

SINCLAIR OIL & GAS COMPANY

PETROLEUM LIFE BUILDING

HOUSTON, TEXAS

LEGAL DEPARTMENT

September 13, 1957

*Ex long
SF 10-4 ?*

Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

Re: Application of Sinclair Oil & Gas
Company for approval of the North
Pearl Unit embracing 2400 acres,
more or less, located in Township
18 South, Range 35 East, N.M.P.M.,
Lea County, New Mexico.

Gentlemen:

Enclosed, in triplicate, is application of Sinclair Oil & Gas Company for approval of the captioned Unit Agreement. This is the unit which I discussed with Mr. Dan Nutter in your office. As I advised him, the secondary term of one of the leases in said unit is expiring October 10, 1957, and we will greatly appreciate your setting this application for hearing on the earliest possible date.

The seismic information on this unit will be furnished to you prior to the date on which the application is set for hearing.

Yours very truly,



Layton A. Webb

LAW:ID
Encls.

BEFORE THE OIL CONSERVATION COMMISSION OF THE
STATE OF NEW MEXICO

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IN THE MATTER OF THE APPLICATION OF
SINCLAIR OIL & GAS COMPANY FOR
APPROVAL OF THE NORTH PEARL UNIT
EMBRACING 2,360 ACRES, MORE OR LESS,
LOCATED IN TOWNSHIP 18-SOUTH,
RANGE 35-EAST, N. M. P. M.,
LEA COUNTY, NEW MEXICO

CASE NO. _____
ORDER NO. _____

A P P L I C A T I O N

Sinclair Oil & Gas Company, a Maine corporation with offices in Midland, Texas, hereby makes application for the approval of a proposed unit agreement for the development and operation of the North Pearl Unit Area, Lea County, New Mexico, as provided by law, and in support thereof shows:

1.

That the proposed Unit Area covered by said Unit Agreement embraces 2,360 acres, more or less, situated in Lea County, New Mexico, and more particularly described as follows:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Township 18-South, Range 35-East

- Section 15: $W\frac{1}{2}$
- Section 16: $NE\frac{1}{4}$, $SE\frac{1}{4}$, $SW\frac{1}{4}$, $E\frac{1}{2}SW\frac{1}{4}$
- Section 17: $SE\frac{1}{4}$
- Section 21: All
- Section 22: All
- Section 27: $NW\frac{1}{4}$

RECORDED IN M. M. S. 1
LAND OFFICE CSC

2.

That all of the lands embraced within the proposed Unit Area are State lands.

3.

That applicant is informed and believes and upon such information and belief states that the Unit Area embraces substantially all of the geological feature involved and that in the event of the discovery of oil or gas thereon the Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of oil and gas.

4.

That applicant, Sinclair Oil & Gas Company, is designated Unit Operator of the Unit Agreement and as such is given authority under the terms thereof to carry on all operations necessary for the development of the Unit Area for the production of oil and/or gas, subject to all applicable laws and regulations. That said Unit Agreement provides for the commencement of a test well for oil and/or gas on or before October 10, 1957 and for the drilling thereof with due diligence to a depth sufficient to test fully the Devonian Formation, or to such lesser depth as unitized substances shall be discovered in paying quantities; provided, however, that Unit Operator is not required in any event to drill said well to a depth in excess of 12,600 feet.

5.

That the development and operation of the Unit Area will be conducted in accordance with the plan of development and operation having the approval of the Commissioner of Public Lands of the State of New Mexico; that under said Unit Agreement the State of New Mexico will receive its fair share of the oil and gas, and that said Unit Agreement in all respects tends to prevent waste and promote conservation of oil and gas.

6.

That the names and addresses of all of the working interest owners other than Sinclair Oil & Gas Company are as follows:

Richardson & Bass
1200 Fort Worth National Bank Bldg.
Fort Worth 2, Texas

The Pure Oil Company
P. O. Box 2107
Fort Worth, Texas

Superior Oil Company
P. O. Box 510
Midland, Texas

F. J. Danglade
P. O. Box 675
Lovington, New Mexico

F. J. Danglade
10-13
1957

7.

That the Unit Agreement is in the process of being prepared at this time and as soon as the same is completed three copies thereof will be submitted to the Commission prior to the date on which this application is set for hearing.

8.

That application is being made for approval of said Unit Agreement by the Commissioner of Public Lands of the State of New Mexico.

9.

That within ten days from the effective date of the Unit Agreement an executed copy of the same will be filed with this Commission.

WHEREFORE, applicant Sinclair Oil & Gas Company respectfully requests that this Commission set this application for a public hearing before an Examiner, that notices be issued according to law, and that upon said hearing said Unit Agreement be approved by this Commission.

NAT. J. HARBEN

LAYTON A. WEBB
P. O. Box 1470
Midland, Texas

By *Layton A. Webb*

ATTORNEYS FOR APPLICANT
SINCLAIR OIL & GAS COMPANY

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
NORTH PEARL UNIT
LEA COUNTY, NEW MEXICO

Case 1172

THIS AGREEMENT, entered into as of the _____ day of _____, 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 Chapter 162, Laws of 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 of 1951; Chap. 7, Art. 11, Sec. 41, N. M. Statutes 1953 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, 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 hold sufficient interests in the North Pearl Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

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

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

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

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Township 18-South, Range 35-East

Section 15: $W\frac{1}{2}$
Section 16: $NE\frac{1}{4}$, $SE\frac{1}{4}$, $SW\frac{1}{4}$, $SW\frac{1}{4}$, $E\frac{1}{4}$, $SW\frac{1}{4}$
Section 17: $SE\frac{1}{4}$
Section 21: All
Section 22: $W\frac{1}{2}$, $SE\frac{1}{4}$, $E\frac{1}{4}$, $NE\frac{1}{4}$
Section 27: $NW\frac{1}{4}$

Containing 2,260 acres, more or less, situated in Lea County, New Mexico.

Exhibit "A" attached hereto is a map showing the Unit Area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as 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".

The above described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement. Such expansion shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Commissioner shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof.

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

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Commissioner evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator.

(d) After due consideration of all pertinent information, the expansion shall, upon approval by the Commissioner, become effective as of the date prescribed in the notice thereof, provided, however, if more than 25% on an acreage basis object to such expansion, the same shall not be approved; provided, however, that should the interest of any objecting working interest owner equal or exceed 25% on an acreage basis, then and in that event in order to make such objection effective hereunder one additional working interest owner must join in such objection.

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. Sinclair Oil & Gas Company, a Maine corporation, 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 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 seventy-five percent (75%) 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 seventy-five per cent (75%) 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. On or before October 10, 1957, the Unit Operator shall commence operations upon an adequate test well for oil and gas at a location 1980 feet from the North line and 1980 feet from the West line of Section 22, Township 18-South, Range 35-East, and shall drill said well with due diligence to a depth of 12,600 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 it shall, in the opinion of the Unit Operator, be determined that the further drilling of said well shall be unwarranted or impracticable. Until a 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 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, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area 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.

9. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the 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 the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the 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-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing 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.

10. 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 provision 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.

11. 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 substances 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.

12. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the 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 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 as to lands within such 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 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 having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if 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.

13. 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.

14. 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.

15. 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 or transfer.

16. 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 valuable 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 seventy-five percent (75%) 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.

17. 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.

18. 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.

19. 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.

20. 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 matters herein enumerated or not.

21. 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. 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.

22. 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.

23. 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 respective dates set opposite their signatures.

SINCLAIR OIL & GAS COMPANY

ATTEST:

Assistant Secretary

Date: _____

By _____
Vice-President

**Address: P. O. Box 1470
Midland, Texas**

**UNIT OPERATOR AND WORKING INTEREST
OWNER**

WORKING INTEREST OWNERS

RICHARDSON & BASS, a Partnership

By _____
Sid W. Richardson

Date: _____

Ferry R. Bass

**Address: 1200 Fort Worth National
Bank Building
Fort Worth 2, Texas**

THE PURE OIL COMPANY

ATTEST:

Date: _____

By _____

**Address: P. O. Box 2107
Fort Worth, Texas**

ATTEST:

TIDEWATER OIL COMPANY

Secretary

By _____
President

Address: P. O. Box 972
Roswell, New Mexico

Date: _____

STATE OF TEXAS }
COUNTY OF MIDLAND }

The foregoing instrument was acknowledged before me
this _____ day of _____, 1957, by FLOYD BRETT, Vice-
President of SINGLAIR OIL & GAS COMPANY, a Maine corporation,
on behalf of said corporation.

Notary Public in and for
Midland County, Texas

My commission expires:

STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me
this _____ day of _____, 1957, by SID W. RICHARDSON,
partner of RICHARDSON & BASS, a co-partnership.

Notary Public in and for
_____ County, _____

My commission expires:

STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me
this _____ day of _____, 1957, by PERRY R. BASS,
partner of RICHARDSON & BASS, a co-partnership.

Notary Public in and for

County, _____

My commission expires:

STATE OF TEXAS }
COUNTY OF TARRANT }

The foregoing instrument was acknowledged before me
this _____ day of _____, 1957, by _____,
_____ of THE PURE OIL COMPANY, a
_____ corporation, on behalf of said corporation.

Notary Public in and for
Tarrant County, Texas

My commission expires:

STATE OF _____ }
COUNTY OF _____ }

The foregoing instrument was acknowledged before me
this _____ day of _____, 1957, by _____
_____ President of TIDEWATER OIL COMPANY, a _____
corporation, on behalf of said corporation.

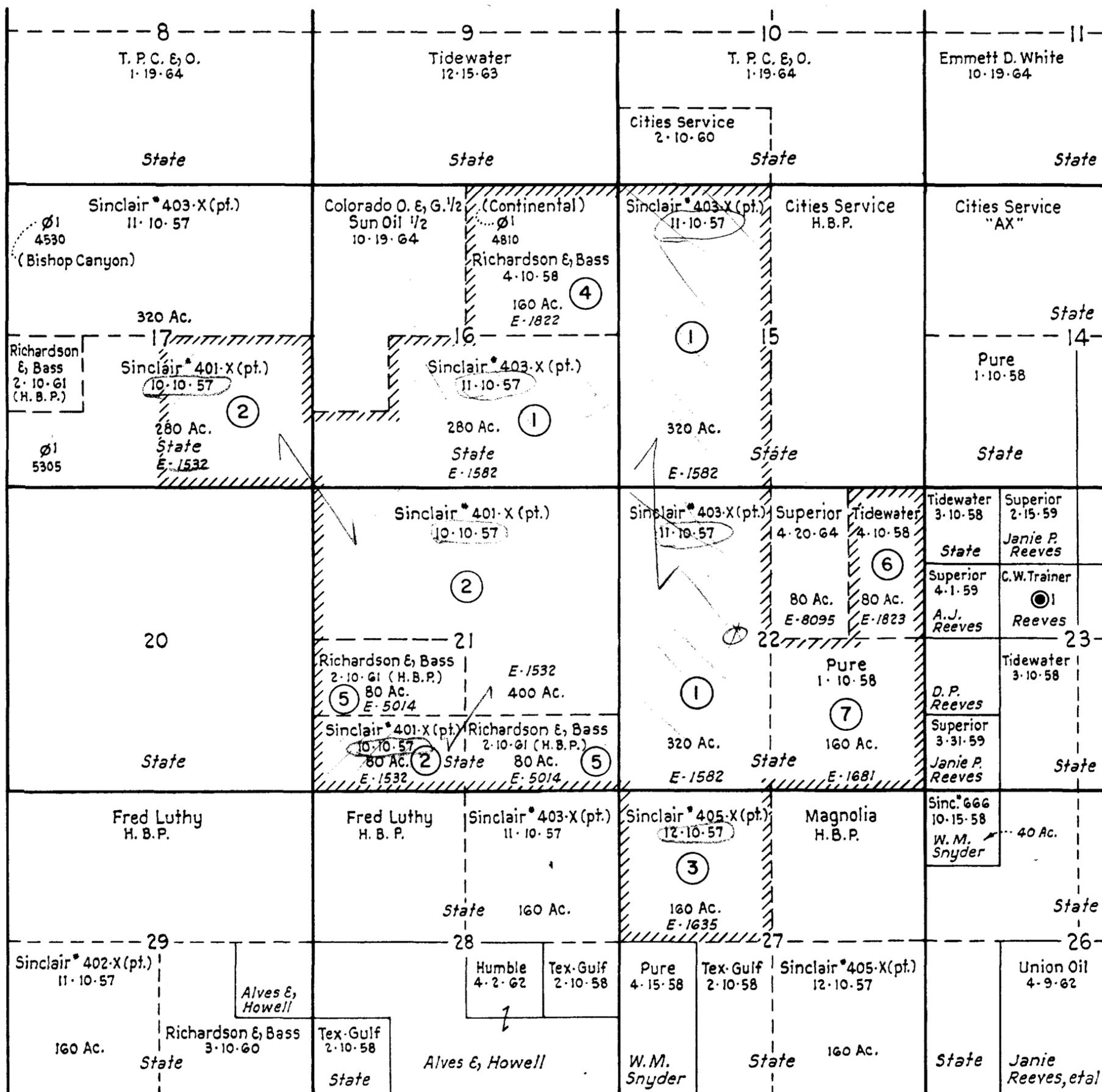
Notary Public in and for

County, _____

My commission expires:

T 35 E

T
18
S



OWNERSHIP PLAT
 NORTH PEARL UNIT
 LEA CO., N.M.
 SCALE: 1" = 2000'

UNIT OUTLINE
 TRACT NUMBERS

EXHIBIT "A"

EXHIBIT "B"

NORTH PEARL UNIT LEA COUNTY, NEW MEXICO

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS IN ALL LANDS IN THE UNIT AREA

Tract No.	Description of Land	No. of Acres	Lease No. & Exp. Date of Lse.	Basic Royalty & Percentage	State of New Mexico	Overriding Royalty & Percentage	Working Int. Owner
1	T-18-S, R-35-E Sec. 15: W $\frac{1}{2}$ Sec. 16: SE $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$, & E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 22: W $\frac{1}{2}$	920	E-1582 11-10-57	State of New Mexico All	None	Sinclair	
2	T-18-S, R-35-E Sec. 17: SE $\frac{1}{4}$ Sec. 21: N $\frac{1}{2}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ & S $\frac{1}{2}$ SW $\frac{1}{4}$	640	E-1532 10-10-57	State of New Mexico All	None	Sinclair	
3	T-18-S, R-35-E Sec. 27: NW $\frac{1}{4}$	160	E-1635 12-10-57	State of New Mexico All	None	Sinclair	
4	T-18-S, R-35-E Sec. 16: NE $\frac{1}{4}$	160	E-1822 4-10-58	State of New Mexico All	Ralph Nix & wife Frances Nix (\$200 per ac. Oil Payment out of 1/32 of 8/8)	Richardson & Bass	
5	T-18-S, R-35-E Sec. 21: N $\frac{1}{2}$ SW $\frac{1}{4}$ & S $\frac{1}{2}$ SE $\frac{1}{4}$	160	E-5014 2-10-61	State of New Mexico All	None	Richardson & Bass	
6	T-18-S, R-35-E Sec. 22: E $\frac{1}{2}$ NE $\frac{1}{4}$	80	E-1823 4-10-58	State of New Mexico All	None	Tidewater Oil Company	
7	T-18-S, R-35-E Sec. 22: SE $\frac{1}{4}$	160	E-1681 1-10-58	State of New Mexico All	None	Pure Oil Company	