown by said Exhibit "B", and the contributing parties are not to participate in the production from said initial test well until the same has paid out; provided, however, said contributing parties shall receive the following overriding royalty interests based upon all unitized substances produced, saved and marketed from the initial test well until the same has paid out as hereinafter defined:

Kerr-McGee Corporation	17.85714% of 1/16
Pan American Petroleum Corporation	7.14286% of 1/16
Curtis R. Inman	1.78571% of 1/16

The distribution of the contributed interests among the parties participating in the initial test well is more particularly shown on Exhibit "C" attached hereto.

The above leasehold interests shall be earned regardless of whether or not the well is completed as a well capable of producing unitized substances and said parties shall assign said undivided 1/2 interests at any time requested after the completion of said well.

For the purposes of this agreement, the initial test well shall be considered as "paid out" at such time as the participating parties shall have received out of their respective beneficial interests in the production of unitized substances from said well, as shown on Exhibit "C", amounts aggregating the total cost of drilling and completing said well, including the cost of equipping and placing the same on production, together with all operating costs during the payout period, computed on the basis of charges made in connection with the drilling and completing of said well as provided in the Accounting Procedure attached hereto as Exhibit "D". From and after the time of payout, said parties shall be entitled to receive their proportionate parts of the production of unitized substances from said well on the basis of their respective beneficial interests as shown in Col. 9 on page 3 of Exhibit "C" attached hereto and shall own their proportionate parts of all equipment installed in and used in connection with the production from said well, the same as if said parties had participated in the cost of drilling and completing the initial test well according to the percentages shown in Col. 8 on page 3 of Exhibit "C".

5.2 OTHER TEST WELLS: In the event the initial test well provided for in Section 5.1 hereof is completed as a dry hole or a well not capable of producing unitized substances in paying quantities, and Unit Operator desires to drill an additional well or wells, the parties hereto shall not be obligated for any portion of the cost thereof except such as they may have specifically agreed to in writing by separate instrument, but failure of any such party to participate in the drilling of such additional well shall make such well subject to the provisions of Section 5.6 hereof.

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

5.4 WELL CONTRACTS: All wells drilled in the unit area by Unit Operator after the effective date of this agreement, shall be drilled on a competitive contract basis at the usual rates prevailing in the region of the unit area. Unit Operator, if it so desires, may employ its own tools and equipment in the drilling of such wells, but in such event, the charge therefor shall not exceed the competitive prevailing rate charged by independent contractors doing work of a similar nature. If the parties who are to participate in the cost of drilling any well are unable to mutually agree on the competitive contract price Operator shall obtain bids from at least three responsible drilling contractors who are ready, able and willing to drill a well of the type contemplated by the parties hereto on lease acreage covered hereby; and said competitive contract price shall be the lowest acceptable bid received which will result in the most economical drilling of said well. All drilling, whether by Unit Operator or others, shall be under contracts approved by the parties hereto, which contracts shall contain appropriate provisions that any well drilled on the joint leases when completed shall not deviate in excess of five (5) degrees from perpendicular.

5.5 DEVELOPMENT AND OPERATION SUBSEQUENT TO DISCOVERY OF UNITIZED

SUBSTANCES IN PAYING QUANTITIES: After the discovery of unitized substances in paying quantities on the unit area, Unit Operator shall only drill such wells as may be provided for in any plan of development and operation for the unit area or amendment or supplement thereto filed and approved as provided by Section 10 of the Unit Agreement after approval by the parties hereto as provided by Section 3.3 hereof, and all such wells shall be drilled for the joint account of the parties hereto and the production of unitized substances therefrom shall be allocated to said parties as provided by Section 4.2 hereof; provided, however, the drilling, completion, deepening, plugging back or reworking of any such well shall be subject to the non-consent provisions of Section 5.6 hereof.

5.6 OPERATIONS BY LESS THAN ALL PARTIES - NON-CONSENT OF WORKING

INTEREST OWNERS: 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 5.1, or upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all of the parties and not then producing in paying quantities on the unit area, any party or parties wishing to drill, rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday, Sunday or legal holidays) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-consenting Party"), then in order to be entitled to the benefits of

this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estate 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 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 Unit Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-consenting Party shall be deemed to have relinquished to Consenting Parties and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-consenting Party's interest in the well, its leasehold operating rights and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests 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

pipings), 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 8.5 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 Party shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

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

from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-consenting Party.

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

Notwithstanding the provisions of this Section 5.6, no well shall be completed or produced from the same pool or reservoir from which a well located elsewhere on the unit area is producing unless such well conforms to the then existing well spacing pattern as established by the New Mexico Oil Conservation Commission for the development of such pool or reservoir.

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

parties harmless with respect to the receipt of such working interest production.

5.7 ABANDONMENT OF PRODUCING WELLS: If the Unit Operator has been authorized to abandon any well which has been completed as a producing well as provided by Section 3.3(e) hereof and all of the parties hereto have not consented thereto, then such party or parties not desiring to abandon the same shall, within ten (10) days thereafter, notify the other parties of their desire to take over and operate said well and shall tender to the other Working Interest Owners sums equal to their proportionate shares in the salvage value of the material and equipment in said well determined in accordance with the Accounting Procedure attached hereto as Exhibit "D", and on receipt of said sum the parties desiring to abandon said well shall, within 25 days thereafter, assign, without warranty, to the Working Interest Owners not desiring to abandon such well, all of their rights in the well and producing equipment as to the producing formations only, in the land on which said well is situated and their interest in the leasehold estate in a tract surrounding said well of an area equal to that prescribed by the applicable spacing rules, but if there is no established spacing rule, then said assignment shall cover the working interest and leasehold estate in the producing formation only in 40 acres surrounding said well, if an oil well, or 320 acres, if a gas well, and said well may thereafter be operated by the Unit Operator for the separate account of the Working Interest Owners not desiring to abandon such well or wells. Proper bills of sale and division orders shall be executed by the assigning parties to accomplish the purposes hereof. The percentage of participation of the parties in and to the production of unitized substances from all other land and leasehold rights under this agreement and the Unit Agreement shall not be affected by the assignments provided for herein.

ARTICLE VI

RENTALS, ROYALTIES AND PRODUCTION

6.1 RENTALS: The Working Interest Owners in each tract shall pay all rentals, advance rentals or delay rentals due under the lease thereon and shall concurrently submit to the Unit Operator evidence of payment. If the

Working Interest Owners in any tract determine not to pay any such rental, they shall notify Unit Operator at least sixty (60) days before the due date and they shall thereupon assign to all other Working Interest Owners in the unit area, proportionable to their interests, all of their right, title and interest under said lease; provided, however, all such assignments shall be subject to all obligations with respect to reassignments, if any, of the parties making such assignments theretofore created in favor of parties who are not parties to this agreement. In the event of failure of any Working Interest Owner to make proper payment of any delay rental through mistake or oversight where such rental is required to continue the lease in force, there shall be no money liability on the part of the party failing to pay such rental, but such party shall make a bona fide effort to secure a new lease covering the same interest and commit such lease to the unit agreement, and in the event of failure to secure a new lease within a reasonable time, the participating interests of the parties hereto shall be revised so that the party failing to pay any such rental shall not be credited with the ownership of any lease on which rental was required but was not paid. The Unit Operator shall incur no liability for failure to pay any rental due under the terms of any lease committed to said Unit Agreement; however, in the event any rentals are paid by Unit Operator, the same shall be charged and billed to the party responsible for the payment of the same. In the event of loss of title to a lease for failure to pay rental, all loss occasioned thereby shall be that of the Working Interest Owners who should have paid the same.

6.2 DISPOSAL OF PRODUCTION: Each of the parties hereto shall own, and at its own expense, shall take in kind or separately dispose of its proportionate part of all the unitized substances produced and saved from the lands committed to the Unit Agreement, exclusive of the production that the Unit Operator may use in developing and producing operations and in preparing and treating oil for market purposes and of production unavoidably lost; provided that each of the parties shall pay or secure the payment of the royalty interest on its proportionate part of the production. At such time or times as a Working Interest Owner shall fail or refuse to take in kind or separately dispose of its proportionate part of said production, Unit Operator shall have

the authority, revocable by Working Interest Owner at any time, to sell all or part of such production for the account of such party, for not less than the market price prevailing in the area, which in no event shall be less than the price Operator receives for its portion of such production. All such sales by Operator of Working Interest Owner's production shall be for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract of sale be for a period in excess of one (1) year. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any other party's share of gas production.

ARTICLE VII

CHANGE OF OWNERSHIP

7.1 ASSIGNMENTS: Any Working Interest Owner may, at any time, transfer or assign all of his working interest to any other Working Interest Owner who is then a party to the Unit Agreement and to this agreement, or to any other person, association or corporation, when such assignment is made expressly subject to the terms of the Unit Agreement and the terms of this agreement, and wherein the assignee shall accept and agree to perform all duties, obligations and liabilities thereof. On the making of such assignment, the assignor shall thereupon be relieved of all future duties, obligations and liabilities of a Working Interest Owner under this agreement and under the Unit Agreement. A partial assignment of working interests shall be effective as above described to the extent of the interest so assigned. No assignment made under the provisions of this section shall be binding upon the Unit Operator until the first day of the month following the date that a certified copy of said assignment has been delivered to Unit Operator. The terms of this agreement shall be deemed to be covenants running with the land and the leasehold estates and interests therein of the parties hereto, and shall be binding upon and inure to the benefit of the parties hereto, their heirs, personal representatives, successors and assigns.

7.2 WITHDRAWAL OF PARTY: If any party hereto so desires, it may withdraw from this agreement by conveying, assigning and transferring, without warranty, either express or implied, to the other parties hereto who do not

desire to withdraw, all of its right, title and interest in and under the leases included in the unit area, together with the withdrawing party's interest in all wells, casing, material, equipment, fixtures and other personal property belonging to the joint account, but such conveyance or assignment shall not relieve said party from any obligation or liability accruing or incurred prior to the date thereof. The interest so conveyed and assigned shall be held and owned by the assignees in the proportion set out in applicable percentage participation schedules, and thereupon the withdrawing party shall be relieved from all obligations and liabilities thereafter to accrue under this contract, and the right of such party to any benefits subsequently accruing hereunder shall cease; but assignees shall pay assignor for its interest in such casing, material, equipment, fixtures and other personal property owned by the joint account at the salvage value thereof computed in accordance with the Accounting Procedure, Exhibit "D", attached hereto. If all of the parties are not willing to accept the assignment of such interest, the assignment shall be made to those willing to accept such interest in the proportions that their respective interests bear to the aggregate of their interests in the unit area on an acreage basis.

7.3 SUBSEQUENT JOINDER: Prior to commencement of operations under the Unit Agreement, all owners of working interests in the unit area who have joined in the Unit Agreement shall be privileged to join in this agreement by subscribing to the Unit Agreement and this agreement. After commencement of operations under the Unit Agreement, however, subsequent joinder in the Unit Agreement and in this agreement by any party owning a working interest in the unit area shall be on such reasonable terms and conditions as the parties who are then committed to the Unit Agreement and this agreement may require in view of the circumstances existing at the time such subsequent joinder is sought.

7.4 SURRENDER OR TERMINATION OF INTERESTS: No lease committed to the Unit Agreement shall be surrendered in whole or in part, unless the parties hereto mutually consent thereto. Should any party at any time desire to surrender any lease committed to said Unit Agreement and the other parties should not agree thereto, the party desiring to surrender shall

assign, without express or implied warranty of title, subject to the approval of the Director of the Bureau of Land Management as to Federal lands and the Commissioner of Public Lands as to State lands, all of such party's interest in such lease to the other parties hereto in proportion to the interests then severally held by them on an acreage basis in the unit area. If all of the parties are not willing to accept the assignment of such interest, the assignment shall be made to those willing to accept such interest in the proportions that their respective interests bear to the aggregate of their interests in the unit area on an acreage basis. Such assignment shall be free and clear of all liens and encumbrances except all lease burdens existing as of the effective date of the Unit Agreement, and upon delivery thereof, the assigning party shall be relieved of all further obligations with respect to the lease or leases so assigned, but such assignment shall not relieve the assigning party of any obligations to the joint account incurred with respect to such lease or leases prior to the assignment thereof.

Any Working Interest Owner shall have the right at any time, while not in default of any of the provisions hereof or indebted to the joint account, to be relieved of all further obligations on account of said Unit Agreement, and the provisions hereof, except the obligations to pay such party's proportionate part of the cost of any well then drilling under the provisions of the Unit Agreement or this agreement, by assigning, subject to the approval of the Director as to Federal lands and the Commissioner as to State lands, to the other parties hereto in proportion to the interests then severally held by them on an acreage basis, all of the interest of such party in all leases committed to the Unit Agreement. All such interests shall be assigned free and clear of all liens and encumbrances. In such event, the Unit Operator shall pay the Working Interest Owner desiring to be relieved of such further obligations for such party's proportionate interest in all casing, materials, equipment, fixtures and other personal property belonging to the joint account, the fair salvage value thereof determined as provided in Exhibit "D" attached hereto.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

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

8.2 RELATION OF PARTIES: The rights, duties, obligations and liabilities of the parties hereto shall be several and not joint or collective, and nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, an association or a trust or as imposing upon any one or more of the parties hereto any partnership duty, obligation or liability. Each party hereto shall be individually responsible for only its obligations, as set out in this agreement.

8.3 INCOME TAX ELECTION, SUBCHAPTER K, OF CHAPTER 1, SUBTITLE A, INTERNAL REVENUE CODE: Notwithstanding any provisions herein that the rights and liabilities of the parties hereunder are several and not joint or collective, or that this agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of said Code and the regulations promulgated thereunder. Operator is hereby authorized and directed to execute, on behalf of each of the parties hereto, such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements and data required by Federal Regulations 1.761(a). Should there be any requirement that each party hereto further evidence this election,

each party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the property covered by this agreement is located, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of said Subchapter K is permitted, each of the parties hereto hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the parties hereto hereby states that the income derived by him from the operations under this agreement can be adequately determined without the computation of partnership taxable income.

In the event Unit Operator executes for and on behalf of the other parties hereto any election authorized under the provisions of this section, Unit Operator shall give notice of such election to the other parties hereto.

8.4 FORCE MAJEURE: In the event any party hereto is rendered unable, wholly or in part, by force majeure to carry out its obligations under this contract, other than the obligation to make payments of amounts due hereunder, it is agreed that upon such party's giving notice and reasonably full particulars of force majeure in writing or by telegraph to the other parties hereto within a reasonable time after the occurrence of the cause relied upon, then the obligations of the party giving the notice, so far as they are affected by force majeure, shall be suspended during the continuance of any liability so caused, but for no longer period; and the cause of the force majeure shall, so far as possible, be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean any cause not reasonably within the control of the party claiming suspension.

The settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty, and the above mentioned requirement that any force majeure shall be remedied with all reasonable

dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of the opposing party when such course is inadvisable in the discretion of the party having the difficulty.

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

8.6 ASSIGNMENTS OF PARTIAL INTERESTS: Notwithstanding any of the provisions contained herein to the contrary, in executing any assignments pursuant to Sections 5.7, 7.2 and 7.4 hereof, where the interest to be assigned is only as to certain producing formations where State or Federal lands are involved, and where such assignments are subject to approval by the Commissioner of Public Lands or the Director of the Bureau of Land Management, the interest to be assigned shall be conveyed by appropriate operating agreements or by any other valid instrument that will carry out the intention of such provision or provisions.

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

8.8 EFFECTIVE DATE AND TERM: This agreement shall become effective as of the effective date of the Unit Agreement and shall remain in full force and effect during the term of said Unit Agreement and any and all extensions or renewals thereof, and, in the event of the termination of the Unit Agreement for any reason, this agreement shall continue in full force and effect as to all wells which have not been plugged and abandoned as of the time of the termination of the Unit Agreement, and the rights and

interests of the parties hereto in such wells and their participation in the production therefrom and in the cost of the operation thereof shall be governed by the provisions hereof, and this agreement with respect thereto shall remain in full force and effect so long as any such well is capable of producing oil or gas in paying quantities, and thereafter until all accounts hereunder are closed.

8.9 COUNTERPARTS: This agreement may be executed in any number of counterparts, no one of which needs to be executed by all other Working Interest Owners, or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the unit area.

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

Date: 3-1-68

ATLANTIC RICHFIELD COMPANY

By: [Signature]
Attorney in Fact

Address: P. O. Box 1978
Roswell, New Mexico

UNIT OPERATOR AND WORKING INTEREST
OWNER

WORKING INTEREST OWNERS

ATTEST:

[Signature]
Assistant Secretary

Date: 3-1-68

HONDO OIL & GAS COMPANY

By: [Signature]
Vice President

Address: P. O. Box 1978
Roswell, New Mexico

Date: _____

G. DEE WILLIAMSON

Address: _____

Date: _____

LILLIE M. YATES

Address: _____

ACKNOWLEDGMENTS

STATE OF NEW MEXICO

COUNTY OF CHAVES

ss.

The foregoing instrument was acknowledged before me this 1st day of March, 1968, by S. L. Smith, Attorney in Fact of ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

7-14-71

Stanley L. Smith
Notary Public

STATE OF NEW MEXICO

COUNTY OF CHAVES

ss.

The foregoing instrument was acknowledged before me this 1st day of March, 1968, by Stanley L. Smith, Vice President of HONDO OIL & GAS COMPANY, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

7-14-71

Stanley L. Smith
Notary Public

STATE OF _____

COUNTY OF _____

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____

of HUMBLE OIL & REFINING COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

HUMBLE OIL & REFINING COMPANY

ATTEST: _____

By: _____

Date: _____

Address: _____

KERR-McGEE CORPORATION

ATTEST: _____

By: _____

Date: _____

Address: _____

RALPH LOWE ESTATE

ATTEST: _____

By: _____

Date: _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

ATTEST: _____

By: _____

Date: _____

Address: _____

SINCLAIR OIL & GAS COMPANY

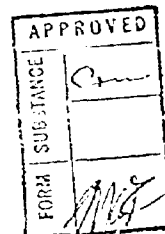
ATTEST: *[Signature]*

By: *[Signature]*

Date: MAR 14 1968

Address: P. O. BOX 1470

MIDLAND, TEXAS, 79701



Date: _____

CURTIS R. INMAN

Address: _____

Date: _____

JAMES A. O'NEILL

Address: _____

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____
of KENI-MOORE CORPORATION, a _____ corporation, on behalf
of said corporation.

My Commission Expires: _____
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____
of the RALPH LOWE ESTATE.

My Commission Expires: _____
Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____
of PAN AMERICAN PETROLEUM CORPORATION, a _____ corporation,
on behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF Ill. }
COUNTY OF DeKalb } ss.

The foregoing instrument was acknowledged before me this 10th day of March, 1968, by O. G. SIMPSON Vice-President
of SOUTHERN OIL & GAS COMPANY, a Ill. corporation, on behalf of
said corporation.

My Commission Expires: June 1969
Notary Public

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By: [Signature]

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By _____

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By: _____

Address: _____

Date: _____

C. DEE WILLIAMSON

Address: _____

Date: _____

WILLIE M. YATES

Address: _____

ACKNOWLEDGMENTS

STATE OF NEW MEXICO)
COUNTY OF CHAVES) ss.

The foregoing instrument was acknowledged before me this 1st day of March, 1968, by S. L. Smith, Attorney in Fact of ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires: 7-14-71

Dorothy L. McKeel
Notary Public

STATE OF NEW MEXICO)
COUNTY OF CHAVES) ss.

The foregoing instrument was acknowledged before me this 1st day of March, 1968, by Stanley L. Smith, Vice President of HONDO OIL & GAS COMPANY, a New Mexico corporation, on behalf of said corporation.

My Commission Expires: 7-14-71

Dorothy L. McKeel
Notary Public

STATE OF Delaware)
COUNTY OF Wilmington) ss.

The foregoing instrument was acknowledged before me this 1st day of March, 1968, by Agent And Attorney-in-Fact of HONDO OIL & REFINING COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires: 7-14-71

Dorothy L. McKeel
Notary Public

HUMBLE OIL & REFINING COMPANY

ATTEST: _____

Date: _____

By: _____

Address: _____

KERR-McGEE CORPORATION

ATTEST: _____

Date: _____

By: _____

Address: _____

RALPH LOWE ESTATE

ATTEST: _____

Date: _____

By: _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

ATTEST: *J. K. Smith*

Assistant Secretary

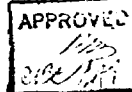
Date: *3-14-68*

By: *[Signature]*

Attorney in Fact

Address: P. O. Box 1410

Ft. Worth, Texas



SINCLAIR OIL & GAS COMPANY

ATTEST: _____

Date: _____

By: _____

Address: _____

CURTIS R. LUMAN

Address: _____

JAMES A. O'NEILL

Address: _____

Date: _____

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____

of KERN-KECKE CORPORATION, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____

of the RALPH LOWE ESTATE.

My Commission Expires: _____

Notary Public

STATE OF TEXAS)
COUNTY OF TARRANT) ss.

The foregoing instrument was acknowledged before me this 14th day of December, 1968, by W. H. Mason, Jr.

Attorney in Fact
of PAN AMERICAN PETROLEUM CORPORATION, a Delaware corporation, on behalf of said corporation.

My Commission Expires: June 1, 1969

Richard Wright
Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____

of BENTON OIL & GAS COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

HUMBLE OIL & REFINING COMPANY

ATTEST: _____

Date: _____

By: _____

Address: _____

KERR-McGEE CORPORATION

ATTEST: _____

Date: _____

By: _____

Address: _____

RALPH LOWE ESTATE

ATTEST: _____

Date: _____

By: _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

ATTEST: _____

Date: _____

By: _____

Address: _____

SINCLAIR OIL & GAS COMPANY

ATTEST: _____

Date: _____

By: _____

Address: _____

Date: _____

CURTIS R. INMAN

Address: _____

Date: March 6, 1968

James A. O'Neill
JAMES A. O'NEILL

Address: 10123rd
Millbrook, Pa.
19901

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by CURTIS R. INMAN.

Notary Public

My Commission Expires:

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by JAMES A. O'NEILL.

Notary Public

My Commission Expires:

JOYCE R. LEACH * Notary Public
In and for Midland County, Texas
My Commission Expires June 1, 1969

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by G. DEE WILLIAMSON.

Notary Public

My Commission Expires:

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by LILLIE M. YATES.

Notary Public

My Commission Expires:

HUMBLE OIL & REFINING COMPANY

ATTEST: _____

Date: _____

By: _____

Address: _____

KERR-McGEE CORPORATION

ATTEST: _____

Date: _____

By: _____

Address: _____

RALPH LOWE ESTATE

H. L. Landua
H. L. Landua

Charles L. Morgan, Jr.
Charles L. Morgan, Jr.

James L. Morris
James L. Morris

V. H. Van Horn, Jr.
V. H. Van Horn, Jr.

A majority of the duly appointed, qualified and acting
Independent Executors of the Estate of Ralph Lowe, Deceased

Erma Lowe
Erma Lowe, Individually and as
Independent Executrix of the
Estate of Ralph Lowe, Deceased

SINCLAIR OIL & GAS COMPANY

ATTEST: _____

Date: _____

By: _____

Address: _____

Date: _____

CURTIS R. INMAN
CURTIS R. INMAN

Address: _____

Date: _____

JAMES A. O'NEILL
JAMES A. O'NEILL

Address: _____

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____ of KERRY-MCGEE CORPORATION, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

THE STATE OF TEXAS |
COUNTY OF MIDLAND |

The foregoing instrument was acknowledged before me this 5th day of May, 1968, by H. L. Landua, Charles L. Morgan, Jr., James L. Morris and V. H. Van Horn, Jr., a majority of the duly appointed, qualified and acting Independent Executors of the Estate of Ralph Lowe, Deceased, and Erma Lowe, Individually and as Independent Executrix of the Estate of Ralph Lowe, Deceased.

My commission expires:
JOYCE R. LEACH, Notary Public
In and for Midland County, Texas
My Commission Expires June 1, 1969

Joyce R. Leach
Notary Public in and for
Midland County, Texas.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____ of PAN AMERICAN PETROLEUM CORPORATION, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____ of SHELTON OIL & GAS COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

Date: _____

G. DEE WILLIAMSON

Address: _____

Date: March 1, 1968

LILLIE M. YATES

Address: 207 S. 4th St. - Yates Bldg.
Artesia, New Mexico 88210

ACKNOWLEDGMENTS:

STATE OF NEW MEXICO)
COUNTY OF CHAVES) ss.

The foregoing instrument was acknowledged before me this 1st day of March, 1968, by S. L. Smith, Attorney in Fact of ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

7-11-71

L. M. Williams
Notary Public

STATE OF NEW MEXICO)
COUNTY OF CHAVES) ss.

The foregoing instrument was acknowledged before me this 1st day of March, 1968, by Stanley L. Smith, Vice President of RONCO OIL & GAS COMPANY, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

7-11-71

L. M. Williams
Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____

of _____ OIL & REFINING COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by CURTIS R. LEMAN.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by JAMES A. O'NEILL.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by C. DEE WILLIAMSON.

My Commission Expires: _____

Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 1st day of March, 1968, by LILLIE M. YATES, joined by MARTIN YATES III, her husband.

My Commission Expires: _____

Wesley H. Patterson
Notary Public

Nov. 17, 1968

HUMBLE OIL & REFINING COMPANY

ATTEST: _____

Date: _____

By: _____

Address: _____

KERR-McGEE CORPORATION

ATTEST: _____

Date: _____

By: _____

Address: _____

RALPH LOWE ESTATE

ATTEST: _____

Date: _____

By: _____

Address: _____

PAN AMERICAN PETROLEUM CORPORATION

ATTEST: _____

Date: _____

By: _____

Address: _____

SINCLAIR OIL & GAS COMPANY

ATTEST: _____

Date: _____

By: _____

Address: _____

Date: 3/5/68

Lewie Henderson Full an

Curtis R. Inman

CURTIS R. INMAN

Address: Box 737

Midland-Texas 79701

Date: _____

JAMES A. O'NEILL

Address: _____

STATE OF Texas }
COUNTY OF Midland } ss.

The foregoing instrument was acknowledged before me this 5th day of March, 1968, by CURTIS R. INMAN and MURIEL HENDERSON INMAN, his wife.

My Commission Expires: 6-1-69 ELLEN FEGETT—Notary Public
In and For Midland County, Texas
My Commission Expires June 1, 1969

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by JAMES A. O'NEILL.

My Commission Expires: _____

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by G. DEE WILLIAMSON.

My Commission Expires: _____

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by LILLIE M. YATES.

My Commission Expires: _____

Notary Public

Date: 2-3-68

C. DEE WILLIAMSON
C. DEE WILLIAMSON

Address: Box 9386
Albuquerque, New Mexico

Date: _____

ETHEL M. YATES

Address: _____

ACKNOWLEDGMENTS

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 1st day of March, 1968, by S. L. Smith, Attorney in Fact of ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:
7-14-71

L. M. Lee
Notary Public

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 1st day of March, 1968, by Stanley L. Smith, Vice President of HONDO OIL & GAS COMPANY, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:
7-14-71

L. M. Lee
Notary Public

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by _____

of HONDO OIL & REFINING COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by CURTIS R. INMAN.

Notary Public

My Commission Expires:

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by JAMES A. O'NEILL.

Notary Public

My Commission Expires:

STATE OF Las Vegas }
COUNTY OF Clark } ss.

The foregoing instrument was acknowledged before me this 25th day of February, 1968, by G. DEE WILLIAMSON and Lanita C. Williamson, his wife.

Glenn Howard
Notary Public

My Commission Expires:
10-4-71

STATE OF _____ }
COUNTY OF _____ } ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1968, by LILLIE M. YATES.

Notary Public

My Commission Expires:

EXHIBIT "C"
SCHEDULE SHOWING LEASEHOLD INTERESTS COMMITTED TO UNIT;
PERCENTAGE OF BENEFICIAL INTERESTS OF EACH WORKING
INTEREST OWNER AND PARTICIPATION OF RESPECTIVE PARTIES
IN OPERATIONS AND PRODUCTION

Working Interest Owners	Tract Nos.	Acreage Committed	Percentage Acreage Committed	Total	Basic Royalty	Overrides and Other Lease Burdens	Net Acre Working Interest	Total
Atlantic Richfield Co.	12	40	.89286	.89286	12.5%	3%	33.80	33.80
Hondo Oil & Gas Co.	9	520	11.60714	11.60714	12.5% (PP \$750 p/a)	3%	439.40	439.40
Humble Oil & Refining Co.	3 6	210 30	4.68750 .66964	5.35714	12.5%	8.125% 8.125%	166.6875 23.8125	190.50
Curtis R. Inman	3 6	70 10	1.56250 .22321	1.78571	12.5%	8.125% 8.125%	55.5625 7.9375	63.50
Kerr-McGee Corporation	10	40	.89286		12.5% (PP \$750 p/a)	3%	33.80	
	11	280	6.25000		12.5%	3%	236.60	
	13	320	7.14285		12.5%	3%	270.40	
	14	160	3.57143	17.85714	12.5%	3%	135.20	676.00
Ralph Lowe Estate	1	280	6.25000		12.5%	5%	231.00	
	7	640	14.28571		12.5%	5%	528.00	
	4	400	8.92857	25.46428	12.5%	5%	330.00	1089.00
James A. O'Neill	2	40	.89286		12.5%	5%	33.00	
	8	40	.89286		12.5%	5%	33.00	
	5	40	.89286	2.67858	12.5%	5%	33.00	99.00

Working Interest Owners	Tract Nos.	Acreage Committed	Percentage Acreage Committed	Total	Basic Royalty	Overrides and Other Lease Burdens	Net Acre Working Interest	Total
Pan American Pet. Corp.	15	320	7.14286	7.14286	12.5%	5%	264.00	264.00
Sinclair Oil & Gas Co.	17	320	7.14286	7.14286	12.5%	0%	280.00	280.00
	18	640	14.28572	14.28572	12.5%	0%	560.00	560.00
G. Dee Williamson	16	80	1.78571	1.78571	12.5%	6.25%	65.00	65.00
Lillie M. Yates								
		4480		100.00000				3760.20

Working Interest Owners	Committed Acres	Percentage Committed	Percentage Net Beneficial Interest Committed to Unit	Acres After Contributions To Initial Test Well	Percentage Cost Initial Test Well And Operating Costs Until Payout	Percentage Participation Production And Subsequent Well	Percentage Participation Production And Subsequent Well	Percentage Participation Production And Subsequent Well
Atlantic Richfield	40	.89286	.89889	48.11	1.25473	1.25954	1.07389	1.07521
Hondo Oil & Gas	520	11.60714	11.68555	625.40	16.31253	16.37389	13.95982	14.02572
Humble Oil & Ref.	240	5.35714	5.06622	240.00	5.35714	5.06622**	5.35714	5.06622
Curtis R. Inman	80	1.78571	1.68874	40.00	-0-	-0-	.89286	.84437
Kerr-McGee	800	17.85714	17.97777	400.00	-0-	-0-	8.92857	8.98889
Ralph Lowe Est.	1320	29.46428	28.96122	1587.57	41.40936	40.58068	35.43683	34.77095
James A. O'Neill	120	2.67858	2.63284	144.32	3.76450	3.68915	3.22143	3.16100
Pan American	320	7.14286	7.02090	160.00	-0-	-0-	3.57143	3.51045
Sinclair Oil & Gas	320	7.14286	7.44641	384.87	10.03866	10.43396	8.59085	8.94018
G. Dee Williamson	640	14.28572	14.89282	769.73	20.07732	20.86792	17.18147	17.88037
Lillie M. Yates	80	1.78571	1.72864	80.00	1.78571	1.72864**	1.78571	1.72864
	4480	100.00000	100.00000	4480.00	100.00000	100.00000	100.00000	100.00000

*Inman, Kerr-McGee & Pan American farming out 1/2 interest for a free well.

**Humble & Yates are not participating in farmout acreage and, therefore, will not bear any overriding royalty paid to parties farming out.

EXHIBIT " D "

Attached to and made a part of Cawley Unit Operating Agreement
dated March 1, 1968, between Atlantic Richfield Company,
as Operator, and Ralph Lowe Est., et al, as Non-Operators

ACCOUNTING PROCEDURE (JOINT OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions

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

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

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

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

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

"Parties" shall mean Operator and Non-Operators.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Conflict with Agreement

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

3. Collective Action by Non-Operators

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

4. Statements and Billings

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

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

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

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

5. Payment and Advances by Non-Operators

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

6. Adjustments

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

7. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 6 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DIRECT CHARGES

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

1. Rentals and Royalties

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

2. Labor

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

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

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

3. **Employee Benefits**

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost; provided however, the total of such charges shall not exceed ten percent (10%) of Operator's labor costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

4. **Material**

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

5. **Transportation**

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

- 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 office located at or near (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.

2. **Administrative Overhead**

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

WELL BASIS (RATE PER WELL PER MONTH)

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

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.)

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)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
All depths	\$600	\$105	\$95	\$85

Said fixed rate (which) (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, _____ % of total cost.
 - C. Total cost of \$100,000 or more, _____ % of the first \$100,000 plus _____ % of all over \$100,000 of total cost.
- Total cost shall mean the total gross cost of any one project. For the purpose of this Paragraph the component parts of a single project shall not be treated separately and the cost of drilling wells shall be excluded.

7. The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

IV. BASIS OF CHARGES TO JOINT ACCOUNT

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

1. Purchases

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

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

A. New Material (Condition "A")

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

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

- (1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
- (2) Material which cannot be classified as Condition "B" but which,
 - (a) After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or
 - (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.
- (3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for

some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.

- (4) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Whenever Material is not readily obtainable at prices specified in Paragraphs 1 and 2 of this Section IV because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

5. Equipment and Facilities Furnished by Operator

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

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

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

V. DISPOSAL OF MATERIAL

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

1. Material Purchased by the Operator or Non-Operators

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

2. Division in Kind

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

3. Sales to Outsiders

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

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

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

1. New Price Defined

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

2. New Material

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

3. Good Used Material

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

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

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

4. Other Used Material

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

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

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

5. Bad-Order Material

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

6. Junk Material

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

7. Temporarily Used Material

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

VII. INVENTORIES

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

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include all such Material as is ordinarily considered controllable. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator, who shall in that event furnish Non-Operators with a copy thereof.

2. Reconciliation and Adjustment of Inventories

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

3. Special Inventories

Special inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

FEB 14 1968

Atlantic Richfield Company
P. O. Box 1978
Roswell, New Mexico 88201

Gentlemen:

Your application filed with the Regional Oil and Gas Supervisor, Roswell, New Mexico, on February 7, 1968, requests the designation of the Cawley unit area embracing 4,480 acres, more or less, Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to the unit plan of regulations of December 22, 1950, 30 CFR 226.3 (1961 reprint), the land requested, as described on your plat marked "Exhibit A, Cawley Unit Area" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial well to test the Cisco Canyon formation of Pennsylvanian Age or to a depth of 7,500 feet. The 1961 reprint of the standard form of unit agreement should be used with the following modifications:

- ✓ 1. Change the word "after" to "commencing" in line 1, page 4, of the standard form, Section 2(e). Insert after the word "Director" in line 21, "Elimination taking place after the completion of a well that has deferred elimination shall be effective on the first day after the time allowed to commence the next well."
- ✓ 2. Change item 6(b), page 7, to read: "(b) The selection shall have been filed with the Supervisor. If no successor unit operator is qualified as herein provided, the Director, at his election, may declare this unit agreement terminated."
3. The Fair Employment Section of the 1961 reprint should be replaced with the following new section:

✓ "Nondiscrimination: In connection with the performance of work under this agreement, the operator agrees to

comply with all of the provisions of Section 202 (1) to (4) inclusive of Executive Order 11246 (30 FR 12319), which are hereby incorporated by reference in this agreement."

4. Replace section 3 with the following new section:

"3. UNITIZED LANDS AND UNITIZED SUBSTANCES - All land committed to this agreement, as to all formations above the base of the Cisco-Canyon formation occurring at a depth of 8,160 on the Welex acoustic velocity log of the Curtis R. Inman Cowley Draw unit well No. 1 in the NW $\frac{1}{4}$ SE $\frac{1}{4}$ sec. 3, T. 22 S., R. 22 E., N.M.P.M., shall constitute land referred to herein as 'unitized land' or 'land subject to this agreement.' All oil and gas in any and all formations lying above the base of the Cisco-Canyon as identified above, are unitized under the terms of this agreement and herein are called 'unitized substances.'"

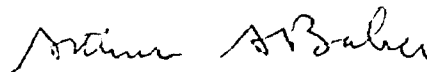
5. Insert the appropriate language incidental to the inclusion of State of New Mexico lands in the unit area.

In the absence of any other type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical to the 1961 reprint, modified as outlined above, approved by the appropriate officials of the State of New Mexico, will be approved if submitted in approvable status within a reasonable time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

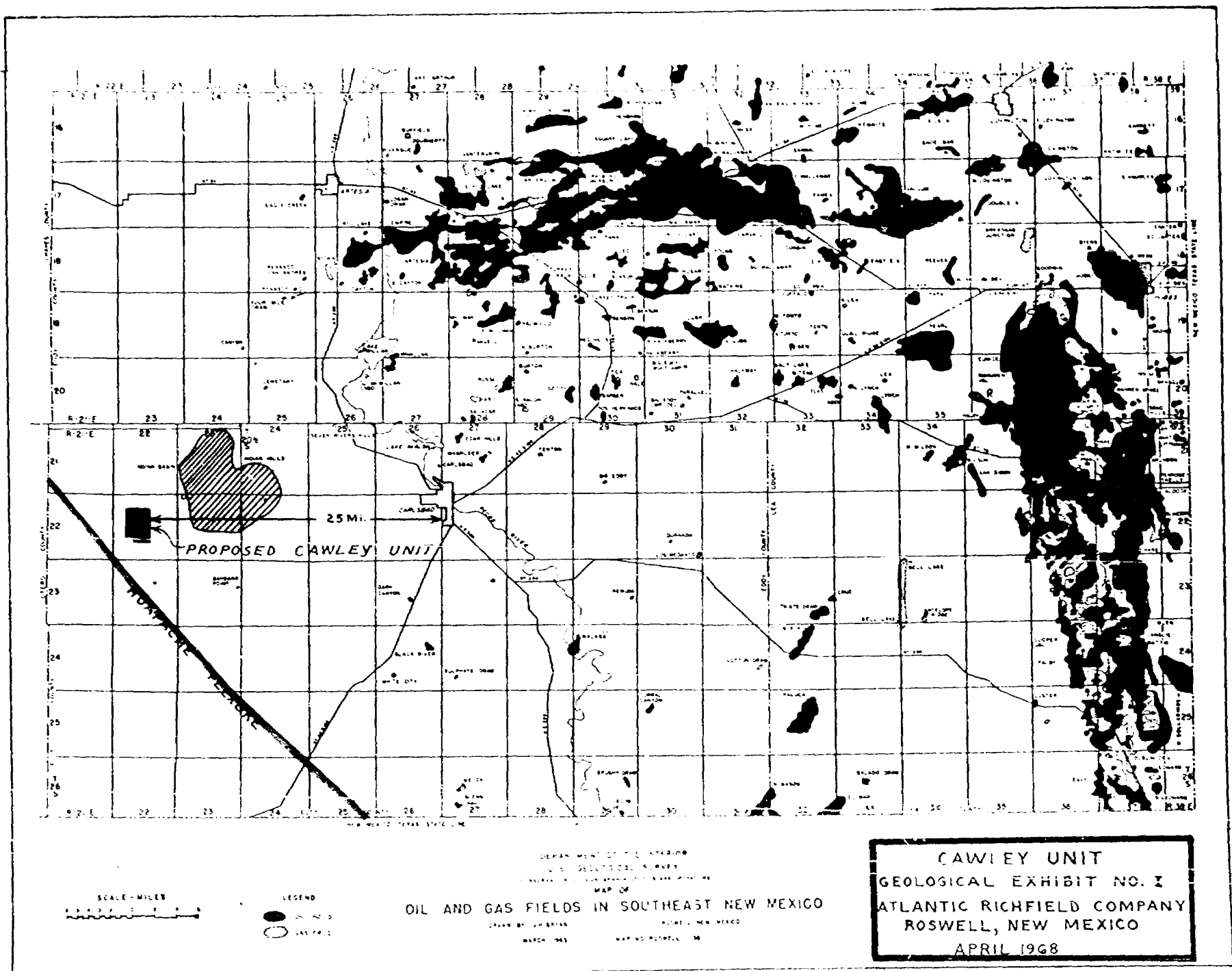
When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all acreage. The format of the sample exhibits attached to the 1961 reprint of the standard form should be followed closely in the preparation of Exhibits "A" and "B".

We are sending a copy of this letter to the Commissioner of Public Lands in Santa Fe. Please contact the State of New Mexico before soliciting joinders, regardless of prior contracts with or clearances from the State.

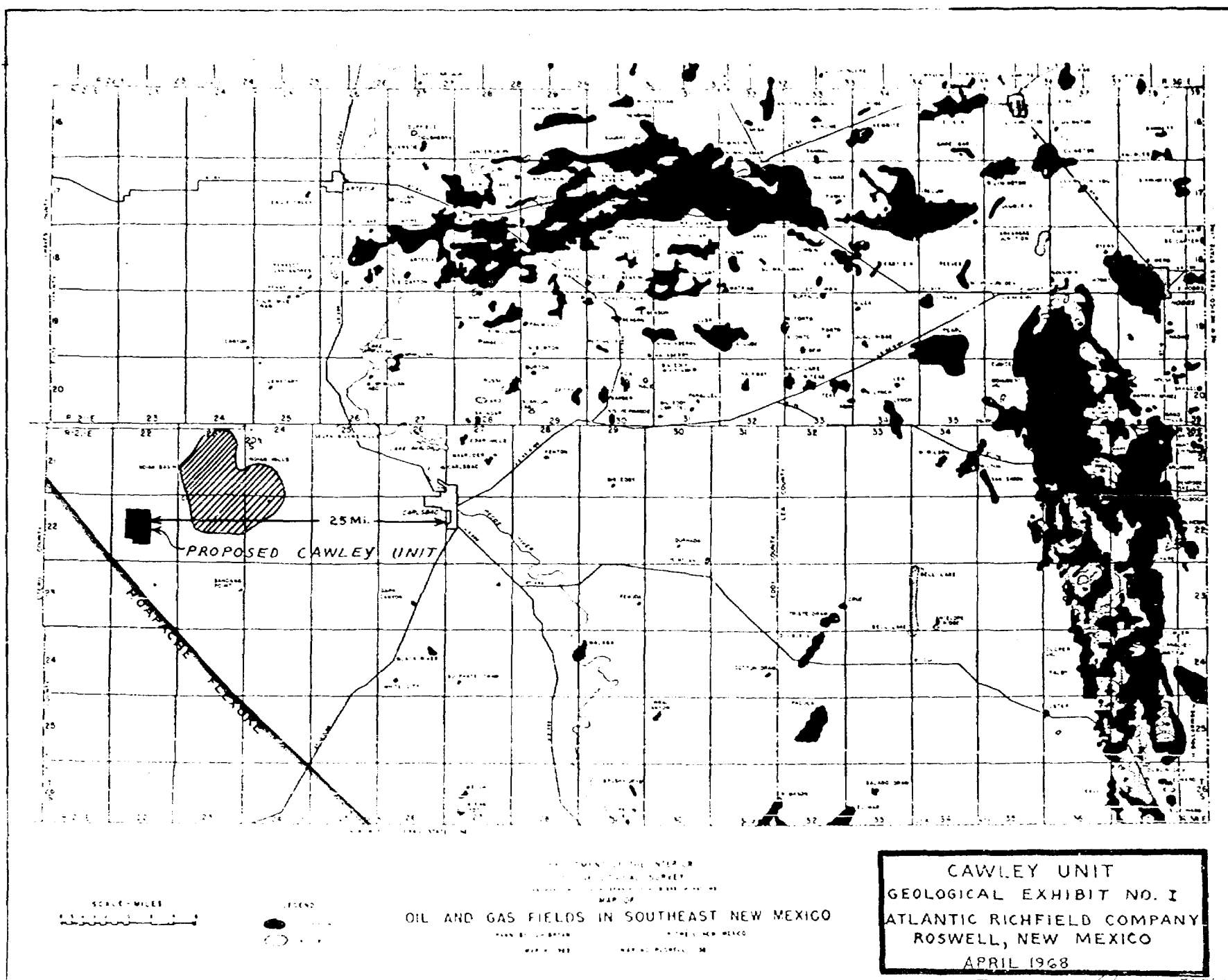
Sincerely yours,

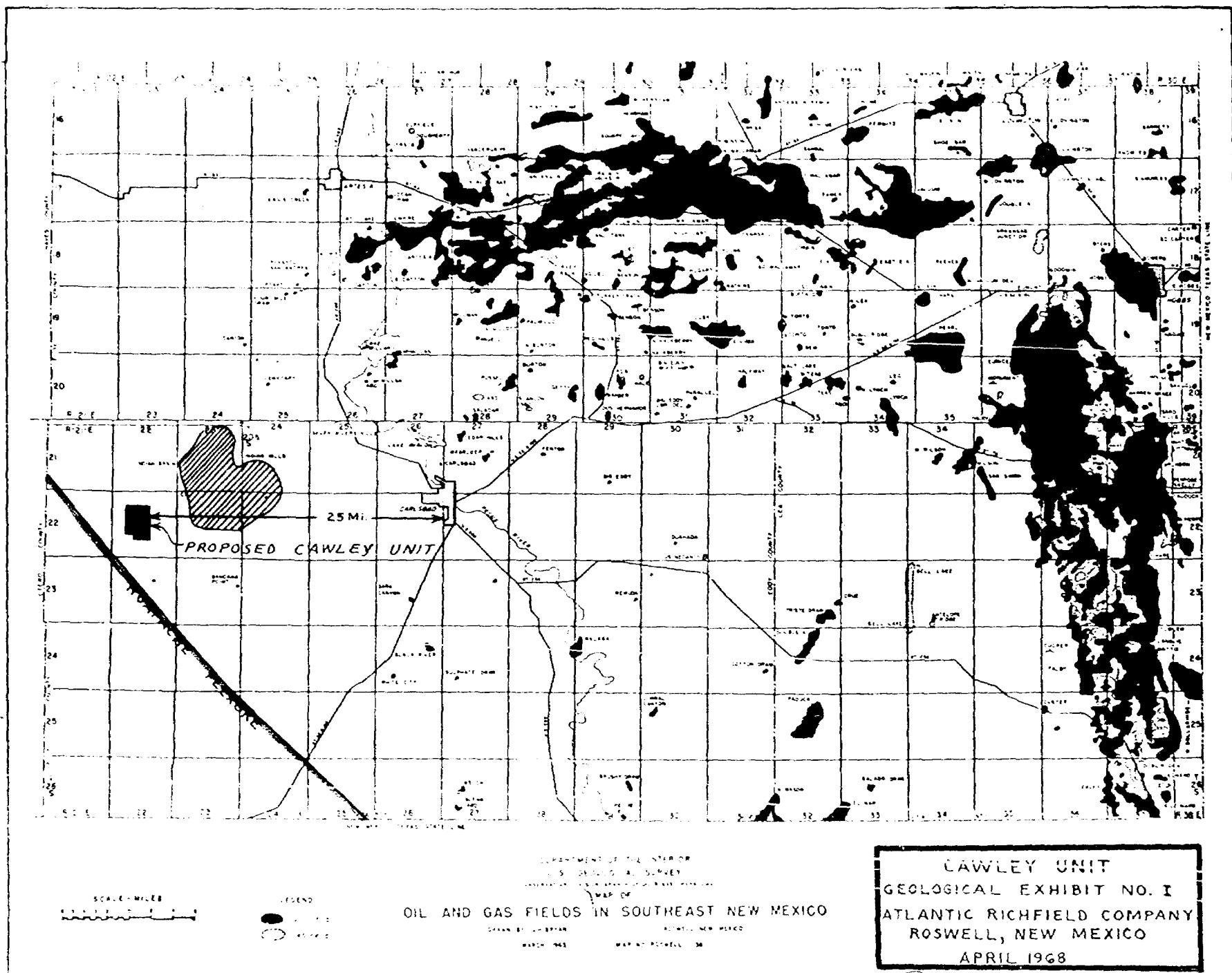


Acting Director

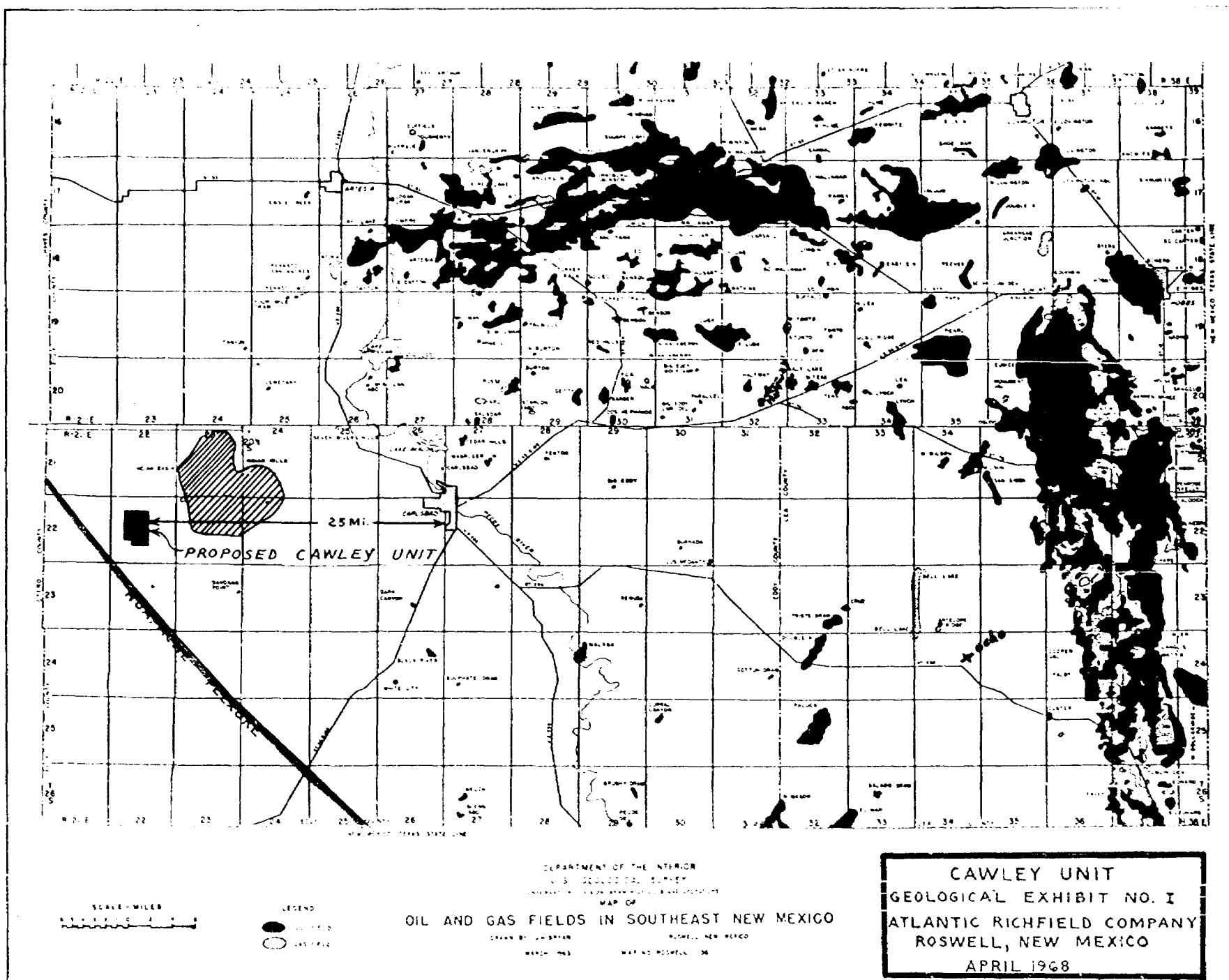


Cawley Unit





Page 2946



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DRAFT

GMH/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. 3746

Order No. R- 3404

APPLICATION OF ATLANTIC RICHFIELD
COMPANY FOR APPROVAL OF THE CAWLEY
UNIT AGREEMENT, EDDY COUNTY, NEW
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

Hobbs,
This cause came on for hearing at 9 o'clock a.m. on
April 17, 1968, at ~~Santa Fe~~ New Mexico, before the Oil Conser-
vation Commission of New Mexico, hereinafter referred to as the
"Commission."

NOW, on this _____ day of April, 1968, the Commission,
a quorum being present, having considered the testimony presented
and the exhibits received at said hearing, 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, Atlantic Richfield Company, seeks
approval of the Cawley Unit Agreement covering 4480 acres, more
or less, of Federal and State Lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 22 SOUTH, RANGE 22 EAST, NMPM

Sections 8 and 9: All
Section 10: W/2
Section 15: W/2
Sections 16 and 17: All
Section 20: N/2
Section 21: All
Section 22: W/2

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Cawley Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

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

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

Atlantic Richfield Co
Unit Agreement, Eddy

Cowley Unit Area comprising
4480 acres Fed & State
Land 22 S 22 E Eddy

HMB

Fred Millsap - Powell
(called this in)