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U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

CERTIFICATION--DETERMINATION

14-08-0001 87 23

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 Grayburg-Jackson Premier Sand 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,
rental, 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.

Dated NOV 5 1965.

ACTING

Arthur H. Bahen
Director, United States Geological Survey

EXHIBIT B

GRAYBURG-JACKSON PREMIER SAND UNIT AGREEMENT

EDDY COUNTY, NEW MEXICO

INDEX

<u>SECTION</u>		<u>PAGE</u>
1	Enabling Act and Regulations	2
2	Unit Area and Definitions	2
3	Exhibits	5
4	Expansion	5
5	Automatic Elimination	7
6	Unitized Land and Unitized Substances	8
7	Unit Operator	8
8	Resignation or Removal of Unit Operator	8
9	Successor Unit Operator	9
10	Accounting Provisions and Unit Operating Agreement	10
11	Rights and Obligations of Unit Operator	10
12	Plan of Operations	11
13	Tract Participation	12
14	Tracts Qualified for Unit Participation	12
15	Development or Operation of Non-Participating Land	13
16	Enlargement of Participating Area	14
17	Allocation of Unitized Substances	15
18	Royalty Settlement	18
19	Rental Settlement	20
20	Conservation	20
21	Drainage	20
22	Leases and Contracts Conformed and Extended	20
23	Correction of Errors	23
24	Covenants Run With Land	23
25	Effective Date and Term	23
26	Rate of Prospecting, Development and Production	25
27	Nondiscrimination	26
28	Appearances	26
29	Notices	26
30	No Waiver of Certain Rights	27
31	Unavoidable Delay	27
32	Loss of Title	27
33	Nonjoinder and Subsequent Joinder	28
34	Counterparts	29
35	Taxes	29
36	Conflict of Supervision	30
37	No Partnership	30
38	Oil in Lease Tankage on Effective Date	31
39	Border Agreements	31

Exhibit "A" (Map of Unit Area)
 Exhibit "B" (Schedule of Ownership)

GRAYBURG-JACKSON PREMIER SAND UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 10th day of December, 1964,
by and between the parties subscribing, ratifying or consenting hereto,
and herein referred to as "parties hereto",

WITNESSETH: That,

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

WHEREAS, the Oil Conservation Commission of the State of New Mexico
is authorized by law (Sec. 64-3-14, N.M.S. 1953 Anno.) to approve this
Agreement, and the conservation provisions hereof; and

WHEREAS, the Mineral Leasing Act of February 25, 1920 (41 Stat. 437,
as amended, 30 U.S.C. Sections 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 parties hereto hold sufficient interests in the Grayburg-
Jackson Premier Sand Unit covering the land hereinafter described to give
reasonably effective control of operation therein; and

WHEREAS, it is the purpose of the parties hereto, to enable institu-
tion and consummation of secondary recovery operations, conserve natural
resources, prevent waste and secure the 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 entire respective interests in the below defined Unit Area, and agree severally among themselves as follows:

SECTION 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 and 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 non-Federal 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 in which the non-Federal land is located, are hereby accepted and made a part of this Agreement.

SECTION 2. UNIT AREA AND DEFINITIONS: For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Unit Area" is defined as those lands specified on Exhibit "A" hereof, and such land is hereby designated and recognized as constituting the Unit Area; the lands described in said Exhibit "A" are described as follows, to-wit:

Township 17 South, Range 30 East, N.M.P.M.

Section 27: $\frac{1}{4}$ W $\frac{1}{2}$, $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$

Section 28: E $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$

Section 33: N $\frac{1}{4}$ NE $\frac{1}{4}$

Section 34: N $\frac{1}{4}$ N $\frac{1}{4}$

Section 35: NW $\frac{1}{4}$ NW $\frac{1}{4}$

Containing 1,080.00 acres, more or less.

(b) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(c) "Director" is defined as the Director of the United States Geological Survey.

(d) "Secretary" is defined as the Secretary of the Interior of the United States of America.

(e) "Department" is defined as the Department of the Interior of the United States of America.

(f) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey.

(g) "The Grayburg-Jackson Premier Sand" is defined and shall mean that heretofore established underground reservoir, the top of which is found at 3230 feet, and the base of which is found at 3243 feet, on the Schlumberger Electric Log dated February 17, 1963, of General American's (formerly Premier Petroleum Corporation's) Maddren-Beeson Well No. 8-B, located in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 26, T-17-S, R-30-E, N.M.P.M., together with Premier sand stringers encountered at varying intervals between the depths from 100 feet above the top and 50 feet below the bottom of the principal sand body shown by said log, insofar as same lies within the Unit Area.

(h) "Unitized Formation" is defined as the portion of the Grayburg-Jackson Premier Sand effectively committed to this agreement.

(i) "Unitized Substances" is defined as and shall mean all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquids or liquefiable hydrocarbons within or produced from the Unitized Formation.

(j) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise.

(k) "Working Interest Owner" is defined and shall mean any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and

producing the Unitized Substances from the Unitized Formation and operating thereof hereunder.

(l) "Royalty Interest" or "Royalty" is defined as an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved by the lessor by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

(m) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.

(n) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 10, infra, and shall be styled "Unit Operating Agreement, Grayburg-Jackson Premier Sand Unit, Eddy County, New Mexico."

(o) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the unitized lands.

(p) "Unit Manager" is defined as the person or corporation appointed by the Working Interest Owners to perform the duties of the Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 9 hereof.

(q) "Adjusted (pseudo) ultimate primary recovery" is defined as that volume of oil assigned to each tract as if all tracts and all wells within the Unit Participating Area had been drilled, produced and operated at the same time and in the same manner.

(r) "Surface Acres" is defined as the number of acres committed to this Agreement based upon computations on the surface of the earth

from courses and distances shown on the last approved public-land survey as of the effective date hereof.

(s) "Tract" means each parcel of land described as such and given a Tract number in Exhibit "B".

(t) "Initial Participating Area" or "Participating Area" shall refer to the total of all tracts within the Unit Area that are entitled to share in the production of Unitized Substances removed, saved or sold from the Unit Area, as shown on Exhibit "A" and as described and designated in Section 13 hereof.

(u) "Non-participating" shall refer to and mean those tracts not entitled to share in production of unitized substances saved, sold and removed from the Unit Area.

SECTION 3. EXHIBITS: Exhibit "A" attached hereto is a map showing, to the extent known to the Unit Operator, the Unit Area and the boundaries and identity of tracts and leases in said Unit Area. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each tract, percentage ownership of each Working Interest Owner in each tract, and the percentage of participation each tract has 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 render such revision necessary (voluntarily or when requested by the Supervisor), and not less than six copies thereof shall be filed with the Supervisor.

SECTION 4. EXPANSION: The above described Unit Area may when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable to conform with the purposes of this Agreement. Such expansion shall be effected in the following manner:

(a) The Working Interest Owners or owners of a tract or tracts desiring to bring such tract or tracts into this Unit, shall file an application therefor with the Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each other Working Interest Owner affected by the proposed expansion, setting out the basis for admission, the unit participation to be assigned to such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if 75 per cent of the Working Interest Owners (on the basis of unit participation) have agreed to such tract or tracts being brought into the Unit, then Unit Operator shall:

(1) After preliminary concurrence by the Director, prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the unit participation to be assigned thereto and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice; and

(2) Deliver copies of said notice to the Supervisor and mail a copy of such notice to the last known address of each other Working Interest Owner, lessee, and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) Upon the expiration of said thirty (30) day period as set out in (2) immediately above file with the Supervisor the following:

(a) Evidence of mailing or delivering such notice of expansion; if appropriate, (b) An application for such expansion; and (c) An instrument containing the appropriate joinders in compliance with the participation requirements of Section 14, infra; (d) Copies of any objections received.

The expansion shall, after due consideration of all pertinent information and upon approval by the Director become effective as of the date prescribed in the notice thereof or on such other more appropriate date as may be set by the Director in the order or instrument approving such expansion.

SECTION 5. AUTOMATIC ELIMINATION: 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 ^{12/10/64} years after the effective date of this 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 at a location which could qualify additional land for 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." Determination of creditable "Unavoidable Delay" time shall be made by Unit Operator and subject to approval of the Director. 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 promptly notify all parties in interest.

Any expansion of the unit area pursuant to this Section which embraces lands theretofore eliminated pursuant to this Section 5 shall not be considered automatic commitment or recommitment of such lands.

SECTION 6. UNITIZED LAND AND UNITIZED SUBSTANCES: All land committed to this agreement, as to the Unitized Formation, shall constitute land referred to herein as "Unitized Land" or "land subject to this agreement". All oil and gas in the Unitized Formation underlying the Unitized Land are unitized under the terms of this agreement and herein are called "Unitized Substances."

SECTION 7. UNIT OPERATOR: General American Oil Company of Texas is hereby designated as Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

SECTION 8. RESIGNATION OR REMOVAL OF UNIT OPERATOR: If the Unit Operator is not the sole owner of working interest, Unit Operator shall have the right to resign at any time, 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 (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, and the Director, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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 75 per cent of the committed Working Interest Owners (on the basis of Unit participation) exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Supervisor.

In all such instances of effective resignation or removal, until a successor to Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance

of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal become effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

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, books, and records, materials, appurtenances and any other assets, used in conducting the Unit operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Unit Area) to the new duly qualified successor Unit Operator or to the Unit Manager 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. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns or is removed hereunder for any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 9. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall by affirmative vote of at least 75 per cent of their voting interests, based upon the percentages of participation assigned to tracts in the Unit Area, select a successor Unit Operator, provided, however, that should any Working Interest Owner own a voting interest of more than 25 per cent, the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by 80 per cent or more of the voting interests of the remaining Working Interest Owners. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and respon-

sibilities of Unit Operator, and (b) the selection shall have been filed with the Supervisor. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Director, at his election, may declare this Agreement terminated.

SECTION 10. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT:

If the Unit Operator is not the sole working interest owner, costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with 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 the 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 Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Three true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Supervisor, prior to approval of this Agreement.

SECTION 11. 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.

SECTION 12. PLAN OF OPERATIONS: It is recognized and agreed by the parties hereto that all of the land within the participating area subject to this agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this Agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, if more than one, the Supervisor and the Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, or any other substance or a combination of any of said substances, whether produced from the Unit Area or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. The Working Interest Owners, the Supervisor and the Commission, shall be furnished periodical reports on the progress of the plan of operation and any revision or changes thereto; provided, however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Supervisor and the Commission.

The initial plan of operation shall be filed with the Supervisor and the Commission concurrently with the filing of this Unit Agreement

for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor and the Commission may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation.

SECTION 13. TRACT PARTICIPATION: In Exhibit "B" attached hereto there are listed and numbered the various tracts within the Unit Area and set forth opposite each tract is a statement that the tract is "non-participating" or there is a figure which represents the percentage of participation allocated to such tract calculated on 100 per cent tract commitment. The participation of each tract was determined as follows:

Percentage Participation of each Tract	=	$\frac{\text{Tract Adjusted ultimate primary recovery}}{\text{Participating Area adjusted ultimate primary recovery}}$
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The following described land is recognized as reasonably proven to be productive of Unitized Substances in paying quantities and is hereby designated and fixed as the initial Participating Area:

Township 17 South, Range 30 East, N.M.P.M.

Section 27: $W\frac{1}{2}$, $W\frac{1}{2}SE\frac{1}{4}$, $SE\frac{1}{4}SE\frac{1}{4}$

Section 28: $E\frac{1}{2}NE\frac{1}{4}$, $SE\frac{1}{4}$

Section 33: $N\frac{1}{2}NE\frac{1}{4}$

Section 34: $N\frac{1}{2}N\frac{1}{2}$

Section 35: $NW\frac{1}{4}NW\frac{1}{4}$

Containing 960 acres, more or less.

In the event the Unit Agreement is approved with less than 100 per cent tract commitment, said participation percentage shall be revised to fit the commitment status as of the effective date hereof, and thereafter, as needed pursuant to Section 17 (Allocation of Unitized Substances).

SECTION 14. TRACTS QUALIFIED FOR UNIT PARTICIPATION: On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participation in the production of Unitized Substances therefrom shall be those tracts within the participating area and more particularly described in said Exhibit "B" that are qualified as follows:

(a) Each and all of those tracts as to which Working Interest Owners owning 100 per cent of the Working Interests in said tract and Royalty Owners owning 75 per cent, or more, of the Royalty Interests in said tract have subscribed, ratified or consented to this agreement; and

(b) Each and all of those tracts as to which Working Interest Owners owning 100 per cent of the Working Interest have become parties to this agreement, and as to which Royalty Owners owning less than 75 per cent of the Royalty Interests have become parties to this agreement, and as to which (1) all Working Interest Owners in such tract have joined in a request for the inclusion of such tract, and as to which (2) all Working Interest owners within the Participating Area have agreed to such inclusion.

SECTION 15. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND:

If more than one committed working interest owner, any such party or parties hereto owning or controlling the working interest or a majority of the working interest in any unitized land having thereon a regular well location may, with the approval of the Supervisor and subject to the provisions of the Unit Operating Agreement, at such party's sole risk, cost, and expense, drill or work over a well to test the Grayburg-Jackson Premier Sand formation if such location is not within a participating area.

If any well drilled or worked over, as aforesaid, by a working interest owner results in production of unitized substances such that the land upon which it is situated may properly be included in a participating area, or is determined to be essential to unit operations, such participating area shall be enlarged as provided in this Agreement, and the well shall thereafter be operated by Unit Operator in accordance with the terms of this Agreement and the Unit Operating Agreement.

If any well drilled or worked over, as aforesaid, by a working interest owner obtains production of unitized substances in quantities

insufficient to justify the inclusion in a participating area of the land upon which such well is situated, or is determined not to be essential to unit operations, such well may be operated and produced by the party drilling or working over the same subject to the conservation requirements of this Agreement. The royalties in amount of value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

SECTION 16. ENLARGEMENT OF PARTICIPATING AREA: Whenever it appears proper to revise the participating area to include land then regarded as reasonably proven to be productive of unitized substances in paying quantities or determined to be essential to unit operations, the Unit Operator and any other committed working interest owner or owners of such tracts shall meet and seek to determine, on the basis of adjusted ultimate primary recovery of unitized substances, and the essentiality to unit operations, the tract percentage participation factor that should be assigned to such tract. If and when such parties agree upon the tract participation percentage factor that should be assigned to such tract, the Operator shall submit the matter or revision of the participating area and the percentage participation factors to be assigned to each new tract proposed to be included in the revised participating area, to the working interest owners in the existing participating area. If 75 per cent of the voting interests of such working interest owners approve the revision and tract participating factors, then, subject to the approval of the Director, the participating area shall be revised and the participating percentage for each tract in the enlarged participating area shall be revised, provided, however, that, in any such revision, the revised percentage participation of the respective tracts or portions thereof which were participating prior to such revision shall remain in the same ratio one to another. Unit Operator shall, within six (6) months from and after the official

date of completion of a unit well occasioning a revision of the participating area, file with the Supervisor appropriate instruments outlining and establishing the revised participating area occasioned by such well. The effective date of any enlargement of the participating area shall be determined by the Unit Operator, subject to the approval of the Director in advance of the vote by the working interest owners to consider a revision of the participating area. It is the intent of this section that the participating area shall be comprised of adjoining parcels of land consisting of one or more Government survey quarter-quarter sections, or lot equivalents in instances of irregular surveys, on each of which parcels there is a well capable of producing unitized substances in paying quantities or which, in the absence of such well thereon, are nevertheless determined to be essential for unit operations; 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, as to the proper definition or redefinition of a participating area, the portion of all payment affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States which shall be determined by the Supervisor, and the amount thereof deposited, as directed by the Supervisor, to be held as unearned money until a participating area as revised is finally approved and then applied as earned or returned in accordance with determination of the sum due as Federal royalty on the basis of such revised and approved participating area.

SECTION 17. ALLOCATION OF UNITIZED SUBSTANCES: All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on

unitized land for drilling, operating, camp, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the participating area in accordance with the respective tract participation effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit "B". The amount of Unitized Substances so allocated to each tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract), shall, for all intents, uses and purposes, be deemed to have been produced from such tract.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for to the parties executing, consenting to or ratifying this Agreement entitled to share in the production from such tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

No tract committed to this Agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances, and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tract.

If the Working Interest and the Royalty Interest in any tract are divided with respect to separate parcels or portions of such tract and owned severally by different persons, the percentage participation assigned to such tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portion in proportion to the number of surface acres in each.

The Unitized Substances allocated to each tract shall be delivered in kind to the respective Working Interest Owners if more than one, and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each such Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 18 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the Unit Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all Royalty on the lease or leases and tracts contributed by it and received into the Unit, and each such party

shall hold each other party hereto harmless against all claims, demands and causes of action for such Royalty on the lease or leases and tracts contributed by it and received into the Unit Area.

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 4 (Expansion), or Section 16 (Enlargement of Participating Area) hereof, or any tract or tracts within the Unit Area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 33 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 32 (Loss of Title), the schedule or participation as shown in Exhibit "B", subject to Section 13 (Tract Participation) or Section 33 (Nonjoinder and Subsequent Joinder), whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners, if more than one, and the Supervisor to show the new percentage participation of all the then effectively committed tracts; and the revised schedule, upon approval by the Director or the Supervisor, shall govern all the allocation of production from and after the effective date thereof until the effective date of a new schedule so approved.

SECTION 18. ROYALTY SETTLEMENT: The United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and the Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest 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 Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands not subject to this Agreement is introduced into the Unitized Formation, for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan approved pursuant to Section 12 (Plan of Operation), a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the Unitized Formation, Royalty free as to dry gas but not as to the products extracted therefrom; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor; and provided further that such right of withdrawal shall terminate as of the effective date of termination of the Unit Agreement. Insofar as the parties hereto have the power and authority, they grant to the Unit Operator the use of brine or water or both from any formation within the Unit Area for injecting into the Grayburg-Jackson Premier Sand.

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 rate specified in the respective Federal leases or at such lower rate or rates as may be authorized by law or regulation; provided, that for leases on which the royalty rate depends on the daily average production per well, such average production shall be determined in accordance with the operating regulations as though the unitized lands were one lease.

Each Royalty Owner (other than the United States of America) that executes this Agreement represents and warrants that it is the owner of a Royalty Interest in a tract or tracts within the Unit Area as its interest

appears in Exhibit "B" attached hereto. If any Royalty Interest in a tract or tracts should be lost by title failure or otherwise in whole or in part, during the terms of this Agreement, then the Royalty interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties shall be adjusted accordingly.

SECTION 19. RENTAL SETTLEMENT: Rentals 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 of America subject to this Agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 20. 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 Federal and State laws and regulations.

SECTION 21. 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.

SECTION 22. LEASES AND CONTRACTS CONFORMED AND EXTENDED: The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on land 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 shall and by his approval hereof, or by the approval hereof by his duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

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, producing or secondary recovery operations performed hereunder upon any tract of unitized lands shall 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 land therein embraced.

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

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil and gas 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 committed land so long as such land remains committed hereto, 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) The segregation of any Federal lease committed to this Agreement is governed by the following provisions of the fourth paragraph of Sec. 17(j) of said Act of February 25, 1920, as amended by the Act of September 2, 1960, (74 Stat. 781-784): "Any (Federal) lease hereafter committed to any such plan (unit) 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 nonunitized 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."

(g) Termination of this Agreement shall not affect any lease which, pursuant to the terms thereof or any applicable laws, shall continue in force and effect thereafter.

SECTION 23. CORRECTION OF ERRORS: It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this agreement; provided, however, that correction of any error other than mathematical or clerical shall be made by Unit Operator only after first having obtained approval of Working Interest Owners and the Supervisor.

SECTION 24. 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 subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

SECTION 25. EFFECTIVE DATE AND TERM: This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 o'clock a.m. of the first day of the month next following:

(a) The execution or ratification of this Agreement by Working Interest Owners owning a combined unit participation of at least

95 per cent, and the execution or ratification of this Agreement by Royalty Owners owning a combined interest of at least 75 per cent of the Royalty interests in said unit area; and

(b) The approval of this Agreement by the Secretary or his duly authorized representative, and the Commission.

If (a) and (b) above are not accomplished on or before December 31, 1965, this Agreement shall ipso facto expire on said date (hereinafter called "expiration date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined unit participation of at least ninety (90%) per cent, and the Working Interest Owners owning a combined unit participation of at least ninety (90%) per cent committed to this Agreement have decided to extend said expiration date for a period not to exceed six (6) months (hereinafter called "extended expiration date"). If said expiration date is so extended and (a) and (b) are not accomplished on or before said extended expiration date, this Agreement shall ipso facto expire on said extended expiration date and thereafter be of no further force or effect. For the purpose of this Section, ownership shall be computed on the basis of unit participation as determined from Exhibit "B" attached to the Unit Operating Agreement.

Unit Operator shall, within thirty (30) days after the effective date of this Agreement, file for record a certificate to the effect that this Agreement has become effective according to its terms and stating further the effective date and the location of the governmental agency offices where copies of this Agreement are filed.

The term of this Agreement shall be for and during the time that Unitized Substances are produced in paying quantities from the Unit Area and as long thereafter as diligent drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without

cessation of more than ninety (90) consecutive days, and if production is established or restored as long thereafter as Unitized Substances can be produced as aforesaid, unless sooner terminated by Working Interest Owners in the manner hereinafter provided. Notice of any such termination shall be given by Unit Operator to all parties hereto.

This Agreement may be terminated at any time with the approval of the Director by Working Interest Owners owning ninety (90%) per cent unit participation.

If not otherwise covered by the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit operations.

SECTION 26. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION: All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and, within the limits made or fixed by the Commission, to alter or modify the quantity and rate of production under this Agreement, 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; provided, further, that no such alteration or modification shall be effective as to any 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 fifteen days from notice.

SECTION 27. NONDISCRIMINATION: In the performance of work under this Agreement the Operator agrees to comply with all of the provisions of Sec. 301 (1) to (7) inclusive of Executive Order 10925, as amended, (28F. R. 6485), which are hereby incorporated by reference in this agreement.

SECTION 28. APPEARANCES: Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby before the Department and the Commission, and to appeal from any order issued under the rules and regulations of the Department or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Department or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceedings.

SECTION 29. NOTICES: All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid 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 or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 30. 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 rules 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.

SECTION 31. UNAVOIDABLE DELAY: All obligations under this Agreement requiring the Unit Operator to commence or continue secondary recovery operations 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 agency, unavoidable accident, 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.

SECTION 32. LOSS OF TITLE: In the event title to any tract of unitized land shall fail so as to render the tract inoperable under this Agreement and the true owner cannot be induced to join 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 interest subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled, provided, that as to Federal land or leases, no payments of funds due the United States of America shall be withheld, but such funds shall be deposited

as directed by the Supervisor, 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.

SECTION 33. NONJOINDER AND SUBSEQUENT JOINDER: Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Unit Agreement.

Any oil or gas interest in the lands in the Unit Area not committed hereto prior to submission of this Agreement to the Director for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 14 (Tracts Qualified for Unit Participation) hereof, at any time up to the effective date hereof and for a period to and including thirty (30) days thereafter, on the same basis of participation as provided in Section 13, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after thirty (30) days from the effective date hereof the right of subsequent joinder as provided in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by ninety (90%) per cent of the Working Interest Owners (based upon percentage participation in

the Unit Area). Such joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement. Such joinder by a proposed Royalty Owner must be evidenced by his execution, ratification or consent of this Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinder to this Agreement shall be effective at 7:00 a.m. as of the first day of the month following the filing with the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any tract or interest to this Agreement, unless objection to such joinder by the Director is duly made within sixty (60) days after such filing.

SECTION 34. COUNTERPARTS: This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and 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 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.

SECTION 35. TAXES: Each party shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be

reimbursed therefor by the parties hereto, including Royalty Owners who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the United States or to the State of New Mexico, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 36. 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 provisions thereof to the extent that the said Unit Operator or the 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 and 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.

SECTION 37. NO PARTNERSHIP: It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, or any operations conducted hereunder, shall create or be deemed to create a partnership or association between the parties hereto or any of them.

SECTION 38. OIL IN LEASE TANKAGE ON EFFECTIVE DATE: Unit

Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order to ascertain the amount of merchantable oil in such tanks, above the pipe line connections, as of 7:00 a.m. on the effective date hereof. All such oil as is a part of the prior allowable of the well or wells from which the same was produced shall be and remain the property of the Working Interest Owners entitled thereto the same as if the Unit had not been formed, and such Working Interest Owners shall promptly remove said oil from the Unit Area. Any such oil not so removed may be sold by the Unit Operator for the account of such Working Interest Owners, subject to the payment of all Royalty to Royalty Owners under the terms and provisions of the applicable lease or leases and other contracts. All such oil and gas as is in excess of the prior allowable of the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof. If, as of the effective date hereof, any tract is overproduced with respect to the allowable of the well or wells on that tract and the amount of such overproduction has been sold or otherwise disposed of, such overproduction shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof and the amount thereof charged to such tract as having been delivered to the persons entitled to Unitized Substances allocated to such tract.

SECTION 40. BORDER AGREEMENTS: Subject to the approval of the Supervisor, the Unit Operator, with the concurrence of any such other Working Interest owners who all together own a total of 75 per cent of the unit participation, may enter into a border-protection agreement or agreements with the Working Interest Owners of adjacent lands along the exterior boundary of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

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

ATTEST:

John M. Hayes
Assistant Secretary
Date *July 30, 1965*

GENERAL AMERICAN OIL COMPANY OF TEXAS

By *James M. Cox* *SGH*
Vice-President

UNIT OPERATOR AND WORKING INTEREST OWNER

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date

ATTEST:

Secretary

Date

ATTEST:

Secretary

Date

ATTEST:

Secretary

Date

ATTEST:

Secretary

Date

Company

By President

Company

By President

Company

By President

Company

By President

Company

By President

State of Texas

County of Dallas

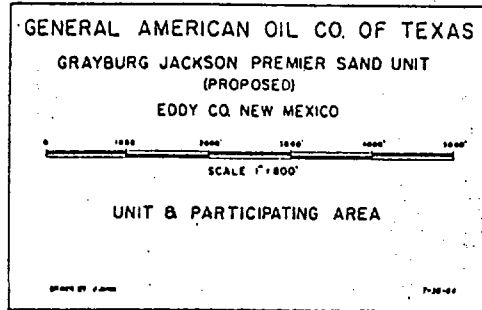
The foregoing instrument was acknowledged before me this 30th day of July, 1965, by J. W. Goss, Vice President of GENERAL AMERICAN OIL COMPANY OF TEXAS, a Delaware Corporation, on behalf of said corporation.

Carolyn Hall CAROLYN HALL
Notary Public

My Commission Expires:

June 1, 1967

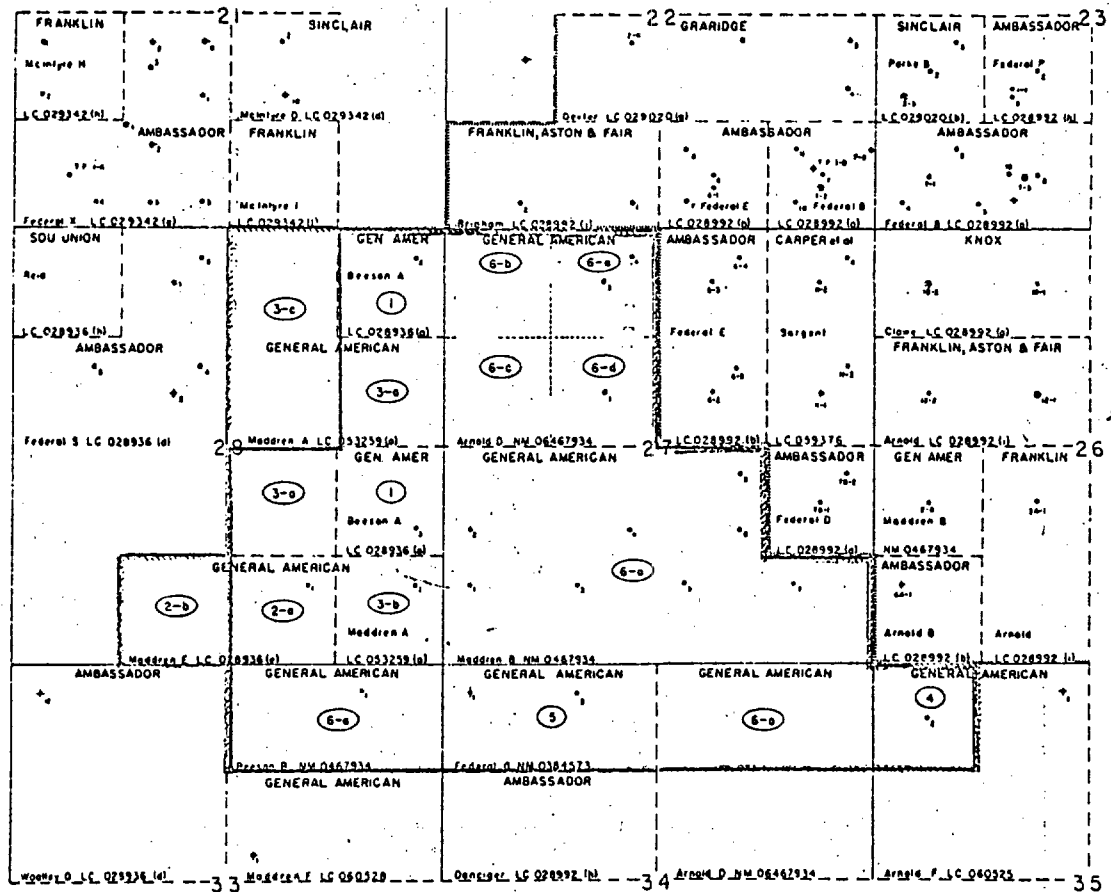
EXHIBIT "A"



LEGEND

- Producing Oil Well
- T.A. (Temp. Abd. Oil Well)
- + P.B.A. (Plugged & Abd. Oil Well)
- Proposed Location
- + Dry Hole
- Producing Gas Well
- Water Injection Well
- Proposed Water Injection Well
- Grayburg Jackson Premier Sand Unit Boundary (Proposed)
- Grayburg Jackson Premier Sand Unit Participating Area Boundary (Proposed)
- Grayburg Jackson (R 2323) Unit Boundary
- (O-O) Tract No. - Parcel No.

T
17
S



R-30-E

MAP NO. 1

EXHIBIT B
UNIT AGREEMENT
GRAYBURG-JACKSON PREMIER SAND UNIT
EDDY COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Serial No. and Lease Date	Basic Royalty	Lessee of Record	ORRI Owner and Percentage	Working Interest Owner and Percentage	Percent Participation of Tracts in Unit	Production Payment Owner and Percentage
1	T17S, R30E Sec. 28: NE/4 NE/4 NE/4 SE/4	80	LC 028936(a) 2-1-52	12½% -25%	Sinclair Oil	Est. of F. A. Andrews .92590% Selma Andrews 1.07410% Quilla Dexter .25000% Est. of M. C. Beeson 2.000000% Higgins Trust, Inc. .25000% L. M. Lockhart 1.000000% Elizabeth L. Ehrhart 2.000000% 7.5%	General American 100%	11.55626%	None
2a	T17S, R30E Sec. 28: SW/4 SE/4	40	LC 028936(e) 7-1-58	12½% -25%	General American	Est. of F. A. Andrews .92590% Selma Andrews 1.07410% Quilla Dexter 2.000000% Est. of M. C. Beeson 4.000000% Higgins Trust, Inc. .25000% L. M. Lockhart 1.000000% 7.5%	General American 100%	1.32102%	None

Tract No.	Description of Land	No. of Acres	Serial No. and Lease Date	Basic Royalty	Lessee of Record	ORRI Owner and Percentage	Working Interest Owner and Percentage	Percent Participation of Tracts in Unit	Production Payment Owner and Percentage
2b	T17S, R30E Sec. 28: SE/4 SW/4	40	LC 028936(e) 7-1-58	12½% -25%	General American	Est. of F. A. Andrews .92590% Selma Andrews 1.07410% Quilla Dexter .25000% Est. of M. C. Beeson 4.00000% Higgins Trust, Inc. .25000% L. M. Lockhart 1.00000% 7.5%	General American 100%	Non-Participating	None
3a	T17S, R30E Sec. 28: SE/4 NE/4 NW/4 SE/4	80	LC 053259(a) 2-1-62	12½% -25%	General American	Est. of F. A. Andrews .92590% Selma Andrews 1.07410% Quilla Dexter .25000% Higgins Trust, Inc. .25000% L. M. Lockhart 1.00000% Elizabeth L. Ehrhart 4.00000% 7.5%	General American 100%	6.21847%	Sinclair Oil 20.0%

Tract No.	Description of Land	No. of Acres	Serial No. and Lease Date	Basic Royalty	Lessee of Record	ORRI Owner and Percentage	Working Interest Owner and Percentage	Percent Participation of Tracts in Unit	Production Payment Owner and Percentage
3b	T17S, R30E Sec. 28: SE/4 SE/4	40	LC 053259(a) 2-1-62	12½% -25%	General American	Est. of F. A. Andrews .92590% Selma Andrews 1.07410% Quilla Dexter .25000% Higgins Trust, Inc. .25000% L. M. Lockhart 1.00000% Elizabeth L. Ehrhart 4.00000% 7.5%	General American 100%	9.37418%	None
3c	T17S, R30E Sec. 28: W/2 NE/4	80	LC 053259(a) 2-1-62	12½% -25%	General American	Est. of F. A. Andrews .92590% Selma Andrews 1.07410% Quilla Dexter .25000% Higgins Trust, Inc. .25000% L. M. Lockhart 1.00000% Elizabeth L. Ehrhart 4.00000% 7.5%	General American 100%	Non-Participating	Sinclair Oil 20.0%

Page 4
Exhibit B

Tract No.	Description of Land	No. of Acres	Serial No. and Lease Date	Basic Royalty	Lessee of Record	ORRI Owner and Percentage	Working Interest Owner and Percentage	Percent Participation of Tracts in Unit	Production Payment Owner and Percentage
4	T17S, R30E Sec. 35: NW/4 NW/4	40	LC 060525	12½% -32%	General American	None	General American 100%	.90023%	None
5	T17S, R30E Sec. 34: N/2 NW/4	80	NM 0384573	12½% -32%	Ambassador Oil	None	General American 100%	3.26034%	None
6a	T17S, R30E Sec. 27: NE/4 NW/4 SW/4 NW/4 SE/4 S/2 SE/4 Sec. 34: N/2 NE/4	400	NM 0467934	12½% -32%	General American	None	General American 100%	50.08695%	None
6b	T17S, R30E Sec. 27: NW/4 NW/4	40	NM 0467934	12½% -32%	General American	None	General American 100%	4.01192%	Sinclair Oil 10%
6c	T17S, R30E Sec. 27: SW/4 NW/4	40	NM 0467934	12½% -32%	General American	None	General American 100%	5.13133%	Sinclair Oil 10%
6d	T17S, R30E Sec. 27: SE/4 NW/4	40	NM 0467934	12½% -32%	General American	None	General American 100%	1.64392%	Sinclair Oil 10%
6e	T17S, R30E Sec. 33: N/2 NE/4	80	NM 0467934	12½% -32%	General American	None	General American 100%	6.49538%	Sinclair Oil 10%

ILLEGIBLE

IFICATION OF UNIT AGREEMENT
GRAYBURG-JACKSON PREMIER SAND UNIT
EDDY COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS: THAT,

WHEREAS, the undersigned acknowledges receipt of a true copy of that certain instrument dated December 10, 1964, and entitled, "Grayburg-Jackson Premier Sand Unit Agreement, Eddy County, New Mexico", which instrument is hereby incorporated herein by reference to the same extent and effect as if fully set forth herein; and

WHEREAS, by Assignment dated October 1, 1964, the undersigned did assign, transfer and convey unto General American Oil Company of Texas all of the undersigned's right, title and interest in and to the operating rights as to the Grayburg-Jackson Premier Sand underlying Tract No. 5 in the Unit Area, as defined and set forth in said Unit Agreement; however, the undersigned, as reflected on the records of the Interior Department of the United States of America, continues to be the lessee of record with respect to Federal Lease NM0384573 which covers said Tract No. 5; and

WHEREAS, among other things, said Unit Agreement provides that it may be ratified by separate instrument in writing and the undersigned, being familiar with the contents of said Unit Agreement, desires to ratify and confirm the same so that Federal Lease NM0384573, which covers said Tract No. 5, will be fully and effectively committed to said Unit Agreement;

NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements set forth in said Unit Agreement, the undersigned does hereby ratify, adopt and confirm said Unit Agreement, thereby becoming a party to said Unit Agreement to the same extent as if it had executed a counterpart thereof.

This ratification shall extend to and be binding upon the undersigned, its successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 9th day of June, 1965.

Attest:

Secretary

State of Texas,
County of Tarrant.

AMBASSADOR OIL CORPORATION

By:

Vice President

APPROVED:
LAND: <u>93</u>
LEGAL: <u>93</u>
OPST: <u>93</u>
ACCT: <u>93</u>

Before me, the undersigned, A Notary Public, within and for said County and State, on this 9th day of June, 1965, personally appeared W. J. Carey, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its Vice President and acknowledged to me that he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My Commission expires 6-1-67.

W. J. Carey
Notary Public

RATIFICATION OF UNIT AGREEMENT
GRAYBURG-JACKSON PREMIER SAND UNIT
EDDY COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS: THAT,

WHEREAS, the undersigned acknowledges receipt of a true copy of that certain instrument dated December 10, 1964, and entitled, "Grayburg-Jackson Premier Sand Unit Agreement, Eddy County, New Mexico," which instrument is hereby incorporated herein by reference to the same extent and effect as if fully set forth herein; and

WHEREAS, by assignment dated October 1, 1964, the undersigned did assign, transfer and convey unto General American Oil Company of Texas all of the undersigned's right, title and interest in and to the operating rights as to the Grayburg-Jackson Premier Sand underlying Tract No. 1 in the Unit Area, as defined and set forth in said Unit Agreement; however, the undersigned, as reflected on the records of the Interior Department of the United States of America, continues to be the lessee of record with respect to Federal Lease LC028936(a) which covers said Tract No. 1; and

WHEREAS, the undersigned represents that it is a "Royalty Owner" (as that term is defined in said Unit Agreement) and, as such, owns certain interests payable out of production from the Grayburg-Jackson Premier Sand and the Unitized Substances underlying one or more of the tracts in the Unit Area, all as defined and set forth in said Unit Agreement; and

WHEREAS, among other things, said Unit Agreement provides that it may be ratified by separate instrument in writing and the undersigned, being familiar with the contents of said Unit Agreement, desires to ratify and confirm the same;

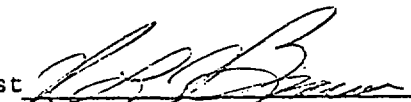
NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements set forth in said Unit Agreement and the mutual benefits to be derived therefrom, the undersigned does hereby ratify, adopt and confirm said Unit Agreement with respect to all of its interests in the lands covered by said Unit Agreement, thereby becoming a party to said Unit Agreement to the same extent as if it had executed a counterpart thereof.

This ratification shall extend to and be binding upon the undersigned, its successors and assigns.

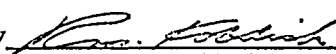
IN WITNESS WHEREOF, this instrument is executed this 2nd day of June, 1965.
JULY

SINCLAIR OIL & GAS COMPANY

Attest


Assistant Secretary

By


Vice-President

Tract No. 1; 3A, 3C, 6B, 6C, 6D & 6E (PPI)

ILLEGIBLE

CORPORATE ACKNOWLEDGEMENT

State of _____,

County of _____.

Before me, the undersigned, A Notary Public, within and for said County and State, on this _____ day of _____, 19____, personally appeared _____, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its _____ President and acknowledged to me that _____ he executed the same as his free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My Commission expires _____.

NOTARY PUBLIC
IN AND FOR MIDLAND COUNTY, TEXAS
MY COMMISSION EXPIRES JUNE 1, 1967

Grace Benson
Notary Public GRACE BENSON

ROYALTY OWNER'S RATIFICATION OF UNIT AGREEMENT
GRAYBURG-JACKSON PREMIER SAND UNIT
EDDY COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS: THAT,

WHEREAS, each of the undersigned hereby acknowledges receipt of a true copy of that certain instrument dated December 10, 1964, and entitled, "Grayburg-Jackson Premier Sand Unit Agreement, Eddy County, New Mexico," which instrument is hereby incorporated herein by reference to the same extent and effect as if fully set forth herein; and

WHEREAS, each of the undersigned represents that it is a "Royalty Owner" (as that term is defined in said Unit Agreement) and, as such, owns an interest or interests in the Grayburg-Jackson Premier Sand and the Unitized Substances underlying one or more of the Tracts in the Unit Area, all as defined and set forth in said Unit Agreement; and

WHEREAS, among other things, said Unit Agreement provides that it may be ratified by a separate instrument in writing and the undersigned, being familiar with the contents of said Unit Agreement, desires to ratify and confirm the same;

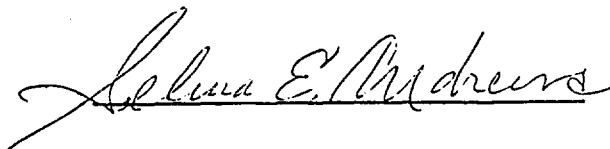
NOW, THEREFORE, in consideration of the premises, the mutual covenants and agreements set forth in said Unit Agreement and the mutual benefits to be derived therefrom, each of the undersigned does hereby ratify, adopt and confirm said Unit Agreement with respect to all of its interest or interests in the lands covered by said Unit Agreement, thereby becoming a party to said Unit Agreement to the same extent as if it had executed a counterpart thereof.

The undersigned, whether one or more, is referred to in the singular and in the neuter gender.

This ratification shall extend to and be binding upon the undersigned, its heirs, legal representatives, successors and assigns.

IN WITNESS WHEREOF, this instrument is executed this 20th day of July, 1965.

Tract No. 1, 2A, 2B, 3A, 3B & 3C.



ILLEGIBLE

INDIVIDUAL ACKNOWLEDGEMENT

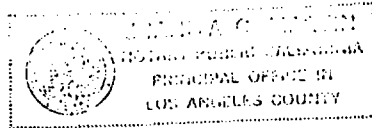
State of Cal. Fresno,

County of Los Angeles.

Be it remembered, That on this 10th day of July, A. D. 19 45, before me, a Notary Public in and for said County and State, personally appeared John F. Brown, to me known to be the identical person described in and who executed the within and foregoing instrument and acknowledged to me that same executed the same as free free and voluntary act and deed for the uses and purposes therein set forth.

In witness whereof, I have hereunto set my official signature and affixed my notarial seal, the day and year first above written.

My Commission expires _____.



John F. Brown
Notary Public

CORPORATE ACKNOWLEDGEMENT

State of _____,

County of _____.

Before me, the undersigned, a Notary Public, within and for said County and State, on this _____ day of _____, 19____, personally appeared _____, to me known to be the identical person who subscribed the name of the maker thereof to the within and foregoing instrument as its _____ President and acknowledged to me that _____ he executed the same as h_____ free and voluntary act and deed, and as the free and voluntary act and deed of such corporation, for the uses and purposes therein set forth.

In testimony whereof I have hereunto set my hand and official seal the day and year last above written.

My Commission expires _____.

Notary Public