

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE ANGEL PEAK UNIT AREA
SAN JUAN COUNTY STATE OF NEW MEXICO

1. Sec. No. _____

This agreement, entered into, as of the _____ day of _____, 1946, by and between the parties subscribing or consenting hereto, hereinafter called the parties hereto,

W-I-T-N-E-S-S-E-T-H:

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

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent avoidable waste, and secure other benefits obtainable through development and operation of the unit area subject to this agreement under and pursuant to the provisions of the Act of August 8, 1946, Public Law 696, 79th Congress, 2nd Session, amending the act of February 25, 1920, 41 Stat. 437, as amended; 30 U.S.C. 181, et seq;

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Chap. 88, Laws 1943) 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 the Legislature

(e) "Commission" shall mean the Oil Conservation Commission of the State of New Mexico and those persons duly authorized to act for and in its behalf.

(f) "Working Interest" shall mean the interest held in unitized substances or in lands containing the same by virtue of a lease, working agreement, fee title, or otherwise, under which the owner of such interest is vested with the right to explore for, develop, and produce such substances.

UNIT AREA 3. The following described lands are hereby designated and recognized as constituting the unit area:

T. 27 N., R. 10 W., Sec. 1, Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$;
Secs. 2 to 6, inclusive;
Sec. 7, E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$;
Secs. 8 to 11, inclusive;
Sec. 12, W $\frac{1}{2}$;
Sec. 13, W $\frac{1}{2}$;
Secs. 14 to 17, inclusive;
Sec. 18, E $\frac{1}{2}$;
Secs. 20 to 23, inclusive;
Sec. 24, W $\frac{1}{2}$;
Sec. 25, NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$;
Sec. 26, N $\frac{1}{2}$, SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$;
Secs. 27 and 28
T. 28 N., R. 10 W., Fractional Secs. 7, 8 and 9;
Sec. 15, SW $\frac{1}{4}$;
Secs. 16 to 22, inclusive;
Sec. 23, SW $\frac{1}{4}$;
Sec. 26, W $\frac{1}{2}$;
Secs. 27 to 35, inclusive
T. 29 N., R. 10 W., Sec. 29, SW $\frac{1}{4}$ SW $\frac{1}{4}$;
Sec. 30, S $\frac{1}{2}$;
Secs. 31 and 32
T. 28 N., R. 11 W., Sec. 12, Lot 1, SE $\frac{1}{4}$ SE $\frac{1}{4}$;
Sec. 13, E $\frac{1}{2}$ E $\frac{1}{2}$;
Sec. 24, E $\frac{1}{2}$ E $\frac{1}{2}$;
Sec. 25, E $\frac{1}{2}$ E $\frac{1}{2}$;
Sec. 36, E $\frac{1}{2}$ NE $\frac{1}{4}$
T. 29 N., R. 11 W., Sec. 25, SE $\frac{1}{4}$;
Sec. 36, all.
N.M.P.M., containing 29,802.17 acres, more or less.

The Unit Operator, with the consent of a majority in interest of the Working Interest Owners, and subject to the approval of the Secretary, the Commissioner, and the Commission, may enlarge the unit area to include other lands believed to be commercially productive of the unitized substances, or

shall, subject to approval of the Secretary, the Commissioner, and the Commission, diminish the unit area to exclude lands not in any participating area hereunder believed to be barren of the unitized substances.

Exhibit "A" attached hereto is a map, on which is outlined the herein established Unit Area, together with the ownership of the land and leases in said Area. Exhibit "B" attached hereto is a schedule showing the nature and extent of ownership of oil and gas rights in all land in the Unit Area to which this Unit Agreement will become applicable by signature hereto, or to a counterpart hereof by the owners of such rights, and land so committed to this agreement is hereinafter referred to as "unitized lands" or "land subject to this agreement". Said exhibits shall be revised by the Unit Operator whenever any change in the Unit Area or ownership of rights render such change necessary, and the revised exhibits shall be filed with the Supervisor.

UNITIZED
SUBSTANCES

4. All oil, gas, natural gasoline, and associated fluid hydrocarbons producible from formations stratigraphically below the cretaceous pictured cliffs sandstone in land subject to this agreement, in any and all sands or horizons, are unitized under the terms of this agreement and hereinafter are called "unitized substances".

UNIT OPERATOR

5. Byrd-Frost, Inc., with offices at Dallas, Texas, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it as set forth in the schedule attached hereto marked Exhibit B and

agrees and consents to accept the duties and obligations of Unit Operator to conduct and manage the operation of said unit area for the discovery and development of unitized substances as herein provided. Herein whenever reference is made to the Unit Operator, such reference is understood to mean the Unit Operator acting in that capacity and not as an owner of interests in unitized substances, and whenever reference is made to an owner of unitized substances, such a reference shall be understood to include any interests in unitized substances owned by the Unit Operator.

The Unit Operator shall have the right to resign at any time provided that any well drilled hereunder is placed in a satisfactory condition for suspension, or is satisfactorily abandoned under the Federal Oil and Gas Operating Regulations, if on Federal land, and under the laws of the State of New Mexico, and the rules and regulations of the Commission, if on state or patented land, but no Unit Operator shall so be relieved from the duties and obligations of Unit Operator for a period of three (3) months after notice of intention to relinquish such duties and obligations has been served by him on all other parties hereto and the Secretary and the Commissioner, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of the Unit Operator prior to the date on which relinquishment by or removal of Unit Operator becomes effective. The parties hereto or a duly qualified new Unit Operator shall have an option to purchase at its then depreciated market value all or any part of the equipment, material, and appurtenances in or upon the land subject to

this agreement, owned and used by the retiring Unit Operator, in its capacity as such operator, or make other arrangements satisfactory to the retiring Unit Operator for the use thereof. Any equipment, material, and appurtenances not so purchased or arranged for as to the use thereof within said time limit and not necessary for the preservation of wells may be removed by the retiring Unit Operator at any time within six (6) months after his relinquishment or removal becomes effective, but if not so removed shall become the joint property of the owners of working interests in land then subject to this agreement. The termination of any rights as Unit Operator under this agreement shall not of itself terminate any right, title, or interest which the Unit Operator may then have in the unitized substances, but the Unit Operator shall have the right and option in connection with its resignation to reassign or retransfer to its several predecessors in interest all of its interest in the lands and leases severally acquired from them, together with its working interest in the unitized substances, and upon such delivery be discharged from any future liability as a working interest owner hereunder; said reassignments to be effective as to said transferee thereupon, subject, however, to the approval of the Secretary as to transfers of interest in lands of the United States and subject, however, to the approval of the Commissioner as to interests in lands of the State of New Mexico.

SUCCESSOR 6. Whenever the Unit Operator shall dis-
UNIT
OPERATOR continue or relinquish his rights as
Unit Operator or shall fail to fulfill his duties and obligations as Unit Operator under this agreement, the owners of the unitized working interests in the participating area on an acreage basis, or the owners of working interests accord-

ing to their total acreage interest in the unit area until a participating area shall have been established, shall select a new Unit Operator. A majority vote of the owners of working interests so qualified to vote shall be required to select a new Unit Operator; provided that if the majority of the owners of working interests which are at any time qualified to vote in selecting a new Unit Operator are owned by one party to this agreement then a vote of at least two owners of working interests qualified to vote shall be required to select a new operator. Such selections shall not become effective until (a) a Unit Operator so selected shall agree and consent in writing to accept the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director and the Commissioner. In the absence of the selection of an acceptable Unit Operator by the working interest owners within six (6) months after notice by Unit Operator of intention to relinquish its rights as Unit Operator, this Unit Agreement shall automatically terminate.

The Unit Operator shall be subject to removal by the Working Interest Owners in the same manner as herein provided for the selection of a new Unit Operator.

RIGHTS AND
OBLIGATIONS
OF
UNIT OPERATOR

7. Except as hereinafter specified, the exclusive right, privilege, and duty of exercising any and all rights of the parties signatory hereto which are necessary or convenient for prospecting for, producing, storing, and disposing of the unitized substances are hereby vested in the Unit Operator and shall be exercised by said Unit Operator as provided in this agreement. Acceptable evidence of title

to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define said Unit Operator's rights, privileges, and obligations in the premises; provided, that nothing herein shall be construed to transfer title to any land, or to any operating agreement or leases, it being understood that under and pursuant to 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 and exclusively for the purposes herein specified. The Unit Operator shall pay all costs and expenses of operations with respect to the unitized land, and no part thereof shall be charged to the royalty owners. The matter of allocation and handling such costs and expenses is left to private arrangement between the Unit Operator and the other working interest owners. The Unit Operator shall render to the owners of unitized interests entitled thereto an account of the operations on unitized lands during the previous calendar month, shall pay in value or deliver to each party entitled thereto a proportionate and allocated share of the products produced hereunder, and account for all costs and benefits of operations under this agreement in conformity with operating agreements, leases or other independent contracts between the Unit Operator and the parties hereto either collectively or independently.

The development and operation of land subject to this agreement under the terms hereof shall be deemed full performance by the Unit Operator of all obligations for such 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 any of them.

DRILLING
TO
DISCOVERY

8. Within six (6) months from the effective date of this agreement, the Unit Operator shall begin to drill an adequate test well at a location upon the Unit Area to be approved by the Supervisor, if such location is upon lands of the United States, and, if upon State lands or patented lands, such location shall be approved by the Commission, and having commenced such operations shall thereafter continue drilling diligently to a depth not less than 7000 feet unless oil or gas which can be produced in paying quantities is encountered in said well at a lesser depth or unless, at a lesser depth the Dakota formation has been adequately tested, or an igneous or metamorphic formation or some other condition or formation is encountered which, in the opinion of the Unit Operator, with approval of the Supervisor as to wells on Federal lands and the Commission as to wells on State lands or patented lands, would render further drilling inadvisable or impracticable. If said first well, drilled as aforesaid, fails to encounter the unitized substances, the Unit Operator or his successor shall thereupon commence within six (6) months after the completion of the former well, and drill, one at a time, additional wells until a productive well is completed to the satisfaction of the Supervisor and Commissioner, or until it is reasonably proved that the unitized land is incapable of producing the unitized substances; provided that the Secretary and Commissioner may grant extension of time for the commencement of any such well; and provided further that nothing herein contained shall preclude any Operator from

effectively resigning as provided in Section 5 hereof before any obligation to commence a second or subsequent well accrues hereunder, and be relieved of the obligation to commence such well. Upon failure to comply with the drilling requirements of this section, the Secretary may, after reasonable notice, declare this unit agreement terminated.

PLAN OF FURTHER
DEVELOPMENT AND
OPERATION

9. Within sixty (60) days from completion of a well capable of producing the unitized substances as aforesaid, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner and the Commission an acceptable plan of development for the Unit Area, which plan or a subsequent modification thereof, when so approved shall constitute the further drilling and operating obligations of the Unit Operator. Reasonable diligence shall be exercised by the Unit Operator in complying with the drilling and producing obligations of the approved plan of development and said plan shall, subject to like approval, be modified or supplemented in whole or in part from time to time as may be required to meet changed conditions or to protect the interests of all parties to this agreement and the further obligations of the Unit Operator shall be conformed thereto; provided that in no event shall the operator under any such plan, or otherwise, be under any obligation to drill any well to any formation that does not afford a fair possibility for encountering the unitized substances in paying quantities. Well drilling operations including well completions, producing practices and well abandonments, shall be in accordance with the Plan of Development and Operation. All operations thereunder shall be subject to the approval of the Supervisor as to wells on

federal land and by the Commission for wells on state and private land.

During any period when it shall appear that an acceptable plan of development cannot be adopted because of the inability of the Supervisor, the Commissioner, and the Commission to agree upon the terms thereof, the Unit Operator may, in accordance with the applicable regulations referred to in Section 1 hereof, proceed with reasonable diligence to drill other wells to determine the limits of production and to develop the productive portion of the unit area, and may and shall operate all productive wells in conformity with good operating practices, and the conservation principles of this agreement.

PARTICIPATION 10. Upon completion of a productive well
AFTER
DISCOVERY as aforesaid, the Unit Operator shall submit for the approval of the Director, the Commissioner, and the Commission a schedule of lands based on subdivisions of the public land survey, including all subdivisions one-half or more of the acreage of which is then regarded as reasonably proved to be productive of unitized substances in paying quantities; all land in said schedule, when approved, to constitute a participating area effective as of the date of first production. Said schedule shall set forth the percentage acreage interest of each owner of rights in the participating area thereby established. Such percentage acreage interest shall govern the allocation of production from and after the date the participating area becomes effective. With the approval of the Director, Commissioner, and the Commission, a separate participating area may be established for any separate deposit of unitized

substances or for any group of such deposits. The participating area or areas so established shall be enlarged from time to time in like manner and subject to like approval whenever such action appears proper as a result of further drilling operations to include additional land then regarded as reasonably proved to be productive in paying quantities, and a new schedule of percentage acreage interests conformable thereto shall thereupon be fixed. The effective date of any such enlargement shall be the first of the month next following the month in which the well is completed which demonstrates the propriety of the enlargement, and any unitized substances theretofore produced from such well shall be allocated to the lease on which the well is drilled. A well shall be deemed completed when equipped and successfully tested for production, all of which shall be done diligently. No land once included in a participating area shall be excluded from such participating area on account of depletion of the unitized substances therefrom, or for any cause save loss of title. It is the intent of this Section that a participating area shall at all times represent as nearly as possible the area known or reasonably estimated to be productive in paying quantities; but, regardless of any increase in the participating area, nothing herein contained shall be construed as requiring any retroactive apportionment of any sums accrued or paid for production obtained prior to the effective date of increase of the participating area.

Until a participating area or areas has or have been established as herein-provided, or in the absence of agreement at any time between the Unit Operator, the

Director, the Commissioner, and the Commission as to the proper boundaries of a participating area, the portion of all payments affected by such absence of agreement, except the royalties due the United States and the State of New Mexico may be impounded in a mutually acceptable bank. Royalties due the United States affected by an absence of agreement as to a proper participating area shall be determined by the Supervisor and the amount thereof deposited with the District Land Office of the Bureau of Land Management 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 Federal royalty on the basis of such approved participating area.

Whenever it is determined, subject to approval of the Supervisor, the Commission, and the Commissioner, 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, such production shall be allocated to the land on which the well is located as long as that well is not within a participating area established for the pool or deposit from which such production is obtained.

ALLOCATION OF PRODUCTION -- ROYALTIES 11. Except as otherwise provided in this agreement, all unitized substances produced under this agreement, except any part thereof used for production and development purposes thereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of land of the participating area, and for the purpose of determining any benefits that accrue on an acreage basis as a result of

operations under this agreement, each such tract shall have allocated to it such percentage of said production as its area bears to the said participating area. Unitized substances produced from any participating area and used in conformity with good operating practice under an approved plan of operation for repressuring or cycling in any participating area shall be free from any royalty charge. If the Unit Operator introduces gas obtained from sources other than the unitized substances into any participating area hereunder for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan first approved by the Supervisor, the Commissioner, and the Commission, a like amount of gas, with due allowance for loss or shrinkage thereof from any cause, may be drawn 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 operation or as may otherwise be consented to by the Supervisor, the Commissioner, and the Commission, as conforming to good petroleum engineering practice, and provided further that such right of withdrawal shall terminate on the termination of the unit.

Except as otherwise herein provided, royalties shall be paid or delivered as provided by existing leases or contracts, at the lease or contract rate upon the unitized substances allocated to the lease or tract. Settlement shall be made on or before the 20th day of each month for the unitized substances produced during the preceding calendar month. Such royalties shall be paid by the party operating the wells, but nothing herein shall operate to

relieve the lessees, or any of them, of their obligation to pay rentals and royalties under the terms of their respective leases.

The right is hereby secured to the United States and the State of New Mexico under existing or future laws and regulations to elect to take their respective royalty shares in kind or value.

DEVELOPMENT OR OPERATION ON NON-PARTICIPATING LAND 12. Any party hereto other than the Unit Operator owning or controlling a majority of the working interests in any unitized tract included in the non-participating area having thereon a regular well location in accordance with a well-spacing pattern established under an approved plan of development and operation may drill a well at such location at his own expense, 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 well in like manner as other wells are drilled by the Unit Operator under this agreement.

If such well is not drilled by the Unit Operator and results in production such that the land upon which it is situated may properly be included in a participating area, the party paying the cost of drilling such well shall be reimbursed one hundred fifty percent (150%) of the average cost of drilling similar producing wells in the unitized area, and the well shall be operated pursuant to the terms of this agreement all as though the well had been drilled by the Unit Operator.

If any well drilled by the Unit Operator or by an owner of working interests as provided in this section obtains production insufficient to justify inclusion in a participat-

ing area of the land on which said well is situated, said owner of working interests at his election, within 30 days of determination of such insufficiency, shall be wholly responsible for and may operate and produce the well at his sole expense and for his sole benefit. If such well was drilled by the Unit Operator, said owner of working interests shall pay the Unit Operator a fair salvage-value price for the casing and other equipment left in the well.

Wells drilled at the sole expense of any party other than the Unit Operator or produced at his sole expense and for his sole benefit shall be subject to the drilling and producing requirements of this agreement the same as though drilled or produced by the Unit Operator; and royalties in amount or value of production from any such well as well as rental charges, if any, shall be paid as specified in the lease affected, unless otherwise authorized in writing by the lessor.

RENTAL AND
ROYALTY
PAYMENTS

13. The Unit Operator, on behalf of the respective lessees, shall pay, or at the election of the Secretary as to Federal leases and at the election of the Commissioner as to State leases shall deliver in kind, all royalties and shall pay all rentals due the United States and the State of New Mexico respectively, on account of operations by the Unit Operator on unitized land and shall distribute the cost thereof to the appropriate parties conformably with their respective rental and royalty obligations; provided, that nothing herein contained shall operate to relieve the lessees, or any of them, of their obligation to pay rentals and royalties under the terms of their respective leases.

On request of any party, the Unit Operator at its election shall pay other royalties on his behalf in accordance with a schedule furnished by him and charge the cost thereof to his account; provided, that the Unit Operator shall incur thereby no responsibility to any royalty owner, but such responsibility shall be and remain an obligation of the parties requesting payment thereof.

GOVERNMENT
ROYALTIES
AND RENTALS

14. Royalty due the United States on account of unitized Federal land shall be computed as provided in the operating regulations and paid as to all unitized substances on the basis of the amounts thereof allocated to such land as provided herein at the rates specified in the respective Federal leases, or as may be provided by law, or regulation.

Rental for land of the United States subject to this agreement at the rates specified in the respective Federal leases shall be paid, suspended, or reduced as determined by the Secretary of the Interior, pursuant to applicable law and regulations.

CONSERVATION

15. Operations and production of unitized substances shall be conducted so as to provide for the most economical and efficient recovery of said substances to the end that maximum yield may be obtained without waste, as defined by or pursuant to State or Federal law or regulation; and production of unitized substances shall be limited to such production as can be put to beneficial use with adequate realization of fuel and other values.

DRAINAGE

16. 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 the approval of the Secretary as to federal interests and of the Commissioner as to state interests, and at the election of the Unit Operator as to private interests, pay a fair and reasonable compensatory royalty, as determined by the Supervisor as to federal interests, and the Commissioner as to state interests subject to this agreement and by agreement between the Unit Operator and royalty owners, as to private interests.

LEASES AND CON-
TRACTS CONFORMED
TO AGREEMENT

17. The parties hereto holding interests in leases embracing unitized land of the United States or of the State of New Mexico consent that the Secretary and Commissioner, respectively, may, and said Secretary and Commissioner, by their approval of this agreement, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of such leases and the regulations in respect thereto, to conform said requirements to the provisions of this agreement, but otherwise the terms and conditions of said leases shall remain in full force and effect.

The Secretary, Commissioner and all parties hereto further determine, agree and consent that during the effective life of this agreement, drilling and producing operations performed by the Unit Operator upon any unitized land will be accepted and deemed to be operations under and for the benefit of all unitized leases subject hereto; that no such lease shall be deemed to expire by reason of failure to produce wells situated on land therein embraced; that any lease for a term of twenty (20) years which is committed hereto shall remain in force and effect, and the term thereof shall be extended to conform to the term of this agreement; that as to other leases if a discovery of a valuable deposit of unitized

substances is made anywhere on the unitized land, each such lease in effect on or after the date of such discovery shall be deemed to continue in force and effect as to land in the unit area, as long as unitized substances are produced anywhere on unitized land in paying quantity; that prior to such discovery of unitized substances anywhere on unitized land, the expiration date of each unitized lease embracing lands of the United States shall be the date prescribed in such lease. Suspension of all operations and production on the unitized land pursuant to the direction or consent of said Secretary and Commissioner shall be deemed to constitute such suspension pursuant to such direction or consent with respect to each such lease, and no lease shall expire on account of such suspension, as to land in the unit area.

The parties hereto holding interests in leases subject to this agreement embracing lands other than those of the United States or of the State of New Mexico or holding interests in any other agreement that involve oil and gas rights in lands in the Unit Area, consent and agree, to the extent of their respective interests, that all such leases and agreements shall conform to the provisions of this agreement.

COVENANTS
RUN
WITH LAND

18. The covenants herein shall be construed to be covenants running with the land to the extent of the interests of the parties hereto 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 and as to federal land, shall

be subject to approval by the Secretary, and as to lands of the State of New Mexico, shall be subject to the approval of the Commissioner. No transfer of any interest in and to any of the unitized lands or affecting the production therefrom shall be binding upon the Unit Operator until the first day of the next calendar month after the Unit Operator has been furnished with an original, photostatic or certified copy of the instrument of transfer.

EFFECTIVE 19. This agreement shall become effective on
DATE
AND TERM the first day of the calendar month during which the same is approved by the Secretary of the Interior, provided however, that nothing herein shall be construed to waive or limit the right of the Commission to approve this agreement pursuant to applicable state law. This agreement shall terminate on December 31, 1949, unless (1) such date of expiration is extended by the Secretary and the Commissioner; or (2) a valuable discovery of unitized substances has been made on unitized land, in which case the agreement shall remain in effect as long as unitized substances can be produced from the unitized land in paying quantities; or (3) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of commercial production of unitized substances, and, after notice of intention to terminate the agreement on such ground is given by Unit Operator to all parties in interest at their last known address the agreement is terminated with the approval of the Secretary of the Interior and the Commissioner; or (4) it is terminated as provided in Sections 6 or 8 hereof. This agreement may be terminated at any time by consent of the owners of not less than 75 per centum, on an acreage basis, of

working interests signatory hereto with the approval of the Secretary and the Commissioner.

RATE OF PROSPECT-
ING, DEVELOPMENT,
AND PRODUCTION

20. All production and the disposal thereof, shall be in conformity with allocations, allotments and quotas made or fixed by the Commission under any State Statute; provided, however, that the Secretary is 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 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 lands of the State of New Mexico as to the rate of prospecting and development 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.

UNAVOIDABLE
DELAY

21. All obligations under this agreement requiring Unit Operator to commence or continue drilling or to operate on or produce oil or gas from any of the lands covered by this agreement shall be suspended while, but only as long as, the Unit Operator is prevented from complying with such obligations, in whole or in part, by strikes, lockouts, 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 the matters herein enumerated or not.

**CONFLICT
OF
SUPERVISION**

22. 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 for delay or failure in whole or in part to comply therewith to the extent that the said 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 the joint consent of the representatives of the United States and the representatives of the State of New Mexico in and about any matter or thing concerning which it is required herein that such joint consent 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 contract 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.

**NON-
DISCRIMINATION**

23. The Unit Operator expressly agrees that in any and all operations conducted hereunder, it shall not discriminate against any employee or applicant for employment because of race, creed, color, or national origin and shall require an identical provision to be included in all subcontracts.

SUBSEQUENT
JOINDER

24. Any person owning rights in the unitized substances within the unit area who does not commit such rights hereto prior to the effective date hereof, may thereafter become parties hereto by subscribing this agreement, and if such parties are working interest owners they shall also subscribe the operating contract and comply with all terms and conditions therein set forth.

COMMITMENT OF
STATE LANDS

25. This agreement provides for approval hereof by the Commissioner and the Commission, and in addition contains provisions authorizing the Commissioner and the Commission to exercise certain functions. It is hereby understood and agreed that, in view of the small percentage of State lands in the unit area which may be committed hereto, the Commissioner and Commission will exercise none of the functions prescribed in this agreement, except as to operations on State lands, until such time as said State lands, or a portion thereof, are included in an approved participating area.

In the event the Commissioner or Commission should not approve this agreement it shall nevertheless be effective upon approval by the Secretary of the Interior and thereupon all of the provisions of this agreement pertaining to the functions of the Commissioner or Commission shall be of no effect.

COUNTERPARTS

26. This agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document.

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:

Secretary

Date

By _____

Date

Date

Date

Date

Date

Date

Date

Date

Date

Date

Date

Date

STATE OF _____ }
COUNTY OF _____ } SS

On this ____ day of _____, 19____, before me personally appeared _____, to me personally known who being by me duly sworn, did say that he is the _____ President of _____

and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

Notary Public

My Commission Expires

STATE OF _____ }
COUNTY OF _____ } SS

On this ____ day of _____ 19____, before me personally appeared _____, to me personally known who being by me duly sworn, did say that he is the _____ President of _____

and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

Notary Public

My Commission Expires

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 194__, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ___he___ executed the same as _____ free act and deed.

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

My commission expires _____

Notary Public

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 194__, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ___he___ executed the same as _____ free act and deed.

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

My commission expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 194__, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ___he___ executed the same as _____ free act and deed.

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

My commission expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 194__, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ___he___ executed the same as _____ free act and deed.

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

My commission expires _____

Notary Public

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 194__, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ___he___ executed the same as _____ free act and deed.

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

My commission expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____)

On this _____ day of _____, 194__, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ___he___ executed the same as _____ free act and deed.

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

My commission expires: _____

Notary Public

APPROVAL - CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, by the act of August 8, 1946, Public Law 696, 79th Congress, 2nd Session, amending the act approved February 25, 1920, 41 Stat. 437; 30 U.S.C. 181, et seq., I hereby take the following action this _____ day of _____, 1946.

- A. Approve the attached agreement for the development and operation of the Angel Peak Unit Area.
- B. Determine and certify that the plan of development and operation contemplated in said agreement is for the purpose of more properly conserving oil or gas resources of said unit area and is necessary or advisable in the public interest.
- 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.

Secretary of the Interior