

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
BLUE QUAIL UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 15th day of March, 1957, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto",

W I T N E S S E T H:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943, as amended by Sec. 1 of Chap. 162, Laws 1951 [Chap. 7, Art. 11, Sec. 39, N. M. Statutes, 1953 Annotated]) to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162, Laws 1951 [Chap. 7, Art. 11, Sec. 41, N. M. Statutes, 1953 Annotated]) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part of or all of any oil or gas pool, field or area; and,

WHEREAS, the Oil Conservation Commission of the State of New Mexico [hereinafter referred to as the "Commission"] is authorized by an Act of the Legislature [Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14, N. M. Statutes, 1953 Annotated] to approve this agreement and the conservation provisions hereof; and,

WHEREAS, the parties hereto own the entire working interest in the Blue Quail Unit Area covering land hereinafter described and, therefore, have effective control of operations therein; and,

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

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

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the Blue Quail Unit Area:

NEW MEXICO PRINCIPAL MERIDIAN,
NEW MEXICO

Township 10 South, Range 33 East:
Section 24: SE/4
Section 25: NE/4

Township 10 South, Range 34 East:
Section 19: All
Section 30: N/2

situated in Lea County, New Mexico, containing 1,278.04 acres, more or less.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage and kind of ownership of oil and gas interests in all land in the unit area. Exhibit "C" attached hereto is a structure map reflecting the seismic interpretation on the top Devonian. Nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner".

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

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

3. UNIT OPERATOR: Skelly Oil Company, a Delaware corporation, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production

of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time, but such resignation shall not become effective until a successor Unit Operator has been selected and approved in the manner provided for in Article 5 of this agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner.

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

owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than sixty-five percent [65%] of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than sixty-five percent [65%] of the total working interests, shall be required to select a new operator. Such selection shall not become effective until [a] a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and [b] the selection shall have been approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS: The Unit Operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder and such costs and expenses and the working interest benefits accruing hereunder

shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement by and between the Unit Operator and the other owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this article, whether one or more, are herein referred to as the "Operating Agreement" or "Unit Operating Agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistencies or conflict between this Unit Agreement and the Operating Agreement, this Unit Agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: **Except** as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: Within sixty [60] days after the effective date hereof, the Unit Operator shall commence operations upon an adequate test well for oil and gas at a location described as being in the approximate center of the Southeast Quarter of the Southwest Quarter [SE/4 SW/4] of Section 19, Township 10 South, Range 34 East, Lea County, New Mexico, and shall drill said well with due diligence to an approximate depth of 14,000 feet or to a depth sufficient, in the opinion of Unit Operator, to test the Devonian Formation, whichever is the lesser depth, or to such lesser depth as unitized substances shall be discovered in paying quantities or until, in the opinion of Unit Operator, it shall be determined that the further drilling of said well shall be unwarranted or impracticable. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, Unit Operator shall continue drilling diligently one well at a time, allowing not more than six [6] months between the completion of one well and the beginning of the next well until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner and the Commission or until it is reasonably proved to the satisfaction of Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted.

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

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

8-A. PLAN OF FURTHER DEVELOPMENT AND OPERATION:

Within six [6] months after completion of a well capable of producing unitized substances in paying quantities, Unit Operator shall submit for the approval of the Commissioner, and the Commission, an acceptable plan of development and operation for the unitized land which, when approved by the Commissioner, and the Commission, shall constitute the further drilling and operating obligations of Unit Operator acting under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, Unit Operator shall submit for the approval of the Commissioner, and the Commission, a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete

and adequate as the Commissioner, and the Commission, may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall [a] specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and [b] to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Commissioner and the Commission. Such plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of this approved plan of development. The Commissioner is authorized to grant a reasonable extension of the six [6] months period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

8-B. DRILLING OF SUBSEQUENT WELLS: Without impairing the right of the Commissioner to terminate this agreement where provided for herein, Articles 8 and 8-A hereof shall not be construed to require any party, without its consent, to participate in or be liable for all or a portion

of the cost of drilling any well, other than the initial test well. Drilling of such subsequent wells, where all parties do not agree to participate therein, shall be conducted in accordance with the provisions of Article 9 of the Unit Operating Agreement.

9. PARTICIPATION AND ALLOCATION OF PRODUCTION AFTER DISCOVERY: All unitized substances produced from the Unit Area, except any part thereof used within the Unit Area for production or development purposes or unavoidably lost, shall be deemed produced equally on an acreage basis from the several tracts of unitized land and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of production as the number of acres of such tract bears to the total number of acres of unitized land within the Unit Area, except that allocation of production hereunder for purposes other than settlement of royalty, overriding royalty or payment out of production obligations of the respective working interest owners shall be on the basis prescribed in the Unit Operating Agreement, whether in conformity with the basis of allocation herein set forth or otherwise.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time to so do.

10. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING

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

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the Unit Operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

If the Unit Operator introduces gas obtained from sources other than the unitized land into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operations consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this Unit Agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production, or other charge, in addition to the usual one-eighth [1/8] royalty,

the owner of each such lease shall bear and assume the same out of the unitized substances allocated to it under the terms of the Unit Operating Agreement.

11. STATE LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA:

The terms, conditions and provisions of all leases, sub-leases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of State of New Mexico lands committed to this agreement, shall, upon approval hereof by the Commissioner, be and the same are hereby expressly modified and amended insofar as they apply to such lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the length of the secondary term of such leases on and covering such lands within said area will be extended insofar as necessary to coincide with the terms of this agreement and the approval of this agreement by the Commissioner and the lessee shall, without further action of the Commissioner or the lessee, be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each such lease committed to this agreement insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the Unit Operator prior to the expiration of the shortest term lease committed to this agreement. Termination of

this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws shall continue in full force and effect thereafter. The commencement, completion, operation or production of a well on any part of the Unit Area shall be respectively construed and considered as the commencement or completion or operation or production of a well within the terms and provisions of each of the oil and gas leases to the same extent as though such commencement, completion, operation or production was carried on, conducted and/or obtained from any such leased tract.

Any lease embracing lands of the State of New Mexico having only a portion of such lands committed hereto shall be segregated as to that portion committed and that portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Provided, however, that notwithstanding any of the provisions of this agreement to the contrary, any such lease shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if unitized substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of unitized substances, said lease shall continue in full force and effect

as to all of the lands embraced therein, so long thereafter as unitized substances in paying quantities are being produced from any portion of said lands.

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

13. DRAINAGE: The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on land not subject to this agreement.

14. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any working, royalty or other 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, photostatic or certified copy of the instrument of transfer.

15. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless [a] such date of expiration is extended by the Commissioner,

or [b] a discovery of unitized substances has been made on unitized land during said initial term or any extension thereof in which case this agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than sixty-five percent [65%] on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, as provided in Article 8 hereof, the Commissioner may, after reasonable notice to the Unit Operator and each working interest owner, lessee and lessor at their last known addresses, declare this Unit Agreement terminated.

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

17. APPEARANCES: Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings relative to operations pending before the Commissioner or Commission; provided, however,

that any other interested party shall also have the right at its own expense to appear and to participate in any such proceeding.

18. NOTICES: All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

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

20. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the Unit Agreement so that such tract is not committed to this

agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interest of the parties readjusted as a result of such tract being eliminated from the unitized area; provided, however, that there shall be no retroactive adjustment among the parties hereto of costs incurred and benefits received prior to the final determination of the loss of title and Unit Operator is hereby relieved of any and all liability for any failure or loss of title. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the Unit Operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payment of funds due the State of New Mexico shall be withheld, but such funds shall be deposited with the Commissioner of Public Lands 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.

21. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the Unit Area not committed hereto prior to the submission of this agreement for final approval either by the Commission or Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the

allocation of costs of exploration, development and operation. After operations are commenced hereunder, the right of subsequent joinder by a working interest owner shall be subject to all of the requirements of any applicable operating agreement between the working interest owners relative to the allocation of production and the costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to Unit Operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the Unit Agreement, and the Unit Operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

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

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the day and year first hereinabove written.

App'd as to
Form: George
G.W.M.

ATTEST:

Robert J. Cunningham
asst. Secretary

^{Cont.}
SKELLY OIL COMPANY

By W. J. Kasler
Vice-President
Skelly Building
Tulsa, Oklahoma

UNIT OPERATOR

ATTEST:

Secretary

TIDEWATER OIL COMPANY

By _____
President

ATTEST:

Secretary

SINCLAIR OIL & GAS COMPANY

By _____
President

ATTEST:

Secretary

THE ATLANTIC REFINING COMPANY

By _____
President

ATTEST:

Secretary

GULF OIL CORPORATION

By _____
President

SUNRAY MID-CONTINENT
OIL COMPANY

ATTEST:

Secretary

By _____
President

SEABOARD OIL COMPANY

ATTEST:

Secretary

By _____
President

WORKING INTEREST OWNERS

STATE OF OKLAHOMA |
COUNTY OF TULSA | SS

On this 28th day of August, 1957, before me appeared A. J. Cashman, to me personally known, who, being by me duly sworn, did say that he is the Vice-President of SKELLY OIL COMPANY, a corporation, 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 SKELLY OIL COMPANY by authority of its Board of Directors, and that said A. J. Cashman acknowledged said instrument to be the free act and deed of said corporation.

Joseph S. Tucker
Notary Public

My commission expires:

My Commission Expires Mar. 18, 1958

STATE OF _____ |
COUNTY OF _____ | SS

On this _____ day of _____, 1957, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of TIDEWATER OIL COMPANY, a corporation, 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 that said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

STATE OF _____ |
COUNTY OF _____ | SS

On this _____ day of _____, 1957, before
me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of SINCLAIR OIL AND GAS COMPANY, a corporation, 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 that said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

STATE OF _____ |
COUNTY OF _____ | SS

On this _____ day of _____, 1957, before
me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of THE ATLANTIC REFINING COMPANY, a corporation, 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 that said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission expires:

STATE OF _____)
COUNTY OF _____) SS

On this _____ day of _____, 1957, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of GULF OIL CORPORATION, a corporation, 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 that said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

STATE OF _____)
COUNTY OF _____) SS

On this _____ day of _____, 1957, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of SUNRAY MID-CONTINENT OIL COMPANY, a corporation, 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 that said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

STATE OF _____ |
COUNTY OF _____ | SS

On this _____ day of _____, 1957, before
me appeared _____, to me per-
sonally known, who, being by me duly sworn, did say that
he is the _____ President of SEABOARD OIL COMPANY, a
corporation, 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 corp-
oration by authority of its Board of Directors, and that
said _____ acknowledged said
instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the day and year first hereinabove written.

App'd as to Form: [Signature] G.W.M.

ATTEST:

[Signature]
Asst. Secretary

SKELLY OIL COMPANY

By [Signature]
Vice-President
Skelly Building
Tulsa, Oklahoma

UNIT OPERATOR

ATTEST:

Secretary

TIDEWATER OIL COMPANY

By _____
President

ATTEST:

Secretary

SINCLAIR OIL & GAS COMPANY

By _____
President

ATTEST:

Secretary

THE ATLANTIC REFINING COMPANY

By _____
President

ATTEST:

Secretary

GULF OIL CORPORATION

By _____
President

STATE OF OKLAHOMA |
COUNTY OF TULSA | SS

On this 28th day of August, 1957, before me appeared A. J. Cashman, to me personally known, who, being by me duly sworn, did say that he is the Vice-President of SKELLY OIL COMPANY, a corporation, 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 SKELLY OIL COMPANY by authority of its Board of Directors, and that said A. J. Cashman acknowledged said instrument to be the free act and deed of said corporation.

L. Rocky Sullivan
Notary Public

My commission expires:
My Commission Expires Mar. 18, 1958

STATE OF _____ |
COUNTY OF _____ | SS

On this _____ day of _____, 1957, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of TIDEWATER OIL COMPANY, a corporation, 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 that said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the day and year first hereinabove written.

App'd as to
Form: [Signature]
G.W.M.

SKELLY OIL COMPANY

ATTEST:

Secretary

By _____
Vice-President
Skelly Building
Tulsa, Oklahoma

UNIT OPERATOR

TIDEWATER OIL COMPANY

ATTEST:

[Signature]
Asst. Secretary

By [Signature]
Vice President

SINCLAIR OIL & GAS COMPANY

ATTEST:

Secretary

By _____
President

THE ATLANTIC REFINING COMPANY

ATTEST:

Secretary

By _____
President

GULF OIL CORPORATION

ATTEST:

Secretary

By _____
President

STATE OF _____)
COUNTY OF _____) SS

On this _____ day of _____, 1957, before

me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of SEABOARD OIL COMPANY, a corporation, 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 that said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

STATE OF OKLAHOMA)
COUNTY OF TULSA) SS.

On this 19th day of August, 1957, before me appeared _____

CHARLES R. BROWN
to me personally known, who being by me duly sworn, did say that he is Vice
President of TIDEWATER OIL COMPANY
and that the seal affixed to the foregoing instrument is the corporate seal of
said corporation; that said instrument was signed and sealed in behalf of said
corporation by authority of its Board of Directors; and said _____
CHARLES R. BROWN acknowledged said instrument to be the
free act and deed of said corporation.

WITNESS my hand and official seal the day and year last above written.

My Commission Expires

September 16, 1958

Notary Public

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 19____, before me appeared _____

to me personally known, who being by me duly sworn, did say that he is _____
President of SKELLY OIL COMPANY
and that the seal affixed to the foregoing instrument is the corporate seal of
said corporation; 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.

WITNESS my hand and official seal the day and year last above written.

My Commission Expires

Notary Public

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the day and year first hereinabove written.

App'd as to Form: [Signature]
G.W.M.

SKELLY OIL COMPANY

ATTEST:

Secretary

By _____
Vice-President
Skelly Building
Tulsa, Oklahoma

UNIT OPERATOR

TIDEWATER OIL COMPANY

ATTEST:

Secretary

By _____
President

SINCLAIR OIL & GAS COMPANY

ATTEST:

[Signature]
ASST. - Secretary

By [Signature]
Vice President
P. O. Box 1470
Midland, Texas

| | |
|-----------|-------------|
| APPROVED | |
| FORM | RLO |
| SUBSTANCE | CS |
| | [Signature] |

THE ATLANTIC REFINING COMPANY

ATTEST:

Secretary

By _____
President

GULF OIL CORPORATION

ATTEST:

Secretary

By _____
President

STATE OF Texas |
COUNTY OF Midland | SS

On this 19th day of August, 1957, before me appeared Floyd Britt, to me personally known, who, being by me duly sworn, did say that he is the Vice- President of SINCLAIR OIL ~~AND~~ GAS COMPANY, a corporation, 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 that said Floyd Britt acknowledged said instrument to be ~~the~~ free act and deed of said corporation.

Patte E. Richardson
Notary Public

My commission expires:

June 1, 1959

STATE OF _____ |
COUNTY OF _____ | SS

On this _____ day of _____, 1957, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of THE ATLANTIC REFINING COMPANY, a corporation, 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 that said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My Commission expires:

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the day and year first hereinabove written.

App'd as to Form: [Signature] G.W.N.

SKELLY OIL COMPANY

ATTEST:

Secretary

By _____
Vice-President
Skelly Building
Tulsa, Oklahoma

UNIT OPERATOR

TIDEWATER OIL COMPANY

ATTEST:

Secretary

By _____
President

SINCLAIR OIL & GAS COMPANY

ATTEST:

Secretary

By _____
President

THE ATLANTIC REFINING COMPANY

ATTEST:

R. O. Potchermie
Assistant Secretary Secretary

By J. H. Mendenhall ^{ad.}
President
P.O. Box 871
Midland, Texas

GULF OIL CORPORATION

ATTEST:

Secretary

By _____
President

STATE OF _____
COUNTY OF _____

SS

On this _____ day of _____, 1957, before

me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of SINCLAIR OIL AND GAS COMPANY, a corporation, 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 that said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

STATE OF Texas
COUNTY OF Dallas

SS

On this 27th day of August, 1957, before

me appeared J. N. Mendenhall, to me personally known, who, being by me duly sworn, did say that he is the ^{DOMESTIC} ~~President~~ of THE ATLANTIC REFINING COMPANY, a corporation, 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 that said J. N. Mendenhall acknowledged said instrument to be the free act and deed of said corporation.

Holly Mae Tippett
Notary Public
HOLLY MAE TIPPETT

My Commission expires:

6-1-59

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the day and year first hereinabove written.

App'd as to
Form:
G.W.M.

SKELLY OIL COMPANY

ATTEST:

Secretary

By _____
Vice-President
Skelly Building
Tulsa, Oklahoma

UNIT OPERATOR

TIDEWATER OIL COMPANY

ATTEST:

Secretary

By _____
President

SINCLAIR OIL & GAS COMPANY

ATTEST:

Secretary

By _____
President

THE ATLANTIC REFINING COMPANY

ATTEST:

Secretary

By _____
President

GULF OIL CORPORATION

ATTEST:

H. M. CRAIG
Asst. Secretary

By H. B. ...
Vice President

P. O. Drawer 1290

Fort Worth, Texas

| | |
|--------|---------------|
| Law | <u> </u> |
| Notary | <u> </u> |
| Exp | <u> </u> |
| Prod | <u> </u> |

STATE OF Texas |
COUNTY OF Tarrant | SS

On this 19th day of August, 1957, before
me appeared H. M. Bayer, to me personally
known, who, being by me duly sworn, did say that he
is the Vice President of GULF OIL CORPORATION, a corp-
oration, and that the seal affixed to said instrument is
the corporate seal of said corporation, and that said in-
strument was signed and sealed in behalf of said corpora-
tion by authority of its Board of Directors, and that said
H. M. Bayer acknowledged said instrument
to be the free act and deed of said corporation.

M. B. Chippeaux M. B. CHIPPEAUX
Notary Public

My commission expires:
August 1, 1959

STATE OF _____ |
COUNTY OF _____ | SS

On this _____ day of _____, 1957, before
me appeared _____, to me personally
known, who, being by me duly sworn, did say that he is the
_____ President of SUNRAY MID-CONTINENT OIL COMPANY, a
corporation, 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 corp-
oration by authority of its Board of Directors and that
said _____ acknowledged said
instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

STATE OF _____ |
COUNTY OF _____ | SS

On this _____ day of _____, 1957, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of GULF OIL CORPORATION, a corporation, 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 that said _____ acknowledged said instrument to be the free act and deed of said corporation.

Notary Public

My commission expires:

STATE OF Oklahoma |
COUNTY OF Delaware | SS

On this 15th day of August, 1957, before me appeared H. C. Hurder, to me personally known, who, being by me duly sworn, did say that he is the Vice President of SUNRAY MID-CONTINENT OIL COMPANY, a corporation, 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 that said H. C. Hurder acknowledged said instrument to be the free act and deed of said corporation.

Raymond H. Hines
Notary Public

My commission expires:

3-4-61

SUNRAY MID-CONTINENT
OIL COMPANY

ATTEST:

Secretary

By _____
President

SEABOARD OIL COMPANY

ATTEST:

James B. Kirkland

Assistant Secretary

By *J. G. Mank*

Assistant Vice President
Continental Oil Co.
Dallas, Tex.

WORKING INTEREST OWNERS

STATE OF Texas |
COUNTY OF Wichita | SS

On this 24th day of August, 1957, before
me appeared W. G. Mark, to me per-
sonally known, who, being by me duly sworn, did say that
he is the Assistant Vice President of SEABOARD OIL COMPANY, a
corporation, 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 corp-
oration by authority of its Board of Directors, and that
said W. G. Mark acknowledged said
instrument to be the free act and deed of said corporation.

W. G. Mark
Notary Public

My commission expires:

June, 1959

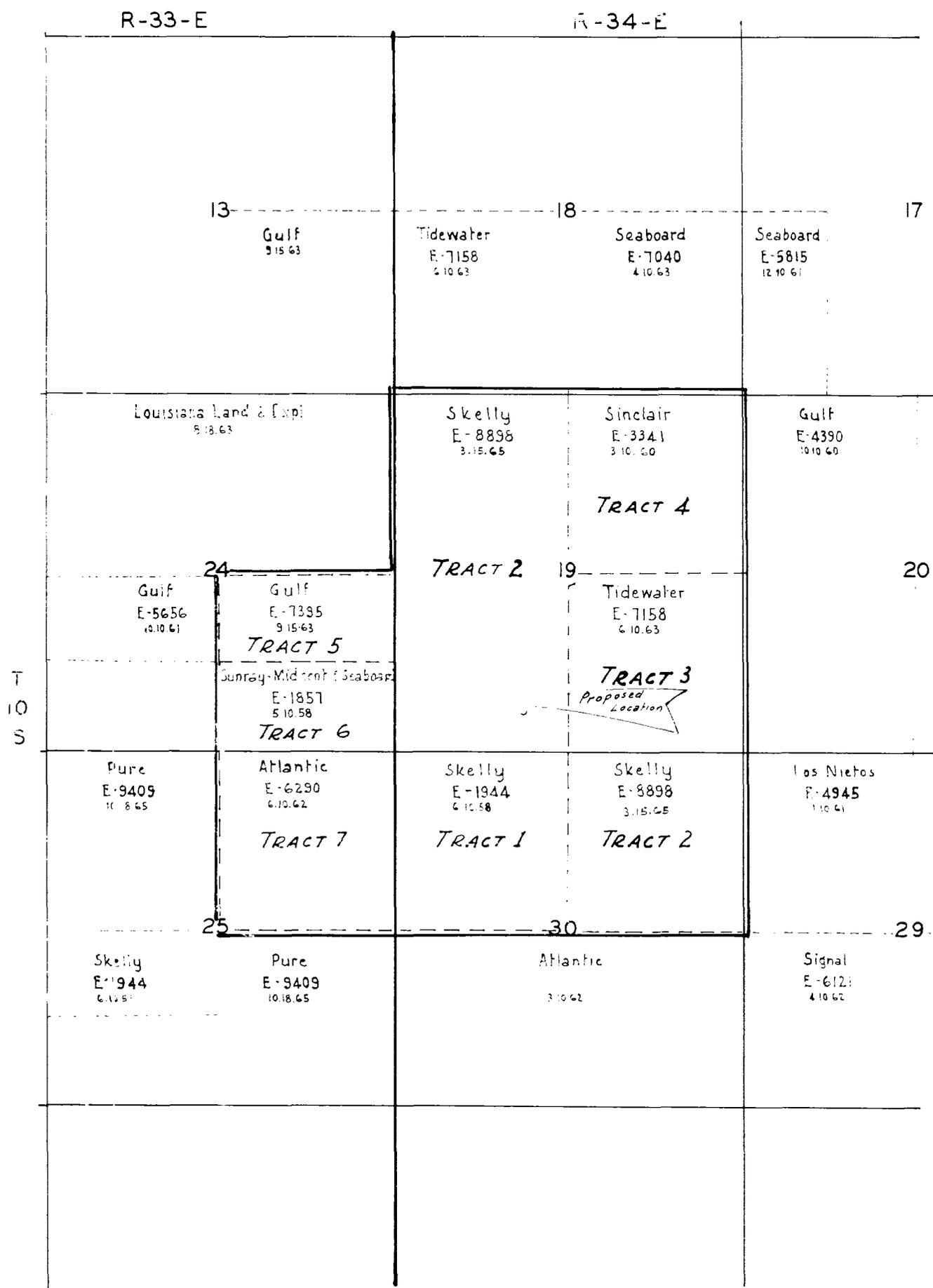


EXHIBIT "A"
 SKELLY OIL COMPANY-OPERATOR
BLUE QUAIL UNIT
 T-10-S R-33&34-E
 LEA COUNTY, NEW MEXICO

SCALE 1"=2000'

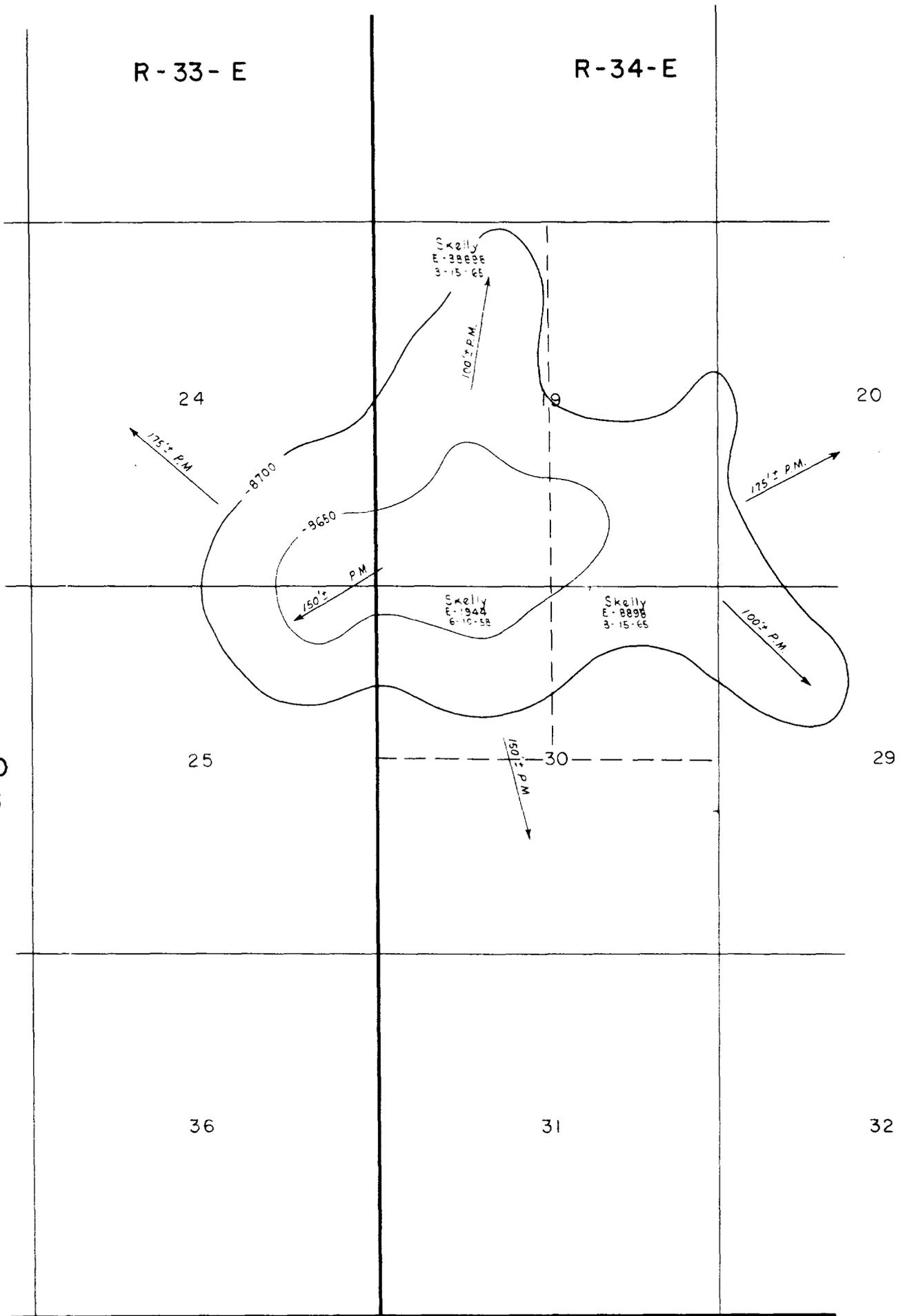
EXHIBIT "B"
BLUE QUAIL UNIT
SKELLY OIL COMPANY - OPERATOR
SCHEDULE OF PERCENTAGE AND OWNERSHIP OF
OIL AND GAS INTERESTS IN ALL LANDS

| Tract No. 1 Description & Tract No. | No. of Acres | New Mexico State Lease and Date | *Landowner & Percentage of Royalty | Record Owner of Lease Application | Over- riding Royalty | Working Interest Owner and Percentage of Interest Under Option Agreement, Operating Agreement or Assignment | |
|--|-----------------|---------------------------------------|--|---|----------------------------|---|--------|
| | | | | | | | |
| Tract No. 1 Lot No. 1 (39.73 ac) Lot No. 2 (39.75 ac) & E2 NW4 Sec. 30 T10S-R34E | 159.48 | E-1944 (6-10-48) | State of New Mexico 12 $\frac{1}{2}$ % | Skelly Oil Company | None | Skelly Oil Company | 87.50% |
| Tract No. 2 Lot No. 1 (39.58 ac) Lot No. 2 (39.62 ac) Lot No. 3 (39.66 ac) Lot No. 4 (39.70 ac) E2 W2 Sec. 19 NE4 Sec. 30 T10S-R34E | 478.56 | E-8898 (3-15-55) | State of New Mexico 12 $\frac{1}{2}$ % | Skelly Oil Company | None | Skelly Oil Company | 87.50% |
| Tract No. 3 SW Sec. 19 T10S-R34E | 160.00 | E-7158 (6-10-53) | State of New Mexico 12 $\frac{1}{2}$ % | Tidewater Oil Co. | None | Tidewater Oil Company | 87.50% |
| Tract No. 4 NE4 Sec. 19 T10S-R34E | 160.00 | E-3341 (3-10-50) | State of New Mexico 12 $\frac{1}{2}$ % | Sinclair Oil and Gas Co. | None | Sinclair Oil & Gas Company | 87.50% |
| Tract No. 5 NE2 SW Sec. 24 T10S-R33E | 80.00 | E-7395 (9-15-53) | State of New Mexico 12 $\frac{1}{2}$ % | Gulf Oil Corporation | None | Gulf Oil Corporation | 87.50% |

EXHIBIT "B"
BLUE QUAIL UNIT
SKELLY OIL COMPANY - Operator
SCHEDULE OF PERCENTAGE & OWNERSHIP OIL & GAS
INTERESTS IN ALL LANDS

| Description & Tract No. | No. of Acres | New Mexico State Lease & Date | Landowner & Percentage of Royalty | Record Owner of Lease Application | Over-riding Royalty | Working Interest Owner & Percentage of Interest Under Option Agreement, Operating Agreement or Assignment | |
|---|--------------|-------------------------------|-----------------------------------|--|---------------------|---|-------------------------------------|
| Tract No. 6 S2 Sec. 24 T10S-R33E | 80.00 | E-1857 (5-10-48) | State of New Mexico 12½% | Sunray-Mid-Continent Oil Company & Seaboard Oil Company, jointly | None | Sunray-Mid-Continent Oil Company & Seaboard Oil Company, jointly | 87.50% |
| Tract No. 7 N24 Sec. 25 T10S-R33E | 160.00 | E-6290 (6-10-52) | State of New Mexico 12½% | The Atlantic Refining Company | None | The Atlantic Refining Company Sunray-Mid-Continent Oil Company & Seaboard Oil Company, jointly Gulf Oil Corporation | 43.75% 21.875% <u>21.875%</u> |

* All New Mexico State Lands



Scale: 1" = 2000'

STRUCTURE MAP
SEISMIC INTERPRETATION
NEAR DEVONIAN HORIZON

EXHIBIT "C"
SKELLY OIL COMPANY - OPERATOR
BLUE QUAIL UNIT
T-10-S R-34-E
LEA COUNTY, NEW MEXICO