

UNIT AGREEMENT

THIS AGREEMENT, made and entered into by and between the Commissioner of Public Lands of the State of New Mexico, herein referred to as "Commissioner" or "Lessor", and Amerada Petroleum Corporation and Gulf Oil Corporation, herein referred to respectively as "Amerada" and "Gulf", or collectively as "Lessees",

W I T N E S S E H: THAT

WHEREAS, Gulf is the owner of an oil and gas lease covering a full interest in SE/4 SE/4 of Section 34-11S-33F, Lea County, New Mexico, and

WHEREAS, Amerada is the owner of an oil and gas lease covering, among other lands, a full interest in NE/4 SE/4 Section 34-11S-33E, Lea County, New Mexico, and

WHEREAS, the State of New Mexico, acting by and through its Commissioner of Public Lands, is the Lessor under both of said oil and gas leases, and

WHEREAS, the Oil Conservation Commission of the State of New Mexico has heretofore, on May 1, 1951, entered its order establishing the E/2 of SE/4 of Section 34-11S-33E, as one 80-acre proration unit for the Bagley Siluro-Devonian pool, and

WHEREAS, for the purposes of more properly conserving the oil and gas resources of the State, the Lessees desire to develop and operate the above described severally owned leases as a unit for the production of oil and gas from all formations underlying said land; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized to consent to and approve the development or operation of State lands under agreements made by

lessees of State land, where such agreements provide for the unit operation or development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized to approve such agreement.

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein provided, it is agreed as follows:

1. UNIT AREA: The following described land is hereby designated the "Unit Area":

E/2 SE/4 Section 34-11S-33E  
Lea County, New Mexico.

2. UNITIZED SUBSTANCES: All oil, gas and casinghead gas produced from any and all formations underlying the Unit Area is unitized under this agreement and is called "unitized substances".

3. UNIT OPERATOR: Amerada Petroleum Corporation is hereby designated as Unit Operator and shall have exclusive charge of the development and operation of the Unit Area. Nothing herein, however, shall be construed to transfer title to any oil and gas lease, it being understood that Unit Operator, in such capacity, shall exercise the rights of possession of the lessees of the Unit Area for the purposes herein specified.

4. DRILLING AND DEVELOPMENT: Within ninety (90) days after the effective date hereof the Unit Operator shall commence operations for the drilling of a well located in the center of SE/4 SE/4 Section 34, T11S-R33E, Lea County, New Mexico, and thereafter drill such well with due diligence to a depth sufficient to test the Devonian formation found at the approximate depth of 11,000 ft. unless unitized substances are

found in paying quantities at a lesser depth or an impenetrable substance encountered.

All covenants express or implied in each lease covering the Unit Area shall be applicable to the Unit Area as an entirety as if covered by one lease and shall govern the subsequent development and operation of the Unit Area.

5. ALLOCATION OF PRODUCTION AND PAYMENT OF ROYALTY:

For the purpose of determining the payment of royalties due Lessor under the terms of the leases committed to this agreement all production of unitized substances obtained from any part of the Unit Area shall be allocated to the respective leases covering said Unit Area in the proportion that the acreage interest of each lease within the Unit Area bears to the entire acreage interest of the Unit Area, with the same effect as if that proportion of unitized substances so allocated to each lease was obtained from wells drilled thereon. The royalties payable for said production allocated to each oil and gas lease comprising the Unit Area shall be computed and paid on the basis of the proportionate amount of unitized substances allocated to the respective leases and in the manner provided for the payment of royalty described in each of said leases.

6. RENTAL PAYMENT: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

7. EFFECT OF DRILLING AND PRODUCTION: It is agreed that the commencement, drilling, completion and operation of a well on any part of the Unit Area shall for all purposes be considered as the commencement, drilling, completion and operation of a well on each tract included within the Unit Area under the terms and provisions of each and all of the oil and gas leases comprising the Unit Area, and that production of

unitized substances from any part of the Unit Area shall be deemed to be production of such unitized substances under the terms of each and all of said leases with the same force and effect as if said production was obtained from a well located on the land covered by each of said leases within the Unit Area.

8. LEASES AMENDED TO CONFORM: The terms and provisions of all oil and gas leases covering the Unit Area upon approval hereof by the Commissioner shall be, and the same 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.

9. TERM: This agreement shall become effective as of the date of approval by the Commissioner hereinafter set out and shall remain in force as long as the leases contributed by both parties are in force as to the acreage within the Unit Area and any extensions or renewals thereof.

IN WITNESS WHEREOF the parties hereto have executed this agreement the day and year hereinafter set out.

STATE OF NEW MEXICO

Date of Approval:

By \_\_\_\_\_  
Guy Shepard,  
Commissioner of Public Lands

LESSOR

AMERADA PETROLEUM CORPORATION

Execution Date:

ATTEST:

\_\_\_\_\_  
Assistant Secretary

By \_\_\_\_\_  
Vice President

GULF OIL CORPORATION

Execution Date:

ATTEST:

\_\_\_\_\_  
Assistant Secretary

By \_\_\_\_\_  
Vice President

LESSEES