

GEOLOGICAL REPORT TO ACCOMPANY
APPLICATION FOR DESIGNATION OF
MESCALERO UNIT AREA, LEA COUNTY
STATE OF NEW MEXICO

The proposed Mescalero Unit Area is located in southeastern Lea County, New Mexico, approximately twenty-four miles west of the City of Hobbs, and approximately six miles north of the intersection of U. S. Highway No. 62 and the south line of Township 19 South, Range 34 East. The area is difficult to traverse because of lack of roads and the presence of prominent dunes of soft, loose sand which is very fine-grained and reddish-brown in color. Vegetation in the dune areas is limited almost entirely to a low shrub with a very extensive root system and belonging to the oak family.

The area proposed to be included in the Mescalero Unit outline is shown on the attached plat, a portion of Map of Southeast New Mexico - Roswell-6, U. S. Dept. of Interior, U. S. Geological Survey. Shown also on this plat, labeled Exhibit I, are the outlines of nearby and presently existing Federal Units, all deep (Devonian and deeper) test wells in the area embraced by the plat, and the line of cross section A-A'.

A recent seismic survey of the area, conducted by Drilling and Exploration Company, Inc. delineated a quite attractive anticlinal structural feature at Devonian depth. The enclosed seismic map, labeled Exhibit II, is contoured in three feet and represents the structural configuration at the approximate top of the Devonian. A domal uplift with expected accompanying

ILLEGIBLE

faulting is the principle feature and embraces some 5,000 acres. This interpretation is based on seismic records obtained with modern equipment and record quality was considered very good. The proposed unit outline has been limited by the indicated lowest closing contour between faults. Such a unit would encompass the part of the general area which appears to be under the influence of the depicted structural feature. The relationship of this area to nearby wells which have encountered the Devonian is indicated on the enclosed cross section, labeled Exhibit III.

The following tabulation indicates the expected stratigraphic sequence to be encountered along with estimated depths to the most prominent horizons. Possible productive formations are indicated by asterisks (*). It is expected that the initial test well would be drilled to a depth of 15,000 feet or fluid in the Devonian unless production is indicated at a shallower depth. Such depth would test all possible pay zones down to and including the Devonian.

<u>System</u>	<u>Series</u>	<u>Formation</u>	<u>Expected Depth</u>
Quaternary & Tertiary		Dune, sand and unconsolidated sand and red beds	Surface to 150'
Triassic		Dockum	150
	(Ochoa	Rustler anhydrite	1480
		Salado Halite	1600
	Guadalupe	Tansil	2940
		*Yates	3100
Permian		*Seven Rivers	3500
		*Queen	4350
		*Grayburg	4795
		*San Andres	5220

ILLEGIBLE

<u>System</u>	<u>Series</u>	<u>Formation</u>	<u>Expected Depth</u>
Permian	(Leonard	*Bone Springs	7520
	(Wolfcamp	*Wolfcamp	10590
	Pennsylvanian	*Pennsylvanian	12100
	Mississippian	*Mississippian lime	13750
		Woodford shale	14320
	Devonian	*Devonian limestone and/or dolomite	14500

*Indicate possible productive horizons. All depths are approximate.

DRILLING AND EXPLORATION
COMPANY, INC.

Chief Geologist
July 9, 1959

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GEOLOGICAL REPORT TO ACCOMPANY
APPLICATION FOR DESIGNATION OF
A ESCALERO UNIT AREA, LEA COUNTY
STATE OF NEW MEXICO

The proposed Mescalero Unit Area is located in southeastern Lea County, New Mexico, approximately twenty-four miles west of the City of Hobbs, and approximately six miles north of the intersection of U. S. Highway No. 62 and the south line of Township 19 South, Range 34 East. The area is difficult to traverse because of lack of roads and the presence of prominent dunes of soft, loose sand which is very fine-grained and reddish-brown in color. Vegetation in the dune areas is limited almost entirely to a low shrub with a very extensive root system and belonging to the oak family.

The area proposed to be included in the Mescalero Unit outline is shown on the attached plat, a portion of Map of Southeast New Mexico - Roswell, U. S. Dept. of Interior, U. S. Geological Survey. Shown also on this plat, labeled Exhibit I, are the outlines of nearby and presently existing Federal Units, all deep (Devonian and deeper) test wells in the area embraced by the plat, and the line of cross section A-A'.

A recent seismic survey of the area, conducted by Drilling and Exploration Company, Inc. delineated a quite attractive anticlinal structural feature at Devonian depth. The enclosed seismic map, labeled Exhibit II, is contoured in time and represents the structural configuration at the approximate top of the Devonian. A domal uplift with expected accompanying

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BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<i>Appl</i>	EXHIBIT NO. <u>2</u>
CASE NO. <u>2060</u>	

faulting is the principle feature and embraces some 5,000 acres. This interpretation is based on seismic records obtained with modern equipment and record quality was considered very good. The proposed unit outline has been limited by the indicated lowest closing contour between faults. Such a unit would encompass the part of the general area which appears to be under the influence of the depicted structural features. The relationship of this area to nearby wells which have encountered the Devonian is indicated on the enclosed cross section, labeled Exhibit III.

The following tabulation indicates the expected stratigraphic sequence to be encountered along with estimated depths to the most prominent horizons. Possible productive formations are indicated by asterisks (*). It is expected that the initial test well would be drilled to a depth of 15,000 feet or fluid in the Devonian unless production is indicated at a shallower depth. Such depth would test all possible pay zones down to and including the Devonian.

<u>System</u>	<u>Series</u>	<u>Formation</u>	<u>Expected Depth</u>
Quaternary & Tertiary		Dune, sand and unconsolidated sand and red beds	Surface to 150'
Triassic		Dockum	150'
	(Ochoa	Rustler anhydrite	1480
		Salade Halite	1600
	(Guadalupe	Tansil	2940
		*Yates	3100
Permian		*Seven Rivers	3500
		*Queen	4350
		*Grayburg	4795
		*San Andres	5220

ILLEGIBLE

<u>System</u>	<u>Series</u>	<u>Formation</u>	<u>Expected Depth</u>
Permian	(Leonard	*Bone Springs	7520
	(Wolfcamp	*Wolfcamp	10590
	Pennsylvanian	*Pennsylvanian	12100
	Mississippian	*Mississippian lime	13750
		Woodford shale	14320
	Devonian	*Devonian limestone and/or dolomite	14500

*Indicate possible productive horizons. All depths are approximate.

DRILLING AND EXPLORATION
COMPANY, INC.

Chief Geologist
July 9, 1954

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CERTIFICATE OF TERMINATION

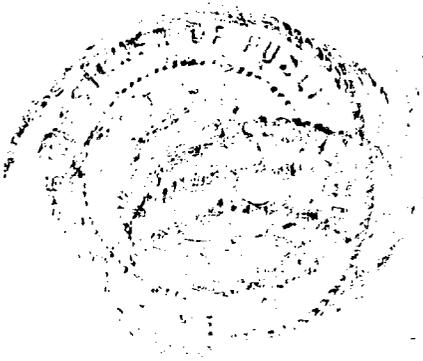
MESCALERO UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

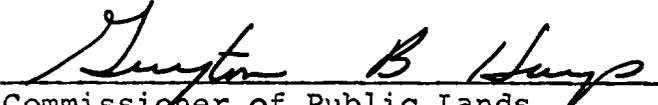
There having been presented to the Commissioner of Public Lands of the State of New Mexico, an application for termination of the Unit Agreement for the development and operation of the Mescalero Unit Area, Lea County, New Mexico. The Mescalero Unit Agreement is dated June 1, 1960, and was approved by the Commissioner of Public Lands as of November 6, 1961, and became effective November 1, 1960.

The application for termination has been executed by the working interests that were committed to the Mescalero Unit Agreement, and such constitute in the aggregate seventy-five (75%) percent, or more, on an acreage basis of the working interests so committed and that provision is made for the termination of the Unit Agreement under Section 20 thereof by the owners of such a percentage of the working interests so committed to the Mescalero Unit Agreement.

NOW, THEREFORE, I do approve the termination of the Mescalero Unit Agreement, the termination to be effective as of November 1, 1965

IN WITNESS WHEREOF, this Certificate of Approval of Termination is executed, with seal affixed, this 1st day of November 1965.

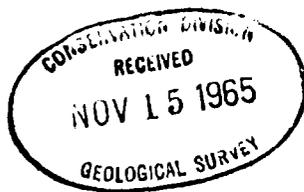



Commissioner of Public Lands
of the State of New Mexico

RECEIVED

OCT 26 1965

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO



Termination of Unit Agreement for
the Development and Operation of
the Mescalero Unit Area, County of
Lea, State of New Mexico, and
Application for Approval Thereof

No. 14-08-0001-6969

The Unit Agreement for the Development and Operation of the Mescalero Unit Area dated June 1, 1960, was approved on October 14, 1960, by the Acting Director of the United States Geological Survey and on November 6, 1961, by the Commissioner of Public Lands, State of New Mexico.

Whereas, the undersigned parties are the owners of more than seventy-five (75) per centum on an acreage basis of the working interest in the Mescalero Unit Area in Lea County, New Mexico; and

Whereas, under the terms of Section 20 of the said Unit Agreement, the Agreement shall terminate five years from the effective date thereof unless a valuable discovery of unitized substances has been made on unitized land during said initial term and said substances can be produced in paying quantities; and

Whereas, said Section 20 further provides that the Unit Agreement may be terminated at any time by not less than seventy-five (75) per centum of the owners of the working interest on an acreage basis with the approval of the Director of the United States Geological Survey and by the Commissioner of Public Lands, State of New Mexico.

Now, therefore, the working interest owners of the Mescalero Unit agree to terminate the Unit Agreement for the Development and Operation of the Mescalero Unit and do hereby request the termination of said Unit Agreement by the Director of the United States Geological Survey and by the Commissioner of Public Lands, State of New Mexico.

This instrument may be executed in counterparts, no one of which needs to be executed by all parties.

In Witness Whereof, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures:

Attest: 
Assistant Secretary

Sinclair Oil & Gas Company-Operator

By: 
R. M. Kobdich
Vice President

Dated: October 15, 1965

Attest: _____
By: _____

Humble Oil & Refining Company

Dated: _____

Attest: _____
By: _____

El Paso Natural Gas Company

Dated: _____

Date Approved NOV 22 1965
Effective as of November 1, 1965


Acting Director, U. S. Geological Survey

PK
MFB
Jre

RECEIVED

OCT 26 1965

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

RECEIVED
NOV 15 1965
GEOLOGICAL SURVEY

Termination of Unit Agreement for
the Development and Operation of
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Lea, State of New Mexico, and
Application for Approval Thereof

No. 14-08-0001-6969

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Whereas, under the terms of Section 20 of the said Unit Agreement, the Agreement shall terminate five years from the effective date thereof unless a valuable discovery of unitized substances has been made on unitized land during said initial term and said substances can be produced in paying quantities; and

Whereas, said Section 20 further provides that the Unit Agreement may be terminated at any time by not less than seventy-five (75) per centum of the owners of the working interest on an acreage basis with the approval of the Director of the United States Geological Survey and by the Commissioner of Public Lands, State of New Mexico.

Now, therefore, the working interest owners of the Mescalero Unit agree to terminate the Unit Agreement for the Development and Operation of the Mescalero Unit and do hereby request the termination of said Unit Agreement by the Director of the United States Geological Survey and by the Commissioner of Public Lands, State of New Mexico. *CMC*

This instrument may be executed in counterparts, no one of which needs to be executed by all parties.

In Witness Whereof, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

Attest:

Sinclair Oil & Gas Company-Operator

Assistant Secretary

By:

R. M. Kobdich
Vice President

Dated:

Attest:

Humble Oil & Refining Company

By:

CMC
AGENT AND ATTORNEY-IN-FACT

Dated:

Attest:

El Paso Natural Gas Company

By:

Dated:

APPROVED	
Deer	<i>HC</i>
Acreage	<i>HC</i>
Int.	<i>HC</i>
Form	<i>HC</i>
Trade	<i>HC</i>

*OK
HHC
OK
jrc*

RECEIVED

OCT 26 1965

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

CONSERVATION DIVISION
RECEIVED
NOV 15 1965
GEOLOGICAL SURVEY

Termination of Unit Agreement for
the Development and Operation of
the Mescalero Unit Area, County of
Lea, State of New Mexico, and
Application for Approval Thereof

No. 14-08-0001-6969

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Whereas, the undersigned parties are the owners of more than seventy-five (75) per centum on an acreage basis of the working interest in the Mescalero Unit Area in Lea County, New Mexico; and

Whereas, under the terms of Section 20 of the said Unit Agreement, the Agreement shall terminate five years from the effective date thereof unless a valuable discovery of unitized substances has been made on unitized land during said initial term and said substances can be produced in paying quantities; and

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Now, therefore, the working interest owners of the Mescalero Unit agree to terminate the Unit Agreement for the Development and Operation of the Mescalero Unit and do hereby request the termination ~~approval~~ of said Unit Agreement by the Director of the United States Geological Survey and by the Commissioner of Public Lands, State of New Mexico.

This instrument may be executed in counterparts, no one of which needs to be executed by all parties.

In Witness Whereof, this instrument is executed by the undersigned parties hereto as of the respective dates set opposite their signatures.

Attest: Sinclair Oil & Gas Company-Operator

Assistant Secretary

By: R. M. Kobdish
Vice President

Dated: _____

*PK
HFB
Jre*

Attest: Humble Oil & Refining Company

Dated: _____

By: _____

Attest: _____

By: _____
Attorney-in-Fact

*PK
HFB
Jre*

Dated: OCT 25 1965

Law	<i>WTH</i>
Sr.	
Exp.	
Pro.	

Attest: *[Signature]*
 Dated: October 2 1965

Gulf Oil Corporation
 By: *[Signature]*
 Attorney In Fact

Attest: _____
 Dated: _____

Pan American Petroleum Company
 By: _____

Attest: _____
 Dated: _____

Continental Oil Company
 By: _____

Dated: _____

Catherine B. McElvain,
 Individually and as Executrix of
 the Estate of T. H. McElvain,
 Deceased.

Dated: _____

Catherine M. Harvey

Dated: _____

T. H. McElvain, Jr.

Dated: _____

Elizabeth R. McElvain

Dated: _____

Carl R. McElvain

Dated: _____

Ruth P. McElvain

Dated: _____

Jacquelin M. Withers

Dated: _____

William P. Withers, Jr.

Dated: _____

Ralph C. McElvain, Jr.

Dated: _____

Peggy P. McElvain

Dated: _____

Edith S. McElvain, a Widow

Roberta Regan

Attest:

Gulf Oil Corporation

Dated:

By:

Attest:

Pan American Petroleum Corporation

Dated:

By:

ATTORNEY-IN-FACT D. B. Mason, Jr.



Assistant Secretary

Attest:

Continental Oil Company

Dated:

By:

Dated:

Catherine B. McElvain, Individually and as Executrix of the Estate of T. H. McElvain, Deceased.

Dated:

Catherine M. Harvey

Dated:

T. H. McElvain, Jr.

Dated:

Elizabeth R. McElvain

Dated:

Carl R. McElvain

Dated:

Ruth P. McElvain

Dated:

Jacquelin M. Withers

Dated:

William P. Withers, Jr.

Dated:

Ralph C. McElvain, Jr.

Dated:

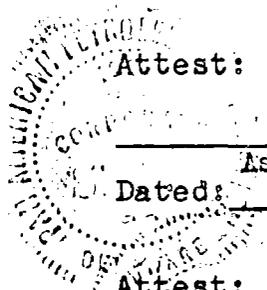
Peggy P. McElvain

Dated:

Roberta Regan

Dated:

Edith S. McElvain, a Widow



Attest:

Gulf Oil Corporation

Dated: _____

By: _____

Attest:

Pan American Petroleum Company

By: _____

Dated: _____

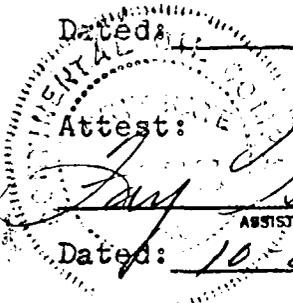
Attest:

Continental Oil Company

Dated: 10-22-65

By: Albert J. [Signature]

ATTORNEY IN FACT



Dated: _____

Catherine B. McElvain,
Individually and as Executrix of
the Estate of T. H. McElvain,
Deceased.

Dated: _____

Catherine M. Harvey

Dated: _____

T. H. McElvain, Jr.

Dated: _____

Elizabeth R. McElvain

Dated: _____

Carl R. McElvain

Dated: _____

Ruth P. McElvain

Dated: _____

Jacquelin M. Withers

Dated: _____

William P. Withers, Jr.

Dated: _____

Ralph C. McElvain, Jr.

Dated: _____

Peggy P. McElvain

Dated: _____

Roberta Regan

Dated: _____

Edith S. McElvain, a Widow

Attest: Gulf Oil Corporation
By: _____

Dated: _____

Attest: Pan American Petroleum Company
By: _____

Dated: _____

Attest: Continental Oil Company
By: _____

Dated: _____

Dated: _____
Catherine B. McElvain,
Individually and as Executrix of
the Estate of T. H. McElvain,
Deceased.

Dated: _____
Catherine M. Harvey

Dated: _____
T. H. McElvain, Jr.

Dated: _____
Elizabeth R. McElvain

Dated: _____
Carl R. McElvain
by James J. McElvain
Carl R. McElvain
his attorney in fact

Dated: _____
Ruth P. McElvain
Ruth P. McElvain

Dated: _____
Jacquelin M. Withers

Dated: _____
William P. Withers, Jr.

Dated: _____
Ralph C. McElvain, Jr.

Dated: _____
Peggy P. McElvain

Dated: _____
Roberta Regan

Dated: _____
Edith S. McElvain, a Widow

Attest:

Gulf Oil Corporation

Dated: _____

By: _____

Attest:

Pan American Petroleum Company

Dated: _____

By: _____

Attest:

Continental Oil Company

Dated: _____

By: _____

Dated: _____

Catherine B. McElvain,
Individually and as Executrix of
the Estate of T. H. McElvain,
Deceased.

Dated: _____

Catherine M. Harvey

Dated: _____

T. H. McElvain, Jr.

Dated: _____

Elizabeth R. McElvain

Dated: _____

Carl R. McElvain

Dated: _____

Ruth P. McElvain

Dated: _____

Jacquelin M. Withers

Dated: _____

William P. Withers, Jr.

Dated: _____

Ralph C. McElvain, Jr.

Dated: _____

Peggy P. McElvain

Dated: 11-16-65

Roberta Regan

Roberta Regan

Dated: _____

Edith S. McElvain, a Widow

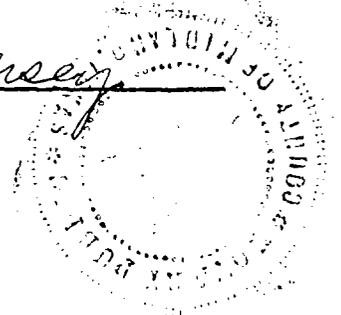
UNIT OWNERS

STATE OF TEXAS ↓

COUNTY OF MIDLAND ↓

The foregoing instrument was acknowledged before me this 15th day of October, 1965, by R. M. KOBISH, Vice President of SINCLAIR OIL & GAS COMPANY, a Maine corporation, on behalf of said corporation.

Thelma J. Arsen
Notary Public



My Commission Expires:

June 1, 1967

STATE OF TEXAS ↓

COUNTY OF _____ ↓

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by _____, _____ of HUMBLE OIL & REFINING COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

June 1, 1967

STATE OF _____ ↓

COUNTY OF _____ ↓

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by _____, _____ of EL PASO NATURAL GAS COMPANY, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____ ↓

COUNTY OF _____ ↓

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by _____, _____ of GULF OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

UNIT OWNERS

STATE OF TEXAS §

COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by R. M. KOBDISH, Vice President of SINCLAIR OIL & GAS COMPANY, a Maine corporation, on behalf of said corporation.

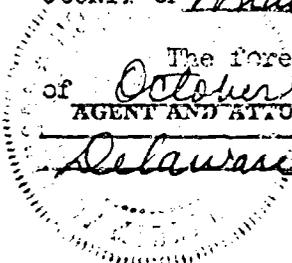
My Commission Expires:

Notary Public

June 1, 1967

STATE OF TEXAS §

COUNTY OF Midland §



The foregoing instrument was acknowledged before me this 22nd day of October, 1965, by C. M. Carothers, AGENT AND ATTORNEY-IN-FACT of HUMBLE OIL & REFINING COMPANY, a Delaware corporation, on behalf of said corporation.

Sheila A. DeVoy
Notary Public

SHEILA A. DeVOY - Notary Public
Midland County, Texas

My Commission Expires:

June 1, 1967

STATE OF _____ §

COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by _____ of EL PASO NATURAL GAS COMPANY, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF _____ §

COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by _____ of GULF OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

UNIT OWNERS

STATE OF TEXAS ↓

COUNTY OF MIDLAND ↓

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by R. M. KOBDISH, Vice President of SINCLAIR OIL & GAS COMPANY, a Maine corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

June 1, 1967

STATE OF TEXAS ↓

COUNTY OF _____ ↓

The foregoing instrument was acknowledged before me this ____ day of _____, 1965, by _____ of HUMBLE OIL & REFINING COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

June 1, 1967

STATE OF _____ ↓

COUNTY OF _____ ↓

The foregoing instrument was acknowledged before me this ____ day of _____, 1965, by _____ of EL PASO NATURAL GAS COMPANY, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF NEW MEXICO ↓

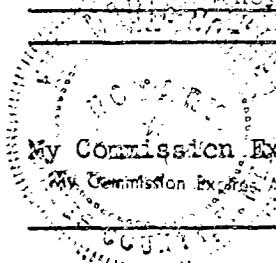
COUNTY OF HAVES ↓

The foregoing instrument was acknowledged before me this 20th day of _____, 1965, by F. O. MORTLOCK, Attorney In Fact of GULF OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My Commission Expires:

[Signature]
Notary Public

My Commission Expires August 15, 1966



STATE OF Texas §

COUNTY OF Tarrant §

The foregoing instrument was acknowledged before me this 2nd day of December, 1965, by D. B. Mason, Jr., ATTORNEY-IN-FACT of PAN AMERICAN PETROLEUM CORPORATION, a corporation, on behalf of said corporation.

My Commission Expires:

March 1 1967

Dorothy W. Woodruff
Notary Public Dorothy W. Woodruff

STATE OF _____ §

COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by _____ of CONTINENTAL OIL COMPANY, a corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____ §

COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by CATHERINE B. McELVAIN, in the capacity therein stated.

My Commission Expires:

Notary Public

STATE OF _____ §

COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by CATHERINE M. HARVEY, in the capacity therein stated.

My Commission Expires:

Notary Public

STATE OF _____ §

COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by T. H. McELVAIN, JR., and ELIZABETH R. McELVAIN, his wife.

My Commission Expires:

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by _____ of PAN AMERICAN PETROLEUM COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF Texas

COUNTY OF Tarrant

The foregoing instrument was acknowledged before me this 2nd day of November, 1965, by ALBERT HRUBETZ ATTORNEY IN FACT of CONTINENTAL OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

6-1-67

Barbara Lee Young
Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by CATHERINE B. McELVAIN, in the capacity therein stated.

My Commission Expires:

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by CATHERINE M. HARVEY, in the capacity therein stated.

My Commission Expires:

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by T. H. McELVAIN, JR., and ELIZABETH R. McELVAIN, his wife.

My Commission Expires:

Notary Public

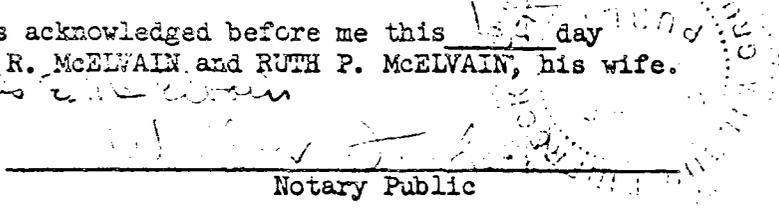
UNIT OWNERS
ACKNOWLEDGEMENT PAGE #3

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by CARL R. McELVAIN and RUTH P. McELVAIN, his wife.

My Commission Expires:



Notary Public

STATE OF OHIO

COUNTY OF HAMILTON

ILLEGIBLE

The foregoing instrument was acknowledged before me _____ is _____ day of _____, 1965, by WILLIAM P. WITHERS, JR., and JACQUELIN M. WITHERS, his wife.

MY COMMISSION DOES NOT EXPIRE:

Notary Public

STATE OF ILLINOIS

COUNTY OF MARION

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by RALPH C. McELVAIN, JR., and PEGGY P. McELVAIN, his wife.

My Commission Expires:

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by ROBERTA REGAN, a widow.

My Commission Expires:

Notary Public

STATE OF ILLINOIS

COUNTY OF MARION

The foregoing instrument was acknowledged to me this _____ day of _____, 1965, by EDITH S. McELVAIN, a widow.

My Commission Expires:

Notary Public

UNIT OWNERS
ACKNOWLEDGEMENT PAGE #3

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by CARL R. McELVAIN and RUTH P. McELVAIN, his wife.

My Commission Expires:

Notary Public

STATE OF OHIO

COUNTY OF HAMILTON

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by WILLIAM P. WITHERS, JR., and JACQUELIN M. WITHERS, his wife.

MY COMMISSION DOES NOT EXPIRE:

Notary Public

STATE OF ILLINOIS

COUNTY OF MARION

The foregoing instrument was acknowledged before me this _____ day of _____, 1965, by RALPH C. McELVAIN, JR., and PEGGY P. McELVAIN, his wife.

My Commission Expires:

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this 16th day of _____, 1965, by ROBERTA REGAN, a widow.

My Commission Expires:

January 1, 1967

Notary Public

STATE OF ILLINOIS

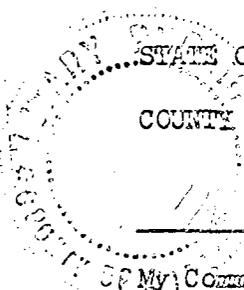
COUNTY OF MARION

ILLEGIBLE

The foregoing instrument was acknowledged to me this _____ day of _____, 1965, by EDITH S. McELVAIN, a widow.

My Commission Expires:

Notary Public





SINCLAIR OIL & GAS COMPANY

P. O. BOX 1470

MIDLAND, TEXAS

June 11, 1963

MIDLAND DIVISION

United States Department of the Interior
Geological Survey
P. O. Drawer 1857
Roswell, New Mexico

Attention: Mr. John A. [unclear]
Regional Oil and Gas Supervisor

Re: Mescalero & Mescalero Ridge Units
Leasehold, New Mexico

Gentlemen:

Please refer to our letter dated May 2, 1963, wherein we advised that we were acquiring the leasehold interests of Drilling and Exploration Company, Inc., and would assume the duties of operator of subject units.

After further conversations and negotiations with the other parties involved, we will not be able to become successor unit operator prior to July 1, 1963. Drilling and Exploration Company, Inc., has therefore agreed to continue to act as unit operator for the time being and will file all necessary papers in connection with the units.

Yours very truly,

R. M. Kobdiah
Vice President

RLO:bjc

cc: All working interest owners
Address list attached

cc: Commissioner of Public Lands
State of New Mexico
Santa Fe, New Mexico
Attention: Unit Division

State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico

MAILING LIST

Mescalero Unit and Mescalero Ridge Unit:

El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas

Mr. Chas. C. Bankhead, Jr.
1107 Southland Center
Dallas 1, Texas

Western Natural Gas Company
P. O. Box 1508
Houston 1, Texas

Grace K. Bankhead
1107 Southland Center
Dallas 1, Texas

Gulf Oil Corporation
P. O. Box 1938
Roswell, New Mexico

W. Hester L. Grebbs
1107 Southland Center
Dallas 1, Texas

Continental Oil Company
1710 Fair Building
Fort Worth 2, Texas

Eleanor S. Grebbs
1107 Southland Center
Dallas 1, Texas

Pan American Petroleum Corporation
Oil and Gas Building
Fort Worth, Texas

Commissioner of Public Lands
State of New Mexico
Santa Fe, New Mexico
Attention: Unit Division

Mr. T. H. McElvain
220 Shelby Street
Santa Fe, New Mexico

State of New Mexico
Oil Conservation Commission
Santa Fe, New Mexico

Mr. & Mrs. Carl R. McElvain
P. O. Box 311
Morris, Illinois

Mrs. Jacquelin M. Withers
8690 Hollyhock Drive
Cincinnati 31, Ohio

Mr. Ralph C. McElvain, Jr.
702 South Lynn
Champaign, Illinois

Mrs. Roberta Regan
P. O. Box 172
Midland, Texas

Mrs. Edith S. McElvain
224 North Ohio Avenue
Salem, Illinois



SINCLAIR OIL & GAS COMPANY

P. O. BOX 1470

MIDLAND, TEXAS

May 2, 1963

MIDLAND DIVISION

United States Department of the Interior
Geological Survey
P. O. Drawer 1857
Roswell, New Mexico

Attention: Mr. John A. Anderson
Regional Oil and Gas Supervisor

Re: Plan of Development - Second Half 1963
Mescalero and Mescalero Ridge Units
Lea County, New Mexico

Gentlemen:

This is to advise you that Sinclair Oil & Gas Company has reached an agreement with Drilling and Exploration Company, Inc., for the acquisition of part of their assets including their leasehold interest in the above described units. The legal transfer of these properties will not occur until on or about August 1, 1963. In the interim Sinclair will be acting as temporary unit operator of each unit. Please direct all future inquiries concerning these units to the above address.

We noted in the Drilling and Exploration Company files your letter of December 17, 1962, concerning a plan of development for the Mescalero Unit. Since the acquisition of these properties involves many complications, we are not able at this time to intelligently evaluate the area covered by these units. We are at the present time examining all available seismic and geologic information relative to the units.

Representatives from our company, including Mr. J. W. Jackson, met in your office on April 30, 1963, with Mr. Traywick, Mr. Feldmiller, and Mr. Percy, to discuss this matter. This letter will confirm our understanding obtained at the meeting that we will, on or before July 1, 1963, submit a plan of development for the last half of 1963 or submit an application for the voluntary termination of the Mescalero Unit.

Very truly yours,

R. L. Elston

RLO:bjc

AMERICAN AIR SERVICE, INC.
P.O. Box 1087
New York, N.Y.

RECEIVED
JUN 10 1963
J. W. J.

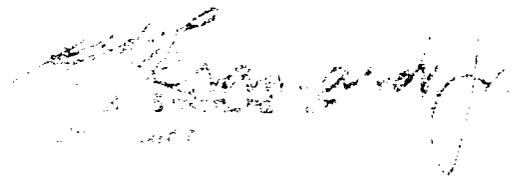
June 10, 1963

Mr. J. W. J.
New York, New York

Dear Mr. J. W. J.:

In a telephone conversation on June 4, 1963, between your representative and Bernard of Houston, Texas, it was determined that your representative had been referred to the United States Department of the Interior, Bureau of Reclamation, on June 2, 1963, and signed on the same date. It was further stated that your representative will be no longer in possession of Unit Operator's permit for the United States Geological Survey at this time, as it suggests that the permit holder is no longer in possession of the permit as of June 2, 1963.

Very truly yours,
AMERICAN AIR SERVICE, INC.



ILLEGIBLE

028024
Copy to: United States Dept. of the Interior, Bureau of Reclamation, Denver, Colorado
Mr. Foster
P. O. Box 1087, New York, N.Y.
Attn: Mr. J. W. J.
Houston, Texas
(See attached mailing label)

J. M. HERVEY 1874-1953

HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. B. CHRISTY, IV.
LEWIS C. COX, JR.

PAUL W. EATON, JR.
~~XXXXXXXXXX~~

LAW OFFICES
HERVEY, DOW & HINKLE
HINKLE BUILDING
ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510
POST OFFICE BOX 547

August 4, 1960

Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Dear Mr. Porter:

Enclosed please find in triplicate Application of Drilling and Exploration Company, Inc. for approval of Mescalero Unit Area, Lea County, New Mexico. Please schedule this for the first Examiner hearing available. I believe that there is probably one the latter part of August, and we would very much like to get on that docket.

With best regards.

Very truly yours,

HERVEY, DOW & HINKLE

By 

HCB:db
Enclosures

MAIN OFFICE OCC

2062

1962 MAR 9 AM 12

March 8, 1962

El Paso Natural Gas Company
El Paso, Texas

Re: Plan of Development
for 1962, Mescalero
Unit, Lea County,
New Mexico

Attention: Mr. Sam Smith

Gentlemen:

The Commissioner of Public Lands has approved your Plan of Development for Mescalero Unit Area for the period January 1, 1962 through December 31, 1962.

We are enclosing one approved copy of this Plan.

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

ESW/umr/v
cc: Oil Conservation Commission
Santa Fe, New Mexico

U. S. Geological Survey
Roswell, New Mexico

C
O
P
Y

El Paso Natural Gas Company

El Paso, Texas

February 16, 1962

Mr. J. A. Anderson
Regional Oil & Gas Supervisor
United States Geological Survey
334 Federal Building
P. O. Box 6721
Roswell, New Mexico

Commissioner of Public Lands
Office of the Commissioner
New Land Office Building
Santa Fe, New Mexico

Re: Plan of Development for Period January
1, 1962, through December 31, 1962,
Mescalero Unit, No. 14-08-0001-6969,
Lea County, New Mexico

Gentlemen:

The Mescalero Unit Agreement was approved by the Acting Director, Geological Survey on October 14, 1960, effective November 1, 1960, and designated Drilling and Exploration Company, Inc., as Unit Operator. Upon commitment of State of New Mexico lands to the Mescalero Unit Agreement, such Unit Agreement was approved on November 6, 1961, by the Commissioner of Public Lands, State of New Mexico. By instruments dated June 7, 1961, Drilling and Exploration Company, Inc. resigned as Unit Operator and El Paso Natural Gas Company was designated by all parties as Successor Unit Operator. Such Designation of Successor Unit Operator was approved by the Commissioner of Public Lands of the State of New Mexico, on November 6, 1961, and by the Acting Director, Geological Survey, on December 28, 1961. Such Designation of Successor Operator is effective January 1, 1962.

El Paso Natural Gas Company, as Successor Operator, has heretofore completed the Mescalero Unit #1 Well as a well capable of producing unitized substances in paying quantities. Well data is as follows:

Spudded:	11-9-60
Completed:	4-23-61
Total Depth:	14,784'
Plugged Back Total Depth:	13,555'
Perforated Intervals	13,160' to 13,186'
	13,201' to 13,212'
Initial Potential:	7,200 MCFPD (Morrow)

Mr. J. A. Anderson
Commissioner of Public Lands

Page 2

An application for approval of the initial participating area for the Morrow formation was submitted on November 3, 1961, such initial participating area to include all of Section 7, Township 19 South, Range 34 East, Lea County, New Mexico, to be effective April 23, 1961.

The Mescalero Ridge Unit #1 Well, approximately 2 1/4 miles to the south, has been successfully completed in the Bone Springs formation at a point low to the wells proposed below. In view of this, possibilities of further success in drilling to the Bone Springs formation would appear to be excellent.

No well is projected to the Morrow formation since the Mescalero Unit #1 Well has shown a tendency toward a decline in pressure and it is felt that additional time should be taken to evaluate its production history prior to further exploration in the Morrow zone.

Therefore, El Paso Natural Gas Company, as Successor Operator, herewith submits the following drilling program for the calendar year 1962:

Unit #2 Well: Location: SE/4, Section 17, Township 19 South,
Range 34 East
Proposed Depth: 10,200' to test the Bone Springs
Formation

Unit #3 Well: Location: SW/4, Section 17, Township 19 South,
Range 34 East
Proposed Depth: 10,200' to test the Bone Springs
Formation

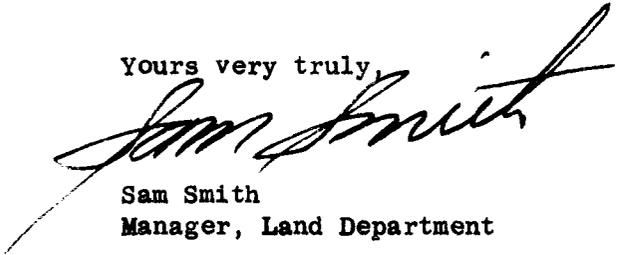
In addition to the above wells, El Paso Natural Gas Company, as Unit Operator, also plans to drill any offset wells required to prevent drainage of unitized substances and any other wells deemed necessary or desirable by the Unit Operator and the working interest owners.

Mr. J. A. Anderson
Commissioner of Public Lands

Page 3

Approval of this Plan of Development for the calendar year 1962 is respectfully requested.

Yours very truly,



Sam Smith
Manager, Land Department

SS:MB:pp

APPROVED: _____
Supervisor, United States Geological
Survey, subject to like approval by
the Commissioner of Public Lands

DATE: _____

APPROVED: _____
Commissioner of Public Lands, subject
to like approval by the United States
Geological Survey

DATE: _____

El Paso Natural Gas Company

El Paso, Texas

April 10, 1962

Mr. John Anderson
Regional Supervisor
United States Geological Survey
Post Office Box 6721
Santa Fe, New Mexico

Commissioner of Public Lands
State of New Mexico
New Land Office Building
Santa Fe, New Mexico

Oil Conservation Commission
for the State of New Mexico
Capitol Annex Building
Santa Fe, New Mexico

Re: Mescalero Unit
1962 Plan of Development
Lea County, New Mexico

Gentlemen:

The 1962 Plan of Development for the Mescalero Unit was approved by the regulatory bodies on the following dates:

United States Geological Survey	March 20, 1962
Commission of Public Lands	March 8, 1962

Copies of this letter are being sent to all working interest owners of the Mescalero Unit.

Very truly yours,



David T. Burleson
Area Coordinator
Land Department

DTB:SHM:bn

cc: Drilling and Exploration Company, Inc.
Exchange Bank Building
P. O. Box 35366, Airlawn Station
Dallas 35, Texas

Pan American Petroleum Corporation
P. O. Box 268
Lubbock, Texas
Attention: Mr. Neil S. Whitmore

Mr. and Mrs. Carl R. McElvain
Post Office Box 311
Morris, Illinois

Mr. T. H. McElvain
220 Shelby Street
Santa Fe, New Mexico

Mr. John Anderson -
Commissioner of Public Lands -
Oil Conservation Commission for
the State of New Mexico

Page Two

April 10, 1962

cc: Mrs. Edith S. McElvain
224 Ohio Street
Salem, Illinois

Mrs. Jacquelin M. Withers
8690 Hollyhock Drive
Cincinnati 31, Ohio

Continental Oil Company
Box 1377
Roswell, New Mexico
Attention: Mr. William A. Mead (3)

Gulf Oil Corporation
P. O. Box 1938
Roswell, New Mexico

Western Natural Gas Company
P. O. Box 1508
Houston 1, Texas

Mrs. Roberta Regan
P. O. Box 172
Midland, Texas

Mr. Ralph C. McElvain, Jr.
1208 Julie Drive
Champaign, Illinois

EL PASO MAIN OFFICE OCC
EL PASO OIL & GAS COMPANY

1962 JAN 17 AM 8:12
January 16, 1962

Commissioner of Public Lands
Office of the Commissioner
New Land Office Building
Santa Fe, New Mexico

Attention: Unit Division

Re: Initial Morrow Participating Area,
Mescalero Unit, Lea County, New
Mexico

Gentlemen:

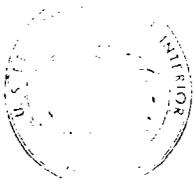
Attached for your files is one copy of letter dated January 11, 1962, from the Regional Oil and Gas Supervisor advising that the Application for Approval of the Initial Morrow Participating Area in the Mescalero Unit was approved by the Acting Director of the Geological Survey and is effective as of April 23, 1961.

Yours very truly,

ORIGINAL SIGNED BY
DAVID T. BURLISON

David T. Burlison
Area Coordinator
Land Department

DTE:MB:pp
Enclosure 4.C, 5.C
cc: Oil Conservation Commission



DB

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Drawer 1857
Roswell, New Mexico



January 11, 1962

El Paso Natural Gas Company
P. O. Box 1492
El Paso, Texas

Attention: Mr. T. W. Bittick

Gentlemen:

Your application of November 3, 1961, for the initial Morrow participating area for the Mescalero unit agreement, Lea County, New Mexico, was approved on December 28, 1961, by the Acting Director of the Geological Survey, effective as of April 23, 1961.

One approved copy of the application is enclosed. It is assumed that you will furnish the State of New Mexico and any other interested party with appropriate evidence of this approval.

Very truly yours,

JOHN A. ANDERSON
Regional Oil and Gas Supervisor

MAIN OFFICE OCC

1962 JAN 12 PM 1:32
January 10, 1962

Commissioner of Public Lands
Office of the Commissioner
New Land Office Building
Santa Fe, New Mexico

Dear Sir:

We attach for your files one copy of a letter dated January 3, 1962, from the United States Geological Survey stating that the Designation of Successor Unit Operator dated June 7, 1961, appointing El Paso Natural Gas Company as successor unit operator for the Mescalero Unit, Lea County, New Mexico, was approved on December 28, 1961.

Very truly yours,

David T. Burleson
Area Coordinator
Land Department

DTB:MB:dk
Attachment

cc: Oil Conservation Commissioner



LB
HS

IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

JAN 3 1962

El Paso Natural Gas Company
Post Office Box 1492
El Paso, Texas

Gentlemen:

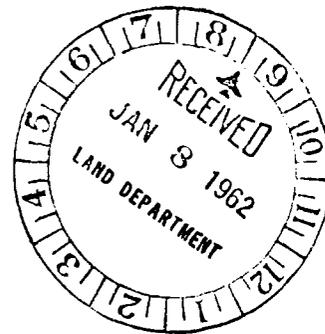
On December 28, 1961, Arthur A. Baker, Acting Director of the Geological Survey, approved the indenture whereby you became the unit operator under the Moscalero unit agreement, Lea County, New Mexico, No. 14-06-0001-6969.

Enclosed are six copies of the approved indenture for your records. It is requested that you furnish the State of New Mexico and any other interested principal with whatever evidence of this approval is deemed appropriate.

Very truly yours,

For the Director

Enclosures 6



DESIGNATION OF SUCCESSOR UNIT OPERATOR

MESCALERO UNIT AREA

COUNTY OF EL PASO, STATE OF NEW MEXICO

BLM-83-0361-8969

THIS AGREEMENT, dated 15 of the _____ day of _____, 1961, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1208, El Paso, Texas, (hereinafter referred to as "El Paso") and the owners of undivided working interests in the Mescalero Unit Area (hereinafter referred to as "Working Interest Owners"),

W I T N E S S E T H

WHEREAS, pursuant to the authority vested in the Secretary of the Interior, under the Act approved February 25, 1920, 41 Statutes 437, 30 U.S.C., Section 181 et seq., as amended by the Act of August 8, 1946, 60 Statutes 950, and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2368 of October 3, 1947, as B.P.R. Nos. 4.611, 12 F. R. 6784, the Acting Director of the United States Geological Survey on the 14th day of October, 1960, approved the Unit Agreement for the Development and Operation of the Mescalero Unit Area, wherein Drilling & Exploration Company, Inc. was designated as Unit Operator; and

WHEREAS, said Drilling & Exploration Company, Inc. has, by Resignation of even date herewith, resigned as said Unit Operator, to be effective on the first day of the month following the date of approval of this Designation by the United States Geological Survey; and

WHEREAS, the undersigned Working Interest Owners desire to designate _____ as the Successor Unit Operator, effective as of the effective date of the resignation of Drilling & Exploration Company, Inc., and

WHEREAS, El Paso desires to assume all the rights, duties and obligations of the Unit Operator of said Unit Area pursuant to the terms of said Unit Agreement as of the first day of the month following the approval hereof by the United States Geological Survey.

NOW, THEREFORE, in consideration of the premises, El Paso hereby covenants and agrees to fulfill the duties and assume the obligations of Unit Operator under and pursuant to the terms of the Mescalero Unit Agreement, and

DESIGNATION OF SUCCESSOR UNIT OPERATOR

MESCALERO UNIT AREA

COUNTY OF LEA, STATE OF NEW MEXICO

NO. 14-08-0001-6969

THIS AGREEMENT, dated as of the 7th day of June,

1961, by and between EL PASO NATURAL GAS COMPANY, a Delaware corporation, whose address is Post Office Box 1492, El Paso, Texas, (hereinafter referred to as "El Paso") and the owners of unitized working interests in the Mescalero Unit Area (hereinafter referred to as "Working Interest Owners"),

W I T N E S S E T H

WHEREAS, pursuant to the authority vested in the Secretary of the Interior, under the Act approved February 25, 1920, 41 Statutes 437, 30 U.S.C., Sections 181 et seq., as amended by the Act of August 8, 1946, 60 Statutes 950, and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. Sec. 4.611, 12 F. R. 6784, the Acting Director of the United States Geological Survey on the 14th day of October, 1960, approved the Unit Agreement for the Development and Operation of the Mescalero Unit Area, wherein Drilling & Exploration Company, Inc. was designated as Unit Operator; and

WHEREAS, said Drilling & Exploration Company, Inc. has, by Resignation of even date herewith, resigned as said Unit Operator, to be effective on the first day of the month following the date of approval of this Designation by the United States Geological Survey; and

WHEREAS, the undersigned Working Interest Owners desire to designate El Paso as the Successor Unit Operator, effective as of the effective date of the resignation of Drilling & Exploration Company, Inc., and

WHEREAS, El Paso desires to assume all the rights, duties and obligations of the Unit Operator of said Unit Area pursuant to the terms of said Unit Agreement as of the first day of the month following the approval hereof by the United States Geological Survey;

NOW, THEREFORE, in consideration of the premises, El Paso hereby covenants and agrees to fulfill the duties and assume the obligations of Unit Operator under and pursuant to the terms of the Mescalero Unit Agreement, and

the undersigned Working Interest Owners covenant and agree that, effective upon the first day of the month following the date of approval of this Designation by the Director of the United States Geological Survey, El Paso Natural Gas Company shall be granted the exclusive right and privilege of exercising any and all rights and privileges as said Unit Operator pursuant to the terms and conditions of said Unit Agreement, said Unit Agreement being hereby incorporated herein by reference and made a part hereof as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

IN WITNESS WHEREOF, this instrument is executed by the parties hereto as of the day and year first set forth hereinabove.

EL PASO NATURAL GAS COMPANY

By [Signature]
Attorney-in-Fact

Attest:

By [Signature]

DRILLING & EXPLORATION COMPANY, INC.

By [Signature]
E. A. Roberts, Jr., Vice President

Attest:

By [Signature]
Assistant Secretary

WESTERN NATURAL GAS COMPANY

By [Signature]
W. K. DAVIS VICE PRESIDENT

Attest:

By [Signature]

CONTINENTAL OIL COMPANY

By [Signature]

Attest:

By [Signature]

PAN AMERICAN PETROLEUM CORPORATION

By [Signature]
ATTORNEY-IN-FACT



Attest:

By [Signature]

GULF OIL CORPORATION

By [Signature]

Law	<u>WKS</u>
Comptr.	
Exp.	
Prod.	

STATE OF TEXAS
COUNTY OF EL PASO

BEFORE ME, the undersigned authority, on this day personally

appeared Sam Smith, known to me to be the person whose name is subscribed to the foregoing instrument, and known to me to be the Attorney-in-Fact for EL PASO NATURAL GAS COMPANY, a corporation, and acknowledged to me that he executed such instrument for the purposes and consideration therein expressed, as the act of said corporation and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 7th day of June, 1961.

My Commission expires:

[Signature]
Notary Public

STATE OF
COUNTY OF

||
||
||

BEFORE ME, a Notary Public in and for the State and County aforesaid, on this day personally appeared W. K. Davis, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be the Vice President of DRILLING & EXPLORATION COMPANY, INC., a corporation, and acknowledged to me that as such Vice President he executed said instrument for the purposes and considerations therein expressed, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 7th day of June, 1961.

My Commission Expires:
June 1, 1963

Robert Woodward
Notary Public in and for
Lubbock County, State
of Texas

STATE OF
COUNTY OF

TEXAS
HARRIS

||
||
||

BEFORE ME, a Notary Public in and for the State and County aforesaid, on this day personally appeared W. K. Davis, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be the Vice President of WESTERN NATURAL GAS COMPANY, a corporation, and acknowledged to me that as such Vice President he executed said instrument for the purposes and considerations therein expressed, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 27th day of JUNE, 1961.

My Commission Expires:
OLIVE V. HARRISS
Notary Public in and for HARRIS County, State
my Commission Expires June 1, 1963 of HARRIS

Olive V. Harriss

STATE OF
COUNTY OF

Texas
Tarrant

||
||
||

BEFORE ME, a Notary Public in and for the State and County aforesaid, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be the President of CONTINENTAL OIL COMPANY, a corporation, and acknowledged to me that as such President he executed said instrument for the purposes and considerations therein expressed, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 19 day of June, 1961.

My Commission Expires:
6-1-63

Richard Lee Peterson
Notary Public in and for
Tarrant County, State
of Texas

STATE OF Texas
COUNTY OF Tarrant

BEFORE ME, a Notary Public in and for the State and County aforesaid, on this day personally appeared D. B. BASCOM, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be the President of PAN AMERICAN PETROLEUM CORPORATION, a corporation, and acknowledged to me that as such President he executed said instrument for the purposes and considerations therein expressed, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 14th day of August, 1961.

My Commission Expires:
June 1, 1963

Velma B. Craft VELMA B. CRAFT
Notary Public in and for Tarrant
County, State of Texas

STATE OF Texas
COUNTY OF Tarrant

BEFORE ME, a Notary Public in and for the State and County aforesaid, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument and known to me to be the _____ President of GULF OIL CORPORATION, a corporation, and acknowledged to me that as such _____ President he executed said instrument for the purposes and considerations therein expressed, and as the act and deed of said corporation.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 9th day of _____, 1961.

My Commission Expires:

Lois Marie Cooper
Notary Public in and for _____
County, State of _____

STATE OF TEXAS

KNOW ALL MEN BY THESE PRESENTS

COUNTY OF DALLAS

THAT the undersigned, DRILLING & EXPLORATION COMPANY, INC., a Delaware corporation, whose address is Post Office Box 25366 Airman Station, Dallas 35, Texas, being the duly designated, qualified and acting Unit Operator for the Development and Operation of the Mescalero Unit Area, Lea County, New Mexico, has and, by these presents, does resign as such Unit Operator, effective as of the first day of the month following the date of approval of that certain Designation of Successor Unit Operator, of even date herewith, by the Director of the United States Geological Survey and hereby requests that El Paso Natural Gas Company, whose address is Post Office Box 1492, El Paso, Texas, be approved as the Successor Unit Operator.

IN WITNESS WHEREOF, this resignation is executed this 7th day of June, 1961.

Date: June 7, 1961

Attest:
By: [Signature]
Asst. Secy

DRILLING & EXPLORATION COMPANY, INC.
By: [Signature]
Vice-President

STATE LAND OFFICE

Ev. 7
Cal 2060
In reply refer to:
Unit Division

Santa Fe, New Mexico



MURRAY E. MORGAN
COMMISSIONER

August 23, 1960

Mr. Howard C. Bratton
Harvey, Dow & Hinkle
P.O. Box 547
Roswell, New Mexico

Re: Mescalero Unit Area
Lea County, New Mexico

Dear Mr. Bratton:

Reference is made to your application dated August 4, 1960, submitted in behalf of Drilling and Exploration Company Inc., for approval of the Mescalero Unit Agreement, Lea County, New Mexico.

You have advised me that Gulf Oil Corporation, lessee of State of New Mexico lease E-1579 embracing the SW $\frac{1}{4}$ of Sec. 32, T. 18 S., R. 34 E., 160 acres, does not intend to commit said State lease to the Mescalero Unit Agreement until discovery of unitized substances in paying quantities is made within the unit area. The Gulf lease shown as Tract No. 16 on Exhibit "B" attached to the unit agreement is the only State land within the unit area.

As there is no State land now being committed, the Commissioner of Public Lands of the State of New Mexico does not desire to approve the Mescalero Unit Agreement or to exercise any rights granted to the Commissioner by the terms thereof.

Very truly yours,

Murray E. Morgan
Commissioner of Public Lands

ILLEGIBLE

MEM/AMR/1

GOVERNOR
JOHN BURROUGHS
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
MURRAY E. MORGAN
MEMBER



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY DIRECTOR

P. O. BOX 871
SANTA FE

August 31, 1900

Mr. Edward Bratten
Harvey, Dow & Kinkle
Box 547
Roswell, New Mexico

Re: Case No. 2000
Order No. B-1700

Applicant:

Drilling & Exploration Co.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ir/

Carbon copy of order also sent to:

Hebbs OCC
Artesia OCC
Aztec OCC

Other

El Paso Natural Gas Company

El Paso, Texas

November 3, 1961

*File
Case 2060*

Oil Conservation Commission
of the State of New Mexico
Capitol Annex Building
Santa Fe, New Mexico

Re: Mescalero Unit Area,
Lea County, New Mexico

Gentlemen:

Attached for your files is one copy each of Consent and Ratification of the Mescalero Unit Agreement and Mescalero Unit Operating Agreement which have been executed by the following parties:

Carl R. McElvain and wife	Tract #14
R. H. McElvain and wife	Tract #14
Edith S. McElvain, a widow	Tract #14
Jacquelin M. Withers and husband	Tract #14
Ralph C. McElvain, Jr., and wife	Tract #14
Roberta Regan, Individually and as Executrix of the Estate of K. M. Regan, Deceased.	Tract #14
Gulf Oil Corporation	Tracts #15 and #16

These instruments are to replace those previously filed on a conditional basis, but will in no manner vary the area covered by the referred to Unit Agreement or any of the interests of the various parties thereto.

Additionally attached for your files is one copy each of Resignation of Unit Operator and Designation of Successor Unit Operator dated June 7, 1961.

All of the instruments referred to herein are being forwarded for the approval of the Commissioner of Public Lands and the United States Geological Survey in accordance with the provisions of the Unit Agreement.

Yours very truly,

David T. Burleson

David T. Burleson
Area Coordinator
Land Department

DTB:MB:dk

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

GULF OIL CORPORATION, the undersigned, having heretofore on August 19, 1960 committed Tract Nos. 2 and 4 shown and described in Exhibits "A" and "B" hereof, respectively, and having further agreed to commit Tract Nos. 15 and 16 upon discovery of unitized substances in paying quantities within the Unit Area described as the Mescalero Unit Area, does hereby consent and ratify all the terms and provisions of the Mescalero Unit Agreement insofar as they apply to Tract Nos. 2, 4, 15 and 16 and for all purposes commit said tracts to the Unit Agreement.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth.

DATE: _____

GULF OIL CORPORATION

ATTEST:

W. C. Kivian
Assistant Secretary
P. O. Box 1938, Roswell, New Mexico

By W. A. Shellshear
Attorney-in-Fact

WVK

FILED
EXD. <i>FOM</i>
Prod.

STATE OF NEW MEXICO |

COUNTY OF CHAVES |

The foregoing instrument was acknowledged before me this 12th day of July, 1961, by W. A. SHELLSHEAR, Attorney-in-Fact for Gulf Oil Corporation, a Pennsylvania corporation, on behalf of said corporation.

Loa Marie Cooper
Notary Public

My Commission Expires:
My Commission Expires August 15, 1962

WVK:ejl
7-5-61
(27)

APPROVED AND CONSENTED TO:
EL PASO NATURAL GAS COMPANY
BY [Signature]
Attorney-in-Fact
Unit Operator

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

309 West Jefferson Street

Carl R. McElvain
Carl R. McElvain

Morris, Illinois

Ruth P. McElvain
Ruth P. McElvain

STATE OF **ILLINOIS**)
) ss.
COUNTY OF **GRANDY**)

The foregoing instrument was acknowledged before me this 24th day of

July, 1961, by Carl R. McElvain & Ruth P. McElvain,
husband and wife

Walter Fenwick
Notary Public

My Commission Expires:
11-9-63

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 19__, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires:

Notary Public

APPROVED AND CONSENTED TO:
EL PASO NATURAL GAS COMPANY
BY [Signature]
Attorney in Charge
Unit Operator

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

220 Shelby Street
Santa Fe, New Mexico

T. H. McElvain
T. H. McElvain
Catherine B. McElvain
Catherine B. McElvain

STATE OF **NEW MEXICO**)
) ss.
COUNTY OF **SANTA FE**)

The foregoing instrument was acknowledged before me this 14th day of August, 19 , by T. H. McElvain and Catherine B. McElvain,
Husband and wife

My Commission Expires:
APR 14 1963

Stearnes M. Howell
Notary Public

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires:

Notary Public

APPROVED AND CONSENTED TO:
EL PASO NATURAL GAS COMPANY
BY John Street
Attorney-in-Fact
Unit Operator

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

224 Ohio Street

Edith S. McElvain
Edith S. McElvain

Salon, Illinois

STATE OF ILLINOIS)
) ss.
COUNTY OF MARION)

The foregoing instrument was acknowledged before me this 25 day of July, 1961, by Edith S. McElvain, a widow

My Commission Expires:

May 22, 1965

Agnes L. Poff
Notary Public

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires

Notary Public

APPROVED AND CONSENTED TO
EL PASO NATURAL GAS COMPANY
BY *[Signature]*
Attorney-in-Fact
Unit Operator

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Joseph M. Wilkins
William P. Wilkins

STATE OF NEW MEXICO)
COUNTY OF CHANDLER) ss.

The foregoing instrument was acknowledged before me this 21th day of August, 1960, by Joseph M. Wilkins and William P. Wilkins, Lea County, New Mexico.

Ernest Lee Hodges
Notary Public

My Commission Expires:
3/16/65

STATE OF)
COUNTY OF) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

Notary Public

My Commission Expires:

APPROVED AND CONSENTED TO:
EL PASO NATURAL GAS COMPANY
BY *Tom Smith*
Attorney-in-Fact
Unit Operator

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

McPherson Drive

Ralph C. McElvain, Jr.
Ralph C. McElvain, Jr.

Madisonville, Kentucky

Peggy F. McElvain
Peggy F. McElvain

STATE OF Kentucky)
COUNTY OF Hopkins) ss.

The foregoing instrument was acknowledged before me this 29th day of

August, 1961, by Ralph C. McElvain, Jr. and Peggy P. McElvain,
husband and wife

My Commission Expires
My Commission Expires July 31, 1965

William L. Hagan
Notary Public

STATE OF)
COUNTY OF) ss.

The foregoing instrument was acknowledged before me this ___ day of _____, 19___ by _____, _____ President of _____ a _____ corporation, in behalf of said corporation.

My Commission Expires _____

Notary Public

APPROVED AND CONSENTED TO:
EL PASO NATURAL GAS COMPANY
BY *[Signature]*
Attorney-in-Fact
Unit Operator

CONSENT AND RATIFICATION
MESCALERO UNIT OPERATING AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Operating Agreement for the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of certain oil and gas leasehold interests committed to said Unit Agreement, and more particularly described on the schedule attached thereto as Exhibit "B", do hereby consent to said Unit Operating Agreement and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Operating Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

P. O. Box 172
Midland, Texas

Roberta M. Regan
Roberta M. Regan, Individually and
as Executrix of Est. of E. M. Regan,
Deceased

STATE OF **TEXAS**)
) ss.
COUNTY OF **MIDLAND**)

The foregoing instrument was acknowledged before me this 27th day of July, 1961, by Roberta M. Regan, Individually and as Executrix of Est. of E. M. Regan, Deceased.

Gertrude S. Ruff (Gertrude S. Ruff)
Notary Public

My Commission Expires:
June 1, 1963

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires: _____ Notary Public

ILLEGIBLE

APPROVED AND CONSENTED TO:
EL PASO NATURAL GAS COMPANY
BY Tom Smith
Attorney-in-Fact
Unit Operator

CONSENT AND RATIFICATION
 MESCALERO UNIT OPERATING AGREEMENT
 EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Operating Agreement for the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of certain oil and gas leasehold interests committed to said Unit Agreement, and more particularly described on the schedule attached thereto as Exhibit "B", do hereby consent to said Unit Operating Agreement and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Operating Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Matheron Drive
Medicineville, Kentucky

Ralph C. McIlvain, Jr.
 Ralph C. McIlvain, Jr.
Roggy P. McIlvain
 Roggy P. McIlvain

STATE OF Kentucky ss.
 COUNTY OF Hopkins

The foregoing instrument was acknowledged before me this 29th day of August, 1961, by Ralph C. McIlvain, Jr. and Roggy P. McIlvain, husband and wife

William R. ...
 Notary Public

My Commission Expires:

STATE OF)
) ss.
 COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires: _____

 Notary Public

ILLEGIBLE

APPROVED AND CONSENTED TO:
 EL PASO NATURAL GAS COMPANY
 BY [Signature]
 Attorney

CONSENT AND RATIFICATION
MESCALERO UNIT OPERATING AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Operating Agreement for the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of certain oil and gas leasehold interests committed to said Unit Agreement, and more particularly described on the schedule attached thereto as Exhibit "B", do hereby consent to said Unit Operating Agreement and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Operating Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

8690 Hollyhook Drive

Cincinnati 31, Ohio

Jacquelin M. Withers
Jacquelin M. Withers
William P. Withers, Jr.
William P. Withers, Jr.

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 29th day of August, 1961, by Jacquelin M. Withers and William P. Withers, Jr., wife and husband.

Ernest Lee Hodges
Notary Public

My Commission Expires:
3/16/65

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

Notary Public

My Commission Expires:

APPROVED AND CONSENTED TO:
EL PASO NATURAL GAS COMPANY
BY Tom Smith
Attorney-in-fact
Unit Operator

CONSENT AND RATIFICATION
MESCALERO UNIT OPERATING AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Operating Agreement for the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of certain oil and gas leasehold interests committed to said Unit Agreement, and more particularly described on the schedule attached thereto as Exhibit "B", do hereby consent to said Unit Operating Agreement and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Operating Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

224 Ohio Street

Edith S. McElvain
Edith S. McElvain

Salem, Illinois

STATE OF ILLINOIS)
) ss.
COUNTY OF MARION)

The foregoing instrument was acknowledged before me this 25 day of July, 1961, by Edith S. McElvain, a widow.

My Commission Expires:

May 22, 1965

Alfred P. Hoff
Notary Public

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires:

Notary Public

APPROVED AND CONSENTED TO:
EL PASO NATURAL GAS COMPANY
BY Tom Smith
Attorney-in-Fact
Unit Operator

CONSENT AND RATIFICATION
 MESCALERO UNIT OPERATING AGREEMENT
 EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Operating Agreement for the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of certain oil and gas leasehold interests committed to said Unit Agreement, and more particularly described on the schedule attached thereto as Exhibit "B", do hereby consent to said Unit Operating Agreement and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Operating Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

220 Shelby Street

Santa Fe, New Mexico

T. H. McElvain

 T. H. McElvain
Catherine B. McElvain

 Catherine B. McElvain

STATE OF NEW MEXICO)
) ss.
 COUNTY OF SANTA FE)

The foregoing instrument was acknowledged before me this 14th day of August, 1961, by T. H. McElvain and Catherine B. McElvain,
husband & wife

My Commission Expires: _____

Deborah M. Powell
 Notary Public

STATE OF)
) ss.
 COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires: _____

 Notary Public

ILLEGIBLE

APPROVED AND CONSENTED TO:
 EL PASO NATURAL GAS COMPANY
 BY [Signature]
 Attorney-in-Fact
 Unit Operator

CONSENT AND RATIFICATION
MESCALERO UNIT OPERATING AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

GULF OIL CORPORATION, the undersigned, having heretofore on August 19, 1960 committed Tract Nos. 2 and 4 shown and described in Exhibits "A" and "B" hereof, respectively, and having further agreed to commit Tract Nos. 15 and 16 upon discovery of unitized substances in paying quantities within the Unit Area described as the Mescalero Unit Area, does hereby consent and ratify all the terms and provisions of the Mescalero Unit Operating Agreement insofar as they apply to Tract Nos. 2, 4, 15 and 16 and for all purposes commit said tracts to the Unit Operating Agreement.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth.

DATE: JUL 12 1961

Law	<i>WVK</i>
Compt.	
Exp.	<i>FOM</i>
Prod.	

GULF OIL CORPORATION

ATTEST:

N. C. Vivian
Assistant Secretary
P.O. Box 1938, Roswell, New Mexico

By *W. A. Shellshear*
Attorney-in-Fact

STATE OF NEW MEXICO *l*

COUNTY OF CHAVES *l*

The foregoing instrument was acknowledged before me this 12th day of July, 1961, by W. A. SHELLSHEAR, Attorney-in-Fact for Gulf Oil Corporation, a Pennsylvania corporation, on behalf of said corporation.

E. Marie Cooper
Notary Public

My Commission Expires:
My Commission Expires August 15, 1962

WVK:ejl
7-5-61
(27)

APPROVED AND CONSENTED TO:
EL PASO NATURAL GAS COMPANY
BY *Stan Smith*
Attorney-in-Fact

NOV 30 1960
NOV 25 11 9 20

FOSTER MORRELL
PETROLEUM CONSULTANT
NICKSON HOTEL BUILDING
ROSWELL, NEW MEXICO

November 30, 1960

Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Case # 2060

Re: Mescalero Unit Area
Lea County, New Mexico

Dear Mr. Porter:

Forwarded herewith for your files in behalf of Drilling and Exploration Company, Inc., Unit Operator, is a conformed copy of the executed unit agreement and a conformed copy of the executed unit operating agreement for the subject unit area.

The Mescalero Unit Agreement was approved by the Acting Director, U. S. Geological Survey on October 14, 1960. The agreement has been designated No. 14-08-0001-6969 and became effective November 1, 1960.

Very truly yours,

Foster Morrell
Foster Morrell

FM/rpd

Enclosures

cc: Mr. G. R. Brainard, Jr.
Drilling and Exploration Company, Inc.

cc: Mr. Sam Smith
El Paso Natural Gas Company

cc: Mr. Hal S. Dean
El Paso Natural Gas Company

cc: Mr. W. K. Davis
Western Natural Gas Company

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
MESCALERO UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

MAY 21 1960
9 21

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EXHIBITS

- Exhibit "A" - Map of Unit Area
- Exhibit "B" - Schedule of Ownership in Lands

CONFORMED COPY

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C. F. R. sec. 4.611, 12 F. R. 6784, I do hereby:

A. Approve the attached agreement for the development and operation of the _____ Mescalero _____ Unit Area, State of New Mexico.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

OCT 14 1960

Dated _____.



Acting Director, United States Geological Survey

14-08-0001 696 9

STATE LAND OFFICE

In reply refer to:
Unit Division

Santa Fe, New Mexico



MURRAY E MORGAN
COMMISSIONER

August 23, 1960

Mr. Howard C. Bratton
Hervev. Dow & Hinkle
P.O. Box 547
Roswell, New Mexico

Re: Mescalero Unit Area
Lea County, New Mexico

Dear Mr. Bratton:

Reference is made to your application dated August 4, 1960, submitted in behalf of Drilling and Exploration Company Inc., for approval of the Mescalero Unit Agreement, Lea County, New Mexico.

You have advised me that Gulf Oil Corporation, lessee of State of New Mexico lease E-1579 embracing the SW $\frac{1}{4}$ of Sec. 32, T. 18 S., R. 34 E., 160 acres, does not intend to commit said State lease to the Mescalero Unit Agreement until discovery of unitized substances in paying quantities is made within the unit area. The Gulf lease shown as Tract No. 16 on Exhibit "A" attached to the unit agreement is the only State land within the unit area.

As there is no State land now being committed, the Commissioner of Public Lands of the State of New Mexico does not desire to approve the Mescalero Unit Agreement or to exercise any rights granted to the Commissioner by the terms thereof.

Very truly yours,

A handwritten signature in cursive script that reads "Murray E. Morgan".

Murray E. Morgan
Commissioner of Public Lands

MFM/MMR/1

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2060
Order No. R-1763

APPLICATION OF DRILLING AND EXPLORATION
COMPANY, INC., FOR APPROVAL OF THE
MESCALERO UNIT AGREEMENT, WHICH UNIT WILL
EMBRACE 4989 ACRES, MORE OR LESS, LOCATED
IN TOWNSHIPS 18 AND 19 SOUTH, RANGES 33
AND 34 EAST, NMPM, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 24, 1960, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 31st day of August, 1960, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the proposed unit plan will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

1. That this Order shall be known as the MESCALERO UNIT AGREEMENT ORDER.

2. (a) That the project herein referred to shall be known as the Mescalero Unit Agreement and shall hereinafter be referred to as the "Project."

(b) That the Plan by which the project shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Mescalero Unit Area, referred to in the applicant's petition and filed with said petition, and such plan shall be known as the Mescalero Unit Agreement Plan.

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3. That the Mescalero Unit Agreement Plan shall be, and hereby is, approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing in any manner any right, duties or obligations which are now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for exploration and development of any lands committed to said Mescalero Unit Agreement, or relative to the production of oil and gas therefrom.

4. (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 18 SOUTH, RANGE 34 EAST

Section 31: S/2
Section 32: SW/4

TOWNSHIP 19 SOUTH RANGE 33 EAST

Section 1: E/2
Section 12: E/2

TOWNSHIP 19 SOUTH, RANGE 34 EAST

All of Sections 5, 6, 7, 8, 17, and 18

containing 4989 acres, more or less.

(b) The unit area may be enlarged or contracted as provided in said Plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Oil Conservation Commission.

5. That the unit operator shall file with the Commission an executed original or executed counterpart of the Mescalero Unit Agreement within 30 days after the effective date thereof.

6. That any party owning rights in the unitized substances who does not commit such rights to said unit agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof, or by ratifying the same. The unit operator shall file with the Commission within 30 days an original of any such counterpart or ratification.

7. That this Order shall become effective upon the approval of said unit agreement by the Director of the United States Geological Survey and shall terminate ipso facto upon the termination

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of said unit agreement. The last unit operator shall immediately notify the Commission in writing of such termination.

DONE at Santa Fe, New Mexico, on the day and year herein-
above designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

esr/

1 NOW, THEREFORE, in consideration of the premises and the promises herein 1
2 contained, the parties hereto commit to this agreement their respective interests 2
3 in the below-defined unit area, and agree severally among themselves as follows: 3

4 1. ENABLING ACT AND REGULATIONS. 4

5 The Mineral Leasing Act of February 25, 1920, as amended, supra, and 5
6 all valid pertinent regulations, including operating and unit plan regulations, 6
7 heretofore issued thereunder or valid pertinent and reasonable regulations here- 7
8 after issued thereunder are accepted and made a part of this agreement as to 8
9 Federal lands, provided such regulations are not inconsistent with the terms of 9
10 this agreement; and as to non-Federal lands, the oil and gas operating regulations 10
11 in effect as of the effective date hereof governing drilling and producing opera- 11
12 tions, not inconsistent with the terms hereof or the laws of New Mexico are hereby 12
13 accepted and made a part of this agreement. 13

14 2. UNIT AREA. 14

15 The area specified on the map attached hereto marked Exhibit "A" is 15
16 hereby designated and recognized as constituting the unit area, containing 4,988.55 16
17 acres, more or less. 17

18 Exhibit "A" shows, in addition to the boundary of the unit area, the 18
19 boundaries and identity of tracts and leases in said area to the extent known to 19
20 the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the ex- 20
21 tent known to the Unit Operator the acreage, percentage, and kind of ownership of 21
22 oil and gas interests in all land in the unit area. However, nothing herein or 22
23 in said schedule or map shall be construed as a representation by any party here- 23
24 to as to the ownership of any interest other than such interest or interests as 24
25 are shown in said map or schedule as owned by such party. Exhibits "A" and "B" 25
26 shall be revised by the Unit Operator whenever changes in the unit area render 26
27 such revision necessary, or when requested by the Oil and Gas Supervisor, herein- 27
28 after referred to as "Supervisor," or when requested by the Commissioner of 28
29 Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner," 29
30 and not less than six copies of the revised exhibits shall be filed with the 30
31 Supervisor and copies thereof shall be filed with the Commissioner and the New 31
32 Mexico Oil Conservation Commission, hereinafter referred to as the "Commission." 32

33 The above-described unit area shall when practicable be expanded to 33
34 include therein any additional tract or tracts regarded as reasonably necessary 34

1 or advisable for the purposes of this agreement, or shall be contracted to ex- 1
2 clude lands not within any participating area whenever such expansion or contrac- 2
3 tion is necessary or advisable to conform with the purposes of this agreement. 3

4 Such expansion or contraction shall be effected in the following manner: 4

5 (a) Unit Operator, on its own motion or on demand of the Director of 5
6 the Geological Survey, hereinafter referred to as "Director," or on demand of 6
7 the Commissioner, after preliminary concurrence of the Director, shall prepare 7
8 a notice of proposed expansion or contraction describing the contemplated changes 8
9 in the boundaries of the unit area, the reasons therefor, and the proposed effec- 9
10 tive date thereof, preferably the first day of a month subsequent to the date of 10
11 notice. 11

12 (b) Said notice shall be delivered to the Commission, the Commissioner, 12
13 and the Supervisor, and copies thereof mailed to the last known address of each 13
14 working interest owner, lessee, and lessor whose interests are affected, advis- 14
15 ing that thirty days will be allowed for submission to the Unit Operator of any 15
16 objections. 16

17 (c) Upon expiration of the 30-day period provided in the preceding 17
18 item (b) hereof, Unit Operator shall file with the Commission, the Commissioner, 18
19 and the Supervisor evidence of mailing of the notice of expansion or contraction 19
20 and a copy of any objections thereto which have been filed with the Unit Opera- 20
21 tor, together with an application in sufficient number, for approval of such 21
22 expansion or contraction, and with appropriate joinders. 22

23 (d) After due consideration of all pertinent information, the expan- 23
24 sion or contraction shall, upon approval by the Commission, the Commissioner, and 24
25 the Director, become effective as of the date prescribed in the notice thereof. 25

26 (e) All legal subdivisions of unitized lands (i.e., 40 acres by Gov- 26
27 ernment survey or its nearest lot or tract equivalent in instances of irregular 27
28 surveys, however, unusually large lots or tracts shall be considered in multiples 28
29 of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimin- 29
30 ation under this subsection), no parts of which are entitled to be in a partici- 30
31 pating area within five years after the first day of the month following the 31
32 effective date of the first initial participating area established under this 32
33 unit agreement, shall be eliminated automatically from this agreement, effective 33
34 as of the first day thereafter, and such lands shall no longer be a part of the 34

1 unit area and shall no longer be subject to this agreement, unless at the ex- 1
2 piration of said 5-year period diligent drilling operations are in progress on 2
3 unitized lands not entitled to participation, in which event all such lands shall 3
4 remain subject hereto for so long as such drilling operations are continued dili- 4
5 gently, with not more than 90 days' time elapsing between the completion of one 5
6 such well and the commencement of the next such well, except that the time allowed 6
7 between such wells shall not expire earlier than 30 days after the expiration of 7
8 any period of time during which drilling operations are prevented by a matter 8
9 beyond the reasonable control of Unit Operator as set forth in the section here- 9
10 of entitled "Unavoidable Delay"; provided that all legal subdivisions of land not 10
11 in a participating area and not entitled to become participating under the ap- 11
12 plicable provisions of this agreement within 10 years after said first day of 12
13 the month following the effective date of said first initial participating area 13
14 shall be eliminated as above specified. Determination of creditable "Unavoid- 14
15 able Delay" time shall be made by Unit Operator and subject to approval of the 15
16 Commissioner and the Director. The Unit Operator shall, within 90 days after 16
17 the effective date of any elimination hereunder, describe the area so eliminated 17
18 to the satisfaction of the Commissioner and the Director and promptly notify all 18
19 parties in interest. 19

20 If conditions warrant extension of the 10-year period specified in 20
21 this subsection 2(e), a single extension of not to exceed 2 years may be accom- 21
22 plished by consent of the owners of 90% of the current unitized working interests 22
23 and 60% of the current unitized basic royalty interests (exclusive of the basic 23
24 royalty interests of the United States), on a total-nonparticipating-acreage 24
25 basis, respectively, with approval of the Commissioner and the Director, pro- 25
26 vided such extension application is submitted to the Commissioner and the 26
27 Director not later than 60 days prior to the expiration of said 10-year period. 27

28 Any expansion of the unit area pursuant to this section which embraces 28
29 lands theretofore eliminated pursuant to this subsection 2(e) shall not be con- 29
30 sidered automatic commitment or recommitment of such lands. 30

31 3. UNITIZED LAND AND UNITIZED SUBSTANCES. 31

32 All land committed to this agreement shall constitute land referred to 32
33 herein as "unitized land" or "land subject to this agreement." All oil and gas 33
34 in any and all formations of the unitized land are unitized under the terms of 34

1 this agreement and herein are called "unitized substances." 1

2 4. UNIT OPERATOR. 2

3 Drilling and Exploration Company, Inc., with offices at Dallas, Texas, 3
4 is hereby designated as Unit Operator and by signature hereto as Unit Operator 4
5 agrees and consents to accept the duties and obligations of Unit Operator for 5
6 the discovery, development, and production of unitized substances as herein 6
7 provided. Whenever reference is made herein to the Unit Operator, such reference 7
8 means the Unit Operator acting in that capacity and not as an owner of interest 8
9 in unitized substances, and the term "working interest owner" when used herein 9
10 shall include or refer to Unit Operator as the owner of a working interest when 10
11 such an interest is owned by it. 11

12 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. 12

13 Unit Operator shall have the right to resign at any time prior to the 13
14 establishment of a participating area or areas hereunder, but such resignation 14
15 shall not become effective so as to release Unit Operator from the duties and 15
16 obligations of Unit Operator and terminate Unit Operator's rights as such for 16
17 a period of six months after notice of intention to resign has been served by 17
18 Unit Operator on all working interest owners and the Commission, the Commissioner, 18
19 and the Director, and until all wells then drilled hereunder are placed in a 19
20 satisfactory condition for suspension or abandonment whichever is required by 20
21 the Supervisor as to Federal lands and by the Commission as to other lands, un- 21
22 less a new Unit Operator shall have been selected and approved and shall have 22
23 taken over and assumed the duties and obligations of Unit Operator prior to the 23
24 expiration of said period. 24

25 Unit Operator shall have the right to resign in like manner and sub- 25
26 ject to like limitations as above provided at any time a participating area 26
27 established hereunder is in existence, provided, that such resignation shall 27
28 not release Unit Operator from any liability for any default by it hereunder 28
29 occurring prior to the effective date of its resignation. 29

30 The Unit Operator may, upon default or failure in the performance of 30
31 its duties or obligations hereunder, be subject to removal by the same percent- 31
32 age vote of the owners of working interests determined in like manner as herein 32
33 provided for the selection of a new Unit Operator. Such removal shall be effec- 33
34 tive upon notice thereof to the Commissioner and the Director. 34

1 At any time for any reason whatsoever there is no Unit Operator, until
2 a successor Unit Operator is selected and approved as hereinafter provided, the
3 working interest owners shall be jointly responsible for performance of the
4 duties of Unit Operator, and shall not later than thirty days before such resig-
5 nation or removal becomes effective appoint a common agent to represent them in
6 any action to be taken hereunder.

7 The resignation or removal of Unit Operator under this agreement shall
8 not terminate its right, title, or interest as the owner of a working interest
9 or other interest in unitized substances, but upon the resignation or removal of
10 Unit Operator becoming effective, such Unit Operator shall deliver possession of
11 all equipment, materials, and appurtenances used in conducting the unit operations
12 and owned by the working interest owners to the new duly qualified successor Unit
13 Operator or to the owners thereof if no such new Unit Operator is elected, to be
14 used for the purpose of conducting unit operations hereunder. Nothing herein
15 shall be construed as authorizing removal of any material, equipment and appurten-
16 ances needed for the preservation of any wells.

17 6. SUCCESSOR UNIT OPERATOR.

18 Whenever the Unit Operator shall tender his or its resignation as Unit
19 Operator or shall be removed as hereinabove provided, the owners of the working
20 interests in the participating area or areas according to their respective acre-
21 age interests in such participating area or areas, or until a participating area
22 shall have been established, the owners of the working interests according to
23 their respective acreage interests in all unitized land, shall by majority vote
24 select a successor Unit Operator; Provided, That, if a majority but not less
25 than seventy-five percent of the working interests qualified to vote are owned by
26 one party to this agreement, a concurring vote of one or more additional working
27 interest owners shall be required to select a new operator. Such selection shall
28 not become effective until (a) a Unit Operator so selected shall accept in writ-
29 ing the duties and responsibilities of Unit Operator, and (b) the selection shall
30 have been approved by the Commissioner and the Director. If no successor Unit
31 Operator is selected and qualified as herein provided, the Commissioner and the
32 Director at their election may declare this unit agreement terminated.

33 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

34 Costs and expenses incurred by Unit Operator in conducting unit operations

1 hereunder shall be paid and apportioned among and borne by the owners of working 1
2 interests, all in accordance with the agreement or agreements entered into by 2
3 and between the Unit Operator and the owners of working interests, whether one or 3
4 more, separately or collectively. Any agreement or agreements, entered into be- 4
5 tween the working interest owners and the Unit Operator as provided in this 5
6 section, whether one or more, are herein referred to as the "unit operating agree- 6
7 ment." Such unit operating agreement shall also provide the manner in which the 7
8 working interest owners shall be entitled to receive their respective proportion- 8
9 ate and allocated share of the benefits accruing hereto in conformity with their 9
10 underlying operating agreements, leases, or other independent contracts, and such 10
11 other rights and obligations as between Unit Operator and the working interest 11
12 owners as may be agreed upon by Unit Operator and the working interest owners; 12
13 however, no such unit operating agreement shall be deemed either to modify any 13
14 of the terms and conditions of this unit agreement or to relieve the Unit Operator 14
15 of any right or obligation established under this unit agreement, and in case of 15
16 any inconsistency or conflict between the unit agreement and the unit operating 16
17 agreement, this unit agreement shall prevail. Three true copies of any unit 17
18 operating agreement executed pursuant to this section should be filed with the 18
19 Supervisor prior to approval of this unit agreement by the Director. 19

20 Notwithstanding any provision contained herein to the contrary, each 20
21 working interest owner shall have the right to take such owner's proportionate 21
22 share of the unitized substances in kind or to personally sell or dispose of the 22
23 same, and nothing herein contained shall be construed as giving or granting to 23
24 the Unit Operator the right to sell or otherwise dispose of the proportionate 24
25 share of any working interest owner without specific authorization from time to 25
26 time so to do. 26

27 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. 27

28 Except as otherwise specifically provided herein, the exclusive right, 28
29 privilege, and duty of exercising any and all rights of the parties hereto which 29
30 are necessary or convenient for prospecting for, producing, storing, allocating, 30
31 and distributing the unitized substances are hereby delegated to and shall be 31
32 exercised by the Unit Operator as herein provided. Acceptable evidence of title 32
33 to said rights shall be deposited with said Unit Operator, and together with 33
34 this agreement, shall constitute and define the rights, privileges, and obligations 34

1 of Unit Operator. Nothing herein, however, shall be construed to transfer title 1
2 to any land or to any lease or operating agreement, it being understood that 2
3 under this agreement the Unit Operator, in its capacity as Unit Operator, shall 3
4 exercise the rights of possession and use vested in the parties hereto only for 4
5 the purposes herein specified. 5

6 9. DRILLING TO DISCOVERY. 6

7 Within six months after the effective date hereof, the Unit Operator 7
8 shall begin to drill an adequate test well at a location approved by the Super- 8
9 visor if on Federal land or the Commission if on State land, unless on such 9
10 effective date a well is being drilled conformably with the terms hereof, and 10
11 thereafter continue such drilling diligently until the Devonian formations have 11
12 been tested or until at a lesser depth unitized substances shall be discovered 12
13 which can be produced in paying quantities (to-wit: quantities sufficient to re- 13
14 pay the costs of drilling, and producing operations, with a reasonable profit) or 14
15 the Unit Operator shall at any time establish to the satisfaction of the Super- 15
16 visor if on Federal land or the Commissioner if on State land that further drill- 16
17 ing of said well would be unwarranted or impracticable, provided, however, that 17
18 Unit Operator shall not in any event be required to drill said well to a depth in 18
19 excess of 15,000 feet. Until discovery of a deposit of unitized substances cap- 19
20 able of being produced in paying quantities, the Unit Operator shall continue 20
21 drilling diligently one well at a time, allowing not more than six months between 21
22 the completion of one well and the beginning of the next well, until a well cap- 22
23 able of producing unitized substances in paying quantities is completed to the 23
24 satisfaction of said Supervisor, or until it is reasonably proved that the 24
25 unitized land is incapable of producing unitized substances in paying quantities 25
26 in the formations drilled hereunder. Nothing in this section shall be deemed to 26
27 limit the right of the Unit Operator to resign as provided in Section 5 hereof, 27
28 or as requiring Unit Operator to commence or continue any drilling during the 28
29 period pending such resignation becoming effective in order to comply with the 29
30 requirements of this section. The Commissioner and the Director may modify the 30
31 drilling requirements of this section by granting reasonable extensions of time 31
32 when, in their opinion, such action is warranted. 32

33 Upon failure to comply with the drilling provisions of this section, 33
34 the Commissioner and the Director may, after reasonable notice to the Unit 34

1 Operator, and each working interest owner, lessee, and lessor at their last known 1
2 addresses, declare this unit agreement terminated. 2

3 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. 3

4 Within six months after completion of a well capable of producing uni- 4
5 tized substances in paying quantities, the Unit Operator shall submit for the 5
6 approval of the Commissioner and the Supervisor an acceptable plan of development 6
7 and operation for the unitized land which, when approved by the Commissioner and 7
8 the Supervisor, shall constitute the further drilling and operating obligations 8
9 of the Unit Operator under this agreement for the period specified therein. From 9
10 time to time before the expiration of any existing plan, the Unit Operator shall 10
11 submit for the approval of the Commissioner and the Supervisor a plan for an 11
12 additional specified period for the development and operation of the unitized land. 12
13 Any plan submitted pursuant to this section shall provide for the exploration of 13
14 the unitized area and for the diligent drilling necessary for determination of the 14
15 area or areas thereof capable of producing unitized substances in paying quantities 15
16 in each and every productive formation and shall be as complete and adequate as 16
17 the Commissioner and the Supervisor may determine to be necessary for timely devel- 17
18 opment and proper conservation of the oil and gas resources of the unitized area 18
19 and shall (a) specify the number and locations of any wells to be drilled and the 19
20 proposed order and time for such drilling; and (b) to the extent practicable 20
21 specify the operating practices regarded as necessary and advisable for proper 21
22 conservation of natural resources. Separate plans may be submitted for separate 22
23 productive zones, subject to the approval of the Commissioner and the Supervisor. 23
24 Said plan or plans shall be modified or supplemented when necessary to meet 24
25 changed conditions or to protect the interests of all parties to this agreement. 25
26 Reasonable diligence shall be exercised in complying with the obligations of the 26
27 approved plan of development. The Commissioner and the Supervisor are authorized 27
28 to grant a reasonable extension of the six-month period herein prescribed for 28
29 submission of an initial plan of development where such action is justified be- 29
30 cause of unusual conditions or circumstances. After completion hereunder of a 30
31 well capable of producing any unitized substance in paying quantities, no further 31
32 wells, except such as may be necessary to afford protection against operations 32
33 not under this agreement or such as may be specifically approved by the Commis- 33
34 sioner and the Supervisor, shall be drilled except in accordance with a plan 34

1 of development approved as herein provided. 1

2 11. PARTICIPATION AFTER DISCOVERY. 2

3 Upon completion of a well capable of producing unitized substances in 3
4 paying quantities or as soon thereafter as required by the Commissioner or the 4
5 Supervisor, the Unit Operator shall submit for approval by the Commissioner and 5
6 the Director a schedule, based on subdivisions of the public-land survey or 6
7 aliquot parts thereof, of all unitized land then regarded as reasonably proved 7
8 to be productive of unitized substances in paying quantities; all lands in said 8
9 schedule on approval of the Commissioner and the Director to constitute a par- 9
10 ticipating area, effective as of the date of completion of the well, or the 10
11 effective date of this unit agreement, whichever is later. Said schedule also 11
12 shall set forth the percentage of unitized substances to be allocated as herein 12
13 provided to each unitized tract in the participating area so established, and 13
14 shall govern the allocation of production from and after the date the participating 14
15 area becomes effective. A separate participating area shall be established in 15
16 like manner for each separate pool or deposit of unitized substances or for any 16
17 group thereof produced as a single pool or zone, and any two or more participating 17
18 areas so established may be combined into one with the consent of the owners of 18
19 all working interests in the lands within the participating areas so to be combined, 19
20 on approval of the Commissioner and the Director. The participating area or 20
21 areas so established shall be revised from time to time, subject to like approval, 21
22 whenever such action appears proper as a result of further drilling operations 22
23 or otherwise, to include additional land then regarded as reasonably proved to 23
24 be productive in paying quantities, or to exclude land then regarded as rea- 24
25 sonably proved not to be productive in paying quantities and the percentage of 25
26 allocation shall also be revised accordingly. The effective date of any revision 26
27 shall be the first of the month in which is obtained the knowledge or information 27
28 on which such revision is predicated, provided, however, that a more appropriate 28
29 effective date may be used if justified by the Unit Operator and approved by the 29
30 Commissioner and the Director. No land shall be excluded from a participating 30
31 area on account of depletion of the unitized substances. 31

32 It is the intent of this section that a participating area shall 32
33 represent the area known or reasonably estimated to be productive in paying quan- 33
34 tities; but, regardless of any revision of the participating area, nothing herein 34

1 contained shall be construed as requiring any retroactive adjustment for pro- 1
2 duction obtained prior to the effective date of the revision of the participating 2
3 area. 3

4 In the absence of agreement at any time between the Unit Operator, the 4
5 Commissioner, and the Director as to the proper definition and redefinition of a 5
6 participating area, or until a participating area has, or areas have, been estab- 6
7 lished as provided herein, the portion of all payments affected thereby may be 7
8 impounded in a manner mutually acceptable to the owners of working interests, 8
9 except royalties due the United States and the State of New Mexico, which shall 9
10 be determined by the Supervisor and the Commissioner and the amount thereof de- 10
11 posited as directed by the Supervisor, and the Commissioner, respectively, to be 11
12 held as unearned money until a participating area is finally approved and then 12
13 applied as earned or returned in accordance with a determination of the sum due 13
14 as Federal and State royalty on the basis of such approved participating area. 14

15 Whenever it is determined, subject to the approval of the Supervisor 15
16 as to wells on Federal land, the Commissioner as to wells on State land, that a 16
17 well drilled under this agreement is not capable of production in paying quan- 17
18 tities and inclusion of the land on which it is situated in a participating area 18
19 is unwarranted, production from such well, for the purposes of settlement among 19
20 all parties other than working interest owners, shall be allocated to the land 20
21 on which the well is located so long as such land is not within a participating 21
22 area established for the pool or deposit from which such production is obtained. 22
23 Settlement for working interest benefits from such a well shall be made as pro- 23
24 vided in the unit operating agreement. 24

25 12. ALLOCATION OF PRODUCTION. 25

26 All unitized substances produced from each participating area estab- 26
27 lished under this agreement, except any part thereof used in conformity with 27
28 good operating practices within the unitized area for drilling, operating, camp 28
29 and other production or development purposes, for repressuring or recycling in 29
30 accordance with a plan of development approved by the Commissioner and the Super- 30
31 visor, or unavoidably lost, shall be deemed to be produced equally on the acreage 31
32 basis from the several tracts of unitized land of the participating area estab- 32
33 lished for such production and, for the purpose of determining any benefits 33
34 accruing under this agreement, each such tract of unitized land shall have 34

1 allocated to it such percentage of said production as the number of acres of such 1
2 tract included in said participating area bears to the total acres of unitized 2
3 land in said participating area, except that allocation of production hereunder 3
4 for purposes other than for settlement of the royalty, overriding royalty and 4
5 payments out of production, shall be on the basis prescribed in the unit oper- 5
6 ating agreement whether in conformity with the basis of allocation herein set 6
7 forth or otherwise. It is hereby agreed that production of unitized substances 7
8 from a participating area shall be allocated as provided herein regardless of 8
9 whether any wells are drilled on any particular part or tract of said partic- 9
10 ipating area. If any gas produced from one participating area is used for re- 10
11 pressuring or recycling purposes in another participating area, the first gas 11
12 withdrawn from such last mentioned participating area for sale during the life 12
13 of this agreement shall be considered to be the gas so transferred until an 13
14 amount equal to that transferred shall be so produced for sale and such gas 14
15 shall be allocated to the participating area from which initially produced as 15
16 constituted at the time of such final production. 16

17 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS AND 17
18 DRILLING OF WELLS NOT MUTUALLY AGREED UPON. 18

19 Any party or parties hereto owning or controlling the working interests 19
20 or a majority of the working interests in any unitized land having thereon a 20
21 regular well location may, with the approval of the Supervisor as to Federal land, 21
22 or the Commission as to State land, at such party's sole risk, cost and expense, 22
23 drill a well to test any formation for which a participating area has not been 23
24 established or to test any formation for which a participating area has been 24
25 established if such location is not within said participating area, or drill any 25
26 well not mutually agreed to by all interested parties, unless within ninety days 26
27 of receipt of notice from said party of his intention to drill the well the Unit 27
28 Operator elects and commences to drill such well in like manner as other wells 28
29 are drilled by the Unit Operator under this agreement. 29

30 If any well drilled as aforesaid by a working interest owner results in 30
31 production such that the land upon which it is situated may properly be included 31
32 in a participating area, such participating area shall be established or enlarged 32
33 as provided in this agreement, and the party or parties paying the cost of drill- 33
34 ing such well shall be reimbursed as provided in the unit operating agreement for 34

1 the cost of drilling such well, and the well shall thereafter be operated by Unit 1
2 Operator in accordance with the terms of this agreement and the unit operating 2
3 agreement. 3

4 If any well drilled as aforesaid by a working interest owner obtains 4
5 production in quantities insufficient to justify the inclusion in a participating 5
6 area of the land upon which such well is situated, such well may be operated and 6
7 produced by the party drilling the same subject to the conservation requirements 7
8 of this agreement. The royalties in amount or value of production from any such 8
9 well shall be paid as specified in the underlying lease and agreements affected. 9

10 14. ROYALTY SETTLEMENT. 10

11 The United States and the State of New Mexico and all royalty owners 11
12 who, under existing contracts, are entitled to take in kind a share of the sub- 12
13 stances now unitized hereunder produced from any tract, shall hereafter be en- 13
14 titled to the right to take in kind their share of the unitized substances al- 14
15 located to such tract, and Unit Operator, or in case of the operation of a well 15
16 by a working interest owner as herein in special cases provided for, such working 16
17 interest owner, shall make deliveries of such royalty share taken in kind in 17
18 conformity with the applicable contracts, laws, and regulations. Settlement for 18
19 royalty interest not taken in kind shall be made by working interest owners 19
20 responsible therefor under existing contracts, laws, and regulations, on or before 20
21 the last day of each month for unitized substances produced during the preceding 21
22 calendar month; provided, however, that nothing herein contained shall operate 22
23 to relieve the lessees of any land from their respective lease obligations for 23
24 the payment of any royalties due under their leases. 24

25 If gas obtained from lands not subject to this agreement is introduced 25
26 into any participating area of the lands being operated hereunder, for use in 26
27 repressuring, stimulation of production, or increasing ultimate recovery, which 27
28 shall be in conformity with a plan first approved by the Commission, the Commis- 28
29 sioner, and the Supervisor, a like amount of gas, after settlement as herein 29
30 provided for any gas transferred from any other participating area and with due 30
31 allowance for loss or depletion from any cause, may be withdrawn from the forma- 31
32 tion into which the gas was introduced, royalty free as to dry gas, but not as to 32
33 the products extracted therefrom; provided that such withdrawal shall be at such 33
34 time as may be provided in the plan of operations or as may otherwise be consented 34

1 to by the Commissioner and the Supervisor, as conforming to good petroleum engi- 1
2 neering practice, and provided further, that such right of withdrawal shall 2
3 terminate on the termination of this agreement. 3

4 Royalty due the United States shall be computed as provided in the 4
5 operating regulations and paid in value or delivered in kind as to all unitized 5
6 substances on the basis of the amounts thereof allocated to unitized Federal land 6
7 as provided herein at the rates specified in the respective Federal leases, or at 7
8 such lower rate or rates as may be authorized by law or regulation; provided, that 8
9 for leases on which the royalty rate depends on the daily average production per 9
10 well, said average production shall be determined in accordance with the operating 10
11 regulations as though each participating area were a single consolidated lease. 11

12 Royalty due on account of State lands shall be computed and paid on 12
13 the basis of all unitized substances allocated to such lands. 13

14 15. RENTAL SETTLEMENT. 14

15 Rental or minimum royalties due on leases committed hereto shall be paid 15
16 by working interest owners responsible therefor under existing contracts, laws, 16
17 and regulations, provided that nothing herein contained shall operate to relieve 17
18 the lessees of any land from their respective lease obligations for the payment 18
19 of any rental or minimum royalty in lieu thereof due under their leases. Rental 19
20 or minimum royalty for lands of the United States subject to this agreement shall 20
21 be paid at the rate specified in the respective leases from the United States 21
22 unless such rental or minimum royalty is waived, suspended, or reduced by law or 22
23 by approval of the Secretary or his duly authorized representative. 23

24 Rentals on State of New Mexico lands subject to this agreement shall 24
25 be paid at the rates specified in the respective leases. 25

26 With respect to any lease on non-Federal land, if and when committed 26
27 to this agreement, containing provisions which would terminate such lease unless 27
28 drilling operations were within the time therein specified commenced upon the 28
29 land covered thereby or rentals paid for the privilege of deferring such drill- 29
30 ing operations, the rentals required thereby shall, notwithstanding any other 30
31 provision of this agreement, be deemed to accrue and become payable during the 31
32 term thereof as extended by this agreement and until the required drilling 32
33 operations are commenced upon the land covered thereby or some portion of such 33
34 land is included within a participating area. 34

1 tract of unitized lands will be accepted and deemed to be performed upon and for
2 the benefit of each and every tract of unitized land, and no lease shall be
3 deemed to expire by reason of failure to drill or produce wells situated on the
4 land therein embraced.

5 (c) Suspension of drilling or producing operations on all unitized
6 lands pursuant to direction or consent of the Secretary and the Commissioner,
7 or their duly authorized representatives, shall be deemed to constitute such
8 suspension pursuant to such direction or consent as to each and every tract of
9 unitized land.

10 (d) Each lease, sublease or contract relating to the exploration,
11 drilling, development or operation for oil or gas of lands other than those of
12 the United States and the State of New Mexico, committed to this agreement, if
13 any, which, by its terms might expire prior to the termination of this agreement,
14 is hereby extended beyond any such term so provided therein so that it shall be
15 continued in full force and effect for and during the term of this agreement.

16 (e) Any Federal lease for a fixed term of twenty years or any renewal
17 thereof or any part of such lease which is made subject to this agreement shall
18 continue in force beyond the term provided therein until the termination hereof.
19 Any other Federal lease committed hereto shall continue in force beyond the term
20 so provided therein or by law as to the committed land so long as such lease re-
21 mains subject hereto, provided, that production is had in paying quantities under
22 this agreement prior to the expiration date of the term of such lease.

23 (f) Each sublease or contract relating to the operation and develop-
24 ment of unitized substances from lands of the United States committed to this
25 agreement, which by its terms would expire prior to the time at which the under-
26 lying lease, as extended by the immediately preceding paragraph, will expire, is
27 hereby extended beyond any such term so provided therein so that it shall be con-
28 tinued in full force and effect for and during the term of the underlying lease
29 as such term is herein extended.

30 (g) The segregation of any Federal lease committed to this agreement
31 is governed by the following provision in the fourth paragraph of Sec. 17(b) of
32 the Act of February 25, 1920, as amended by the Act of July 29, 1954, (68 Stat.
33 583, 585): "Any (Federal) lease hereafter committed to any such (unit) plan em-
34 bracing lands that are in part within and in part outside of the area covered by

1 any such plan shall be segregated into separate leases as to the lands committed 1
2 and the lands not committed as of the effective date of unitization; provided, 2
3 however, that any such lease as to the nonunitized portion shall continue in force 3
4 and effect for the term thereof but for not less than two years from the date of 4
5 such segregation and so long thereafter as oil or gas is produced in paying quan- 5
6 titles." 6

7 (h) Any lease embracing lands of the State of New Mexico having only 7
8 a portion of its lands committed hereto shall be segregated as to the portion com- 8
9 mitted and as to the portion not committed and the terms of such leases shall 9
10 apply separately as to such segregated portions commencing as of the effective 10
11 date hereof. Notwithstanding any of the provisions of this agreement to the 11
12 contrary, any lease embracing lands of the State of New Mexico having only a 12
13 portion of its lands committed hereto shall continue in full force and effect be- 13
14 yond the term provided therein as to all lands embraced in such lease, if oil and 14
15 gas, or either of them, are discovered and are capable of being produced in paying 15
16 quantities from some part of the lands (either within or without the unit area) 16
17 embraced in such lease committed to this agreement at the expiration of the 17
18 secondary term of such lease; or if, at the expiration of the secondary term, the 18
19 lessee or the Unit Operator is then engaged in bona fide drilling or reworking 19
20 operations on some part of the lands embraced therein shall remain in full force 20
21 and effect so long as such operations are being diligently prosecuted, and if 21
22 they result in the production of oil or gas, said lease shall continue in full 22
23 force and effect as to all of the lands embraced therein, so long thereafter as 23
24 oil and gas, or either of them, are being produced in paying quantities from any 24
25 portion of said lands. 25

26 19. COVENANTS RUN WITH LAND. 26

27 The covenants herein shall be construed to be covenants running with 27
28 the land with respect to the interest of the parties hereto and their successors 28
29 in interest until this agreement terminates, and any grant, transfer, or convey- 29
30 ance, of interest in land or leases subject hereto shall be and hereby is condi- 30
31 tioned upon the assumption of all privileges and obligations hereunder by the 31
32 grantee, transferee, or other successor in interest. No assignment or transfer of 32
33 any working interest, royalty, or other interest subject hereto shall be binding 33
34 upon the Unit Operator until the first day of the calendar month after Unit Operator 34

1 is furnished with the original, photostatic, or certified copy of the instrument 1
2 of transfer. 2

3 20. EFFECTIVE DATE AND TERM. 3

4 This agreement shall become effective upon approval by the Commissioner 4
5 and the Director, or their duly authorized representatives, as of the first day 5
6 of the month following approval by the Director and shall terminate five years 6
7 from said effective date unless 7

8 (a) such date of expiration is extended by the Commissioner and the 8
9 Director, or 9

10 (b) it is reasonably determined prior to the expiration of the fixed 10
11 term or any extension thereof that the unitized land is incapable of production 11
12 of substances in paying quantities in the formations tested hereunder and after 12
13 notice of intention to terminate the agreement on such ground is given by the 13
14 Unit Operator to all parties in interest at their last known addresses, the 14
15 agreement is terminated with the approval of the Commissioner and the Director, or 15

16 (c) a valuable discovery of unitized substances has been made on 16
17 unitized land during said initial term or any extension thereof, in which event 17
18 the agreement shall remain in effect for such term and so long as unitized sub- 18
19 stances can be produced in paying quantities, i.e., in this particular instance 19
20 in quantities sufficient to pay for the cost of producing same from wells on 20
21 unitized land within any participating area established hereunder and, should 21
22 production cease, so long thereafter as diligent operations are in progress for 22
23 the restoration of production or discovery of new production and so long there- 23
24 after as the unitized substances so discovered can be produced as aforesaid, or 24

25 (d) it is terminated as heretofore provided in this agreement. 25

26 This agreement may be terminated at any time by not less than seventy- 26
27 five percent, on an acreage basis, of the owners of working interests signatory 27
28 hereto, with the approval of the Commissioner and the Director; notice of any 28
29 such approval to be given by the Unit Operator to all parties hereto. 29

30 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. 30

31 All unit production and the disposal thereof shall be in conformity 31
32 with allocations, allotments and quotas made or fixed by any duly authorized 32
33 person or regulatory body under any Federal or State statute. The Director is 33
34 hereby vested with authority to alter or modify from time to time, in his 34

1 discretion, the rate of prospecting and development and within the limits made or 1
2 fixed by the Commission to alter or modify the quantity and rate of production 2
3 under this agreement, such authority being hereby limited to alteration or modi- 3
4 fication in the public interest, the purpose thereof and the public interest to 4
5 be served thereby to be stated in the order of alteration or modification; pro- 5
6 vided, further, that no such alteration or modification shall be effective as to 6
7 any land of the State of New Mexico as to the rate of prospecting and development 7
8 in the absence of the specific written approval thereof by the Commissioner and 8
9 as to any lands of the State of New Mexico subject to this agreement as to the 9
10 quantity and rate of production in the absence of specific written approval 10
11 thereof by the Commission. 11

12 Powers in this section vested in the Director shall only be exercised 12
13 after notice to Unit Operator and opportunity for hearing to be held not less 13
14 than fifteen days from notice. 14

15 22. CONFLICT OF SUPERVISION. 15

16 Neither the Unit Operator nor the working interest owners nor any of 16
17 them shall be subject to any forfeiture, termination or expiration of any rights 17
18 hereunder or under any leases or contracts subject hereto, or to any penalty or 18
19 liability on account of delay or failure in whole or in part to comply with any 19
20 applicable provision thereof to the extent that the said Unit Operator, working 20
21 interest owners or any of them are hindered, delayed or prevented from complying 21
22 therewith by reason of failure of the Unit Operator to obtain, in the exercise 22
23 of due diligence, the concurrence of proper representatives of the United States 23
24 and proper representatives of the State of New Mexico in and about any matters or 24
25 thing concerning which it is required herein that such concurrence be obtained. 25
26 The parties hereto, including the Commission, agree that all powers and authority 26
27 vested in the Commission in and by any provisions of this contract are vested in 27
28 the Commission and shall be exercised by it pursuant to the provisions of the 28
29 laws of the State of New Mexico and subject in any case to appeal or judicial re- 29
30 view as may now or hereafter be provided by the laws of the State of New Mexico. 30

31 23. APPEARANCES. 31

32 Unit Operator shall, after notice to other parties affected, have the 32
33 right to appear for or on behalf of any and all interests affected hereby before 33
34 the Department of the Interior, the Commissioner and the Commission and to appeal 34

1 from orders issued under regulations of said Department, the Commissioner or the 1
2 Commission, or to apply for relief from any of said regulations or in any pro- 2
3 ceedings relative to operations before the Department of the Interior, the Com- 3
4 missioner or the Commission, or any other legally constituted authority; pro- 4
5 vided, however, that any other interested party shall also have the right at his 5
6 own expense to be heard in any such proceeding. 6

7 24. NOTICES. 7

8 All notices, demands or statements required hereunder to be given or 8
9 rendered to the parties hereto shall be deemed fully given if given in writing 9
10 and personally delivered to the party or sent by postpaid registered mail, 10
11 addressed to such party or parties at their respective addresses set forth in 11
12 connection with the signatures hereto or to the ratification or consent hereof 12
13 or to such other address as any such party may have furnished in writing to 13
14 party sending the notices, demand or statement. 14

15 25. NO WAIVER OF CERTAIN RIGHTS. 15

16 Nothing in this agreement contained shall be construed as a waiver by 16
17 any party hereto of the right to assert any legal or constitutional right or de- 17
18 fense as to the validity or invalidity of any law of the State wherein said uni- 18
19 tized lands are located, or of the United States, or regulations issued thereunder 19
20 in any way affecting such party, or as a waiver by any such party of any right 20
21 beyond his or its authority to waive. 21

22 26. UNAVOIDABLE DELAY. 22

23 All obligations under this agreement requiring the Unit Operator to 23
24 commence or continue drilling or to operate on or produce unitized substances 24
25 from any of the lands covered by this agreement shall be suspended while, but 25
26 only so long as, the Unit Operator despite the exercise of due care and diligence 26
27 is prevented from complying with such obligations, in whole or in part, by strikes, 27
28 acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, 28
29 uncontrollable delays in transportation, inability to obtain necessary materials 29
30 in open market, or other matters beyond the reasonable control of the Unit 30
31 Operator whether similar to matters herein enumerated or not. 31

32 27. FAIR EMPLOYMENT. 32

33 In connection with the performance of work under this agreement, the 33
34 Unit Operator agrees not to discriminate against any employee or applicant for 34

1 employment because of race, religion, color, or national origin. The aforesaid 1
2 provision shall include, but not be limited to, the following: employment, up- 2
3 grading, demotion, or transfer; recruitment or recruitment advertising, layoff 3
4 or termination; rates of pay or other forms of compensation; and selection for 4
5 training, including apprenticeship. The Unit Operator agrees to post hereafter 5
6 in conspicuous places, available for employees and applicants for employment, 6
7 notices to be provided by the contracting officer setting forth the provisions 7
8 of the nondiscrimination clause. 8

9 The Unit Operator agrees to insert the foregoing provision in all sub- 9
10 contracts hereunder, except subcontracts for standard commercial supplies or raw 10
11 materials. 11

12 28. LOSS OF TITLE. 12

13 In the event title to any tract of unitized land shall fail and the true 13
14 owner cannot be induced to join in this unit agreement, so that such tract is not 14
15 fully committed to this agreement and the operation thereof hereunder becomes im- 15
16 practical as a result thereof, such tract shall be automatically regarded as not 16
17 committed hereto and there shall be such readjustment of future costs and benefits 17
18 as may be required on account of the loss of such title. In the event of a dis- 18
19 pute as to title as to any royalty, working interest, or other interests subject 19
20 thereto, payment or delivery on account thereof may be withheld without liability 20
21 for interest until the dispute is finally settled; provided, that as to Federal 21
22 land and State land or leases, no payments of funds due the United States or the 22
23 State of New Mexico should be withheld, but such funds of the United States shall 23
24 be deposited as directed by the Supervisor, and such funds of the State shall be 24
25 deposited as directed by the Commissioner, to be held as unearned money pending 25
26 final settlement of the title dispute, and then applied as earned or returned 26
27 in accordance with such final settlement. 27

28 Unit Operator as such is relieved from any responsibility for any de- 28
29 fect or failure of any title hereunder. 29

30 29. NON-JOINDER AND SUBSEQUENT JOINDER. 30

31 If the owner of any substantial interest in a tract within the unit 31
32 area fails or refuses to subscribe or consent to this agreement, the owner of the 32
33 working interest in that tract may withdraw said tract from this agreement by 33
34 written notice to the Director, the Commissioner and the Unit Operator prior to 34

1 the approval of this agreement by the Director. Any oil or gas interests in 1
2 lands within the unit area not committed hereto prior to submission of this 2
3 agreement for final approval may thereafter be committed hereto by the owner or 3
4 owners thereof subscribing or consenting to this agreement, and, if the interest 4
5 is a working interest, by the owner of such interest also subscribing to the 5
6 unit operating agreement. Joinder to the unit agreement by a working interest 6
7 owner, at any time, must be accompanied by appropriate joinder to the unit opera- 7
8 ting agreement, if more than one committed working interest owner is involved, 8
9 in order for the interest to be regarded as effectively committed to this unit 9
10 agreement. After operations are commenced hereunder, the right of a subsequent 10
11 joinder, as provided in this section, by a working interest owner is subject to 11
12 such requirements or approvals, if any, pertaining to such joinder, as may be 12
13 provided for in the unit operating agreement. After final approval hereof, 13
14 joinder by a non-working interest owner must be consented to in writing by the 14
15 working interest owner committed hereto and responsible for the payment of any 15
16 benefits that may accrue hereunder in behalf of such non-working interest. 16
17 Joinder by any owner of a non-working interest at any time must be accompanied 17
18 by appropriate joinder by the owner of the corresponding working interest in 18
19 order for the interest to be regarded as effectively committed hereto. Except 19
20 as may otherwise herein be provided, subsequent joinders to this agreement shall 20
21 be effective as of the first day of the month following the filing with the Com- 21
22 missioner and the Supervisor of duly executed counterparts of all or any papers 22
23 necessary to establish effective commitment of any tract to this agreement unless 23
24 objection to such joinder is duly made within sixty days by the Director or the 24
25 Commissioner. 25

26 30. COUNTERPARTS. 26

27 This agreement may be executed in any number of counterparts, no one of 27
28 which needs to be executed by all parties or may be ratified or consented to by 28
29 separate instrument in writing specifically referring hereto and shall be bind- 29
30 ing upon all those parties who have executed such a counterpart, ratification, 30
31 or consent hereto with the same force and effect as if all such parties had 31
32 signed the same document and regardless of whether or not it is executed by all 32
33 other parties owning or claiming an interest in the lands within the above- 33
34 described unit area. 34

OTHER WORKING INTEREST OWNERS

GULF OIL CORPORATION

Date: _____

By _____
Attorney-in-Fact

ATTEST:

Assistant Secretary
P. O. Box 669
Roswell, New Mexico

CONTINENTAL OIL COMPANY

Date: September 22, 1960
By John L. Kelly
Attorney-in-Fact

7
H
all
good



ATTEST:
W. Marion Rodgers
Assistant Secretary
1710 Fair Building
Fort Worth 2, Texas

PAN AMERICAN PETROLEUM CORPORATION

Date: August 26, 1960
By Gene Malte
Attorney-in-Fact



ATTEST:
J. J. Smith
Assistant Secretary
P. O. Box 1410
Fort Worth, Texas

Date: _____

By _____
Vice President

ATTEST:

Assistant Secretary

Date: _____

By _____
Vice President

ATTEST:

Assistant Secretary

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 8th day of August, 1960, by G. R. Brainard, Jr., Vice President of Drilling and Exploration Company, Inc., a Delaware corporation, in behalf of said corporation.



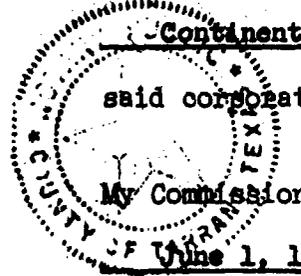
My Commission Expires: June 1, 1961

Russell P. Brunt
Notary Public

Notary Public
My Comm. Expires 6/1/61

STATE OF TEXAS)
) ss.
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 22nd day of September, 1960, by JOHN L. KELLY, ATTORNEY IN FACT President of Continental Oil Company, a Delaware corporation, in behalf of said corporation.

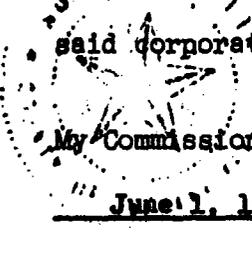


My Commission Expires: June 1, 1961

Evelyn Reichmiller
Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 26th day of August, 1960, by Ed. J. Nolte, Attorney-in-Fact President of East American Petroleum Corporation, a Delaware corporation, in behalf of said corporation.



My Commission Expires: June 1, 1961

Edna M. Agre
Notary Public

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of Gulf Oil Corporation, a Pennsylvania corporation in behalf of said corporation.

My Commission Expires: _____

Notary Public

CONSENT AND RATIFICATION
 MESCALERO UNIT AGREEMENT
 EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

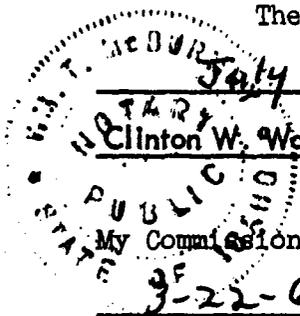
IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Charles Crady, III
 Shell Building
 Houston 2, Texas

Margaret Nettles Long Watts
 Margaret Nettles Long Watts

STATE OF IDAHO)
) ss.
 COUNTY OF Bonner

The foregoing instrument was acknowledged before me this 28th day of July, 1960, by MARGARET NETTLES LONG WATTS, wife of



Clinton W. Watts

Wm T Mc Burney
 Notary Public

STATE OF)
) ss.
 COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires: _____

 Notary Public

71-123456

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

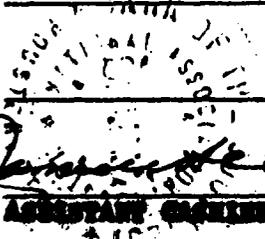
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The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST: _____

**BANK OF THE SOUTHWEST NATIONAL ASSOCIATION,
HOUSTON, TRUSTEE UNDER THE WILL OF BELLA
LEWIS LONG, DECEASED, BUT NOT OTHERWISE.**



ASSISTANT CLERK

By 

Trust Officer
Houston, Texas

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 19____, by _____.

My Commission Expires: _____

Notary Public

STATE OF ~~TEXAS~~)
COUNTY OF ~~HARRIS~~) ss.

The foregoing instrument was acknowledged before me this 23rd day of August, 19 60, by John L. Carson, Jr., Trust Officer, President of Bank of the Southwest National Association, Houston, a Texas corporation, in behalf of said corporation.



Notary Public

My Commission Expires:
MARY HEWETT
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1961

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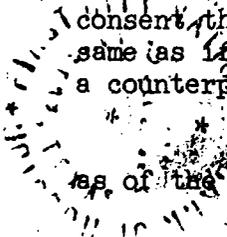
Tn. 123456

CONSENT AND RATIFICATION
 MESCALERO UNIT AGREEMENT
 EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

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The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

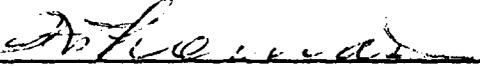
IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.



ATTEST: _____


 Assistant Cashier

FIRST CITY NATIONAL BANK OF HOUSTON
 (SUCCESSOR TO FIRST NATIONAL BANK IN HOUSTON) TRUSTEE OF THE ESTATE OF MARGUERITE SMITH WALKER, DECEASED

By: 

 Vice President
 Houston, Texas

STATE OF _____)
) ss.
 COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____.

My Commission Expires: _____ Notary Public

STATE OF TEXAS)
) ss.
 COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 28th day of July, 1960, by L. H. Thomas, Vice President of First City National Bank of Houston, a national banking association of said association ~~corporation~~, in behalf of said ~~corporation~~.



 Notary Public
 in and for Harris County, Texas

My Commission Expires: _____

W. S. RAPP, JR.
 Notary Public in and for Harris County, Texas
 My Commission Expires June 1, 1961



7. 1. 2. 3. 4. 5. 6

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

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IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Geo. W. Littlefield
Geo. W. Littlefield
Mary Nell Littlefield
Mary Nell Littlefield
P. O. Box 1185, Roswell, New Mexico

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 7 day of September, 1960, by Geo. W. Littlefield and Mary Nell Littlefield,
_____ his wife,



J. J. Patterson
Notary Public

My Commission Expires:
July 7, 1961

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires: _____
Notary Public

CONSENT AND RATIFICATION
 MESCALERO UNIT AGREEMENT
 EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

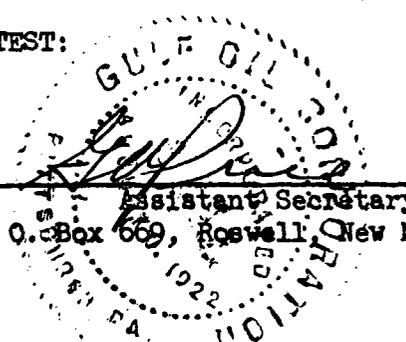
GULF OIL CORPORATION, the undersigned, hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledges that it has read the same and is familiar with the terms and conditions thereof.

The undersigned also being the owner of certain oil and gas leasehold interests embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

Notwithstanding anything above to the contrary, however, Gulf Oil Corporation hereby commits at this time only Tracts No. 2 and 4, and agrees to commit Tracts No. 15 and 16 upon discovery of unitized substances in paying quantities within the Unit Area described as the Mescalero Unit Area.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth.

DATE: AUG 10 1960

ATTEST: 
 Assistant Secretary
 P. O. Box 669, Roswell, New Mexico

GULF OIL CORPORATION

BY W. A. Shellshar
 Attorney-in-Fact

Law	<i>W.A.S.</i>
Comptroller	<i>W.A.S.</i>
Exp.	<i>W.A.S.</i>
Prod.	

STATE OF NEW MEXICO)
 COUNTY OF CHAVES) ss.

The foregoing instrument was acknowledged before me this 19th day of August, 1960 by _____, Attorney-in-Fact of Gulf Oil Corporation, a Pennsylvania corporation, in behalf of said corporation.

My Commission Expires:
 My Commission Expires Aug 19, 1962


Lois Marie Cooper
 Notary Public

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

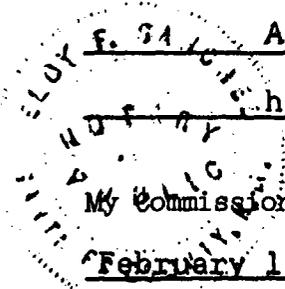
P. O. Box 1681

Santa Fe, New Mexico

Hoover H. Wright
Betty Ruth Wright

STATE OF New Mexico)
) ss.
COUNTY OF Santa Fe

The foregoing instrument was acknowledged before me this 3rd day of August, 1960, by Hoover H. Wright, and Betty Ruth Wright, his wife.



My Commission Expires:
February 18, 1961

Eloy F. Sanchez
Notary Public

Eloy F. Sanchez

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 19__, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

P. O. Box 993

Charles B. Gonsales

Santa Fe, New Mexico

Betty Gonsales

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE

The foregoing instrument was acknowledged before me this 5th day of

AUGUST, 1960, by CHARLES B. GONSALES and

BETTY GONSALES, wife

Jack Albert Smith
Notary Public



My Commission Expires:

June 15, 1964

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of

____, 19____, by _____, _____ President

of _____, a _____ corporation, in behalf

of said corporation.

My Commission Expires:

Notary Public

Tr. 7, 8, 9, 12

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

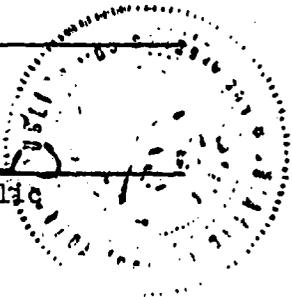
Levi A. Hughes
Dorothy B. Hughes

10755 Rochester Avenue
Los Angeles 24, California

STATE OF Calif.)
) ss.
COUNTY OF L.A.)

The foregoing instrument was acknowledged before me this 8th day of August, 1960, by Levi A. Hughes and Dorothy B. Hughes, his wife.

Suzanne Redwood
Notary Public



My Commission Expires: _____
1961

STATE OF _____)
) ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires: _____
Notary Public

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

4820 E. MAIN
FARMINGTON, N.M.

Leroy English

Frances B English

STATE OF N.M.)
COUNTY OF SAN JUAN ss.

The foregoing instrument was acknowledged before me this 17 day of

AUGUST, 1960, by LEROY ENGLISH and FRANCES
B. ENGLISH, his wife



Thelma D Jensen
Notary Public

My Commission Expires:
Sept. 9, 1960

STATE OF)
COUNTY OF) ss.

The foregoing instrument was acknowledged before me this _____ day of

_____, 19____, by _____, _____ President
of _____, a _____ corporation, in behalf
of said corporation.

My Commission Expires: _____ Notary Public

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST:

George Lyne
Asst. Cashier

Albuquerque National Bank, Testamentary
Trustee of F. A. Andrews, deceased
By Ralph E. Becker
Trust Officer
Albuquerque, New Mexico

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 19____, by _____.

My Commission Expires: _____

Notary Public

STATE OF New Mexico
) ss.
COUNTY OF Bernalillo

The foregoing instrument was acknowledged before me this 9th day of August, 1960, by Ralph E. Becker, Trust Officer ~~president~~ of Albuquerque National Bank, a _____ corporation, in behalf of said corporation.

My Commission Expires:
March 18, 1963

Ralph E. Becker
Notary Public



Tr. 7, 8, 9, 12, 14, 15

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST:

Ralph Ashurst
Secretary *

HIGGINS TRUST, INC.
by Neil B. Watson
Vice-President.
Carper Building
Artesia, New Mexico

STATE OF New Mexico)
) ss.
COUNTY OF Eddy)

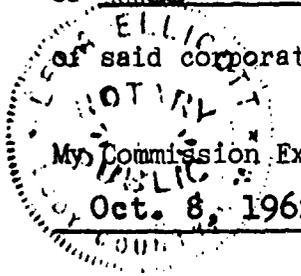
The foregoing instrument was acknowledged before me this 8th day of September, 1960, by _____

My Commission Expires: _____ Notary Public

STATE OF New Mexico)
) ss.
COUNTY OF Eddy)

The foregoing instrument was acknowledged before me this 8th day of September, 1960, by Neil B. Watson, Vice- President of Higgins Trust, Inc., a New Mexico corporation, in behalf of said corporation.

Lela Elliott
Notary Public


My Commission Expires: Oct. 8, 1962

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST:

SABINE ROYALTY CORPORATION

Helen Johnson
Helen Johnson, Secretary

By: E. C. McCarty
E. C. McCarty, President
1210 Mercantile Bank Building
Dallas 1, Texas

STATE OF TEXAS)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 19____, by _____.

My Commission Expires: _____

Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 8th day of September, 1960, by E. C. McCarty, _____ President of SABINE ROYALTY CORPORATION, a Texas corporation, in behalf of said corporation.

My Commission Expires: _____

Mary Alyce Heath
Notary Public
Dallas County, Texas

June 1, 1961

Mary Alyce Heath

Tn. 78,912,1415

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

P. O. Box 968

Roy G. Barton

Hobbs, New Mexico

Opal Barton

STATE OF N. M.)
) ss.
COUNTY OF Lea)

The foregoing instrument was acknowledged before me this 1st day of September, 19 60 by Roy G. Barton and wife, Opal Barton

Thomas Dyer
Notary Public

My Commission Expires:

My Commission Expires Dec. 2, 1963

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires:

Notary Public

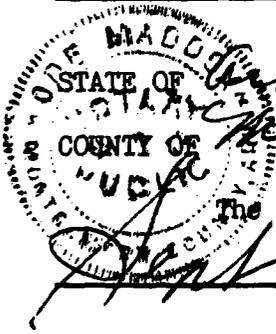
CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Oden, Arkansas Mrs. Lou Baker


Ode Maddox
Notary Public

The foregoing instrument was acknowledged before me this 19 day of Sept, 1960 by Mrs Lou Baker

My Commission Expires: 9-22-60
Ode Maddox
Notary Public

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 19__, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires: _____
Notary Public

Tm. 7, 8, 9, 12

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

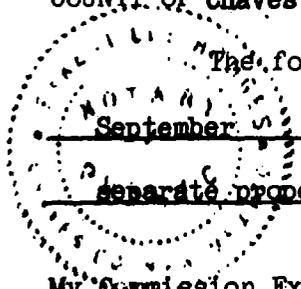
IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

P. O. Box 1685

George E. Bobb.

Big Spring, Texas

STATE OF New Mexico)
) ss.
COUNTY OF Chaves)



The foregoing instrument was acknowledged before me this 1st day of September, 1960, by George E. Bobb, dealing his sole and separate property

Ernest Lee Hodges
Notary Public

My Commission Expires:

3/1/61

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

P. O. Box 1685

Rona Bell Saunders Bobb

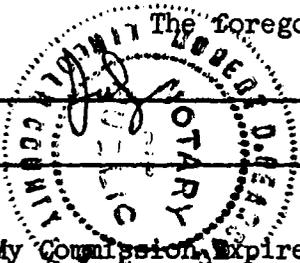
Big Spring, Texas

STATE OF New Mexico
COUNTY OF Deuel

ss

The foregoing instrument was acknowledged before me this 26th day of _____, 1960, by Rona Bell Saunders Bobb a married woman dealing in her separate estate.

My Commission Expires:
MY COMMISSION EXPIRES APRIL 11, 1962



Robert J. Pearson
Notary Public

STATE OF _____)
COUNTY OF _____)

ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires:

Notary Public

Tr. 7, 8, 9, 12

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

HOWEVER, this Consent and Ratification shall not be filed with the U.S. Geological Survey and is to be effective only as an agreement between the Working Interest Owners with relation to the cost and participation in wells drilled under the Unit Agreement. The undersigned further agree to file a subsequent joinder for lease record purposes upon discovery of unitized substances in paying quantities within the unit area.

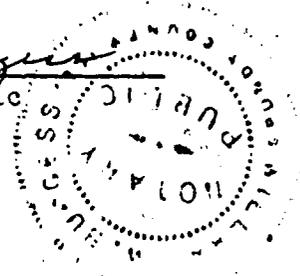
Carl R. McElvain
P. O. Box 311, Morris, Illinois
Ruth P. McElvain

STATE OF Illinois)
) ss.
COUNTY OF Grundy)

The foregoing instrument was acknowledged before me this 18th day of August, 1960, by Carl R. McElvain and Ruth P. McElvain husband & wife

My Commission Expires:
10-23-62

Willard W. Buzen
Notary Public



STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this ____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

HOWEVER, this Consent and Ratification shall not be filed with the U. S. Geological Survey and is to be effective only as an agreement between the Working Interest Owners with relation to the cost and participation in wells drilled under the Unit Agreement. The undersigned further agrees to file a subsequent joinder for lease record purposes upon discovery of unitized substances in paying quantities within the unit area.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Edith S. McElvain
Edith S. McElvain
224 Ohio Street
Salem, Illinois

STATE OF ILLINOIS }
 } ss.
COUNTY OF MARION

The foregoing instrument was acknowledged before me this 1st day of May, 1960 by Edith S. McElvain, a widow.

Carl L. Hoff
Notary Public

My Commission Expires:

May 22, 1961

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

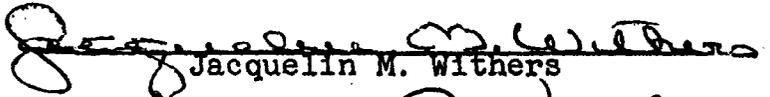
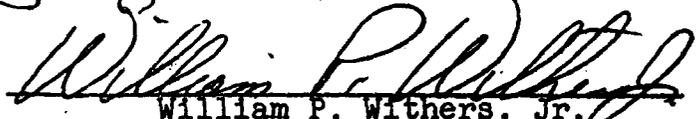
The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

HOWEVER, this Consent and Ratification shall not be filed with the U. S. Geological Survey and is to be effective only as an agreement between the Working Interest Owners with relation to the cost and participation in wells drilled under the Unit Agreement. The undersigned further agree to file a subsequent joinder for lease record purposes upon discovery of unitized substances in paying quantities within the unit area.

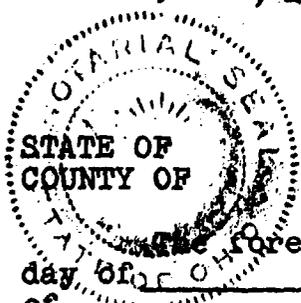
IN WITNESS WHEREOF, this instrument was executed by the undersigned as of the date set forth in their respective acknowledgments.

8690 Hollyhock Drive
Cincinnati 31, Ohio.


Jacquelin M. Withers

William P. Withers, Jr.

STATE OF }
COUNTY OF } ss:

The foregoing instrument was acknowledged before me this 3rd day of October, 1960 by Jacquelin M. Withers and William P. Withers, Jr., husband and wife.




Notary Public
NOLAN W. CARSON
Notary Public, State of Ohio
My Commission Expires Oct. 5, 1960

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ President of _____, a _____ corporation, in behalf of said corporation.

Notary Public

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

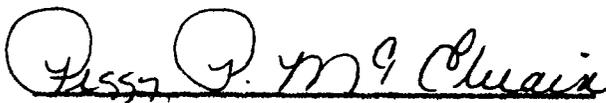
The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

HOWEVER, this Consent and Ratification shall not be filed with the U. S. Geological Survey and is to be effective only as an agreement between the Working Interest Owners with relation to the cost and participation in wells drilled under the Unit Agreement. The undersigned further agree to file a subsequent joinder for lease record purposes upon discovery of unitized substances in paying quantities within the unit area.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.


Ralph C. McElvain, Jr.
McPherson Drive
Madisonville, Kentucky


Peggy P. McElvain

STATE OF)
) as.
COUNTY OF)

The foregoing instrument was acknowledged before me this 15th day of November, 1960, by Ralph C. McElvain, Jr. and Peggy P. McElvain,
his wife.


Notary Public

My Commission Expires:

1/31/61

CONSENT AND RATIFICATION
MESCALERO UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Mescalero Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

2762 Rice

San Angelo, Texas

Mrs. Cynthia Brown Seale
Laura Carolyn Seale

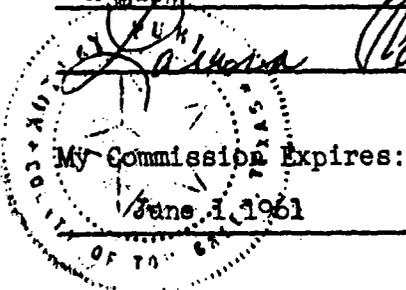
STATE OF Texas)
) ss.
COUNTY OF Tom)
) Green

The foregoing instrument was acknowledged before me this 9th day of

August, 1960, by Mrs. Cynthia Brown Seale, a widow

Laura Carolyn Seale, a feme sole.

E. C. Pope
Notary Public



STATE OF)
) ss.
COUNTY OF)

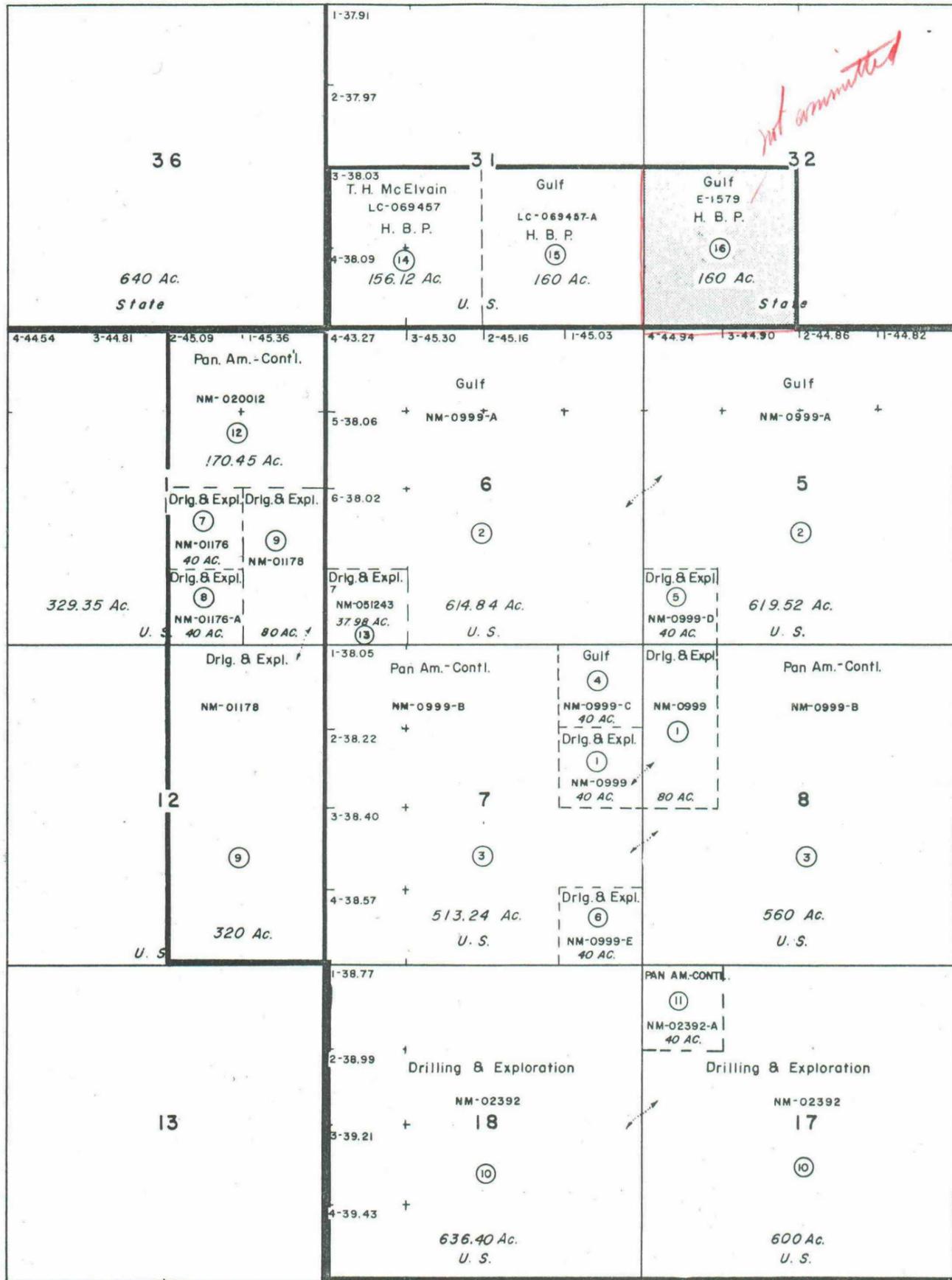
The foregoing instrument was acknowledged before me this ____ day of

____, 19____, by _____, _____ President
of _____, a _____ corporation, in behalf
of said corporation.

My Commission Expires: _____ Notary Public

R-33-E

R-34-E



T
18
S

T
19
S

R-33-E

R-34-E

LEGEND:		
	Federal Land	4828.55 Acres 96.79%
	State Land	160.00 Acres 3.21%
	Total	4988.55 Acres 100.00%
	Boundary Unit Area	
	Tract No. From Exhibit "B"	

EXHIBIT "A"
MESCALERO UNIT AREA
 LEA COUNTY, NEW MEXICO
 August 3, 1960

Working Interest Owner Under
Opt-out Agreement, Operating
Agreement or Assignment and
Percentage of Interest

Overriding Royalty
Owner and Percentage

Record Owner of Lease
or Application

Land Owner
Percentage of Royalty

No. of
Acres

Tract
No. Description

FEDERAL LANDS (Continued)

T. 19 S., R. 34 E.

3	Sec. 7:	Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	1073.24	NM 0999-B 5-1-50 Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Hoover H. Wright Continental Oil Company	1/2	Margaret Nettles Long Watts	1.00%	Pan American Petroleum Corporation (Option)	1/2
	Sec. 8:	S $\frac{1}{2}$, NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$				National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long), Deceased	1/2	Bank of the Southwest	1.00%	Continental Oil Company (Assignment)	1/2

First City National Bank
of Houston, Texas,
(formerly First National
Bank in Houston) Trustee,
Est. of Marguerite Smith
Walker, Deceased 2.00%

4	Sec. 7:	NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	NM 0999-C 5-1-50 Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Gulf Oil Corporation		Margaret Nettles Long Watts	1.00%	Gulf Oil Corporation (Assignment)	All
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Bank of the Southwest
National Association,
Houston, Texas, Trustee,
Est. of Rolla Lewis
Long (a/k/a R. L.
Long), Deceased 1.00%
First City National Bank
of Houston, Texas,
(formerly First National
Bank in Houston) Trustee,
Est. of Marguerite Smith
Walker, Deceased 2.00%

EXHIBIT "B" - MESCALERO UNIT - LEA COUNTY, NEW MEXICO

Page 3

Working Interest Owner Under
 Option Agreement, Operating
 Agreement, Assignment and
 Interest

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement, Assignment and Interest
FEDERAL LANDS (Continued)							
T. 19 S., R. 34 E.							
5	Sec. 5: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NM 0999-D 5-1-50 Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % ALL	Margaret Nettles Long Watts 1/4 Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long), Deceased 1/4 First City National Bank of Houston, Texas, (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 1/2	Margaret Nettles Long Watts 1.00% Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long), Deceased 1.00% First City National Bank of Houston, Texas, (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 2.00%	Drilling and Exploration Company, Inc. (Assignment)
6	Sec. 7: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 0999-E 5-1-50 Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % ALL	Drilling and Exploration Company, Inc.	Margaret Nettles Long Watts 1.00% Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long), Deceased 1.00% First City National Bank of Houston, Texas, (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 2.00%	Drilling and Exploration Company, Inc. ALL (Assignment)

EXHIBIT "B" - MESCALERO UNIT - IFA COUNTY, NEW MEXICO

Tract No. Description No. of Acres Serial No. and Lease Date and Land Owner Percentage of Royalty Record Owner of Lease or Application Overriding Royalty Owner and Percentage Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest

FEDERAL LANDS (Continued)

T. 19 S., R. 33 E.

7	Sec. 1: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 01176	U.S.A.	Charles B. Gonzales	1/4	Albuquerque National Bank, Drilling and Exploration Company, Inc.	All
			4-1-50	12 $\frac{1}{2}$ % All	Levi A. Hughes	1/4	Testamentary Trustee of F. A. Andrews,	
			Ext. to		Leroy English	5/12	Deceased	
			2-28-62		Evelyn Ann English,		Selma E. Andrews	0.115700%
					Administratrix of		Higgins Trust	0.134300%
					Est. of P. B.		Inc.	0.375000%
					English, Jr.,	1/12	Sabine Royalty	
					Deceased		Corporation	0.375000%

J. H. Campbell 0.625000%
 Roy G. Barton 0.218750%
 Mrs. Lou Baker 1.562500%
 George E. Bobb 0.764067%
 Fern Sullivan 0.250000%
 Nona Bell Saunders 0.500000%
 Opal Barton 0.015625%
 Roy G. Barton, Jr. 0.015625%
 Lejzor Bryks 0.048433%
5.000000%

\$350/acre from each proration unit
 severally from 1/16 of 7/8 to:
 Charles B. Gonzales 1/4
 Levi A. Hughes 1/4
 Leroy English 5/12
 Evelyn Ann English,
 Administratrix of
 Est. of P. B.
 English, Jr.,
 Deceased 1/12

September 1, 1960

EXHIBIT "B" - MESCALERO UNIT - LEA COUNTY, NEW MEXICO

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
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FEDERAL LANDS (Continued)

T. 19 S., R. 33 E.

8	Sec. 1: SW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 01176-A 4-1-50 Ext. to 2-28-62	U.S.A. 12 $\frac{1}{2}$ % All	Drilling and Exploration Company, Inc.	Albuquerque National Bank, Drilling and Exploration Company, Inc. All Testamentary Trustee of F. A. Andrews, Deceased Selma E. Andrews Higgins Trust Inc.	0.115700% 0.134300% 0.375000%
						Sabine Royalty Corporation J. H. Campbell Roy G. Barton Mrs. Lou Baker George E. Bobb Fern Sullivan Nona Bell Saunders Opal Barton Roy G. Barton, Jr. Lejzor Bryks	0.375000% 0.625000% 0.218750% 1.562500% 0.764067% 0.250000% 0.500000% 0.015625% 0.015625% 0.048433% <u>5.000000%</u>

\$350/acre from each proration unit
severally from 1/16 of 7/8 to:

Charles B. Gonzales 1/4
Levi A. Hughes 1/4
Leroy English 5/12

Evelyn Ann English
Administratrix of

Est. of P. B.

English, Jr.,

Deceased

1/12

Working Interest Owner Under
Option Agreement, Operating
Agreement or Assignment and
Percentage of Interest

Overriding Royalty
Owner and Percentage

Record Owner of Lease
or Application

Serial No. Land Owner
and Percentage
Lease Date of Royalty

No. of
Acres

Tract
No. Description

FEDERAL LANDS (Continued)

T. 19 S., R. 33 E.

9	Sec. 1: E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 12: E $\frac{1}{2}$	400.00	NM 01178 4-1-50 Ext. to 2-28-62	U.S.A. 12 $\frac{1}{2}$ % All	Charles B. Gonzales 1/4 Levi A. Hughes 1/4 Leroy English 5/12 Evelyn Ann English, Administratrix of Est. of P. B. English, Jr., Deceased 1/12	Albuquerque National Bank, Drilling and Exploration Company, Inc. All (Option)	Testamentary Trustee of F. A. Andrews, Deceased 0.115700% Selma E. Andrews 0.134300% Higgins Trust Inc. 0.375000% Sabine Royalty Corporation 0.375000% J. H. Campbell 0.625000% Roy G. Barton 0.218750% Mrs. Lou Baker 1.562500% George E. Bobb 0.764067% Fern Sullivan 0.250000% Mona Bell Saunders 0.500000% Opal Barton 0.015625% Roy G. Barton, Jr. 0.015625% Lejzor Bryks 0.048433% <u>5.000000%</u>
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\$350/acre from each proration unit
severally from 1/16 of 7/8 to:

Charles B. Gonzales 1/4
Levi A. Hughes 1/4
Leroy English 5/12
Evelyn Ann English,
Administratrix of
Est. of P. B.
English, Jr.,
Deceased 1/12

September 1, 1960

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
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FEDERAL LANDS (Continued)

T. 19 S., R. 34 E.

10	Sec. 17: E $\frac{1}{2}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$	1236.40	NM 02392 9-1-50 Ext. to 7-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Drilling and Exploration Company, Inc.	Julia Brainard 3.00%	Drilling and Exploration Company, Inc. (Assignment) All
	Sec. 18: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ (All)						

11	Sec. 17: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	NM 02392-A 9-1-50 Ext. to 7-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Pan American Petroleum Corporation 1/2 Continental Oil Company 1/2	Julia Brainard Drilling and Exploration Company, Inc. 1.00%	Pan American Petroleum Corporation (Assignment) 1/2 Continental Oil Company (Assignment) 1/2
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T. 19 S., R. 33 E.

12	Sec. 1: Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$	170.45	NM 020012 4-1-50 Ext. to 2-28-62	U.S.A. 12 $\frac{1}{2}$ % All	Pan American Petroleum Corporation 1/2 Continental Oil Company 1/2	Albuquerque National Bank, Testamentary Trustee of F. A. Andrews, Deceased Selma E. Andrews Higgins Trust Inc. Sabine Royalty Corporation J. H. Campbell Roy G. Barton Mrs. Lou Baker George E. Bobb Fern Sullivan Nona Bell Saunders Opal Barton Roy G. Barton, Jr. Lejzor Bryks	Pan American Petroleum Corporation (Assignment) 1/2 Continental Oil Company (Assignment) 1/2 0.115700% 0.134300% 0.375000% 0.375000% 0.625000% 0.218750% 1.562500% 0.764067% 0.250000% 0.500000% 0.015625% 0.015625% <u>0.048433%</u> 5.000000%
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September 1, 1960

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
<u>FEDERAL LANDS (Continued)</u>							
T. 19 S., R. 33 E.	12 (Continued)					\$250/acre from each proration unit severally from 1/16 of 7/8 to: Charles B. Gonzales 1/4 Levi A. Hughes 1/4 Leroy English 5/12 Evelyn Ann English, Administratrix of Est. of P. B. English, Jr., Deceased 1/12	
T. 19 S., R. 34 E.	13 Sec. 6: Lot 7	37.98	NM 051243 9-1-59	U.S.A. 12 1/2% All	Drilling and Exploration Company, Inc.	W. H. Kirkpatrick 5.00%	Drilling and Exploration Company, Inc. All (Assignment)
T. 18 S., R. 34 E.	14 Sec. 31: Lots 3, 4, E 1/2 SW 1/4	156.12	LC 069457 9-1-49 H.B.P.	U.S.A. 12 1/2% All	Carl R. McElvain 1/4 T. H. McElvain 1/4 Edith S. McElvain, Jacqueline M. Withers & Ralph C. McElvain, Jr. 1/4 Roberta Regan, Individually and as Executrix of Est. of K. M. Regan, Deceased 1/4	Frank E. Miller 0.2500% Higgins Trust Inc. 0.1875% Sabine Royalty Corporation 0.1875% Albuquerque National Bank, Testamentary Trustee of F. A. Andrews, Deceased 0.2315% Selma E. Andrews 0.2685% 1.1250%	Carl R. McElvain 1/4 T. H. McElvain 1/4 Edith S. McElvain, Jacqueline M. Withers & Ralph C. McElvain, Jr. 1/4 Roberta Regan, Individually and as Executrix of Est. of K. M. Regan, Deceased 1/4

EXHIBIT "B" - MESCALERO UNIT - LEA COUNTY, NEW MEXICO

Tract No.	Description	No. of Acres	Serial No. and Lease Date of Royalty	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest	
FEDERAL LANDS (Continued)								
T. 18 S., R. 34 E.								
15	Sec. 31: SE $\frac{1}{4}$	160.00	LC-069457-A 9-1-49 H.B.P.	U.S.A. 12 $\frac{1}{2}$ % ALL	Gulf Oil Corporation	Frank E. Miller Higgins Trust Inc. Sabine Royalty Corporation Albuquerque National Bank, Testamentary Trustee of F. A. Andrews, Deceased Selma E. Andrews Carolyn Seale & Mrs. Clyde Brown Seale	0.2500% Gulf Oil Corporation 0.1875% (Assignment) 0.1875% 0.2315% 0.2685% 1.8750% 3.0000%	All

TOTAL FEDERAL LANDS - 4,828.55 Acres

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
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STATE LANDS

T. 18 S., R. 34 E.

16	Sec. 32: SW $\frac{1}{4}$	160.00	E-1579 11-10-49 H.B.P.	State N.M. 12 $\frac{1}{2}$ % All	Gulf Oil Corporation	None	Gulf Oil Corporation All
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TOTAL STATE LANDS - 160.00 Acres

R E C A P I T U L A T I O N

<u>LAND</u>	<u>ACREAGE</u>	<u>PERCENTAGE</u>
Federal	4,828.55	96.79%
State	<u>160.00</u>	<u>3.21%</u>
Totals	4,988.55	100.00%

FOOTNOTE TO EXHIBIT

Promptly upon approval of the Unit Agreement by the Director, U.S.G.S., Option Agreements providing for the assignment of record title, together with working interest rights and stipulated overriding royalty reservations by the present lessees of record, shall be exercised by the indicated party, subject to the Mescalero Unit Agreement.

September 1, 1960

UNIT OPERATING AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
MESCALERO UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

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EXHIBITS

- EXHIBIT "A" - Map (Exhibit "A" from Unit Agreement)
- EXHIBIT "B" - Schedule of Lands (Exhibit "B" from Unit Agreement)
- EXHIBIT "C" - Accounting Procedure (PASO-T-1955-2)
- EXHIBIT "D" - Initial Test Well

CONFORMED COPY

UNIT OPERATING AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
MESCALERO UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

THIS AGREEMENT, made and entered into as of the 1st day of June, 1960, by and among Drilling and Exploration Company, Inc., a corporation, with offices at Dallas, Texas, hereinafter referred to as "Unit Operator," and those owners of working interests in the unitized substances within the Unit Area subject to the Unit Agreement hereinafter referred to who subscribe, ratify or consent to this agreement, all of said parties, both Unit Operator and Non-Operators, being herein referred to as "Working Interest Owners."

WITNESSETH:

WHEREAS, concurrently herewith, the parties hereto have entered into a certain Unit Agreement for the development and operation of the Mescalero Unit Area, hereinafter referred to as the "Unit Agreement," which said agreement and this agreement embrace the area specified on the attached map, marked Exhibit "A", hereinafter referred to as the "Unit Area," containing 4,988.55 acres, more or less, situated in Lea County, New Mexico; and

WHEREAS, the parties hereto hereby make and enter this agreement pursuant to Section 7 of said Unit Agreement.

NOW, THEREFORE, it is mutually agreed between the parties hereto as follows:

ARTICLE I

UNIT AGREEMENT CONFIRMED

1.1 UNIT AGREEMENT CONFIRMED: The aforesaid Unit Agreement and all exhibits attached thereto are hereby confirmed and made a part of this agreement. In the event of conflict between any provision contained in this agreement (including any exhibit attached hereto or revision thereof) and said Unit Agreement, the provisions of the Unit Agreement shall govern to the extent of such conflict. With respect to any conflict between the provisions of this agreement and any exhibit attached hereto, this agreement shall control.

ARTICLE II

MANAGEMENT OF UNIT

2.1 UNIT OPERATOR AND EMPLOYEES: Drilling and Exploration Company, Inc., a corporation, the party hereto named in the Unit Agreement as Unit Operator of the Unit Area (or any duly selected successor Unit Operator), shall have the exclusive right to develop and operate the Unit Area subject to the provisions of this agreement and the Unit Agreement. All individuals employed by Unit Operator in the conduct of operations hereunder shall be the employees of Unit Operator alone and their working hours, rates of compensation and all other matters relating to their employment shall be determined solely by Unit Operator.

2.2 UNIT OPERATOR - DUTIES: Unit Operator shall in the conduct of operations hereunder:

(a) Conduct the operations in a good and workmanlike manner, and in the exercise of its judgement and discretion, acting in good faith;

(b) Consult freely with Working Interest Owners concerning unit operations, and keep Working Interest Owners informed of all matters arising during the operation of the Unit Area which Unit Operator, in the exercise of its best judgement, considers important;

(c) Keep full and accurate records of all costs incurred, rentals and royalties paid, and controllable materials and equipment, which records, receipts and vouchers in support thereof shall be available for inspection by authorized representatives of the Working Interest Owners at reasonable intervals during usual business hours, at the office of Unit Operator;

(d) Permit each of the Working Interest Owners, through its duly authorized representatives, but at its sole risk and expense, to have access to the Unit Area at all times, and to the derrick floor of each well drilled or being drilled hereunder, for the purpose of observing operations conducted hereunder and inspecting jointly owned materials, equipment and other property, and to have access at reasonable times to information and data in the possession of Unit Operator concerning the Unit Area;

(e) Furnish to each of the other parties copies of Unit Operator's Authority for Expenditures or itemizations thereof in excess of Five Thousand Dollars (\$5,000), and copies of all drilling reports, well logs, tank tables, gauge reports and run tickets, and reports of stock on hand at the first of each month, if

available, and samples of cores or cuttings taken from wells drilled hereunder, containers therefor to be furnished by the party requesting samples;

(f) Comply with the terms and conditions of the Unit Agreement and all valid applicable Federal and State laws and regulations;

(g) Keep the land in the Unit Area free from liens and encumbrances occasioned by its operations, except such liens as the Working Interest Owners elect to contest, and save only the lien granted Unit Operator under this agreement.

2.3 UNIT OPERATOR - RESTRICTIONS: Unit Operator shall not do any of the following things without the consent of the affected Working Interest Owners obtained as provided in Section 2.4 hereof;

(a) Drill, deepen, or plug back any well or let any contract therefor. The approval of the drilling, deepening, or plugging back of any well shall be construed to mean and include the approval of any necessary expenditures for the drilling, deepening or plugging back, and completing and equipping of such well, including the necessary lines, separators and tankage if a producer, and if a dry hole, the plugging and abandonment thereof, except as otherwise provided in Article IV hereof;

(b) Make any expenditures in excess of Five Thousand Dollars (\$5,000) for any one single job; provided, however, that Unit Operator is authorized to incur all usual and customary operating expenses which are required in the normal course of producing operations or which are included in a project approved by Working Interest Owners and provided further that whenever Unit Operator is authorized to conduct a drilling, deepening or plugging back operation or to undertake any other project in accordance with this agreement, Unit Operator is authorized to incur all reasonable and necessary expenditures in connection therewith, or to make any settlement of damage claim in excess of Five Thousand Dollars (\$5,000);

(c) Make any partial relinquishment of the rights of the Unit Operator;

(d) Abandon any well or wells or dispose of any major items of surplus material or equipment other than junk, having an original cost of One Thousand Five Hundred Dollars (\$1,500) or more (any such item or items of less cost may be disposed of without such approval), except as may otherwise be provided herein;

(e) Enter into any plans for development of the Unit Area or any participating area or amendment thereof, or any expansion or contraction of the Unit Area or any designation of enlargement or contraction of a participating area;

(f) Drill or abandon any injection wells or convert any well into an injection

well;

(g) Determine whether to drill a demanded offset well or pay compensatory royalty; provided, however, that if Unit Operator and Working Interest Owners fail to agree with respect to whether or not a demanded offset well should be drilled or compensatory royalty should be paid, the determination of the Oil and Gas Supervisor (referred to hereinafter as the "Supervisor") with respect thereto shall be controlling.

(h) Make any arrangement for repressuring, cycling or pressure maintenance, or approve or disapprove any change in the existing method of operation;

(i) Contest any encumbrance or lien;

Provided, however, that in case of explosion, fire, flood, or other sudden emergency, whether of the same or different nature, Unit Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency and to safeguard life and property, without first obtaining the consent of parties hereto, but Unit Operator, as promptly as possible thereafter, shall report the emergency to the other parties hereto.

2.4 VOTING PROCEDURE: On matters on which the consent of Working Interest Owners is required, each Working Interest Owner shall have a vote equal to the proportionate or fractional acreage interest owned by him in the Unit Area and committed to this agreement and to the Unit Agreement. Except as otherwise specified herein or in the Unit Agreement, an affirmative vote of 65% of the voting power of the Working Interest Owners involved shall constitute the decision of the Working Interest Owners, which decision shall be binding upon all; provided, however, that should any Working Interest Owner own as much as 65%, but less than 100%, voting interest, his vote must be supported by the affirmative vote of at least one additional Working Interest Owner. Any such vote by the Working Interest Owners shall be binding upon all parties hereto; provided, however, that except as may be provided to the contrary hereinafter, no party hereto shall be required to obligate itself to bear and pay its pro rata portion of the cost of drilling, completing, equipping, deepening, plugging back or reworking any well drilled or to be drilled hereunder, but, instead, any such party shall have the right to avail itself of the non-consent election provisions hereof.

2.5 MEETINGS AND POLL VOTES: Whenever necessary the Working Interest Owners shall meet for the purpose of discussing unit business and of voting on the matters

set out in Section 2.3 hereof, and of exercising any other powers granted to the Working Interest Owners by this agreement or by the Unit Agreement. Each Working Interest Owner shall designate a representative, and if desired, an alternate to represent him; such designation shall be furnished to Unit Operator in writing. Notices of meetings and place of holding same and other notices shall be served on such representative by Unit Operator. Unit Operator's representative shall act as Chairman at all meetings. After notice to Unit Operator, each Working Interest Owner shall have the right, from time to time, to change either its representative or its alternate. It shall be sufficient for Unit Operator to poll all of the affected Working Interest Owners on all matters arising hereunder without calling a meeting; when a "Request for Authority for Expenditure" is submitted by Unit Operator, the approval or disapproval of same thereafter by Working Interest Owners shall have the same effect as if a written ballot had been taken. Any vote taken pursuant to such poll shall be as binding on the Working Interest Owners as if it were taken at a called meeting at which a quorum was present.

ARTICLE III

APPORTIONMENT OF COSTS AND OWNERSHIP AND DISPOSITION OF PRODUCTION AND PROPERTY

3.1 APPORTIONMENT OF COSTS AND OWNERSHIP OF PRODUCTION: Except as may be otherwise authorized or provided in the Unit Agreement or in this agreement, the apportionment of costs and expenses incurred pursuant hereto and the ownership of unitized substances produced and property acquired hereunder shall be fixed and determined on an acreage basis. "Acreage basis", as that term is used herein, shall have reference to the Unit Area, designated pursuant to this agreement, and it shall mean participation by a Working Interest Owner in the proportion which the committed acreage owned by it in the Unit Area bears to the total committed acreage owned by all Working Interest Owners therein.

3.1.1 Allocation of Unitized Substances:

(a) Participating Area: Upon completion of a well capable of producing unitized substances in paying quantities, a participating area or areas shall be designated as provided by Section 11 of the Unit Agreement. For the purpose of determining and paying or delivering in kind all royalties, overriding royalties, and obligations payable out of production due on account of the unitized substances produced from such

participating area, all unitized substances produced and saved from each participating area, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes or for repressuring or recycling in accordance with an approved plan of development, or unavoidably lost, shall be allocated on an acreage basis to the respective tracts of unitized land within the participating area established for such production, in accordance with Section 12 of the Unit Agreement. Unit Operator, pursuant to properly executed division orders or otherwise, shall first pay out of the unitized substances so allocated all royalties payable thereon which are reserved to lessor in the lease or leases covering the land to which such allocation is made. Each such payment shall be made for and on behalf of the Working Interest Owner or Owners of the committed land covered by the lease under which the payment is made; however, Unit Operator shall not be liable as a result of any error or mistake made in good faith in connection with any such payment. If the royalties required under any such lease are in excess of one-eighth (1/8) of the oil or gas produced and saved from or allocated to the land covered thereby, that portion of such royalties in excess of one-eighth (1/8) of such production shall be charged to and borne by the Working Interest Owner of the committed land covered by such lease. In addition, each Working Interest Owner shall bear and pay all overriding royalties and obligations payable out of production which are chargeable against production from or allocated to land committed by such Working Interest Owner.

(b) Working Interest Allocation: Regardless of such allocation for the purposes mentioned above, seven-eighths (7/8) of all unitized substances produced and saved shall be apportioned among the Working Interest Owners in proportion to their respective working interests on an acreage basis in all unitized acreage within the Unit Area. The percentage of unitized substances so allocated to each Working Interest Owner shall be the participation percentage of such owner under this agreement as to costs and benefits as well as unitized substances.

(c) Benefits Fixed: The participation percentages in unitized

substances, benefits, and costs so established among the Working Interest Owners shall remain fixed regardless of any contraction of the Unit Area, but shall be revised upon commitment of any uncommitted acreage within the Unit Area, upon expansion of the Unit Area, upon failure of title as set forth in Article VI hereof to any tract within the Unit Area, upon transfer of title to working interests subject to this agreement, or as provided in Section 5.1 hereof upon assignment of leases in lieu of rental payment or loss of a lease for failure to pay rental. Each such revision shall result in the then Working Interest Owners having participation percentages in proportion to their then respective working interests on an acreage basis in all unitized acreage within the Unit Area except that the acreage once committed by a Working Interest Owner shall not be reduced for purposes of determining participation percentages solely as a result of any contraction of the Unit Area.

3.1.2 Cost of Operations: The actual cost of the Unit Operator of performing its obligations as Unit Operator hereunder shall be apportioned among the Working Interest Owners in proportion to their participation percentages under this agreement and shall be paid by the several Working Interest Owners as hereinafter provided. The cost of each operation not participated in by all Working Interest Owners shall be separately kept and charged to the Working Interest Owners affected in the proportions required by other applicable provisions of this agreement or in such other manner as such owners may agree. All materials, equipment and other property, whether real or personal, charged as a part of the cost of operations hereunder shall be owned by the Working Interest Owners in the same proportion that they were charged therefor. All such costs, expenses, credits and related matters and the method of handling the accounting with respect thereto shall be in accordance with the provisions of the Accounting Procedure attached hereto, made a part hereof and marked Exhibit "C".

3.2 DISPOSITION OF PRODUCTION: Each Working Interest Owner shall own and, at its sole risk, cost and expense, shall take in kind and separately dispose of its proportionate part of all unitized substances produced and saved hereunder as and when same are produced, excepting therefrom only such production as may be used

for development and operating purposes (including thereby any pressure maintenance, repressuring, secondary recovery or similar operation) or is unavoidably lost; provided, however, that each Working Interest Owner shall pay or shall secure the payment of the royalty interest on its proportionate part of such production. At such time or times as any Working Interest Owner shall fail or refuse to take in kind or separately dispose of its proportionate part of said production, Unit Operator shall have the authority, revocable at will by such Working Interest Owner, to sell all or part of such production to others at the same price which Unit Operator receives for its own portion of such production. All such sales by Unit Operator of any Working Interest Owner's production shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such sale be for a period in excess of one (1) year.

ARTICLE IV

WELLS

4.1 INITIAL TEST WELL:

4.1.1 For the purposes of this agreement, the term "initial test well" shall be deemed to mean that certain test well, the drilling of which is specifically provided for in Section 9 of the Unit Agreement.

4.1.2 Within six (6) months after the Effective Date of said Unit Agreement, Unit Operator shall commence operations for the drilling of the said initial test well (unless same shall have been commenced prior to the Effective Date of said agreement), the cost of drilling, completing, testing and equipping of which shall be shared by the Working Interest Owners in the manner and in the proportions specified in Exhibit "D" attached hereto.

4.2 SUBSEQUENT WELLS:

4.2.1 For the purposes of this agreement, the term "subsequent well" shall be deemed to mean and include any well which is commenced hereunder after the completion of the initial test well.

4.2.2 Unit Operator shall drill and complete or plug and abandon any subsequent well upon such terms and conditions as may be agreed to by Working Interest Owners; provided, however, that in the absence of any

such agreement but before discovery of unitized substances in paying quantities within the Unit Area, a subsequent well may be drilled by Unit Operator at the sole risk, cost and expense of any Working Interest Owner of land committed to the Unit Agreement in which it may own all or any part of the working interest.

4.2.3 Any Working Interest Owner shall have the right to have a subsequent well drilled on unitized land in which it may own all or part of the working interest. Such Working Interest Owner first shall give written notice of its desire that such well be drilled (accompanied by an estimate of costs) to each of the owners of the remaining working interest in said unitized land and to Unit Operator. Said notice shall specify the location and proposed depth of said well, which said location shall conform to the applicable spacing pattern or authorized exception thereto. Each Working Interest Owner receiving such notice shall have thirty (30) day period from the date thereof in which to advise the sender of said notice whether or not it will participate in the cost of drilling said well. Failure to respond to such notice within said period shall be deemed to be an election by the Working Interest Owner receiving same not to participate in the cost of drilling said well. Within fifteen (15) days after the expiration of said thirty (30) day period, the Working Interest Owner who originated the notice then shall give Unit Operator a second written notice in order to advise Unit Operator of such Working Interest Owner's intention to drill said well and the terms and conditions under which it is to be drilled. Specifically, said second notice shall provide Unit Operator with the following information regarding the drilling of said well: (a) its location and depth, (b) the names of those Working Interest Owners who have agreed to drill it, (c) the proportions in which and the extent to which such Working Interest Owners have obligated themselves to bear and pay the drilling costs, and (d) the estimated drilling costs. If Unit Operator does not elect to commence operations for the drilling of said well within ninety (90) days after receipt of said second notice, then the Working Interest Owner who originated said notice shall have the right to proceed with the drilling of said well pursuant to the provisions of Section

13 of the Unit Agreement. Within said ninety (90) day period, Unit Operator shall satisfy itself that it has adequate security for the cost and expense of drilling said well, there being no obligation on Unit Operator's part to commence drilling operations unless and until it is adequately secured insofar as the cost thereof is concerned. However, once having commenced or having caused to be commenced operations for the drilling of any such well, Unit Operator shall proceed with due diligence and in a workmanlike manner thereafter. Such well shall be drilled both in conformity with the information contained in said second notice and at the sole risk, cost and expense of those Working Interest Owners who have obligated themselves theretofore to bear and pay the drilling costs thereof. Regardless of whether or not such well is determined to be a paying well, a dry hole or a marginal well, the ownership of said well and of the material and equipment therein and thereon and of the production therefrom, together with the respective rights and obligations of the affected Working Interest Owners with respect thereto and the apportionment and burden of costs incurred in connection therewith, all shall be fixed and determined in accordance with the terms and provisions of this agreement and of the Unit Agreement.

4.3 DEMANDED WELLS:

4.3.1 For the purposes of this agreement, the term "demanded well" shall be deemed to mean and include any well the drilling of which is demanded by the Department of the Interior either independently of any plan of development or as a substitution therefor or as an addition thereto.

4.3.2 Any one or more of the Working Interest Owners may elect to pay the cost of drilling a demanded well in proportion to their respective acreage interests in the Unit Area or as they may otherwise agree. If no Working Interest Owner is willing to pay such drilling costs, the parties hereto may determine by a vote taken pursuant to the provisions of this agreement whether to pay compensatory royalty, to contract the Unit Area, to terminate this agreement and the Unit Agreement, or to adopt any other measure satisfactory to the Department of the Interior whereby the obligation to drill any such well may be avoided.

4.4 PAYING WELLS - DRY HOLES - MARGINAL WELLS:

4.4.1 No well which is drilled pursuant to this agreement shall be either included in an existing participating area or used as the basis for the formation of a new participating area unless and until such well has been determined to be capable of producing unitized substances in paying quantities (i.e., quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit), any such well being referred to hereinafter as a "paying well".

4.4.2 If the initial test well or any other well drilled pursuant to this agreement is completed as a well capable of producing unitized substances in quantities sufficient to justify either its inclusion in a participating area or the formation of a new participating area, then and in that event such well shall be so included or a new participating area shall be formed in accordance with Section 11 of the Unit Agreement. If any such well is a dry hole, then same shall be plugged and abandoned by Unit Operator at the sole risk, cost and expense of those Working Interest Owners who have obligated themselves theretofore to bear and pay the cost of drilling same. If any such well is completed as a well not capable of producing unitized substances in quantities sufficient to justify either its inclusion in a participating area or the creation of a new participating area, then same shall either be plugged and abandoned as a dry hole or produced and operated by Unit Operator for the account and at the expense of those Working Interest Owners who have obligated themselves theretofore to bear and pay the cost of drilling same.

4.5 NON-CONSENT ELECTION:

4.5.1 No Working Interest Owner shall be required, without its consent, to obligate itself to bear and pay its proportionate part of the cost of drilling, completing, equipping, deepening, plugging back or reworking any well drilled or to be drilled hereunder.

4.5.2 If all the parties cannot mutually agree upon the drilling of any well on the Unit Area, or upon the reworking, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the Unit Area, any party or parties wishing to drill,

rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except as to reworking, plugging back or drilling deeper, where a drilling rig is on location, the period shall be limited to forty-eight (48) hours exclusive of Saturday, Sunday or holidays) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

4.5.3 If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

4.5.4 The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests as shown in Exhibit "D" bear to the total interests of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this section results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip

the well to produce at their sole cost and risk, and the well shall then be turned over to Unit Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

- (a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this section, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to each Non-Consenting Party had it participated in the well from the beginning of the operation; and
- (b) 200% of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, after deducting any cash contributions received under Section 9.5, hereto and 200% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

4.5.5 In the case of any reworking, plugging back or deeper drilling

operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

4.5.6 Within sixty (60) days after the completion of any operation under this section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-Consenting Party.

4.5.7 If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party

would have owned had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure schedule, Exhibit "C", attached hereto.

4.5.8 Notwithstanding the provisions of this Section 4.5, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Unit Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

4.5.9 The provisions of this Section 4.5 shall have application to the drilling, completion, reworking, deepening, or plugging back of the initial test well on the Unit Area, and to all other wells drilled, reworked, deepened, or plugged back, or proposed to be drilled, reworked, deepened, or plugged back, upon the Unit Area subsequent to the drilling of the initial test well.

4.6 GENERAL PROVISIONS:

4.6.1 Operations by Unit Operator: Subject to the provisions of this agreement and the Unit Agreement, all wells located within the Unit Area shall be drilled and operated by Unit Operator for the account of the affected Working Interest Owners.

4.6.2 Well Contracts: All wells drilled on the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. Unit Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Unit Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

4.6.3 Abandonment of Wells: If a determination has been made pursuant to this agreement to abandon any well drilled hereunder, any Working Interest Owner then owning an interest in said well who does not

desire to abandon same shall have, and is specifically granted herewith, the right to acquire it within ten (10) days after any such determination has been made. Such right may be exercised by such owner by giving written notice to the other owners of said well and, concurrently therewith, by tendering them an amount equal to their proportionate share of the salvage value of the material and equipment in and on such well less the estimate cost of recovery (same to be determined in accordance with the Accounting Procedure attached hereto as Exhibit "C"). Within fifteen (15) days after receipt of said notice and said amount, the owners of said well who desire to abandon same shall assign their rights in such well and in the material and equipment therein and thereon to the owners who do not desire to abandon same. Such assignment shall be without warranty of title, either express or implied, and shall be limited to the formation underlying the land on which such well is situated and from which it has produced and to the working interest in a tract surrounding such well of an area equal to that prescribed by the spacing rules, if any, of any governmental authority having jurisdiction in the premises; provided, however, that if there is no such established rule, then said assignment shall be limited to the working interest and leasehold estate in said producing formation underlying a tract of 40 acres surrounding said well, if same is an oil well, or 160 acres if same is a gas well. In addition, the assigning parties shall execute such bills of sale as shall be necessary to accomplish the purposes hereof. If any such well so abandoned is located within a participating area, then it shall not be produced from the separate pool or deposit of unitized substances for which said participating area was established; however, if any such well is a marginal well which is without a participating area, and if its owners desire that it be produced, then it shall be operated by Unit Operator for the account of such owners and at their sole risk, cost and expense.

4.6.4 Modification of Drilling and Requirement of Unit Agreement:

Unit Operator may apply for and obtain a modification of the drilling requirements of said Unit Agreement or an extension or extensions of time within which to comply therewith as provided by the terms of said Unit Agreement and any such application or applications may be made without

the consent of any of the Working Interest Owners subscribing hereto as parties of the second part.

4.6.5 Plans of Development: Each plan for the development and operation of the Unit Area which is to be submitted by Unit Operator to the Supervisor pursuant to Section 10 of the Unit Agreement shall provide only for such drilling and other operations as Unit Operator has been authorized to conduct by the parties chargeable with the cost thereof by the provisions of this agreement and for such drilling and other operations as Unit Operator has been required to conduct by governmental authority. If any party hereto, in accordance with the provisions of this agreement, shall have requested that a well be drilled or shall have proceeded with the drilling thereof, and such operation is not provided for in the plan of development approved by the Supervisor, Unit Operator shall either request the Supervisor to approve an amendment to such plan which provide for the conduct of such operation or request the Supervisor to consent to such operation, if his consent is sufficient.

4.6.6 Advances: At its election, Unit Operator shall have the right from time to time to require each Working Interest Owner to advance its proportionate share of the estimated amount of costs to be incurred in conducting operations hereunder during any given month in accordance with an estimate to be made by Unit Operator not less than ten (10) days in advance of the month in which the costs and expenses are to be incurred. Adjustment between estimated and actual costs shall be made by Unit Operator at the close of each calendar month and the accounts of the Working Interest Owners adjusted accordingly. If Unit Operator requests an advance payment or security for any such estimated costs, and such advance payment or security is not forthcoming on or before the 5th day of the next succeeding month, then and in that event Unit Operator shall not be obligated to commence or continue such operation unless and until such advance payment is made or Unit Operator is furnished with security acceptable to it for the payment thereof by the party or parties chargeable therewith.

4.6.7 Operator's Lien: Unit Operator is hereby granted a prior lien on the rights and interests of each Working Interest Owner in the

Unit Area, in the material and equipment thereon and therein and in the unitized substances allocated to each such Working Interest Owner, as security for the payment of all costs and expenses chargeable to it in accordance with the provisions of this agreement. Should any Working Interest Owner fail to pay its proportionate part of said costs and expenses within thirty (30) days after being billed therefor as provided in the referred to Accounting Procedure, Exhibit "C", Unit Operator shall have the right at its option at any time thereafter, such default continuing, to foreclose said lien on the respective interests of such Working Interest Owners. In lieu of or in addition to such remedy, the parties hereto agree that in the event of default, Unit Operator may notify the purchaser of the defaulting party's share of unitized substances and such purchaser shall pay all proceeds accruing on account thereof to Unit Operator until said obligation is extinguished without any liability to the defaulting party. In lieu of or in addition to the remedy above specified for such default, Unit Operator may have any other remedy afforded by law or equity against the defaulting party for such default.

ARTICLE V

RENTALS AND ROYALTIES

5.1 RENTALS: The Working Interest Owners in each separate tract shall pay all rentals, advance rentals, delay rentals or shut-in royalties due under the lease thereon and, concurrently therewith, shall submit evidence of payment to Unit Operator. If the Working Interest Owners in any tract determine not to pay any such rental, they shall notify Unit Operator at least sixty (60) days before the due date and thereafter shall assign to all other Working Interest Owners in the Unit Area requesting such assignment and in proportion to their then interest, all their right, title and interest under said lease, subject to all obligations theretofore created. If any Working Interest Owner fails to make proper payment of any delay rental through mistake or oversight where such rental is required to continue the lease in force, there shall be no monetary liability on its part, but it shall make a bona fide effort to secure a new lease covering the same interest and, if successful in its efforts, shall commit such lease to the Unit Agreement. In the

event of failure to secure such new lease within a reasonable time, the interest of the parties hereto shall be revised so that the party failing to pay any such rental shall not be credited with the ownership of any lease on which rental was required but not paid. Unit Operator, at its election, may pay such rentals, advance rentals, delay rentals, or shut-in royalties to insure continuance of leases, but it shall not be liable for failure to make such payments. In the event that any rentals are paid by Unit Operator, same shall be charged and billed to the party responsible for the payment thereof. In the event of loss of title to a lease for failure to pay rental, all loss occasioned thereby shall be that of the Working Interest Owners who should have paid the same.

5.2 ROYALTIES AND COMPENSATORY ROYALTIES: The Working Interest Owners shall be responsible severally for and shall pay all royalties which may become due and payable because of the allocation of unitized substances to their respective leases committed to the Unit Agreement. If any of said leases are burdened with any overriding royalties, payments out of production or any other charges in addition to the usual royalty, the Working Interest Owners of any such lease shall bear and assume such burdens out of the unitized substances allocated thereto. In cases where the Working Interest Owners determine to pay compensatory royalty or damages in lieu of drilling a demanded offset well, such compensatory royalty shall be paid by Unit Operator and charged on the joint account of the Working Interest Owners.

ARTICLE VI

TITLES

6.1 REPRESENTATIONS AS TO TITLES: Each Working Interest Owner hereby represents to each other Working Interest Owner that it now owns and holds those certain oil, gas and mineral interests in and under the Unit Area which are set out on the schedule attached to the Unit Agreement as Exhibit "B" (said schedule being also attached hereto as Exhibit "B"). In the event that such representation is erroneous or if the title of any party hereto fails either in whole or part, then the interests of the parties shall be adjusted accordingly, to the end that no party hereto shall be credited with any interest which it does not own.

6.2 TITLE EXAMINATION, LOSS OF LEASES AND OIL AND GAS INTERESTS:

6.2.1 Drillsite locations: Within fifteen (15) days after receipt of Unit Operator's request therefor, each owner of a working interest in

land any part of which is situated within a 640-acre area surrounding the well's location in an outline to be delineated by Unit Operator, shall furnish Unit Operator with the following information with regard to its ownership of said working interest in said land: (i) abstracts of title certified to recent date, (ii) certified or photostatic copies of all leases, operating agreements, title opinions, rental receipts, and all other title instruments or documents in its possession upon which it relies to establish ownership of its working interest, (iii) for land of the United States, acceptable reports of recent date as to the status of such land as same may appear from the records of the Department of the Interior, and (iv) for State land, an acceptable report or transcript showing the status of such land as same may appear from the records of the State land office. As a prerequisite to the drilling of any well hereunder, Unit Operator shall obtain a title opinion by a competent attorney or attorneys selected by it and shall furnish a copy of such opinion to each affected Working Interest Owner; provided, however, that once title to any tract of land within the Unit Area has been approved for drilling, then nothing contained herein shall be deemed to require any re-examination of such title prior to commencing additional drilling operations on any such tract. All expense incurred in connection with said title examination shall be charged, as a part of the cost of drilling of any such well, to the Working Interest Owners in the same proportions in which they have agreed to pay such drilling costs; provided, however, that each Working Interest Owner shall be liable for and pay severally the cost of all curative work on its own title. Notwithstanding the foregoing provisions hereof, approval of any such title opinion as a prerequisite of drilling may be waived upon obtaining the consent of the owners of all of the working interest committed to the drilling of the well.

6.2.2 Participating Areas: As soon as practicable after the establishment of any participating area or any enlargement thereof, title to the land and leases within any such area or enlargement, as the case may be, shall be examined in like manner to that provided for in Section 6.2.1 above; provided, however, that the Working Interest Owners in any such participating area or enlargement thereof may, by

the voting procedure prescribed in Section 2.4 hereof, waive or modify such of the requirements of this Section 6.2.2 as may be deemed necessary in order to meet special conditions which have arisen or may require examination of title to additional land.

6.2.3 Failure of Title. Should any oil and gas lease or interest therein or oil and gas interest be lost through failure of title, this agreement shall nevertheless continue in force as to all remaining leases and interests, and

- (a) The party whose lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Unit Operator or the other parties any development or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto by reason of such title failure; and
- (b) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is determined finally that title failure has occurred, so that the interest of the party whose lease or interest is affected by the title failure will thereafter be reduced in the Unit Area by the amount of the interest lost; and
- (c) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment, or equipment previously paid under this agreement, such amount shall be proportionately paid to the party or parties hereto who in the first instance paid the costs which are so refunded; and
- (d) The party whose title has failed shall indemnify the other parties hereto against loss on account of prior production received by the party whose title has so failed.

6.2.4 Loss of Leases for Causes Other Than Title Failure: If any lease or interest subject to this agreement be lost through failure to

develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, or if any lease or interest therein is lost due to the fact that the production therefrom is shut in by reason of lack of market, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interest and there shall be no readjustment of interests in the Unit Area.

ARTICLE VII

TAXES AND INSURANCE

7.1 TAXES: The oil and gas leasehold estates covered hereby insofar as they embrace lands committed to the Unit Area and the jointly owned personal property located thereon or obtained in connection therewith hereunder shall be rendered by Unit Operator for ad valorem taxes if necessary. Unit Operator shall pay all ad valorem taxes rendered or assessed against said properties and all such amounts so paid shall be allocated and charged in proper proportions to the parties hereto. All taxes levied upon or against or measured by the production of unitized substances allocated to the respective tracts under the terms of the Unit Agreement and this agreement which are not payable by the purchasers of such production shall be paid by the Working Interest Owners to which the same may be allocated.

7.2 INSURANCE:

7.2.1 Unit Operator shall carry workman's compensation insurance meeting the requirements of the State of New Mexico, and employers' liability insurance with limits of not less than \$100,000.

7.2.2 Unit Operator shall carry insurance by reliable insurance company or companies as to the following risks:

- (a) General Public Liability Insurance with limits of not less than \$100,000 per person and \$500,000 per accident;
- (b) Automobile Public Liability Insurance with limits of not less than \$100,000 per person and \$300,000 per accident;
- (c) Automobile Property Damage Insurance with limits of not less than \$100,000 per accident.

7.2.3 Unit Operator shall carry insurance covering any or all of

the three last above mentioned risks and charge the premium cost thereof to the joint account as operating expenses and, thereafter, shall be charged to and borne and paid by the parties hereto in the same manner as other operating expenses are to be paid hereunder.

7.2.4 No other insurance shall be carried by Unit Operator except with the mutual consent of such of the parties hereto as may be affected thereby.

ARTICLE VIII

CHANGE OF OWNERSHIP

8.1 ASSIGNMENTS: Any Working Interest Owner may, at any time, transfer or assign all of his working interest to any other Working Interest Owner who is then a party to the Unit Agreement and to this agreement, or to any other person, association or corporation, when such assignment is made expressly subject to the terms of the Unit Agreement and the terms of this agreement, and wherein the assignee shall accept and agree to perform all duties, obligations and liabilities thereof. On the making of such assignment, the assignor shall thereupon be relieved of all future duties, obligations and liabilities of a Working Interest Owner under this agreement and under the Unit Agreement. A partial assignment of working interest shall be effective as above described to the extent of the interest so assigned. No assignment made under the provisions of this section shall be binding upon Unit Operator until a certified copy of said assignment has been delivered to Unit Operator. The terms and provisions of this agreement shall be deemed to be covenants running with the land and the leasehold estates and interests therein of the parties hereto, and shall be binding upon and inure to the benefit of the parties hereto, their heirs, personal representatives, successors and assigns.

8.2 WITHDRAWAL OF PARTY: If any party hereto so desires, it may withdraw from this agreement by conveying, assigning and transferring, without warranty, either express or implied, to the other parties hereto who do not desire to withdraw all of its right, title and interest in and under the leases included in the Unit Area, together with the withdrawing party's interest in all wells, casing, material, equipment, fixtures and other personal property therein and thereon or used in connection therewith, but such conveyance or assignment shall not relieve said party from any obligation or liability accruing or incurred prior to the date thereof.

Such assignment shall be free and clear of all liens and encumbrances, except overriding royalties, payments out of production or other like interests based on production shown on Exhibit "B", and the interest so conveyed and assigned shall be held and owned by the assignees thereof in proportion to their respective interests in the Unit Area on an acreage basis. After the date of said assignment the withdrawing party shall be relieved from all obligations and liabilities accruing under this agreement, and the right of such party to any benefits subsequently accruing hereunder shall cease, but the withdrawing party shall be entitled to receive payment for its interest in all such casing, material, equipment, fixtures and other personal property at its salvage value determined, insofar as is possible, in accordance with the Accounting Procedure attached hereto as Exhibit "C". If all of the parties are not willing to accept the assignment of such interest, the assignment shall run in favor of those parties willing to accept in the proportions that the interest of each such party in the Unit Area on an acreage basis bears to the aggregate interest of all parties assignee in the Unit Area.

8.3 SUBSEQUENT JOINDER: Prior to commencement of operations under the Unit Agreement, all owners of working interests in the Unit Area who have joined in the Unit Agreement shall be privileged to join in this agreement by subscribing to the Unit Agreement and this agreement. After commencement of operations under the Unit Agreement, however, subsequent joinder in the Unit Agreement and Unit Area shall be on such reasonable terms and conditions as the parties who are then committed to the Unit Agreement and this agreement may require in view of the circumstances existing at the time such subsequent joinder is sought.

8.4 SURRENDER OR TERMINATION OF INTERESTS: No lease committed to the Unit Agreement shall be surrendered in whole or part, unless the parties hereto mutually consent thereto. Should any party at any time desire to surrender any lease committed to said Unit Agreement and the other parties should not agree or consent to such surrender, the party desiring so to surrender shall assign, without express or implied warranty of title (but if Federal or State land is involved, said assignment shall be subject to approval by the Bureau of Land Management, Department of the Interior or by the Commissioner of Public Lands of the State of New Mexico, as the case may be) all of such party's interest in such lease to the other parties hereto in proportion to the interest then severally held by them on an acreage basis in the Unit Area. If all of the parties are not willing to accept the assignment of such

interest, the assignment shall run in favor of those parties willing to accept in the proportions that the interest of each such party in the Unit Area on an acreage basis bears to the aggregate interest of all parties assignee in the Unit Area. Such assignment shall be free and clear of all liens and encumbrances and, upon delivery thereof, the assigning party shall be relieved of all further obligations with respect to the lease or leases so assigned, but such assignment shall not relieve the assigning party of any obligations incurred with respect to such lease or leases prior to the assignment thereof.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.1 NOTICES: Except as herein otherwise expressly provided, all notices, reports or other communications required or permitted hereunder shall be deemed to have been properly given or delivered when delivered personally or when sent by registered mail or telegraph with all postage or charges fully prepaid, and addressed to the parties hereto, at the addresses set opposite their respective names, or such other addresses as may be thereafter furnished. The date of service by mail shall be the date on which such written notice or other communication is deposited in the United States Post Office, addressed as above provided.

9.2 RELATION OF PARTIES: The rights, duties, obligations and liabilities of the parties hereto shall be several and not joint or collective, and nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, an association or a trust or as imposing upon any one or more of the parties hereto any partnership duty, obligation or liability. Each party hereto shall be individually responsible for only its obligations, as set out in this agreement.

9.3 INTERNAL REVENUE ELECTION: If, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of said Code and the regulation promulgated thereunder. Unit Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal

Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and data required by Federal Regulations 1.761-1 (a). Should there be any requirement that each party hereto further evidence this election, each party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the State of New Mexico or any future income tax law of the United States, contain or hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of said Subchapter K is permitted, each of the parties hereto hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the parties hereto hereby states that the income derived by him from the operations under this agreement can be adequately determined without the computation of partnership taxable income. In the event Unit Operator executes for and on behalf of the other parties hereto any election authorized under the provisions of this section, Unit Operator shall give notice of such election to the other parties hereto.

9.4 LIMIT OF LIABILITY:

9.4.1 Liability: The liability of the parties hereto shall be several rather than joint or collective. Each Working Interest Owner shall be individually responsible only for its obligations as set out in this agreement and shall be liable only for its proportionate share of the costs and expenses as set out herein and nothing herein contained or implied shall be deemed to create a partnership or joint liability between or among the parties hereto. No funds received by Unit Operator under this agreement, whether received as proceeds from the sale of unitized substances, or as advances, or as payments on account of costs or otherwise, need be segregated by Unit Operator or maintained by it as a joint fund, but may be commingled with its own funds and distributed by Unit Operator as provided for in this agreement.

9.4.2 Force Majeure: Any obligation imposed upon the parties hereby by this agreement, other than the obligation to make payments due

hereunder, shall be suspended while any party hereto (including party designated as Unit Operator) is prevented from complying therewith by acts of God or the public enemy, acts or requests of Federal or State agencies, war, fires, floods, storms, inability to secure materials, strikes, lockouts or other matters beyond such party's control whether similar or dissimilar; provided, however, that the settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty and no such party shall be required to settle any strike or lockout when such course of action is deemed inadvisable by the party having such difficulty.

9.5 CONTRIBUTION TOWARD DRILLING. In the event the parties hereto, or any of them receive a contribution, whether of money or property, toward the drilling of any well drilled on the Unit Area pursuant to the provisions of this agreement, such contribution shall be shared in and owned by each party hereto in the proportion in which the cost of drilling any such well is to be borne and paid by such party; provided, however, the provision of this Section 9.5 shall not apply to the initial test well, which is covered in Exhibit "D".

9.6 ASSIGNMENTS OF PARTIAL INTERESTS: Notwithstanding any of the provisions contained herein to the contrary, in executing any assignments pursuant to the provisions of this agreement where the interest to be assigned is only as to certain producing formations where Federal and State lands are involved and if as to undivided interest where State lands are involved and where such assignments are subject to approval by the Bureau of Land Management or by the Commissioner of Public Lands of the State of New Mexico, as the case may be, then the interest to be assigned shall be conveyed by appropriate operating agreements or by any other valid instrument that will carry out the intention of such provision or provisions or in case of a State lease or leases where undivided interests are to be assigned, the same may be assigned to Unit Operator to be held in trust for the parties entitled to participate therein in proportion to their respective interests.

9.7 PROVISIONS CONFORMED WITH LAWS AND REGULATIONS: The provisions of this agreement shall be subject to all Federal and State laws, executive orders, rules or regulations; and to all orders, rules or regulations of all Federal or State officers, agencies, boards or commissions which in any way, directly or indirectly, relate to or affect the performance of any of the provisions of this agreement,

but no party hereto shall suffer a forfeiture or be liable in damages for failure to comply with any of the provisions of this agreement, if such compliance is prevented by, or if such failure results from, compliance with any such law, order, rule or regulation; and in the event this agreement or any provision hereof is found to be inconsistent with or contrary to any such law, order, rule or regulation, the latter shall be deemed to control and this agreement shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

9.8 EXHIBITS: Attached hereto and made a part hereof are the following exhibits:

(a) Exhibit "A" is a map showing the boundary line of the Unit Area.

(b) Exhibit "B" is a schedule showing the acreage percentage and kind of ownership of oil and gas interests in all land in the Unit Area.

(c) Exhibit "C" is the Accounting Procedure (PASO-T-1955-2).

(d) Exhibit "D" is Initial Test Well.

9.9 EFFECTIVE DATE AND TERM: This agreement shall become effective as of the Effective Date of the Unit Agreement and shall remain in full force and effect during the term of said Unit Agreement and any and all extensions or renewals thereof, and, in the event of the termination of the Unit Agreement for any reason, this agreement shall continue in full force and effect as to all wells which have not been plugged and abandoned as of the time of the termination of the Unit Agreement and the rights and interests of the parties hereto in such wells and their participation in the production therefrom and in the cost of the operation thereof, shall be governed by the provisions hereof and this agreement with respect thereto shall remain in full force and effect so long as any such well is capable of producing oil or gas in paying quantities.

9.10 COUNTERPARTS AND RATIFICATION HEREOF: This agreement may be executed in any number of counterparts, each of which such counterparts shall bind the party or parties executing same and shall have the same force and effect as if all of the parties to the aggregate counterparts had signed the same instrument. In lieu of counterpart execution, this agreement may be ratified by a separate written instrument referring hereto and each such ratification shall have the same force and effect as an executed counterpart hereof and, in effect, shall incorporate by reference all of the provisions hereof.

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

UNIT OPERATOR AND WORKING INTEREST OWNER

DRILLING AND EXPLORATION COMPANY, INC.

Date: AUG 8 1960

By *G.P. Hammond, Jr.*
Vice President

ATTEST:

H. W. T. Mc...
Assistant Secretary
Exchange Bank Building
P. O. Box 35366, Airlawn Station
Dallas 35, Texas

OTHER WORKING INTEREST OWNERS

GULF OIL CORPORATION

Date: _____

By _____
Attorney-in-Fact

ATTEST:

Assistant Secretary
Petroleum Building
P. O. Box 669
Roswell, New Mexico

CONTINENTAL OIL COMPANY

Date: September 22, 1960

By *John L. Kelly*
Attorney-in-Fact

ATTEST:

William Rodgers
Assistant Secretary
Petroleum Building
P. O. Box 1291
Roswell, New Mexico

PAN AMERICAN PETROLEUM CORPORATION

Date: August 26, 1960

By *Bob Matie*
Attorney-in-Fact

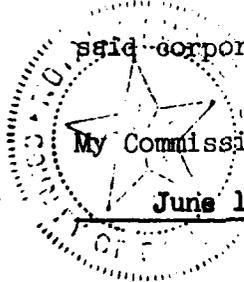
ATTEST:

H. H. ...
Assistant Secretary
Oil and Gas Building
P. O. Box 1410
Fort Worth, Texas



STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 8th day of August, 1960, by G. R. Brainard, Jr., Vice President of Drilling and Exploration Company, Inc., a Delaware corporation, in behalf of said corporation.



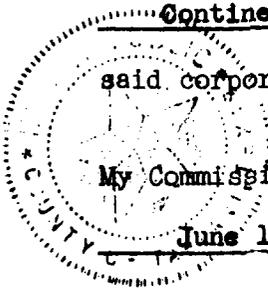
My Commission Expires:
June 1, 1961

Anyta R. Folley
Notary Public

ANYTA R. FOLLEY
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1961

STATE OF TEXAS)
) ss.
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 22nd day of September, 1960, by JOHN L. KELLY, ATTORNEY IN FACT President of Continental Oil Company, a Delaware corporation, in behalf of said corporation.

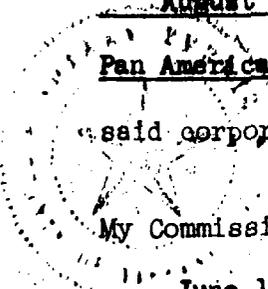


My Commission Expires:
June 1, 1961

Lovelyn Reichmiller
Notary Public

STATE OF TEXAS)
) ss.
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 26th day of August, 1960, by Wm. J. Nolte, Attorney-in-Fact President of Pan American Petroleum Corporation, a Delaware corporation, in behalf of said corporation.



My Commission Expires:
June 1, 1961

Edna M. Cooper
Notary Public

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of Gulf Oil Corporation, a Pennsylvania corporation in behalf of said corporation.

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
MESCALERO UNIT OPERATING AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

GULF OIL CORPORATION, the undersigned, hereby acknowledges receipt of a copy of the Unit Operating Agreement for the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledges that it has read the same and is familiar with the terms and conditions thereof.

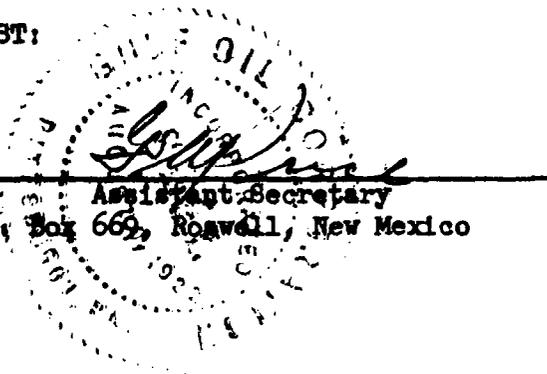
The undersigned also being the owner of certain oil and gas leasehold interests committed to said Unit Agreement, and more particularly described on the schedule attached thereto as Exhibit "B", does hereby consent to said Unit Operating Agreement and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Operating Agreement or a counterpart thereof.

Notwithstanding anything above to the contrary, however, Gulf Oil Corporation hereby commits at this time only Tracts No. 2 and 4, and agrees to commit Tracts No. 15 and 16 upon discovery of unitized substances in paying quantities within the Area described as the Mescalero Unit Area.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

DATE: _____

ATTEST:



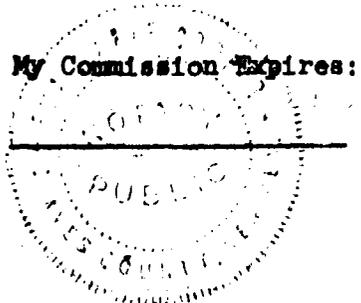
GULF OIL CORPORATION

BY W. A. Shellshear
Attorney-in-Fact

Law	<i>AKK</i>
Comptrol	<i>[Signature]</i>
Exp	<i>[Signature]</i>
Prod.	

STATE OF NEW MEXICO)
COUNTY OF CHAVES) ss.

The foregoing instrument was acknowledged before me this 19th day of August, 1960, by W. A. SHELLSHEAR, Attorney-in-Fact of Gulf Oil Corporation, a Pennsylvania corporation, in behalf of said corporation.



W. A. Shellshear
Notary Public

Tr. 2, 4

CONSENT AND RATIFICATION
MESCALERO UNIT OPERATING AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Operating Agreement for the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of certain oil and gas leasehold interests committed to said Unit Agreement, and more particularly described on the schedule attached thereto as Exhibit "B", do hereby consent to said Unit Operating Agreement and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Operating Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

HOWEVER, this Consent and Ratification shall not be filed with the U. S. Geological Survey and is to be effective only as an agreement between the Working Interest Owners with relation to the cost and participation in wells drilled under the Unit Agreement. The undersigned further agree to file a subsequent joinder for lease record purposes upon discovery of unitized substances in paying quantities within the unit area.

Carl C. McElvain
P. O. Box 311, Morris, Illinois

Ruth P. McElvain

STATE OF Illinois
COUNTY OF Shelby ss.

The foregoing instrument was acknowledged before me this 18th day of August, 1960, by Carl C. McElvain & Ruth P. McElvain husband and wife

William W. Burgess
Notary Public

My Commission Expires:
10/23/62

STATE OF)
COUNTY OF) ss.

The foregoing instrument was acknowledged before me this ____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires: _____
Notary Public

CONSENT AND RATIFICATION
MESCALERO UNIT OPERATING AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

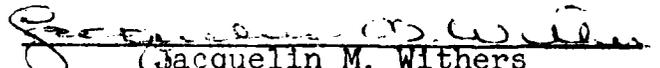
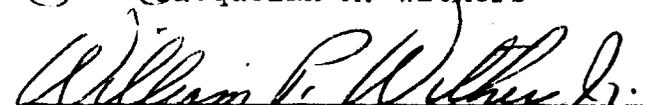
The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Operating Agreement for the Mescalero Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of June, 1960, and acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of certain oil and gas leasehold interests committed to said Unit Agreement, and more particularly described on the schedule attached thereto as Exhibit "B", do hereby consent to said Unit Operating Agreement and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Operating Agreement or a counterpart thereof.

HOWEVER, this Consent and Ratification shall not be filed with the U. S. Geological Survey and is to be effective only as an agreement between the Working Interest Owners with relation to the cost and participation in wells drilled under the Unit Agreement. The undersigned further agree to file a subsequent joinder for lease record purposes upon discovery of unitized substances in paying quantities within the unit area.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

8690 Hollyhock Drive
Cincinnati 31, Ohio


Jacquelin M. Withers

William P. Withers, Jr.

STATE OF _____ } ss:
COUNTY OF _____

The foregoing instrument was acknowledged before me this 3rd day of October, 1960 by Jacquelin M. Withers and William P. Withers, Jr., husband and wife.




Nolan W. Carson
Notary Public
NOLAN W. CARSON
Notary Public, State of Ohio
My Commission Expires Oct. 5, 1960

STATE OF _____ } ss:
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____ by _____ President of _____, a _____ corporation, in behalf of said corporation.

Notary Public

STATE OF Kentucky)
COUNTY OF Hopkins) SS.

The foregoing instrument was acknowledged before me this 30th
day of September, 1960, by Ralph C. McElvain, Jr. + wife
PEGGY P. McELVAIN



William F. Brown
Notary Public

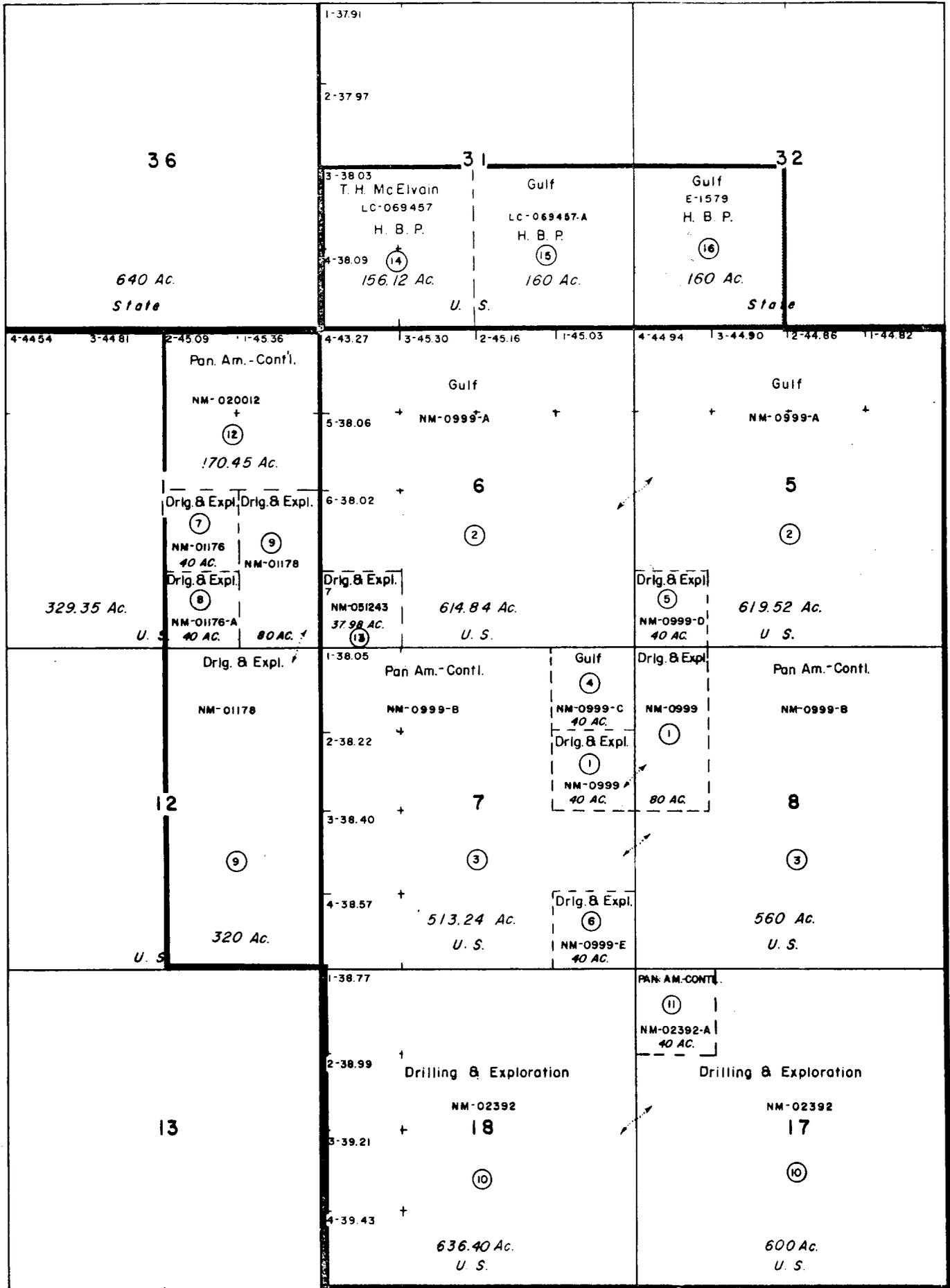
My Commission Expires
July 31, 1961

R-33-E

R-34-E

T
18
S

T
19
S



R-33-E

R-34-E

LEGEND:		
	Federal Land	4828.55 Acres 96.79%
	State Land	160.00 Acres 3.21%
	Total	4988.55 Acres 100.00%
	Boundary Unit Area	
	Tract No From Exhibit "B"	

EXHIBIT "A"
MESCALERO UNIT AREA
 LEA COUNTY, NEW MEXICO
 August 3, 1960

EXHIBIT "B" - MESCALERO UNIT - IEA COUNTY, NEW MEXICO

Page 1

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
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FEDERAL LANDS

T. 19 S., R. 34 E.

1	Sec. 7: SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 8: W $\frac{1}{2}$ NW $\frac{1}{4}$	120.00	NM 0999 5-1-50 Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Margaret Nettles Long Watts Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long), Deceased 1/4 First City National Bank of Houston, Texas, (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 1/2	Margaret Nettles Long Watts Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long), Deceased 1.00% First City National Bank of Houston, Texas, (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 2.00%	Drilling and Exploration Company, Inc. (Option) All
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2	Sec. 5: Lots 1,2,3,4, S $\frac{1}{2}$ N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 6: Lots 1,2,3,4, 5,6, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$	1234.36	NM 0999-A 5-1-50 Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	(George W. Littlefield) *Gulf Oil Corporation	Margaret Nettles Long Watts Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long), Deceased 1.00% First City National Bank of Houston, Texas, (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 2.00%	Gulf Oil Corporation (Assignment) All
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* Assignee under assignment filed for approval.

September 1, 1960

EXHIBIT "B" - MESCALERO UNIT - LEA COUNTY, NEW MEXICO

Working Interest Owner Under
Option Agreement, Operating
Agreement or Assignment and
Percentage of Interest

Overriding Royalty
Owner and Percentage

Record Owner of Lease
or Application

Serial No. Land Owner
and Percentage
Lease Date of Royalty

No. of
Acres

Tract
No. Description

FEDERAL LANDS (Continued)

T. 19 S., R. 34 E.

3	Sec. 7: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	1073.24	NM 0999-B 5-1-50 Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Hoover H. Wright Continental Oil Company	1/2	Margaret Nettles Long Watts Bank of the Southwest	1.00%	Pan American Petroleum Corporation (Option)	1/2
	Sec. 8: S $\frac{1}{2}$, NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$				National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long), Deceased First City National Bank of Houston, Texas, (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased	1/2			Continental Oil Company (Assignment)	1/2

4	Sec. 7: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	NM 0999-C 5-1-50 Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Gulf Oil Corporation		Margaret Nettles Long Watts Bank of the Southwest	1.00%	Gulf Oil Corporation (Assignment)	All
					National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long), Deceased First City National Bank of Houston, Texas, (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased					

September 1, 1960

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
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FEDERAL LANDS (Continued)

T. 19 S., R. 34 E.

5	Sec. 5: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NM 0999-D 5-1-50 Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Margaret Nettles Long Watts 1/4 Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long), Deceased 1/4 First City National Bank of Houston, Texas, (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 1/2	Margaret Nettles Long Watts 1.00% Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long), Deceased 1.00% First City National Bank of Houston, Texas, (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 2.00%	Drilling and Exploration Company, Inc. (Option) All
6	Sec. 7: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 0999-E 5-1-50 Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Drilling and Exploration Company, Inc.	Margaret Nettles Long Watts 1.00% Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long), Deceased 1.00% First City National Bank of Houston, Texas, (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 2.00%	Drilling and Exploration Company, Inc. (Assignment) All

September 1, 1960

Working Interest Owner Under
 Option Agreement, Operating
 Agreement or Assignment and
 Percentage of Interest

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
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FEDERAL LANDS (Continued)

T. 19 S., R. 33 E.

7	Sec. 1: NW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 01176 4-1-50 Ext. to 2-28-62	U.S.A. 12 $\frac{1}{2}$ % All	Charles B. Gonzales 1/4 Levi A. Hughes 1/4 Leroy English 5/12 Evelyn Ann English, Administratrix of Est. of P. B. English, Jr., Deceased 1/12	Albuquerque National Bank, Drilling and Exploration Company, Inc. All Testamentary Trustee (Option) of F. A. Andrews, 0.115700% Deceased 0.134300% Selma E. Andrews Higgins Trust Inc. 0.375000% Sabine Royalty Corporation 0.375000% J. H. Campbell 0.625000% Roy G. Barton 0.218750% Mrs. Lou Baker 1.562500% George E. Bobb 0.764067% Fern Sullivan 0.250000% Nona Bell Saunders 0.500000% Opal Barton 0.015625% Roy G. Barton, Jr. 0.015625% Lejzor Bryks 0.048433% 5.000000%	
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\$350/acre from each proration unit
 severally from 1/16 of 7/8 to:

Charles B. Gonzales 1/4
 Levi A. Hughes 1/4
 Leroy English 5/12
 Evelyn Ann English,
 Administratrix of
 Est. of P. B.
 English, Jr.,
 Deceased 1/12

September 1, 1960

Working Interest Owner Under
Option Agreement, Operating
Agreement or Assignment and
Percentage of Interest

Overriding Royalty
Owner and Percentage

Record Owner of Lease
or Application

Serial No. Land Owner
and Percentage
of Royalty

No. of
Acres

Tract
No. Description

FEDERAL LANDS (Continued)

T. 19 S., R. 33 E.

8	Sec. 1: SW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 01176-A 4-1-50 Ext. to 2-28-62	U.S.A. 12 $\frac{1}{2}$ % All	Drilling and Exploration Company, Inc.	Albuquerque National Bank, Drilling and Exploration Company, Inc. All (Assignment)	
					Testamentary Trustee of F. A. Andrews, Deceased	0.115700%	
					Selma E. Andrews Higgins Trust Inc.	0.134300%	
					Sabine Royalty Corporation	0.375000%	
					J. H. Campbell	0.375000%	
					Roy G. Barton	0.625000%	
					Mrs. Lou Baker	0.218750%	
					George E. Bobb	1.562500%	
					Fern Sullivan	0.764067%	
					Mona Bell Saunders	0.250000%	
					Opal Barton	0.500000%	
					Roy G. Barton, Jr.	0.015625%	
					Lejzor Bryks	0.015625%	
						0.048433%	
						5.000000%	

\$350/acre from each proration unit
severally from 1/16 of 7/8 to:

- Charles B. Gonzales 1/4
- Levi A. Hughes 1/4
- Leroy English 5/12
- Evelyn Ann English
- Administratrix of
- Est. of P. B.
- English, Jr.,
- Deceased

Working Interest Owner Under
Option Agreement, Operating
Agreement or Assignment and
Percentage of Interest

Overriding Royalty
Owner and Percentage

Record Owner of Lease
or Application

Serial No. Land Owner
and Percentage
Lease Date of Royalty

No. of
Acres

Tract
No. Description

FEDERAL LANDS (Continued)

T. 19 S., R. 33 E.

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner and Percentage	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
9	Sec. 1: E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 12: E $\frac{1}{2}$	400.00	NM 01178 4-1-50 Ext. to 2-28-62	U.S.A. 12 $\frac{1}{2}$ % All	Charles B. Gonzales 1/4 Levi A. Hughes 1/4 Leroy English 5/12 Evelyn Ann English, Administratrix of Est. of P. B. English, Jr., Deceased 1/12	Albuquerque National Bank, Drilling and Exploration Company, Inc. All Testamentary Trustee (Option) of F. A. Andrews, 0.115700% Deceased 0.134300% Selma E. Andrews Higgins Trust Inc. 0.375000% Sabine Royalty Corporation 0.375000% J. H. Campbell 0.625000% Roy G. Barton 0.218750% Mrs. Lou Baker 1.562500% George E. Bobb 0.764067% Fern Sullivan 0.250000% Mona Bell Saunders 0.500000% Opal Barton 0.015625% Roy G. Barton, Jr. 0.015625% Lejzor Bryks 0.048433% 5.000000%	

\$350/acre from each proration unit
severally from 1/16 of 7/8 to:
Charles B. Gonzales 1/4
Levi A. Hughes 1/4
Leroy English 5/12
Evelyn Ann English,
Administratrix of
Est. of P. B.
English, Jr.,
Deceased 1/12

September 1, 1960

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
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FEDERAL LANDS (Continued)

T. 19 S., R. 34 E.

10	Sec. 17: E $\frac{1}{2}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$	1236.40	NM 02392 9-1-50 Ext. to 7-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Drilling and Exploration Company, Inc.	Julia Brainard 3.00%	Drilling and Exploration Company, Inc. All (Assignment)
	Sec. 18: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ (All)						

11	Sec. 17: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	NM 02392-A 9-1-50 Ext. to 7-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Pan American Petroleum Corporation Continental Oil Company	Julia Brainard Drilling and Exploration Company, Inc. 3.00% 1.00%	Pan American Petroleum Corporation (Assignment) Continental Oil Company (Assignment) 1/2 1/2
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T. 19 S., R. 33 E.

12	Sec. 1: Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$	170.45	NM 020012 4-1-50 Ext. to 2-28-62	U.S.A. 12 $\frac{1}{2}$ % All	Pan American Petroleum Corporation Continental Oil Company	Albuquerque National Bank, Testamentary Trustee of F. A. Andrews, Deceased Selma E. Andrews Higgins Trust Inc. Sabine Royalty Corporation J. H. Campbell Roy G. Barton Mrs. Lou Baker George E. Bobb Fern Sullivan Nona Bell Saunders Opal Barton Roy G. Barton, Jr. Lejzor Bryks	Pan American Petroleum Corporation (Assignment) Continental Oil Company (Assignment) 1/2 1/2
							0.115700% 0.134300% 0.375000% 0.375000% 0.625000% 0.218750% 1.562500% 0.764067% 0.250000% 0.500000% 0.015625% 0.015625% 0.048433% 5.000000%

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty or Application	Record Owner of Lease	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
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FEDERAL LANDS (Continued)

T. 19 S., R. 33 E.

12 (Continued)

\$250/acre from each proration unit severally from 1/16 of 7/8 to:
 Charles B. Gonzales 1/4
 Levi A. Hughes 1/4
 Leroy English 5/12
 Evelyn Ann English, Administratrix of Est. of P. B. English, Jr., Deceased 1/12

T. 19 S., R. 34 E.

13 Sec. 6: Lot 7

37.98 NM 051243 9-1-59 U.S.A. 12 1/2% ALL

Drilling and Exploration Company, Inc. W. H. Kirkpatrick 5.00% Drilling and Exploration Company, Inc. All (Assignment)

T. 18 S., R. 34 E.

14 Sec. 31: Lots 3,4, E 1/2 SW 1/4

156.12 LC 069457 9-1-49 H.B.P. U.S.A. 12 1/2% ALL

Carl R. McElvain 1/4 Frank E. Miller 0.2500% Carl R. McElvain 1/4
 T. H. McElvain 1/4 Higgins Trust Inc. 0.1875% T. H. McElvain 1/4
 Edith S. McElvain, Corporation 0.1875% Edith S. McElvain, Jacqueline M. Withers & Ralph C. McElvain, Jr. 1/4
 Roberta Regan, Individually and as Executrix of Est. of K. M. Regan, Deceased 1/4
 Selma E. Andrews 0.2315% Roberta Regan, Individually and as Executrix of Est. of K. M. Regan, Deceased 1/4
 Selma E. Andrews 0.2685% of Est of K. M. Regan, Deceased 1/4
 Selma E. Andrews 1.1250%

September 1, 1960

Working Interest Owner Under
Option Agreement, Operating
Agreement or Assignment and
Percentage of Interest

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
FEDERAL LANDS (Continued)							
T. 18 S., R. 34 E.							
15	Sec. 31: SE $\frac{1}{4}$	160.00	LC-069457-A 9-1-49 H.B.P.	U.S.A. 12 $\frac{1}{2}$ % ALL	Gulf Oil Corporation	Frank E. Miller 0.2500% Higgins Trust Inc. 0.1875% Sabine Royalty Corporation 0.1875% Albuquerque National Bank, Testamentary Trustee of F. A. Andrews, Deceased 0.2315% Selma E. Andrews & Carolyn Seale 0.2685% Mrs. Clyde Brown Seale 1.8750% 3.0000%	Gulf Oil Corporation All (Assignment)

TOTAL FEDERAL LANDS - 4,828.55 Acres

EXHIBIT "B" - MESCALERO UNIT - LEA COUNTY, NEW MEXICO

Working Interest Owner Under
Option Agreement, Operating
Agreement or Assignment and
Percentage of Interest

Overriding Royalty
Owner and Percentage

Record Owner of Lease
or Application

Serial No. Land Owner
and Percentage
Lease Date of Royalty

No. of
Acres

Description

Tract
No.

STATE LANDS

T. 18 S., R. 34 E.

16	Sec. 32: SW $\frac{1}{4}$	160.00	E-1579 11-10-49 H.B.P.	State N.M. 12 $\frac{1}{2}$ % All	Gulf Oil Corporation	None	Gulf Oil Corporation	All
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TOTAL STATE LANDS - 160.00 Acres

R E C A P I T U L A T I O N

<u>LAND</u>	<u>ACREAGE</u>	<u>PERCENTAGE</u>
Federal	4,828.55	96.79%
State	<u>160.00</u>	<u>3.21%</u>
Totals	4,988.55	100.00%

FOOTNOTE TO EXHIBIT

Promptly upon approval of the Unit Agreement by the Director, U.S.G.S., Option Agreements providing for the assignment of record title, together with working interest rights and stipulated overriding royalty reservations by the present lessees of record, shall be exercised by the indicated party, subject to the Mescalero Unit Agreement.

September 1, 1960

EXHIBIT " C "

PASO-T-1955-2

Attached to and made a part of certain agreement entitled
Unit Operating Agreement,
Mescalero Unit Area, Lea County, New Mexico
Dated the 1st day of June, 1960

ACCOUNTING PROCEDURE

(UNIT AND JOINT LEASE OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions

"Joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.

"Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the subject area for the joint account of the parties hereto.

"Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

2. Statements and Billings

Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Subparagraph A below:

A. Statement in detail of all charges and credits to the joint account.

B. Statement of all charges and credits to the joint account, summarized by appropriate classifications indicative of the nature thereof.

C. Statements as follows:

- (1) Detailed statement of material ordinarily considered controllable by operators of oil and gas properties;
(2) Statement of ordinary charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and
(3) Detailed statement of any other charges and credits.

3. Payments by Non-Operator

thirty (30)

Each party shall pay its proportion of all such bills within ~~thirty (30)~~ ~~xxxxxxx~~ days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

4. Adjustments

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. Subject to the exception noted in Paragraph 5 of this section I, all statements rendered to Non-Operator by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for adjustment thereon. The provisions of this paragraph shall not prevent adjustments resulting from physical inventory of property as provided for in Section VI, Inventories, hereof.

5. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year, provided, however, that Non-Operator must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said twenty-four (24) month period. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

1. Rentals and Royalties

Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid directly to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.

2. Labor

- A. Salaries and wages of Operator's employees directly engaged on the joint property in the development, maintenance, and operation thereof, including salaries or wages paid to geologists and other employees who are temporarily assigned to and directly employed on a drilling well.
B. Operator's cost of holiday, vacation, sickness and disability benefits, and other customary allowances applicable to the salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. Costs under this Subparagraph 2 B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
C. Costs of expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages as provided under Subparagraphs 2 A, 2 B, and Paragraph 11 of this Section II.

3. Employee Benefits

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost, provided that the total of such charges shall not exceed ten per cent (10%) of Operator's labor costs as provided in Subparagraphs A and B of Paragraph 2 of this Section II and in Paragraph 11 of this Section II.

4. Material

Material, equipment, and supplies purchased or furnished by Operator for use of the joint property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the joint property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employes, equipment, material, and supplies necessary for the development, maintenance, and operation of the joint property subject to the following limitations:

- A. If material is moved to the joint property from vendor's or from the Operator's warehouse or other properties, no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available, except by special agreement with Non-Operator.

B. If surplus material is moved to Operator's warehouse or other storage point, no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator. No charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.

6. Service

A. Outside Services:

The cost of contract services and utilities procured from outside sources.

B. Use of Operator's Equipment and Facilities:

Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 5 of Section III entitled "Operator's Exclusively Owned Facilities."

7. Damages and Losses to Joint Property and Equipment

All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after report of the same has been received by Operator.

8. Litigation Expense

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorneys' fees and expenses as hereinafter provided, together with all judgments obtained against the parties or any of them on account of the joint operations under this agreement, and actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.

A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto; and a charge commensurate with cost of providing and furnishing such services rendered may be made against the joint account; but no such charge shall be made until approved by the legal departments of or attorneys for the respective parties hereto.

B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

10. Insurance and Claims

A. Premiums paid for insurance required to be carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.

B. If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses, including legal services, shall be charged to the joint account.

11. District and Camp Expense (Field Supervision and Camp Expense)

A pro rata portion of the salaries and expenses of Operator's production superintendent and other employees serving the joint property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's Hobbs District office located at or near Hobbs, New Mexico (or a comparable office if location changed), and necessary suboffices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in the conduct of the operations on the joint property and other properties operated in the same locality. The expense of, less any revenue from, these facilities should be inclusive of depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all properties ~~on a pro rata basis consistent with Operator's accounting practice.~~ on the basis of one drilling well equals six producing wells.

12. Administrative Overhead

Operator shall have the right to assess against the joint property covered hereby the following management and administrative overhead charges, which shall be in lieu of all expenses of all offices of the Operator not covered by Section II, Paragraph 11, above, including salaries and expenses of personnel assigned to such offices, except that salaries of geologists and other employees of Operator who are temporarily assigned to and directly serving on the joint property will be charged as provided in Section II, Paragraph 2, above. Salaries and expenses of other technical employees assigned to such offices will be considered as covered by overhead charges in this paragraph unless charges for such salaries and expenses are agreed upon between Operator and Non-Operator as a direct charge to the joint property.

WELL BASIS (Rate Per Well Per Month)

Well Depth	DRILLING WELL RATE	PRODUCING WELL RATE (Use Completion Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
All Depths	\$350.00	60.00	50.00	40.00

- A. Overhead charges for drilling wells shall begin on the date each well is spudded and terminate when it is on production or is plugged, as the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
- B. In connection with overhead charges, the status of wells shall be as follows:
 - (1) Injection wells for recovery operations, such as for repressure or water flood, shall be included in the overhead schedule the same as producing oil wells.
 - (2) Water supply wells utilized for water flooding operations shall be included in the overhead schedule the same as producing oil wells.
 - (3) Producing gas wells shall be included in the overhead schedule the same as producing oil wells.

- (4) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
 - (5) Wells being plugged back, drilled deeper, or converted to a source or input well shall be included in the overhead schedule the same as drilling wells.
 - (6) Temporarily shut-down wells (other than by governmental regulatory body) which are not produced or worked upon for a period of a full calendar month shall not be included in the overhead schedule; however, wells shut in by governmental regulatory body shall be included in the overhead schedule only in the event the allowable production is transferred to other wells on the same property. In the event of a unit allowable, all wells capable of producing will be counted in determining the overhead charge.
 - (7) Wells completed in dual or multiple horizons shall be considered as two wells in the producing overhead schedule.
 - (8) Lease salt water disposal wells shall not be included in the overhead schedule unless such wells are used in a secondary recovery program on the joint property.
- C. The above overhead schedule for producing wells shall be applied to the total number of wells operated under the Operating Agreement to which this accounting procedure is attached, irrespective of individual leases.
- D. It is specifically understood that the above overhead rates apply only to drilling and producing operations and are not intended to cover the construction or operation of additional facilities such as, but not limited to, gasoline plants, compressor plants, repressuring projects, salt water disposal facilities, and similar installations. If at any time any or all of these become necessary to the operation, a separate agreement will be reached relative to an overhead charge and allocation of district expense.
- E. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. Operator's Fully Owned Warehouse Operating and Maintenance Expense

(Describe fully the agreed procedure to be followed by the Operator.)

None

14. Other Expenditures

Any expenditure, other than expenditures which are covered and dealt with by the foregoing provisions of this Section II, incurred by the Operator for the necessary and proper development, maintenance, and operation of the joint property.

III. BASIS OF CHARGES TO JOINT ACCOUNT

1. Purchases

Material and equipment purchased and service procured shall be charged at price paid by Operator after deduction of all discounts actually received.

2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

A. New Material (Condition "A")

- (1) New material transferred from Operator's warehouse or other properties shall be priced f.o.b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, pumping units, sucker rods, engines, and other major equipment. Tubular goods, two-inch (2") and over, shall be priced on car-load basis effective at date of transfer and f.o.b. railway receiving point nearest the joint account operation, regardless of quantity transferred.
- (2) Other material shall be priced on basis of a reputable supply company's preferential price list effective at date of transfer and f.o.b. the store or railway receiving point nearest the joint account operation where such material is available.
- (3) Cash discount shall not be allowed.

B. Used Material (Condition "B" and "C")

- (1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at seventy-five per cent (75%) of new price.
- (2) Material which cannot be classified as Condition "B" but which,
 - (a) After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
 - (b) Is serviceable for original function but substantially not suitable for reconditioning,
 shall be classed as Condition "C" and priced at fifty per cent (50%) of new price.
- (3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.
- (4) Tanks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

3. Premium Prices

Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of this Section III because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the joint account for the required materials on the basis of the Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location, provided, however, that notice in writing is furnished to Non-Operator of the proposed charge prior to billing the Non-Operator for the material and/or equipment acquired pursuant to this provision, whereupon Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location, nearest railway receiving point, or Operator's storage point within a comparable distance, all or part of his share of material and/or equipment suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by Non-Operator, at any point other than at the location, shall be borne by such Non-Operator. If, pursuant to the provisions of this paragraph, any Non-Operator furnishes material and/or equipment in kind, the Operator shall make appropriate credits therefor to the account of said Non-Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

5. Operator's Exclusively Owned Facilities

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

- A. Water, fuel, power, compressor and other auxiliary services at rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.

- B. Automotive equipment at rates commensurate with cost of ownership and operation. Such rates should generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expenses and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck and tractor rates may include wages and expenses of driver.
- C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located. Pulling units shall be charged at hourly rates commensurate with the cost of ownership and operation, which shall include repairs and maintenance, operating supplies, insurance, depreciation, and taxes. Pulling unit rates may include wages and expenses of the operator.
- D. A fair rate shall be charged for laboratory services performed by Operator for the benefit of the joint account, such as gas, water, core, and any other analyses and tests; provided such charges shall not exceed those currently prevailing if performed by outside service laboratories.
- E. Whenever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.
- F. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. The disposition of major items of surplus material, such as derricks, tanks, engines, pumping units, and tubular goods, shall be subject to mutual determination by the parties hereto; provided Operator shall have the right to dispose of normal accumulations of junk and scrap material either by transfer or sale from the joint property.

1. Material Purchased by the Operator or Non-Operator

Material purchased by either the Operator or Non-Operator shall be credited by the Operator to the joint account for the month in which the material is removed by the purchaser.

2. Division in Kind

Division of material in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party, and corresponding credits will be made by the Operator to the joint account. Such credits shall appear in the monthly statement of operations.

3. Sales to Outsiders

Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected by Operator from vendee. Any claims by vendee for defective material or otherwise shall be charged back to the joint account if and when paid by Operator.

V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

1. New Price Defined

New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Charges to Joint Account."

2. New Material

New material (Condition "A"), being new material procured for the joint account but never used thereon, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. Good Used Material

Good used material (Condition "B"), being used material in sound and serviceable condition, suitable for reuse without reconditioning:

- A. At seventy-five per cent (75%) of current new price if material was charged to joint account as new, or
- B. At sixty-five per cent (65%) of current new price if material was originally charged to the joint property as secondhand at seventy-five per cent (75%) of new price.

4. Other Used Material

Used material (Condition "C"), at fifty per cent (50%) of current new price, being used material which:

- A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
- B. Is serviceable for original function but substantially not suitable for reconditioning.

5. Bad-Order Material

Material and equipment (Condition "D"), which is no longer usable for its original purpose without excessive repair cost but is further usable for some other purpose, shall be priced on a basis comparable with that of items normally used for that purpose.

6. Junk

Junk (Condition "E"), being obsolete and scrap material, at prevailing prices.

7. Temporarily Used Material

When the use of material is temporary and its service to the joint account does not justify the reduction in price as provided in Paragraph 3 B, above, such material shall be priced on a basis that will leave a net charge to the joint account consistent with the value of the service rendered.

VI. INVENTORIES

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the joint account material, which shall include all such material as is ordinarily considered controllable by operators of oil and gas properties.

Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operator may be represented when any inventory is taken.

Failure of Non-Operator to be represented at an inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken, at the expense of the purchaser, whenever there is any sale or change of interest in the joint property; and it shall be the duty of the party selling to notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be represented and shall be governed by the inventory so taken.

Attached to and made a part of certain agreement entitled
Unit Operating Agreement,
Mescalero Unit Area, Lea County, New Mexico
Dated the 1st day of June, 1960

ACCOUNTING PROCEDURE

(UNIT AND JOINT LEASE OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions

"Joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.

"Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the subject area for the joint account of the parties hereto.

"Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

2. Statements and Billings

Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Subparagraph A below:

A. Statement in detail of all charges and credits to the joint account.

B. Statement of all charges and credits to the joint account, summarized by appropriate classifications indicative of the nature thereof.

C. Statements as follows:

(1) Detailed statement of material ordinarily considered controllable by operators of oil and gas properties;

(2) Statement of ordinary charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof;
and

(3) Detailed statement of any other charges and credits.

3. Payments by Non-Operator

thirty (30)

Each party shall pay its proportion of all such bills within ~~thirty (30)~~ days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

4. Adjustments

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. Subject to the exception noted in Paragraph 5 of this section I, all statements rendered to Non-Operator by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for adjustment thereon. The provisions of this paragraph shall not prevent adjustments resulting from physical inventory of property as provided for in Section VI, Inventories, hereof.

5. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year, provided, however, that Non-Operator must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said twenty-four (24) month period. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

1. Rentals and Royalties

Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid directly to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.

2. Labor

A. Salaries and wages of Operator's employees directly engaged on the joint property in the development, maintenance, and operation thereof, including salaries or wages paid to geologists and other employees who are temporarily assigned to and directly employed on a drilling well.

B. Operator's cost of holiday, vacation, sickness and disability benefits, and other customary allowances applicable to the salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. Costs under this Subparagraph 2 B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Costs of expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages as provided under Subparagraphs 2 A, 2 B, and Paragraph 11 of this Section II.

3. Employee Benefits

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost, provided that the total of such charges shall not exceed ten per cent (10%) of Operator's labor costs as provided in Subparagraphs A and B of Paragraph 2 of this Section II and in Paragraph 11 of this Section II.

4. Material

Material, equipment, and supplies purchased or furnished by Operator for use of the joint property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the joint property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees, equipment, material, and supplies necessary for the development, maintenance, and operation of the joint property subject to the following limitations:

A. If material is moved to the joint property from vendor's or from the Operator's warehouse or other properties, no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available, except by special agreement with Non-Operator.

B. If surplus material is moved to Operator's warehouse or other storage point, no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator. No charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.

6. Service

A. Outside Services:

The cost of contract services and utilities procured from outside sources.

B. Use of Operator's Equipment and Facilities:

Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 5 of Section III entitled "Operator's Exclusively Owned Facilities."

7. Damages and Losses to Joint Property and Equipment

All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after report of the same has been received by Operator.

8. Litigation Expense

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorneys' fees and expenses as hereinafter provided, together with all judgments obtained against the parties or any of them on account of the joint operations under this agreement, and actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.

A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto; and a charge commensurate with cost of providing and furnishing such services rendered may be made against the joint account; but no such charge shall be made until approved by the legal departments of or attorneys for the respective parties hereto.

B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

10. Insurance and Claims

A. Premiums paid for insurance required to be carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.

B. If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses, including legal services, shall be charged to the joint account.

11. District and Camp Expense (Field Supervision and Camp Expense)

A pro rata portion of the salaries and expenses of Operator's production superintendent and other employees serving the joint property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's Hobbs District office located at or near Hobbs, New Mexico (or a comparable office if location changed), and necessary suboffices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in the conduct of the operations on the joint property and other properties operated in the same locality. The expense of, less any revenue from, these facilities should be inclusive of depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all properties ~~on the basis of one drilling well equals six producing wells.~~ on the basis of one drilling well equals six producing wells.

12. Administrative Overhead

Operator shall have the right to assess against the joint property covered hereby the following management and administrative overhead charges, which shall be in lieu of all expenses of all offices of the Operator not covered by Section II, Paragraph 11, above, including salaries and expenses of personnel assigned to such offices, except that salaries of geologists and other employees of Operator who are temporarily assigned to and directly serving on the joint property will be charged as provided in Section II, Paragraph 2, above. Salaries and expenses of other technical employees assigned to such offices will be considered as covered by overhead charges in this paragraph unless charges for such salaries and expenses are agreed upon between Operator and Non-Operator as a direct charge to the joint property.

WELL BASIS (Rate Per Well Per Month)

Well Depth	DRILLING WELL RATE	PRODUCING WELL RATE (Use Completion Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
All Depths	\$350.00	60.00	50.00	40.00

- A. Overhead charges for drilling wells shall begin on the date each well is spudded and terminate when it is on production or is plugged, as the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
- B. In connection with overhead charges, the status of wells shall be as follows:
 - (1) Injection wells for recovery operations, such as for repressure or water flood, shall be included in the overhead schedule the same as producing oil wells.
 - (2) Water supply wells utilized for water flooding operations shall be included in the overhead schedule the same as producing oil wells.
 - (3) Producing gas wells shall be included in the overhead schedule the same as producing oil wells.

- (4) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
 - (5) Wells being plugged back, drilled deeper, or converted to a source or input well shall be included in the overhead schedule the same as drilling wells.
 - (6) Temporarily shut-down wells (other than by governmental regulatory body) which are not produced or worked upon for a period of a full calendar month shall not be included in the overhead schedule; however, wells shut in by governmental regulatory body shall be included in the overhead schedule only in the event the allowable production is transferred to other wells on the same property. In the event of a unit allowable, all wells capable of producing will be counted in determining the overhead charge.
 - (7) Wells completed in dual or multiple horizons shall be considered as two wells in the producing overhead schedule.
 - (8) Lease salt water disposal wells shall not be included in the overhead schedule unless such wells are used in a secondary recovery program on the joint property.
- C. The above overhead schedule for producing wells shall be applied to the total number of wells operated under the Operating Agreement to which this accounting procedure is attached, irrespective of individual leases.
- D. It is specifically understood that the above overhead rates apply only to drilling and producing operations and are not intended to cover the construction or operation of additional facilities such as, but not limited to, gasoline plants, compressor plants, repressuring projects, salt water disposal facilities, and similar installations. If at any time any or all of these become necessary to the operation, a separate agreement will be reached relative to an overhead charge and allocation of district expense.
- E. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. Operator's Fully Owned Warehouse Operating and Maintenance Expense

(Describe fully the agreed procedure to be followed by the Operator.)

None

14. Other Expenditures

Any expenditure, other than expenditures which are covered and dealt with by the foregoing provisions of this Section II, incurred by the Operator for the necessary and proper development, maintenance, and operation of the joint property.

III. BASIS OF CHARGES TO JOINT ACCOUNT

1. Purchases

Material and equipment purchased and service procured shall be charged at price paid by Operator after deduction of all discounts actually received.

2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

A. New Material (Condition "A")

- (1) New material transferred from Operator's warehouse or other properties shall be priced f.o.b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material, such as tanks, pumping units, sucker rods, engines, and other major equipment. Tubular goods, two-inch (2") and over, shall be priced on car-load basis effective at date of transfer and f.o.b. railway receiving point nearest the joint account operation, regardless of quantity transferred.
- (2) Other material shall be priced on basis of a reputable supply company's preferential price list effective at date of transfer and f.o.b. the store or railway receiving point nearest the joint account operation where such material is available.
- (3) Cash discount shall not be allowed.

B. Used Material (Condition "B" and "C")

- (1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at seventy-five per cent (75%) of new price.
- (2) Material which cannot be classified as Condition "B" but which,
 - (a) After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
 - (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classed as Condition "C" and priced at fifty per cent (50%) of new price.
- (3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.
- (4) Tanks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

3. Premium Prices

Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of this Section III because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the joint account for the required materials on the basis of the Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location, provided, however, that notice in writing is furnished to Non-Operator of the proposed charge prior to billing the Non-Operator for the material and/or equipment acquired pursuant to this provision, whereupon Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location, nearest railway receiving point, or Operator's storage point within a comparable distance, all or part of his share of material and/or equipment suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by Non-Operator, at any point other than at the location, shall be borne by such Non-Operator. If, pursuant to the provisions of this paragraph, any Non-Operator furnishes material and/or equipment in kind, the Operator shall make appropriate credits therefor to the account of said Non-Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

5. Operator's Exclusively Owned Facilities

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

- A. Water, fuel, power, compressor and other auxiliary services at rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.

- B. Automotive equipment at rates commensurate with cost of ownership and operation. Such rates should generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck and tractor rates may include wages and expenses of driver.
- C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located. Pulling units shall be charged at hourly rates commensurate with the cost of ownership and operation, which shall include repairs and maintenance, operating supplies, insurance, depreciation, and taxes. Pulling unit rates may include wages and expenses of the operator.
- D. A fair rate shall be charged for laboratory services performed by Operator for the benefit of the joint account, such as gas, water, core, and any other analyses and tests; provided such charges shall not exceed those currently prevailing if performed by outside service laboratories.
- E. Whenever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.
- F. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. The disposition of major items of surplus material, such as derricks, tanks, engines, pumping units, and tubular goods, shall be subject to mutual determination by the parties hereto; provided Operator shall have the right to dispose of normal accumulations of junk and scrap material either by transfer or sale from the joint property.

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Material purchased by either the Operator or Non-Operator shall be credited by the Operator to the joint account for the month in which the material is removed by the purchaser.

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Division of material in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party, and corresponding credits will be made by the Operator to the joint account. Such credits shall appear in the monthly statement of operations.

3. Sales to Outsiders

Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected by Operator from vendee. Any claims by vendee for defective material or otherwise shall be charged back to the joint account if and when paid by Operator.

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Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

1. New Price Defined

New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Charges to Joint Account."

2. New Material

New material (Condition "A"), being new material procured for the joint account but never used thereon, at one hundred per cent (100%) of current new price (plus sales tax if any).

3. Good Used Material

Good used material (Condition "B"), being used material in sound and serviceable condition, suitable for reuse without reconditioning:

- A. At seventy-five per cent (75%) of current new price if material was charged to joint account as new, or
- B. At sixty-five per cent (65%) of current new price if material was originally charged to the joint property as secondhand at seventy-five per cent (75%) of new price.

4. Other Used Material

Used material (Condition "C"), at fifty per cent (50%) of current new price, being used material which:

- A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or
- B. Is serviceable for original function but substantially not suitable for reconditioning.

5. Bad-Order Material

Material and equipment (Condition "D"), which is no longer usable for its original purpose without excessive repair cost but is further usable for some other purpose, shall be priced on a basis comparable with that of items normally used for that purpose.

6. Junk

Junk (Condition "E"), being obsolete and scrap material, at prevailing prices.

7. Temporarily Used Material

When the use of material is temporary and its service to the joint account does not justify the reduction in price as provided in Paragraph 3 B, above, such material shall be priced on a basis that will leave a net charge to the joint account consistent with the value of the service rendered.

VI. INVENTORIES

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the joint account material, which shall include all such material as is ordinarily considered controllable by operators of oil and gas properties.

Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operator may be represented when any inventory is taken.

Failure of Non-Operator to be represented at an inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken, at the expense of the purchaser, whenever there is any sale or change of interest in the joint property; and it shall be the duty of the party selling to notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be represented and shall be governed by the inventory so taken.

EXHIBIT "D"

Attached to and made a part of that certain agreement entitled Unit Operating Agreement, Mescalero Unit Area, Lea County, New Mexico, dated the 1st day of June, 1960.

INITIAL TEST WELL

LOCATION	Section 6, Township 19 South, Range 34 East, N.M.P.M.
DRILLING OPERATIONS	To be conducted by Unit Operator.
TEST WELL	<p>Unit Operator agrees to commence or cause to be commenced within 6 months from the date of approval of the Unit Agreement the test well required by Section 9 of said Unit Agreement.</p> <p>The cost of drilling, completing, testing and equipping said well or plugging and abandoning same, as the case may be, shall be paid by all the parties hereto in the proportion that their respective committed working interest acreage holdings in the Unit Area bear to the total committed working interest acreage holdings in the Unit Area owned by all the parties hereto; provided that such apportionment shall be subject to any existing agreements between two or more of the parties hereto specifying, as between the parties to such existing agreements, a different basis for payment of costs or the earning of additional interests by drilling, deepening or contributing to the drilling or deepening of the initial test well.</p>

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
MESCALERO UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

BEFORE EXAMINER
OIL CONSERVATION
Oil EXHIBIT NO. *A*
CASE NO. *2060*

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EXHIBITS

- Exhibit "A" - Map of Unit Area
- Exhibit "B" - Schedule of Ownership in Lands

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE MESCALERO UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

NO. _____

1 THIS AGREEMENT, entered into as of the 1st day of June, 1960, by and 1
2 between the parties subscribing, ratifying or consenting hereto, and herein 2
3 referred to as the "parties hereto," 3

4 W I T N E S S E T H: 4

5 WHEREAS. the parties hereto are the owners of working, royalty or 5
6 other oil and gas interests in the unit area subject to this agreement, and 6

7 WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, 7
8 as amended, 30 U.S.C. Sec. 181 et seq., authorizes Federal lessees and their 8
9 representatives to unite with each other, or jointly or separately with others, 9
10 in collectively adopting and operating a cooperative or unit plan of develop- 10
11 ment or operation of any oil or gas pool, field, or like area, or any part there- 11
12 of, for the purpose of more properly conserving the natural resources thereof 12
13 whenever determined and certified by the Secretary of the Interior to be necessary 13
14 or advisable in the public interest; and 14

15 WHEREAS, the Commissioner of Public Lands of the State of New Mexico 15
16 is authorized by an act of the Legislature (Chapter 88, Laws 1943) to consent 16
17 to and approve the development or operation of lands of the State of New Mexico 17
18 under this agreement; and 18

19 WHEREAS, the Oil Conservation Commission of the State of New Mexico 19
20 is authorized by an act of the Legislature (Chapter 72, Laws 1935, as amended 20
21 by Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and Chapter 168, Laws 21
22 of 1949) to approve this agreement and the conservation provisions hereof; and 22

23 WHEREAS, the parties hereto hold sufficient interests in the Mescalero 23
24 Unit Area covering the land hereinafter described to give reasonably effective 24
25 control of operations therein; and 25

26 WHEREAS, it is the purpose of the parties hereto to conserve natural 26
27 resources, prevent waste, and secure other benefits obtainable through develop- 27
28 ment and operation of the area subject to this agreement under the terms, con- 28
29 ditions, and limitations herein set forth; 29

1 NOW, THEREFORE, in consideration of the premises and the promises herein 1
2 contained, the parties hereto commit to this agreement their respective interests 2
3 in the below-defined unit area, and agree severally among themselves as follows: 3

4 1. ENABLING ACT AND REGULATIONS. 4

5 The Mineral Leasing Act of February 25, 1920, as amended, supra, and 5
6 all valid pertinent regulations, including operating and unit plan regulations, 6
7 heretofore issued thereunder or valid pertinent and reasonable regulations here- 7
8 after issued thereunder are accepted and made a part of this agreement as to 8
9 Federal lands, provided such regulations are not inconsistent with the terms of 9
10 this agreement; and as to non-Federal lands, the oil and gas operating regulations 10
11 in effect as of the effective date hereof governing drilling and producing opera- 11
12 tions, not inconsistent with the terms hereof or the laws of New Mexico are hereby 12
13 accepted and made a part of this agreement. 13

14 2. UNIT AREA. 14

15 The area specified on the map attached hereto marked Exhibit "A" is 15
16 hereby designated and recognized as constituting the unit area, containing 4,988.55 16
17 acres, more or less. 17

18 Exhibit "A" shows, in addition to the boundary of the unit area, the 18
19 boundaries and identity of tracts and leases in said area to the extent known to 19
20 the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the ex- 20
21 tent known to the Unit Operator the acreage, percentage, and kind of ownership of 21
22 oil and gas interests in all land in the unit area. However, nothing herein or 22
23 in said schedule or map shall be construed as a representation by any party here- 23
24 to as to the ownership of any interest other than such interest or interests as 24
25 are shown in said map or schedule as owned by such party. Exhibits "A" and "B" 25
26 shall be revised by the Unit Operator whenever changes in the unit area render 26
27 such revision necessary, or when requested by the Oil and Gas Supervisor, herein- 27
28 after referred to as "Supervisor," or when requested by the Commissioner of 28
29 Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner," 29
30 and not less than six copies of the revised exhibits shall be filed with the 30
31 Supervisor and copies thereof shall be filed with the Commissioner and the New 31
32 Mexico Oil Conservation Commission, hereinafter referred to as the "Commission." 32

33 The above-described unit area shall when practicable be expanded to 33
34 include therein any additional tract or tracts regarded as reasonably necessary 34

1 or advisable for the purposes of this agreement, or shall be contracted to ex- 1
2 clude lands not within any participating area whenever such expansion or contrac- 2
3 tion is necessary or advisable to conform with the purposes of this agreement. 3

4 Such expansion or contraction shall be effected in the following manner: 4

5 (a) Unit Operator, on its own motion or on demand of the Director of 5
6 the Geological Survey, hereinafter referred to as "Director," or on demand of 6
7 the Commissioner, after preliminary concurrence of the Director, shall prepare 7
8 a notice of proposed expansion or contraction describing the contemplated changes 8
9 in the boundaries of the unit area, the reasons therefor, and the proposed effec- 9
10 tive date thereof, preferably the first day of a month subsequent to the date of 10
11 notice. 11

12 (b) Said notice shall be delivered to the Commission, the Commissioner, 12
13 and the Supervisor, and copies thereof mailed to the last known address of each 13
14 working interest owner, lessee, and lessor whose interests are affected, advis- 14
15 ing that thirty days will be allowed for submission to the Unit Operator of any 15
16 objections. 16

17 (c) Upon expiration of the 30-day period provided in the preceding 17
18 item (b) hereof, Unit Operator shall file with the Commission, the Commissioner, 18
19 and the Supervisor evidence of mailing of the notice of expansion or contraction 19
20 and a copy of any objections thereto which have been filed with the Unit Opera- 20
21 tor, together with an application in sufficient number, for approval of such 21
22 expansion or contraction, and with appropriate joinders. 22

23 (d) After due consideration of all pertinent information, the expan- 23
24 sion or contraction shall, upon approval by the Commission, the Commissioner, and 24
25 the Director, become effective as of the date prescribed in the notice thereof. 25

26 (e) All legal subdivisions of unitized lands (i.e., 40 acres by Gov- 26
27 ernment survey or its nearest lot or tract equivalent in instances of irregular 27
28 surveys, however, unusually large lots or tracts shall be considered in multiples 28
29 of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimin- 29
30 ation under this subsection), no parts of which are entitled to be in a partici- 30
31 pating area within five years after the first day of the month following the 31
32 effective date of the first initial participating area established under this 32
33 unit agreement, shall be eliminated automatically from this agreement, effective 33
34 as of the first day thereafter, and such lands shall no longer be a part of the 34

1 unit area and shall no longer be subject to this agreement, unless at the ex- 1
2 piration of said 5-year period diligent drilling operations are in progress on 2
3 unitized lands not entitled to participation, in which event all such lands shall 3
4 remain subject hereto for so long as such drilling operations are continued dili- 4
5 gently, with not more than 90 days' time elapsing between the completion of one 5
6 such well and the commencement of the next such well, except that the time allowed 6
7 between such wells shall not expire earlier than 30 days after the expiration of 7
8 any period of time during which drilling operations are prevented by a matter 8
9 beyond the reasonable control of Unit Operator as set forth in the section here- 9
10 of entitled "Unavoidable Delay"; provided that all legal subdivisons of land not 10
11 in a participating area and not entitled to become participating under the ap- 11
12 plicable provisions of this agreement within 10 years after said first day of 12
13 the month following the effective date of said first initial participating area 13
14 shall be eliminated as above specified. Determination of creditable "Unavoid- 14
15 able Delay" time shall be made by Unit Operator and subject to approval of the 15
16 Commissioner and the Director. The Unit Operator shall, within 90 days after 16
17 the effective date of any elimination hereunder, describe the area so eliminated 17
18 to the satisfaction of the Commissioner and the Director and promptly notify all 18
19 parties in interest. 19

20 If conditions warrant extension of the 10-year period specified in 20
21 this subsection 2(e), a single extension of not to exceed 2 years may be accom- 21
22 plished by consent of the owners of 90% of the current unitized working interests 22
23 and 60% of the current unitized basic royalty interests (exclusive of the basic 23
24 royalty interests of the United States), on a total-nonparticipating-acreage 24
25 basis, respectively, with approval of the Commissioner and the Director, pro- 25
26 vided such extension application is submitted to the Commissioner and the 26
27 Director not later than 60 days prior to the expiration of said 10-year period. 27

28 Any expansion of the unit area pursuant to this section which embraces 28
29 lands theretofore eliminated pursuant to this subsection 2(e) shall not be con- 29
30 sidered automatic commitment or recommitment of such lands. 30

31 3. UNITIZED LAND AND UNITIZED SUBSTANCES. 31

32 All land committed to this agreement shall constitute land referred to 32
33 herein as "unitized land" or "land subject to this agreement." All oil and gas 33
34 in any and all formations of the unitized land are unitized under the terms of 34

1 this agreement and herein are called "unitized substances." 1

2 4. UNIT OPERATOR. 2

3 Drilling and Exploration Company, Inc., with offices at Dallas, Texas, 3
4 is hereby designated as Unit Operator and by signature hereto as Unit Operator 4
5 agrees and consents to accept the duties and obligations of Unit Operator for 5
6 the discovery, development, and production of unitized substances as herein 6
7 provided. Whenever reference is made herein to the Unit Operator, such reference 7
8 means the Unit Operator acting in that capacity and not as an owner of interest 8
9 in unitized substances, and the term "working interest owner" when used herein 9
10 shall include or refer to Unit Operator as the owner of a working interest when 10
11 such an interest is owned by it. 11

12 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. 12

13 Unit Operator shall have the right to resign at any time prior to the 13
14 establishment of a participating area or areas hereunder, but such resignation 14
15 shall not become effective so as to release Unit Operator from the duties and 15
16 obligations of Unit Operator and terminate Unit Operator's rights as such for 16
17 a period of six months after notice of intention to resign has been served by 17
18 Unit Operator on all working interest owners and the Commission, the Commissioner, 18
19 and the Director, and until all wells then drilled hereunder are placed in a 19
20 satisfactory condition for suspension or abandonment whichever is required by 20
21 the Supervisor as to Federal lands and by the Commission as to other lands, un- 21
22 less a new Unit Operator shall have been selected and approved and shall have 22
23 taken over and assumed the duties and obligations of Unit Operator prior to the 23
24 expiration of said period. 24

25 Unit Operator shall have the right to resign in like manner and sub- 25
26 ject to like limitations as above provided at any time a participating area 26
27 established hereunder is in existence, provided, that such resignation shall 27
28 not release Unit Operator from any liability for any default by it hereunder 28
29 occurring prior to the effective date of its resignation. 29

30 The Unit Operator may, upon default or failure in the performance of 30
31 its duties or obligations hereunder, be subject to removal by the same percent- 31
32 age vote of the owners of working interests determined in like manner as herein 32
33 provided for the selection of a new Unit Operator. Such removal shall be effec- 33
34 tive upon notice thereof to the Commissioner and the Director. 34

1 At any time for any reason whatsoever there is no Unit Operator, until 1
2 a successor Unit Operator is selected and approved as hereinafter provided, the 2
3 working interest owners shall be jointly responsible for performance of the 3
4 duties of Unit Operator, and shall not later than thirty days before such resig- 4
5 nation or removal becomes effective appoint a common agent to represent them in 5
6 any action to be taken hereunder. 6

7 The resignation or removal of Unit Operator under this agreement shall 7
8 not terminate its right, title, or interest as the owner of a working interest 8
9 or other interest in unitized substances, but upon the resignation or removal of 9
10 Unit Operator becoming effective, such Unit Operator shall deliver possession of 10
11 all equipment, materials, and appurtenances used in conducting the unit operations 11
12 and owned by the working interest owners to the new duly qualified successor Unit 12
13 Operator or to the owners thereof if no such new Unit Operator is elected, to be 13
14 used for the purpose of conducting unit operations hereunder. Nothing herein 14
15 shall be construed as authorizing removal of any material, equipment and appurten- 15
16 ances needed for the preservation of any wells. 16

17 6. SUCCESSOR UNIT OPERATOR. 17

18 Whenever the Unit Operator shall tender his or its resignation as Unit 18
19 Operator or shall be removed as hereinabove provided, the owners of the working 19
20 interests in the participating area or areas according to their respective acre- 20
21 age interests in such participating area or areas, or until a participating area 21
22 shall have been established, the owners of the working interests according to 22
23 their respective acreage interests in all unitized land, shall by majority vote 23
24 select a successor Unit Operator; Provided, That, if a majority but not less 24
25 than seventy-five percent of the working interests qualified to vote are owned by 25
26 one party to this agreement, a concurring vote of one or more additional working 26
27 interest owners shall be required to select a new operator. Such selection shall 27
28 not become effective until (a) a Unit Operator so selected shall accept in writ- 28
29 ing the duties and responsibilities of Unit Operator, and (b) the selection shall 29
30 have been approved by the Commissioner and the Director. If no successor Unit 30
31 Operator is selected and qualified as herein provided, the Commissioner and the 31
32 Director at their election may declare this unit agreement terminated. 32

33 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. 33

34 Costs and expenses incurred by Unit Operator in conducting unit operations 34

1 hereunder shall be paid and apportioned among and borne by the owners of working 1
2 interests, all in accordance with the agreement or agreements entered into by 2
3 and between the Unit Operator and the owners of working interests, whether one or 3
4 more, separately or collectively. Any agreement or agreements, entered into be- 4
5 tween the working interest owners and the Unit Operator as provided in this 5
6 section, whether one or more, are herein referred to as the "unit operating agree- 6
7 ment." Such unit operating agreement shall also provide the manner in which the 7
8 working interest owners shall be entitled to receive their respective proportion- 8
9 ate and allocated share of the benefits accruing hereto in conformity with their 9
10 underlying operating agreements, leases, or other independent contracts, and such 10
11 other rights and obligations as between Unit Operator and the working interest 11
12 owners as may be agreed upon by Unit Operator and the working interest owners; 12
13 however, no such unit operating agreement shall be deemed either to modify any 13
14 of the terms and conditions of this unit agreement or to relieve the Unit Operator 14
15 of any right or obligation established under this unit agreement, and in case of 15
16 any inconsistency or conflict between the unit agreement and the unit operating 16
17 agreement, this unit agreement shall prevail. Three true copies of any unit 17
18 operating agreement executed pursuant to this section should be filed with the 18
19 Supervisor prior to approval of this unit agreement by the Director. 19

20 Notwithstanding any provision contained herein to the contrary, each 20
21 working interest owner shall have the right to take such owner's proportionate 21
22 share of the unitized substances in kind or to personally sell or dispose of the 22
23 same, and nothing herein contained shall be construed as giving or granting to 23
24 the Unit Operator the right to sell or otherwise dispose of the proportionate 24
25 share of any working interest owner without specific authorization from time to 25
26 time so to do. 26

27 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. 27

28 Except as otherwise specifically provided herein, the exclusive right, 28
29 privilege, and duty of exercising any and all rights of the parties hereto which 29
30 are necessary or convenient for prospecting for, producing, storing, allocating, 30
31 and distributing the unitized substances are hereby delegated to and shall be 31
32 exercised by the Unit Operator as herein provided. Acceptable evidence of title 32
33 to said rights shall be deposited with said Unit Operator, and together with 33
34 this agreement, shall constitute and define the rights, privileges, and obligations 34

1 of Unit Operator. Nothing herein, however, shall be construed to transfer title 1
2 to any land or to any lease or operating agreement, it being understood that 2
3 under this agreement the Unit Operator, in its capacity as Unit Operator, shall 3
4 exercise the rights of possession and use vested in the parties hereto only for 4
5 the purposes herein specified. 5

6 9. DRILLING TO DISCOVERY. 6

7 Within six months after the effective date hereof, the Unit Operator 7
8 shall begin to drill an adequate test well at a location approved by the Super- 8
9 visor if on Federal land or the Commission if on State land, unless on such 9
10 effective date a well is being drilled conformably with the terms hereof, and 10
11 thereafter continue such drilling diligently until the Devonian formations have 11
12 been tested or until at a lesser depth unitized substances shall be discovered 12
13 which can be produced in paying quantities (to-wit: quantities sufficient to re- 13
14 pay the costs of drilling, and producing operations, with a reasonable profit) or 14
15 the Unit Operator shall at any time establish to the satisfaction of the Super- 15
16 visor if on Federal land or the Commissioner if on State land that further drill- 16
17 ing of said well would be unwarranted or impracticable, provided, however, that 17
18 Unit Operator shall not in any event be required to drill said well to a depth in 18
19 excess of 15,000 feet. Until discovery of a deposit of unitized substances cap- 19
20 able of being produced in paying quantities, the Unit Operator shall continue 20
21 drilling diligently one well at a time, allowing not more than six months between 21
22 the completion of one well and the beginning of the next well, until a well cap- 22
23 able of producing unitized substances in paying quantities is completed to the 23
24 satisfaction of said Supervisor, or until it is reasonably proved that the 24
25 unitized land is incapable of producing unitized substances in paying quantities 25
26 in the formations drilled hereunder. Nothing in this section shall be deemed to 26
27 limit the right of the Unit Operator to resign as provided in Section 5 hereof, 27
28 or as requiring Unit Operator to commence or continue any drilling during the 28
29 period pending such resignation becoming effective in order to comply with the 29
30 requirements of this section. The Commissioner and the Director may modify the 30
31 drilling requirements of this section by granting reasonable extensions of time 31
32 when, in their opinion, such action is warranted. 32

33 Upon failure to comply with the drilling provisions of this section, 33
34 the Commissioner and the Director may, after reasonable notice to the Unit 34

1 Operator, and each working interest owner, lessee, and lessor at their last known 1
2 addresses, declare this unit agreement terminated. 2

3 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. 3

4 Within six months after completion of a well capable of producing uni- 4
5 tized substances in paying quantities, the Unit Operator shall submit for the 5
6 approval of the Commissioner and the Supervisor an acceptable plan of development 6
7 and operation for the unitized land which, when approved by the Commissioner and 7
8 the Supervisor, shall constitute the further drilling and operating obligations 8
9 of the Unit Operator under this agreement for the period specified therein. From 9
10 time to time before the expiration of any existing plan, the Unit Operator shall 10
11 submit for the approval of the Commissioner and the Supervisor a plan for an 11
12 additional specified period for the development and operation of the unitized land. 12
13 Any plan submitted pursuant to this section shall provide for the exploration of 13
14 the unitized area and for the diligent drilling necessary for determination of the 14
15 area or areas thereof capable of producing unitized substances in paying quantities 15
16 in each and every productive formation and shall be as complete and adequate as 16
17 the Commissioner and the Supervisor may determine to be necessary for timely devel- 17
18 opment and proper conservation of the oil and gas resources of the unitized area 18
19 and shall (a) specify the number and locations of any wells to be drilled and the 19
20 proposed order and time for such drilling; and (b) to the extent practicable 20
21 specify the operating practices regarded as necessary and advisable for proper 21
22 conservation of natural resources. Separate plans may be submitted for separate 22
23 productive zones, subject to the approval of the Commissioner and the Supervisor. 23
24 Said plan or plans shall be modified or supplemented when necessary to meet 24
25 changed conditions or to protect the interests of all parties to this agreement. 25
26 Reasonable diligence shall be exercised in complying with the obligations of the 26
27 approved plan of development. The Commissioner and the Supervisor are authorized 27
28 to grant a reasonable extension of the six-month period herein prescribed for 28
29 submission of an initial plan of development where such action is justified be- 29
30 cause of unusual conditions or circumstances. After completion hereunder of a 30
31 well capable of producing any unitized substance in paying quantities, no further 31
32 wells, except such as may be necessary to afford protection against operations 32
33 not under this agreement or such as may be specifically approved by the Commis- 33
34 sioner and the Supervisor, shall be drilled except in accordance with a plan 34

1 of development approved as herein provided. 1

2 11. PARTICIPATION AFTER DISCOVERY. 2

3 Upon completion of a well capable of producing unitized substances in 3
4 paying quantities or as soon thereafter as required by the Commissioner or the 4
5 Supervisor, the Unit Operator shall submit for approval by the Commissioner and 5
6 the Director a schedule, based on subdivisions of the public-land survey or 6
7 aliquot parts thereof, of all unitized land then regarded as reasonably proved 7
8 to be productive of unitized substances in paying quantities; all lands in said 8
9 schedule on approval of the Commissioner and the Director to constitute a par- 9
10 ticipating area, effective as of the date of completion of the well, or the 10
11 effective date of this unit agreement, whichever is later. Said schedule also 11
12 shall set forth the percentage of unitized substances to be allocated as herein 12
13 provided to each unitized tract in the participating area so established, and 13
14 shall govern the allocation of production from and after the date the participating 14
15 area becomes effective. A separate participating area shall be established in 15
16 like manner for each separate pool or deposit of unitized substances or for any 16
17 group thereof produced as a single pool or zone, and any two or more participating 17
18 areas so established may be combined into one with the consent of the owners of 18
19 all working interests in the lands within the participating areas so to be combined, 19
20 on approval of the Commissioner and the Director. The participating area or 20
21 areas so established shall be revised from time to time, subject to like approval, 21
22 whenever such action appears proper as a result of further drilling operations 22
23 or otherwise, to include additional land then regarded as reasonably proved to 23
24 be productive in paying quantities, or to exclude land then regarded as rea- 24
25 sonably proved not to be productive in paying quantities and the percentage of 25
26 allocation shall also be revised accordingly. The effective date of any revision 26
27 shall be the first of the month in which is obtained the knowledge or information 27
28 on which such revision is predicated, provided, however, that a more appropriate 28
29 effective date may be used if justified by the Unit Operator and approved by the 29
30 Commissioner and the Director. No land shall be excluded from a participating 30
31 area on account of depletion of the unitized substances. 31

32 It is the intent of this section that a participating area shall 32
33 represent the area known or reasonably estimated to be productive in paying quan- 33
34 tities; but, regardless of any revision of the participating area, nothing herein 34

1 contained shall be construed as requiring any retroactive adjustment for pro- 1
2 duction obtained prior to the effective date of the revision of the participating 2
3 area. 3

4 In the absence of agreement at any time between the Unit Operator, the 4
5 Commissioner, and the Director as to the proper definition and redefinition of a 5
6 participating area, or until a participating area has, or areas have, been estab- 6
7 lished as provided herein, the portion of all payments affected thereby may be 7
8 impounded in a manner mutually acceptable to the owners of working interests, 8
9 except royalties due the United States and the State of New Mexico, which shall 9
10 be determined by the Supervisor and the Commissioner and the amount thereof de- 10
11 posited as directed by the Supervisor, and the Commissioner, respectively, to be 11
12 held as unearned money until a participating area is finally approved and then 12
13 applied as earned or returned in accordance with a determination of the sum due 13
14 as Federal and State royalty on the basis of such approved participating area. 14

15 Whenever it is determined, subject to the approval of the Supervisor 15
16 as to wells on Federal land, the Commissioner as to wells on State land, that a 16
17 well drilled under this agreement is not capable of production in paying quan- 17
18 tities and inclusion of the land on which it is situated in a participating area 18
19 is unwarranted, production from such well, for the purposes of settlement among 19
20 all parties other than working interest owners, shall be allocated to the land 20
21 on which the well is located so long as such land is not within a participating 21
22 area established for the pool or deposit from which such production is obtained. 22
23 Settlement for working interest benefits from such a well shall be made as pro- 23
24 vided in the unit operating agreement. 24

25 12. ALLOCATION OF PRODUCTION. 25

26 All unitized substances produced from each participating area estab- 26
27 lished under this agreement, except any part thereof used in conformity with 27
28 good operating practices within the unitized area for drilling, operating, camp 28
29 and other production or development purposes, for repressuring or recycling in 29
30 accordance with a plan of development approved by the Commissioner and the Super- 30
31 visor, or unavoidably lost, shall be deemed to be produced equally on the acreage 31
32 basis from the several tracts of unitized land of the participating area estab- 32
33 lished for such production and, for the purpose of determining any benefits 33
34 accruing under this agreement, each such tract of unitized land shall have 34

1 allocated to it such percentage of said production as the number of acres of such 1
2 tract included in said participating area bears to the total acres of unitized 2
3 land in said participating area, except that allocation of production hereunder 3
4 for purposes other than for settlement of the royalty, overriding royalty and 4
5 payments out of production, shall be on the basis prescribed in the unit oper- 5
6 ating agreement whether in conformity with the basis of allocation herein set 6
7 forth or otherwise. It is hereby agreed that production of unitized substances 7
8 from a participating area shall be allocated as provided herein regardless of 8
9 whether any wells are drilled on any particular part or tract of said partic- 9
10 ipating area. If any gas produced from one participating area is used for re- 10
11 pressuring or recycling purposes in another participating area, the first gas 11
12 withdrawn from such last mentioned participating area for sale during the life 12
13 of this agreement shall be considered to be the gas so transferred until an 13
14 amount equal to that transferred shall be so produced for sale and such gas 14
15 shall be allocated to the participating area from which initially produced as 15
16 constituted at the time of such final production. 16

17 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS AND 17
18 DRILLING OF WELLS NOT MUTUALLY AGREED UPON. 18

19 Any party or parties hereto owning or controlling the working interests 19
20 or a majority of the working interests in any unitized land having thereon a 20
21 regular well location may, with the approval of the Supervisor as to Federal land, 21
22 or the Commission as to State land, at such party's sole risk, cost and expense, 22
23 drill a well to test any formation for which a participating area has not been 23
24 established or to test any formation for which a participating area has been 24
25 established if such location is not within said participating area, or drill any 25
26 well not mutually agreed to by all interested parties, unless within ninety days 26
27 of receipt of notice from said party of his intention to drill the well the Unit 27
28 Operator elects and commences to drill such well in like manner as other wells 28
29 are drilled by the Unit Operator under this agreement. 29

30 If any well drilled as aforesaid by a working interest owner results in 30
31 production such that the land upon which it is situated may properly be included 31
32 in a participating area, such participating area shall be established or enlarged 32
33 as provided in this agreement, and the party or parties paying the cost of drill- 33
34 ing such well shall be reimbursed as provided in the unit operating agreement for 34

1 the cost of drilling such well, and the well shall thereafter be operated by Unit 1
2 Operator in accordance with the terms of this agreement and the unit operating 2
3 agreement. 3

4 If any well drilled as aforesaid by a working interest owner obtains 4
5 production in quantities insufficient to justify the inclusion in a participating 5
6 area of the land upon which such well is situated, such well may be operated and 6
7 produced by the party drilling the same subject to the conservation requirements 7
8 of this agreement. The royalties in amount or value of production from any such 8
9 well shall be paid as specified in the underlying lease and agreements affected. 9

10 14. ROYALTY SETTLEMENT. 10

11 The United States and the State of New Mexico and all royalty owners 11
12 who, under existing contracts, are entitled to take in kind a share of the sub- 12
13 stances now unitized hereunder produced from any tract, shall hereafter be en- 13
14 titled to the right to take in kind their share of the unitized substances al- 14
15 located to such tract, and Unit Operator, or in case of the operation of a well 15
16 by a working interest owner as herein in special cases provided for, such working 16
17 interest owner, shall make deliveries of such royalty share taken in kind in 17
18 conformity with the applicable contracts, laws, and regulations. Settlement for 18
19 royalty interest not taken in kind shall be made by working interest owners 19
20 responsible therefor under existing contracts, laws, and regulations, on or before 20
21 the last day of each month for unitized substances produced during the preceding 21
22 calendar month; provided, however, that nothing herein contained shall operate 22
23 to relieve the lessees of any land from their respective lease obligations for 23
24 the payment of any royalties due under their leases. 24

25 If gas obtained from lands not subject to this agreement is introduced 25
26 into any participating area of the lands being operated hereunder, for use in 26
27 repressuring, stimulation of production, or increasing ultimate recovery, which 27
28 shall be in conformity with a plan first approved by the Commission, the Commis- 28
29 sioner, and the Supervisor, a like amount of gas, after settlement as herein 29
30 provided for any gas transferred from any other participating area and with due 30
31 allowance for loss or depletion from any cause, may be withdrawn from the forma- 31
32 tion into which the gas was introduced, royalty free as to dry gas, but not as to 32
33 the products extracted therefrom; provided that such withdrawal shall be at such 33
34 time as may be provided in the plan of operations or as may otherwise be consented 34

1 to by the Commissioner and the Supervisor, as conforming to good petroleum engi- 1
2 neering practice, and provided further, that such right of withdrawal shall 2
3 terminate on the termination of this agreement. 3

4 Royalty due the United States shall be computed as provided in the 4
5 operating regulations and paid in value or delivered in kind as to all unitized 5
6 substances on the basis of the amounts thereof allocated to unitized Federal land 6
7 as provided herein at the rates specified in the respective Federal leases, or at 7
8 such lower rate or rates as may be authorized by law or regulation; provided, that 8
9 for leases on which the royalty rate depends on the daily average production per 9
10 well, said average production shall be determined in accordance with the operating 10
11 regulations as though each participating area were a single consolidated lease. 11

12 Royalty due on account of State lands shall be computed and paid on 12
13 the basis of all unitized substances allocated to such lands. 13

14 15. RENTAL SETTLEMENT. 14

15 Rental or minimum royalties due on leases committed hereto shall be paid 15
16 by working interest owners responsible therefor under existing contracts, laws, 16
17 and regulations, provided that nothing herein contained shall operate to relieve 17
18 the lessees of any land from their respective lease obligations for the payment 18
19 of any rental or minimum royalty in lieu thereof due under their leases. Rental 19
20 or minimum royalty for lands of the United States subject to this agreement shall 20
21 be paid at the rate specified in the respective leases from the United States 21
22 unless such rental or minimum royalty is waived, suspended, or reduced by law or 22
23 by approval of the Secretary or his duly authorized representative. 23

24 Rentals on State of New Mexico lands subject to this agreement shall 24
25 be paid at the rates specified in the respective leases. 25

26 With respect to any lease on non-Federal land, if and when committed 26
27 to this agreement, containing provisions which would terminate such lease unless 27
28 drilling operations were within the time therein specified commenced upon the 28
29 land covered thereby or rentals paid for the privilege of deferring such drill- 29
30 ing operations, the rentals required thereby shall, notwithstanding any other 30
31 provision of this agreement, be deemed to accrue and become payable during the 31
32 term thereof as extended by this agreement and until the required drilling 32
33 operations are commenced upon the land covered thereby or some portion of such 33
34 land is included within a participating area. 34

1 tract of unitized lands will be accepted and deemed to be performed upon and for 1
2 the benefit of each and every tract of unitized land, and no lease shall be 2
3 deemed to expire by reason of failure to drill or produce wells situated on the 3
4 land therein embraced. 4

5 (c) Suspension of drilling or producing operations on all unitized 5
6 lands pursuant to direction or consent of the Secretary and the Commissioner, 6
7 or their duly authorized representatives, shall be deemed to constitute such 7
8 suspension pursuant to such direction or consent as to each and every tract of 8
9 unitized land. 9

10 (d) Each lease, sublease or contract relating to the exploration, 10
11 drilling, development or operation for oil or gas of lands other than those of 11
12 the United States and the State of New Mexico, committed to this agreement, if 12
13 any, which, by its terms might expire prior to the termination of this agreement, 13
14 is hereby extended beyond any such term so provided therein so that it shall be 14
15 continued in full force and effect for and during the term of this agreement. 15

16 (e) Any Federal lease for a fixed term of twenty years or any renewal 16
17 thereof or any part of such lease which is made subject to this agreement shall 17
18 continue in force beyond the term provided therein until the termination hereof. 18
19 Any other Federal lease committed hereto shall continue in force beyond the term 19
20 so provided therein or by law as to the committed land so long as such lease re- 20
21 mains subject hereto, provided, that production is had in paying quantities under 21
22 this agreement prior to the expiration date of the term of such lease. 22

23 (f) Each sublease or contract relating to the operation and develop- 23
24 ment of unitized substances from lands of the United States committed to this 24
25 agreement, which by its terms would expire prior to the time at which the under- 25
26 lying lease, as extended by the immediately preceding paragraph, will expire, is 26
27 hereby extended beyond any such term so provided therein so that it shall be con- 27
28 tinued in full force and effect for and during the term of the underlying lease 28
29 as such term is herein extended. 29

30 (g) The segregation of any Federal lease committed to this agreement 30
31 is governed by the following provision in the fourth paragraph of Sec. 17(b) of 31
32 the Act of February 25, 1920, as amended by the Act of July 29, 1954, (68 Stat. 32
33 583, 585): "Any (Federal) lease hereafter committed to any such (unit) plan em- 33
34 bracing lands that are in part within and in part outside of the area covered by 34

1 any such plan shall be segregated into separate leases as to the lands committed 1
2 and the lands not committed as of the effective date of unitization; provided, 2
3 however, that any such lease as to the nonunitized portion shall continue in force 3
4 and effect for the term thereof but for not less than two years from the date of 4
5 such segregation and so long thereafter as oil or gas is produced in paying quan- 5
6 tities." 6

7 (h) Any lease embracing lands of the State of New Mexico having only 7
8 a portion of its lands committed hereto shall be segregated as to the portion com- 8
9 mitted and as to the portion not committed and the terms of such leases shall 9
10 apply separately as to such segregated portions commencing as of the effective 10
11 date hereof. Notwithstanding any of the provisions of this agreement to the 11
12 contrary, any lease embracing lands of the State of New Mexico having only a 12
13 portion of its lands committed hereto shall continue in full force and effect be- 13
14 yond the term provided therein as to all lands embraced in such lease, if oil and 14
15 gas, or either of them, are discovered and are capable of being produced in paying 15
16 quantities from some part of the lands (either within or without the unit area) 16
17 embraced in such lease committed to this agreement at the expiration of the 17
18 secondary term of such lease; or if, at the expiration of the secondary term, the 18
19 lessee or the Unit Operator is then engaged in bona fide drilling or reworking 19
20 operations on some part of the lands embraced therein shall remain in full force 20
21 and effect so long as such operations are being diligently prosecuted, and if 21
22 they result in the production of oil or gas, said lease shall continue in full 22
23 force and effect as to all of the lands embraced therein, so long thereafter as 23
24 oil and gas, or either of them, are being produced in paying quantities from any 24
25 portion of said lands. 25

26 19. COVENANTS RUN WITH LAND. 26

27 The covenants herein shall be construed to be covenants running with 27
28 the land with respect to the interest of the parties hereto and their successors 28
29 in interest until this agreement terminates, and any grant, transfer, or convey- 29
30 ance, of interest in land or leases subject hereto shall be and hereby is condi- 30
31 tioned upon the assumption of all privileges and obligations hereunder by the 31
32 grantee, transferee, or other successor in interest. No assignment or transfer of 32
33 any working interest, royalty, or other interest subject hereto shall be binding 33
34 upon the Unit Operator until the first day of the calendar month after Unit Operator 34

1 is furnished with the original, photostatic, or certified copy of the instrument 1
2 of transfer. 2

3 20. EFFECTIVE DATE AND TERM. 3

4 This agreement shall become effective upon approval by the Commissioner 4
5 and the Director, or their duly authorized representatives, as of the first day 5
6 of the month following approval by the Director and shall terminate five years 6
7 from said effective date unless 7

8 (a) such date of expiration is extended by the Commissioner and the 8
9 Director, or 9

10 (b) it is reasonably determined prior to the expiration of the fixed 10
11 term or any extension thereof that the unitized land is incapable of production 11
12 of substances in paying quantities in the formations tested hereunder and after 12
13 notice of intention to terminate the agreement on such ground is given by the 13
14 Unit Operator to all parties in interest at their last known addresses, the 14
15 agreement is terminated with the approval of the Commissioner and the Director, or 15

16 (c) a valuable discovery of unitized substances has been made on 16
17 unitized land during said initial term or any extension thereof, in which event 17
18 the agreement shall remain in effect for such term and so long as unitized sub- 18
19 stances can be produced in paying quantities, i.e., in this particular instance 19
20 in quantities sufficient to pay for the cost of producing same from wells on 20
21 unitized land within any participating area established hereunder and, should 21
22 production cease, so long thereafter as diligent operations are in progress for 22
23 the restoration of production or discovery of new production and so long there- 23
24 after as the unitized substances so discovered can be produced as aforesaid, or 24

25 (d) it is terminated as heretofore provided in this agreement. 25

26 This agreement may be terminated at any time by not less than seventy- 26
27 five percent, on an acreage basis, of the owners of working interests signatory 27
28 hereto, with the approval of the Commissioner and the Director; notice of any 28
29 such approval to be given by the Unit Operator to all parties hereto. 29

30 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. 30

31 All unit production and the disposal thereof shall be in conformity 31
32 with allocations, allotments and quotas made or fixed by any duly authorized 32
33 person or regulatory body under any Federal or State statute. The Director is 33
34 hereby vested with authority to alter or modify from time to time, in his 34

1 discretion, the rate of prospecting and development and within the limits made or 1
2 fixed by the Commission to alter or modify the quantity and rate of production 2
3 under this agreement, such authority being hereby limited to alteration or modi- 3
4 fication in the public interest, the purpose thereof and the public interest to 4
5 be served thereby to be stated in the order of alteration or modification; pro- 5
6 vided, further, that no such alteration or modification shall be effective as to 6
7 any land of the State of New Mexico as to the rate of prospecting and development 7
8 in the absence of the specific written approval thereof by the Commissioner and 8
9 as to any lands of the State of New Mexico subject to this agreement as to the 9
10 quantity and rate of production in the absence of specific written approval 10
11 thereof by the Commission. 11

12 Powers in this section vested in the Director shall only be exercised 12
13 after notice to Unit Operator and opportunity for hearing to be held not less 13
14 than fifteen days from notice. 14

15 22. CONFLICT OF SUPERVISION. 15

16 Neither the Unit Operator nor the working interest owners nor any of 16
17 them shall be subject to any forfeiture, termination or expiration of any rights 17
18 hereunder or under any leases or contracts subject hereto, or to any penalty or 18
19 liability on account of delay or failure in whole or in part to comply with any 19
20 applicable provision thereof to the extent that the said Unit Operator, working 20
21 interest owners or any of them are hindered, delayed or prevented from complying 21
22 therewith by reason of failure of the Unit Operator to obtain, in the exercise 22
23 of due diligence, the concurrence of proper representatives of the United States 23
24 and proper representatives of the State of New Mexico in and about any matters or 24
25 thing concerning which it is required herein that such concurrence be obtained. 25
26 The parties hereto, including the Commission, agree that all powers and authority 26
27 vested in the Commission in and by any provisions of this contract are vested in 27
28 the Commission and shall be exercised by it pursuant to the provisions of the 28
29 laws of the State of New Mexico and subject in any case to appeal or judicial re- 29
30 view as may now or hereafter be provided by the laws of the State of New Mexico. 30

31 23. APPEARANCES. 31

32 Unit Operator shall, after notice to other parties affected, have the 32
33 right to appear for or on behalf of any and all interests affected hereby before 33
34 the Department of the Interior, the Commissioner and the Commission and to appeal 34

1 from orders issued under regulations of said Department, the Commissioner or the 1
2 Commission, or to apply for relief from any of said regulations or in any pro- 2
3 ceedings relative to operations before the Department of the Interior, the Com- 3
4 missioner or the Commission, or any other legally constituted authority; pro- 4
5 vided, however, that any other interested party shall also have the right at his 5
6 own expense to be heard in any such proceeding. 6

7 24. NOTICES. 7

8 All notices, demands or statements required hereunder to be given or 8
9 rendered to the parties hereto shall be deemed fully given if given in writing 9
10 and personally delivered to the party or sent by postpaid registered mail, 10
11 addressed to such party or parties at their respective addresses set forth in 11
12 connection with the signatures hereto or to the ratification or consent hereof 12
13 or to such other address as any such party may have furnished in writing to 13
14 party sending the notices, demand or statement. 14

15 25. NO WAIVER OF CERTAIN RIGHTS. 15

16 Nothing in this agreement contained shall be construed as a waiver by 16
17 any party hereto of the right to assert any legal or constitutional right or de- 17
18 fense as to the validity or invalidity of any law of the State wherein said uni- 18
19 tized lands are located, or of the United States, or regulations issued thereunder 19
20 in any way affecting such party, or as a waiver by any such party of any right 20
21 beyond his or its authority to waive. 21

22 26. UNAVOIDABLE DELAY. 22

23 All obligations under this agreement requiring the Unit Operator to 23
24 commence or continue drilling or to operate on or produce unitized substances 24
25 from any of the lands covered by this agreement shall be suspended while, but 25
26 only so long as, the Unit Operator despite the exercise of due care and diligence 26
27 is prevented from complying with such obligations, in whole or in part, by strikes, 27
28 acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, 28
29 uncontrollable delays in transportation, inability to obtain necessary materials 29
30 in open market, or other matters beyond the reasonable control of the Unit 30
31 Operator whether similar to matters herein enumerated or not. 31

32 27. FAIR EMPLOYMENT. 32

33 In connection with the performance of work under this agreement, the 33
34 Unit Operator agrees not to discriminate against any employee or applicant for 34

1 employment because of race, religion, color, or national origin. The aforesaid 1
2 provision shall include, but not be limited to, the following: employment, up- 2
3 grading, demotion, or transfer; recruitment or recruitment advertising, layoff 3
4 or termination; rates of pay or other forms of compensation; and selection for 4
5 training, including apprenticeship. The Unit Operator agrees to post hereafter 5
6 in conspicuous places, available for employees and applicants for employment, 6
7 notices to be provided by the contracting officer setting forth the provisions 7
8 of the nondiscrimination clause. 8

9 The Unit Operator agrees to insert the foregoing provision in all sub- 9
10 contracts hereunder, except subcontracts for standard commercial supplies or raw 10
11 materials. 11

12 28. LOSS OF TITLE. 12

13 In the event title to any tract of unitized land shall fail and the true 13
14 owner cannot be induced to join in this unit agreement, so that such tract is not 14
15 fully committed to this agreement and the operation thereof hereunder becomes im- 15
16 practical as a result thereof, such tract shall be automatically regarded as not 16
17 committed hereto and there shall be such readjustment of future costs and benefits 17
18 as may be required on account of the loss of such title. In the event of a dis- 18
19 pute as to title as to any royalty, working interest, or other interests subject 19
20 thereto, payment or delivery on account thereof may be withheld without liability 20
21 for interest until the dispute is finally settled; provided, that as to Federal 21
22 land and State land or leases, no payments of funds due the United States or the 22
23 State of New Mexico should be withheld, but such funds of the United States shall 23
24 be deposited as directed by the Supervisor, and such funds of the State shall be 24
25 deposited as directed by the Commissioner, to be held as unearned money pending 25
26 final settlement of the title dispute, and then applied as earned or returned 26
27 in accordance with such final settlement. 27

28 Unit Operator as such is relieved from any responsibility for any de- 28
29 fect or failure of any title hereunder. 29

30 29. NON-JOINDER AND SUBSEQUENT JOINDER. 30

31 If the owner of any substantial interest in a tract within the unit 31
32 area fails or refuses to subscribe or consent to this agreement, the owner of the 32
33 working interest in that tract may withdraw said tract from this agreement by 33
34 written notice to the Director, the Commissioner and the Unit Operator prior to 34

1 the approval of this agreement by the Director. Any oil or gas interests in 1
2 lands within the unit area not committed hereto prior to submission of this 2
3 agreement for final approval may thereafter be committed hereto by the owner or 3
4 owners thereof subscribing or consenting to this agreement, and, if the interest 4
5 is a working interest, by the owner of such interest also subscribing to the 5
6 unit operating agreement. Joinder to the unit agreement by a working interest 6
7 owner, at any time, must be accompanied by appropriate joinder to the unit opera- 7
8 ting agreement, if more than one committed working interest owner is involved, 8
9 in order for the interest to be regarded as effectively committed to this unit 9
10 agreement. After operations are commenced hereunder, the right of a subsequent 10
11 joinder, as provided in this section, by a working interest owner is subject to 11
12 such requirements or approvals, if any, pertaining to such joinder, as may be 12
13 provided for in the unit operating agreement. After final approval hereof, 13
14 joinder by a non-working interest owner must be consented to in writing by the 14
15 working interest owner committed hereto and responsible for the payment of any 15
16 benefits that may accrue hereunder in behalf of such non-working interest. 16
17 Joinder by any owner of a non-working interest at any time must be accompanied 17
18 by appropriate joinder by the owner of the corresponding working interest in 18
19 order for the interest to be regarded as effectively committed hereto. Except 19
20 as may otherwise herein be provided, subsequent joinders to this agreement shall 20
21 be effective as of the first day of the month following the filing with the Com- 21
22 missioner and the Supervisor of duly executed counterparts of all or any papers 22
23 necessary to establish effective commitment of any tract to this agreement unless 23
24 objection to such joinder is duly made within sixty days by the Director or the 24
25 Commissioner. 25

26 30. COUNTERPARTS. 26

27 This agreement may be executed in any number of counterparts, no one of 27
28 which needs to be executed by all parties or may be ratified or consented to by 28
29 separate instrument in writing specifically referring hereto and shall be bind- 29
30 ing upon all those parties who have executed such a counterpart, ratification, 30
31 or consent hereto with the same force and effect as if all such parties had 31
32 signed the same document and regardless of whether or not it is executed by all 32
33 other parties owning or claiming an interest in the lands within the above- 33
34 described unit area. 34

1 31. TAXES. 1

2 The working interest owners shall render and pay for their account and 2
3 the account of the royalty owners all valid taxes on or measured by the unitized 3
4 substances in and under or that may be produced, gathered and sold from the land 4
5 subject to this contract after the effective date of this agreement, or upon the 5
6 proceeds or net proceeds derived therefrom. The working interest owners on each 6
7 tract shall charge the proper proportion of said taxes to the royalty owners 7
8 having interests in said tracts, and currently retain and deduct sufficient of 8
9 the unitized substances or derivative products, or net proceeds thereof from the 9
10 allocated share of each royalty owner to secure reimbursement for the taxes so 10
11 paid. No such taxes shall be charged to the United States or the State of New 11
12 Mexico or to any lessor who has a contract with his lessee which requires the 12
13 lessee to pay such taxes. 13

14 32. NO PARTNERSHIP. 14

15 It is expressly agreed that the relation of the parties hereto is that 15
16 of independent contractors and nothing in this agreement contained, expressed or 16
17 implied, nor any operations conducted hereunder, shall create or be deemed to have 17
18 created a partnership or association between the parties hereto or any of them. 18

19 IN WITNESS WHEREOF, this unit agreement is executed by the undersigned 19
20 parties hereto as of the dates set opposite their respective signatures. 20

UNIT OPERATOR AND WORKING INTEREST OWNER

DRILLING AND EXPLORATION COMPANY, INC.

Date. _____

By _____
Vice President

ATTEST:

Assistant Secretary
Exchange Bank Building
P. O. Box 35366, Airlawn Station
Dallas 35, Texas

OTHER WORKING INTEREST OWNERS

GULF OIL CORPORATION

Date: _____

By _____
Attorney-in-Fact

ATTEST:

Assistant Secretary
P. O. Box 669
Roswell, New Mexico

CONTINENTAL OIL COMPANY

Date: _____

By _____
Attorney-in-Fact

ATTEST:

Assistant Secretary
710 Fair Building
Fort Worth 2, Texas

PAN AMERICAN PETROLEUM CORPORATION

Date: _____

By _____
Attorney-in-Fact

ATTEST:

Assistant Secretary
P. O. Box 1410
Fort Worth, Texas

Date: _____

By _____
Vice President

ATTEST:

Assistant Secretary

Date: _____

By _____
Vice President

ATTEST:

Assistant Secretary

OTHER PARTIES

Date: _____

By _____
Vice President

ATTEST:

Assistant Secretary

Date: _____

By _____
Vice President

ATTEST:

Assistant Secretary

Date: _____

Address: _____

Witness: _____

Date: _____

Address: _____

Witness: _____

Date: _____

Address: _____

Witness: _____

Date: _____

Address: _____

Witness: _____

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation, in behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF)
) ss.
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, _____ President of _____, a _____ corporation in behalf of said corporation.

My Commission Expires: _____
Notary Public

EXHIBIT "B" - MESCALERO UNIT - LEA COUNTY, NEW MEXICO

Working Interest Owner Under
Option Agreement, Operating
Agreement or Assignment and
Percentage of Interest

Tract No. **Description** **No. of Acres** **Serial No. and Lease Date** **Land Owner Percentage of Royalty** **Record Owner of Lease or Application** **Overriding Royalty Owner and Percentage**

FEDERAL LANDS

T. 19 S., R. 34 E.

1	Sec. 7: SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 8: W $\frac{1}{2}$ NW $\frac{1}{4}$	120.00	NM 0999 5-1-50 5 years Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Margaret Nettles Long Watts 1/4 Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long) Deceased 1/4 First City National Bank of Houston, Texas (Formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 1/2	None	Drilling and Exploration Company, Inc. (Option)	All
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2	Sec. 5: Lots 1,2,3,4, SE $\frac{1}{2}$ NE $\frac{1}{2}$, NE $\frac{1}{2}$, SE $\frac{1}{2}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 6: Lots 1,2,3,4, 5,6, SE $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$, SE $\frac{1}{2}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$	1234.36	NM 0999-A 5-1-50 5 years Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	George W. Idtlerfeld	Margaret Nettles Long Watts 1.00% Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long) Deceased 1.00% First City National Bank of Houston, Texas	Gulf Oil Corporation (Option)	All
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April 25, 1960

EXHIBIT "B" - MESQUALERO UNIT - IEA COUNTY, NEW MEXICO

Working Interest Owner Under
Option Agreement, Operating
Agreement or Assignment and
Percentage of Interest

FEDERAL LANDS (Continued)

T. 19 S., R. 34 E.

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Lease	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
3	Sec. 7: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$	1073.24	NM 0999-B 5-1-50 5 years Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Hoover H. Wright Continental Oil Company	1/2	Margaret Nettles Long Watts 1.00%	Pan American Oil Corporation (Option)
	Sec. 8: S $\frac{1}{2}$, NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$					1/2	National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long) Deceased 1.00%	Continental Oil Company (Assignment)
4	Sec. 7: NE $\frac{1}{4}$ N $\frac{1}{2}$ E $\frac{1}{2}$	40.00	NM 0999-C 5-1-50 5 years Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Gulf Oil Corporation		Margaret Nettles Long Watts 1.00%	Gulf Oil Corporation (Assignment)
							Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long) Deceased 1.00%	
							First City National Bank of Houston, Texas (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 2.00%	

April 25, 1960

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
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FEDERAL LANDS (Continued)

T. 19 S., R. 34 E.

5	Sec. 5: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NM 0999-D 5-1-50 5 years Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Margaret Nettles Long Watts Bank of the Southwest National Association, Houston, Texas, Trustee, Est. of Rolla Lewis Long (a/k/a R. L. Long) Deceased 1/4 First City National Bank of Houston, Texas (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 1/2	None	Drilling and Exploration Company, Inc. All (Option)
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6	Sec. 7: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 0999-E 5-1-50 5 years Ext. to 3-31-62	U.S.A. 12 $\frac{1}{2}$ % All	Drilling and Exploration Company, Inc.	Margaret Nettles Long Watts 1.00% Bank of the Southwest National Association, Houston, Texas, Trustee Est. of Rolla Lewis Long (a/k/a R. L. Long) Deceased 1.00% First City National Bank of Houston, Texas (formerly First National Bank in Houston) Trustee, Est. of Marguerite Smith Walker, Deceased 2.00%	Drilling and Exploration Company, Inc. All (Assignment)
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April 25, 1960

Tract No. Description No. of Acres Serial No. and Lease Date Land Owner Percentage of Royalty Record Owner of Lease or Application Overriding Royalty Owner and Percentage Working Interest Owner Under Option Agreement, Operation Agreement or Assignment Percentage of Interest

FEDERAL LANDS (Continued)

T. 19 S., R. 33 E.

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operation Agreement or Assignment Percentage of Interest
7	Sec. 1: NW 1 ⁴ SE 4 ⁴	40.00	NM 01176 4-1-50 5 years Ext. to 2-28-62	U.S.A. 12 2 ¹ % All	Charles B. Gonzales Levi A. Hughes Leroy English Evelyn Ann English, Administratrix of Est. of P. B. English, Jr., Deceased	Albuquerque National Bank, Drilling and Exploration Trustee, Est. of F. A. Andrews, Deceased Marry Lorena Higgins, Trustee for heirs & devisees of E. C. Higgins, Deceased Oil Royalties Corporation J. H. Campbell Jess Lynch Roy G. Barton Mrs. Lou Baker George E. Bobb Fern Sullivan Nona Bell Saunders	Al Company, Inc. (Option)
					1/4 1/4 5/12 1/12	0.3750% 0.6250% 0.1250% 0.1250% 1.5625% 0.8125% 0.2500% 0.5000% 5.0000%	

Working Interest Owner Under
Option Agreement, Operating
Agreement or Assignment and
Percentage of Interest

Tract No. Description

No. of Acres

Serial No. and Lease Date of Royalty

Land Owner Percentage of Royalty

Record Owner of Lease or Application

Overriding Royalty Owner and Percentage

FEDERAL LANDS (Continued)

T. 19 S., R. 33 E.

8 Sec. 1: SW¹/₄SE¹/₄

40.00

NM 01176-A

U.S.A. 12¹/₂% All

Drilling and Exploration Company, Inc.

Albuquerque National Bank, Drilling and Exploration Trustee, Est. of F. A. Andrews, Deceased 0.2500% (Assignment) All

4-1-50
5 years
Ext. to
2-28-62

Mary Lorena Higgins,
Trustee for heirs &
devises of E. C.
Higgins, Deceased

Oil Royalties
Higgins, Deceased 0.3750%

J. H. Campbell 0.3750%
Corporation 0.6250%
Jess Lynch 0.1250%
Roy G. Barton 0.1250%
Mrs. Lou Baker 1.5625%
George E. Bobb 0.8125%
Fern Sullivan 0.2500%
Nona Bell Saunders 0.5000%
5.0000%

Tract No. Description No. of Acres Serial No. and Lease Date Land Owner Percentage of Royalty Record Owner of Lease or Application Overriding Royalty Owner and Percentage Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest

FEDERAL LANDS (Continued)

T. 19 S., R. 33 E.

9	Sec. 1: E $\frac{1}{2}$ SE $\frac{1}{4}$	400.00	NM 01178	U.S.A.	Charles B. Gonzales	1/4	Albuquerque National Bank, Drilling and Exploration Company, Inc.	All
	Sec. 12: E $\frac{1}{2}$							
					Leroy English	5/12	Mary Lorena Higgins, Trustee for heirs & devisees of E. C. Higgins, Deceased	
					Evelyn Ann English, Administratrix of Est. of P. B. English, Jr., Deceased	1/12	Oil Royalties Corporation	0.3750%
							J. H. Campbell	0.6250%
							Jess Lynch	0.1250%
							Roy G. Barton	0.1250%
							Mrs. Lou Belker	1.5625%
							George E. Bobb	0.8125%
							Fern Sullivan	0.2500%
							Nona Bell Saunders	0.5000%
								5.0000%

T. 19 S., R. 34 E.

10	Sec. 17: All	1276.40	NM 02392	U.S.A.	Drilling and Exploration Company, Inc.	12 $\frac{1}{2}$ % All	Julia Brainard	3.00%	Drilling and Exploration Company, Inc.	All
	Sec. 18: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ (All)									

April 25, 1960

EXHIBIT "B" - MESCALERO UNIT - LEA COUNTY, NEW MEXICO

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
<u>FEDERAL LANDS (Continued)</u>						
<u>T. 19 S., R. 34 E.</u>						
12	Sec. 6: Lot 7	37.98	NM 051243 9-1-59 5 years	U.S.A. 12 3/4% All	Drilling and Exploration Company, Inc.	Drilling and Exploration Company, Inc. (Assignment) All
<u>T. 18 S., R. 34 E.</u>						
13	Sec. 31: Lots 3,4, E 1/2 SW 1/4	156.12	LC 069457 9-1-49 5 years H.B.P.	U.S.A. 12 3/4% All	Carl R. McElvain T. H. McElvain Edith S. McElvain, Jacqueline M. Withers & Ralph C. McElvain, Jr. Roberta Regan & K. M. Regan	Carl R. McElvain T. H. McElvain Edith S. McElvain, Jacqueline M. Withers & Ralph C. McElvain, Jr. Roberta Regan & K. M. Regan
14	Sec. 31: SE 1/4	160.00	LC 069457-A 9-1-49 5 years H.B.P.	U.S.A. 12 3/4% All	Gulf Oil Corporation	Frank E. Miller Higgins Trust Inc. Oil Royalties Corporation F. A. Andrews Est. Selma E. Andrews Carolyn Seale & Mrs. Clyde Brown Seale
						Gulf Oil Corporation (Assignment) All
						0.2500% 0.1875% 0.1875% 0.2315% 0.2685%
						1.8750% 3.0000%

TOTAL FEDERAL LANDS - 4,828.55 Acres

April 25, 1960

EXHIBIT "B" - MESCALERO UNIT - IEA COUNTY, NEW MEXICO

Tract No.	Description	No. of Acres	Serial No. and Lease Date	Land Owner Percentage of Royalty	Record Owner of Lease or Application	Overriding Royalty Owner and Percentage	Working Interest Owner Under Option Agreement, Operating Agreement or Assignment and Percentage of Interest
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STATE LANDS

T. 18 S., R. 34 E.

15	Sec. 32: SW $\frac{1}{4}$	160.00	E-1579 11-10-49 10 years H.B.P.	State N.M. 12 $\frac{1}{2}$ % All	Gulf Oil Corporation	None	Gulf Oil Corporation All
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TOTAL STATE LANDS - 160.00 Acres

R E C A P I T U L A T I O N

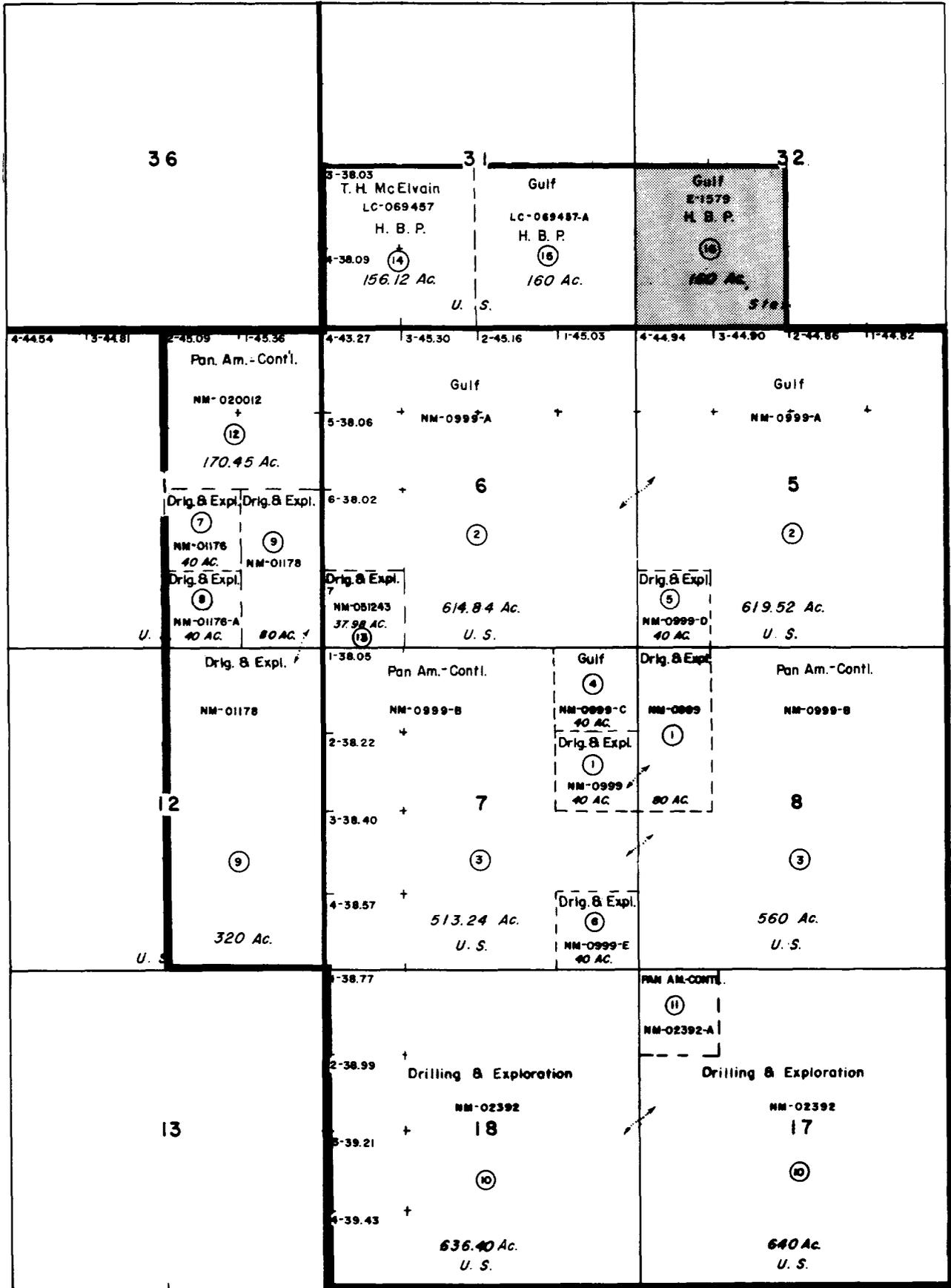
<u>LAND</u>	<u>ACREAGE</u>	<u>PERCENTAGE</u>
Federal	4,828.55	96.79%
State	<u>160.00</u>	<u>3.21%</u>
Totals	4,988.55	100.00%

R-33-E

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R-34-E

<p>LEGEND:</p>		
	Federal Land	4828.55 Acres 96.79%
	State Land	160.00 Acres 3.21%
		Total 4988.55 Acres 100.00%
	Boundary Unit Area	
	Tract No. From Exhibit "B"	

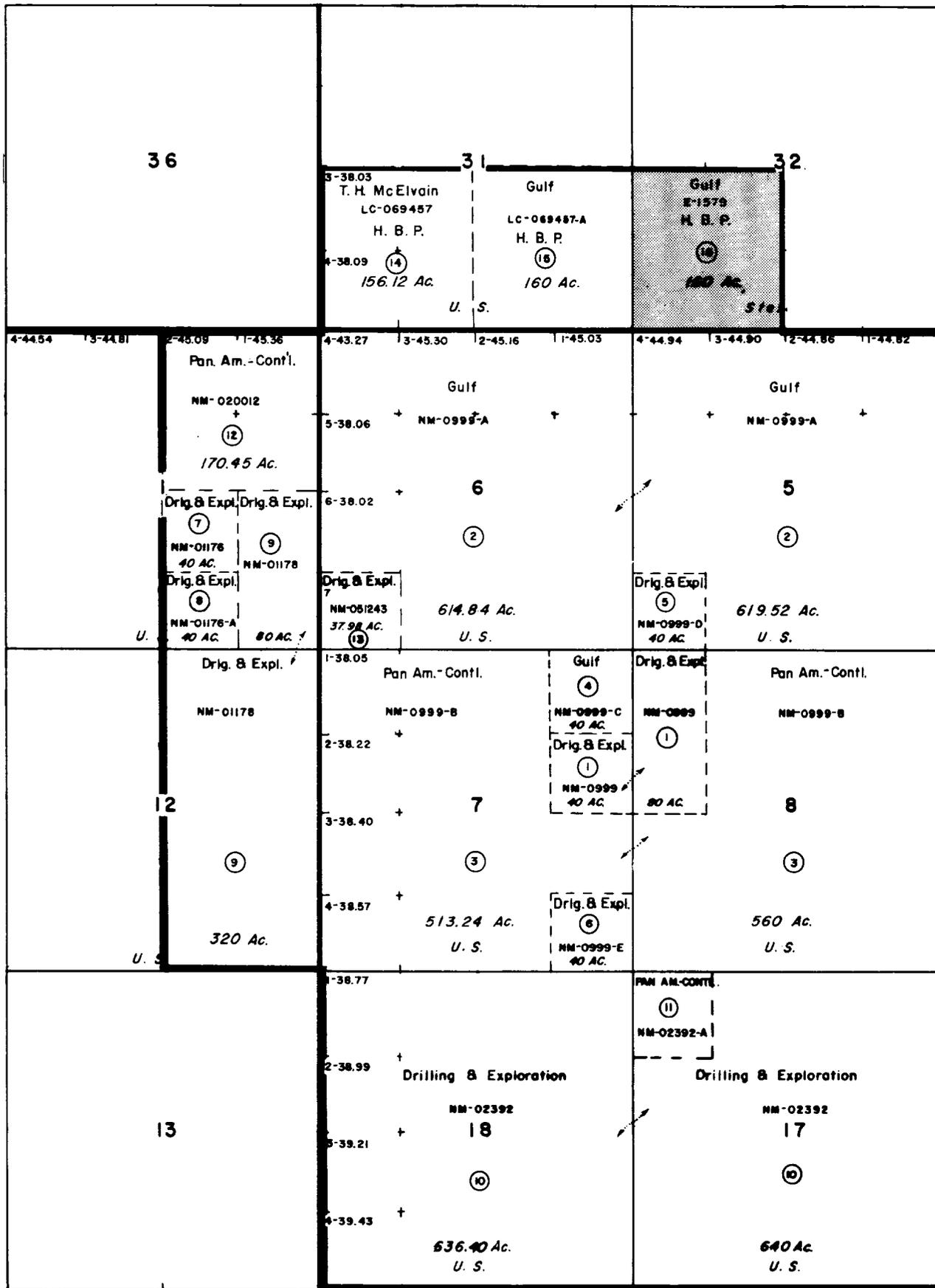
EXHIBIT "A"
MESCALERO UNIT AREA
 LEA COUNTY, NEW MEXICO
 August 3, 1960

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R-34-E

<p>LEGEND:</p>			
	Federal Land	4828.55 Acres	96.79%
	State Land	160.00 Acres	3.21%
		<u>Total</u>	<u>4988.55 Acres</u> <u>100.00%</u>
	Boundary Unit Area		
	Tract No. From Exhibit "B"		

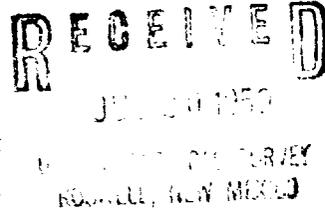
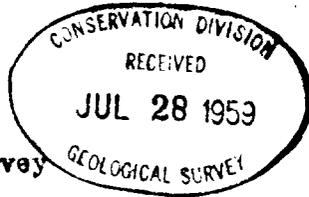
EXHIBIT "A"
MESCALERO UNIT AREA
 LEA COUNTY, NEW MEXICO
 August 3, 1960

BEFORE EXAMINER NOTARY
 CIL...
App'l ...

FOSTER MORRELL
PETROLEUM CONSULTANT
NICKSON HOTEL BUILDING
ROSWELL, NEW MEXICO

July 16, 1959

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
EXHIBIT NO. <u>1</u>	
CASE NO. <u>2060</u>	



The Director
United States Geological Survey
Department of the Interior
Washington, D. C.

Through: Regional Oil & Gas Supervisor
Roswell, New Mexico

Re: Area, initial test well and form
of unit agreement, Mescalero Unit,
Lea County, New Mexico

ILLEGIBLE

Dear Sir:

Pursuant to the unit plan regulations of December 22, 1950, 30 C.F.R. 226.3 and 226.4, Drilling and Exploration Company, Inc. herewith submits application, in triplicate, for designation of certain lands in T. 18 S., R. 34 E. and T. 19 S., R. 33 and 34 E., N.M.P.M., Lea County, New Mexico, as an area logically subject to development and operation under a unit agreement to be known as the Mescalero Unit.

The Mescalero Unit Area as proposed embraces a total of 4,988.55 acres of which 4,828.55 acres or 96.79% are Federal lands and 160.00 acres or 3.21% are State of New Mexico lands as shown on Exhibits A and B, accompanying the form of unit agreement also submitted herewith.

Also attached to and made a part of this application is a geologic report dated July 9, 1959, by Jack E. Hughes, Chief Geologist, Drilling and Exploration Company, Inc., in support and justification of the unit area. This report furnishes the geologic basis for delineation of the proposed unit area and the expected stratigraphic sequence with estimated depths, and possible productive formations.

Accompanying the geologic report are: Exhibit 1, index map showing aerial location of Mescalero Unit with relation to nearby existing Federal units, and wells that have been drilled to the Devonian, with Devonian datum points, Exhibit 2, seismic survey map, with contours on a reflection from approximate top of Devonian and outline of proposed Mescalero Unit Area; and Exhibit 3, cross-section A-A¹, as delineated on Exhibit 1, showing correlation of formations based on electric logs and seismic estimates from top of the Bone Spring formation to top of the Devonian formation.

The Director
Page 2

Drilling and Exploration Company, Inc., is designated as Unit Operator in the proposed Mescalero unit agreement attached hereto which follows closely the form as in Sec. 226.12, 30 C.F.R., revised June 1957, and also includes references to State of New Mexico laws, regulations, and officials and certain revisions more recently requested by your office and included in other approved unit agreements. Deviations or additions to the June 1957 form are underlined in red pencil for convenient reference.

The attached land ownership map, Exhibit "A", shows the outline of the unit area and the desired information as to leases, serial numbers, type of land ownership and total acreage of the unit area. The attached Exhibit "B" is the schedule of lands, listing in sequence the serial numbers of all Federal and State leases included within the unit area and the ownership of interests therein.

It is proposed that the initial well shall be drilled to test the Devonian formation or to a depth of not to exceed 15,000 feet. It is estimated that the cost of drilling and testing this well will be approximately \$450,000.00.

It is respectfully requested that you designate the unit area, and approve the form of unit agreement and initial drilling program as proposed herein.

Very truly yours,

DRILLING AND EXPLORATION COMPANY, INC.

By Foster Maxwell
Its Representative

FM/fs

Enclosures

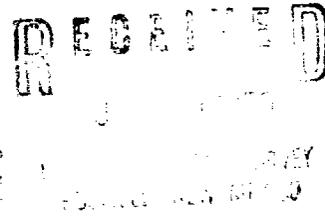
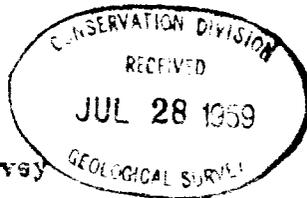
cc: Mr. G. R. Brainard, Jr.
Drilling and Exploration Company, Inc.
Exchange Bank Building
P. O. Box 35366
Dallas, Texas

ILLEGIBLE

FOSTER MORRELL
PETROLEUM CONSULTANT
NICKSON HOTEL BUILDING
ROSWELL, NEW MEXICO

July 15, 1959

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMITTEE
Appl EXHIBIT NO. 1
CASE NO. 2060



The Director
United States Geological Survey
Department of the Interior
Washington, D. C.

Through: Regional Oil & Gas Supervisor
Roswell, New Mexico

Re: Area, initial test well and form
of unit agreement, Mescalero Unit,
Lea County, New Mexico

Dear Sir:

Pursuant to the unit plan regulations of December 22, 1951, 30 C.F.R. 226.3 and 226.4, Drilling and Exploration Company, Inc. herewith submits application, in triplicate, for designation of certain lands in T. 18 S., R. 34 E. and T. 19 S., R. 33 and 34 E., N.M.P.M., Lea County, New Mexico, as an area logically subject to development and operation under a unit agreement to be known as the Mescalero Unit.

The Mescalero Unit Area as proposed embraces a total of 4,988.55 acres of which 7,828.55 acres or 96.79% are Federal lands and 169.00 acres or 3.21% are State of New Mexico lands as shown on Exhibits A and B, accompanying the form of unit agreement also submitted herewith.

Also attached to and made a part of this application is a geologic report dated July 9, 1959, by Jack E. Hughes, Chief Geologist, Drilling and Exploration Company, Inc., in support and justification of the unit area. This report furnishes the geologic basis for delineation of the proposed unit area and the expected stratigraphic sequence with estimated depths, and possible productive formations.

Accompanying the geologic report are: Exhibit 1, index map showing aerial location of Mescalero Unit with relation to nearby existing Federal units, and wells that have been drilled to the Devonian, with Devonian data points, Exhibit 2, seismic survey map, with contours on a reflection from approximate top of Devonian and outline of proposed Mescalero Unit Area; and Exhibit 3, cross-section 1-1, as delineated on Exhibit 1, showing correlation of formations based on electric logs and seismic estimates from top of the Bone Spring formation to top of the Devonian formation.

ILLEGIBLE

The Director

Page 2

Drilling and Exploration Company, Inc., is designated as Unit Operator in the proposed Mescalero unit agreement attached hereto which follows closely the form as in Sec. 226.12, 30 C.F.R., revised June 1957, and also includes references to State of New Mexico laws, regulations, and officials and certain revisions more recently requested by your office and included in other approved unit agreements. Deviations or additions to the June 1957 form are underlined in red pencil for convenient reference.

The attached land ownership map, Exhibit 'A', shows the outline of the unit area and the desired information as to leases, serial numbers, type of land ownership and total acreage of the unit area. The attached Exhibit 'B' is the schedule of lands, listing in sequence the serial numbers of all Federal and State leases included within the unit area and the ownership of interests therein.

It is proposed that the initial well shall be drilled to test the Devonian formation or to a depth of not to exceed 15,000 feet. It is estimated that the cost of drilling and testing this well will be approximately \$450,000.00.

It is respectfully requested that you designate the unit area, and approve the form of unit agreement and initial drilling program as proposed herein.

Very truly yours,

DRILLING AND EXPLORATION COMPANY, INC.

By Foster Maxwell
Its Representative

FM/fs

Enclosures

cc: Mr. G. R. Brainard, Jr.
Drilling and Exploration Company, Inc.
Exchange Bank Building
P. O. Box 35366
Dallas, Texas

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UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

AUG 27 1959

RECEIVED AUG 27 1959

Mr. Foster Morrell
Petroleum Consultant
Nickerson Hotel Building
Roswell, New Mexico

Dear Mr. Morrell:

Reference is made to your application of July 16 filed with the Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Drilling and Exploration Company, Incorporated, requesting the designation of 4,988.25 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 241.3, the land outlined on your plat marked "Exhibit A, Mescalero unit area" is hereby designated as a logical unit area.

The proposed form of agreement, which substantially follows the June 1958 reprint of the standard form and contains modifications required by the State of New Mexico, will be acceptable if altered as indicated in colored pencil. One copy so marked is returned herewith, one copy is being furnished the Oil and Gas Supervisor, and one copy is retained. The proposed initial exploratory well to test the formations of Devonian age or to a depth of 15,000 feet is acceptable.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approved status within a reasonable period of time.

When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all acreage, showing the current owners of all interests involved. If ownership of any interest in a tract is divided, show in Exhibit B the percentage of each such owner. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full cooperation of all participants and leads to efficient effective control of unit operations.

Sincerely yours,

Director

BEFORE EXAMINED BY UNITER
IN CONNECTION WITH
App'l NO. <u>6</u>
CA. NO. <u>2060</u>

ILLEGIBLE



UNITED STATES DEPARTMENT OF THE INTERIOR
 GEOLOGICAL SURVEY
 WITHIN

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
 EXHIBIT NO. 6
 CASE NO. 20723 AUG 21 1959

RECEIVED AUG 27 1959

Mr. Foster Morrell
 Petroleum Consultant
 Nickerson Hotel Building
 Roswell, New Mexico

Dear Mr. Morrell:

Reference is made to your application of July 16 filed with the Oil and Gas Supervisor, Roswell, New Mexico, in behalf of Drilling and Exploration Company, Incorporated, requesting the designation of 4,988.55 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3, the land outlined on your plat marked "Exhibit A, Mesalero unit area" is hereby designated as a logical unit area.

The proposed form of agreement, which substantially follows the June 1957 reprint of the standard form and contains modifications required by the State of New Mexico, will be acceptable if altered as indicated in colored pencil. One copy so marked is returned herewith, one copy is being furnished the Oil and Gas Supervisor, and one copy is retained. The proposed initial exploratory well to test the formations of Devonian age or to a depth of 15,000 feet is acceptable.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time.

When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all acreage, showing the current owners of all interests involved. If ownership of any interest in a tract is divided, show in Exhibit B the percentage of each such owner. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of unit operations.

Sincerely yours,

Acting Director

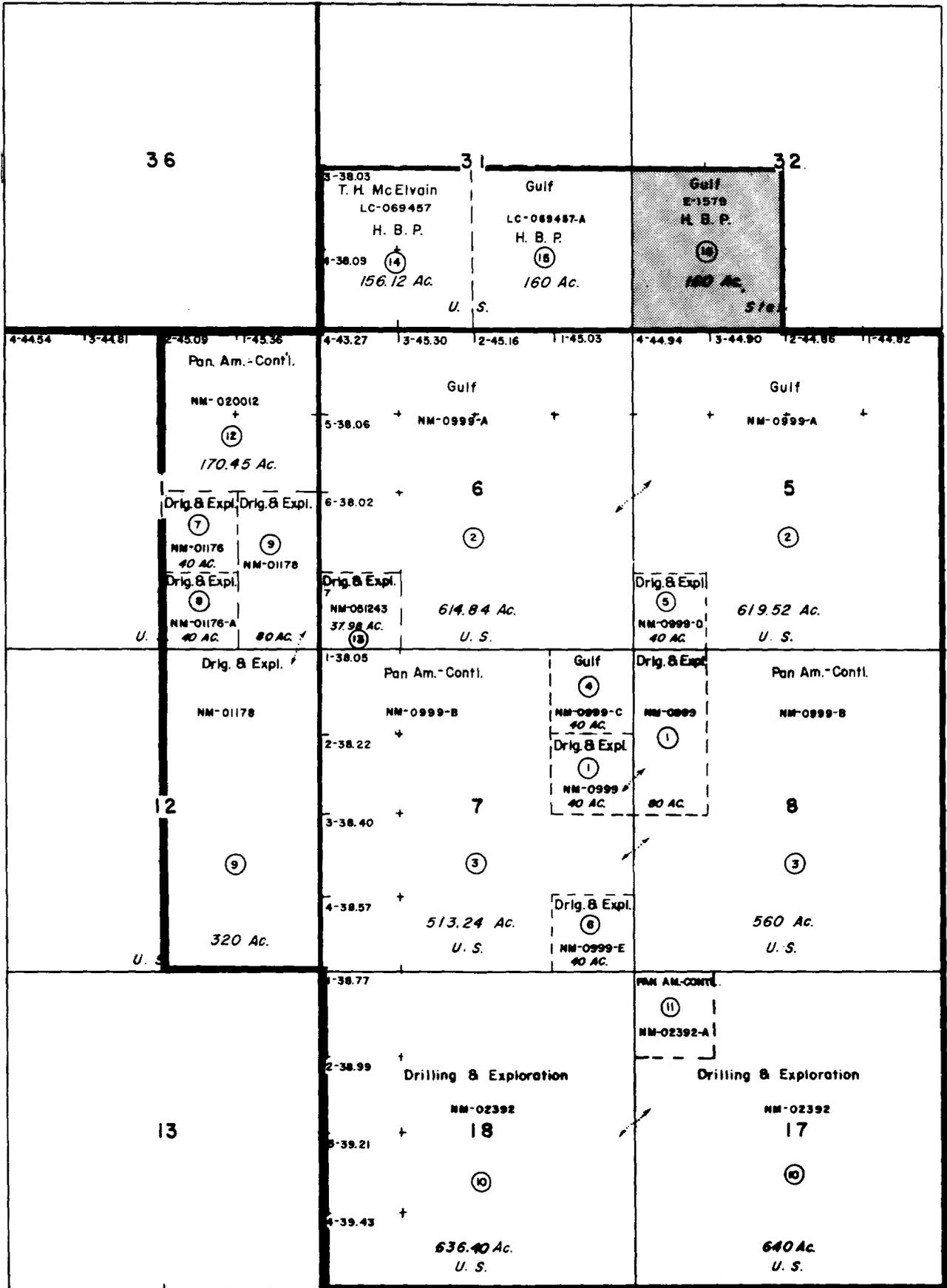
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R-33-E

R-34-E

LEGEND:		
	Federal Land	4828.55 Acres 96.79%
	State Land	160.00 Acres 3.21%
	Total	4988.55 Acres 100.00%
	Boundary Unit Area	
	Tract No. From Exhibit "B"	

EXHIBIT "A"
MESCALERO UNIT AREA
 LEA COUNTY, NEW MEXICO
 August 3, 1960

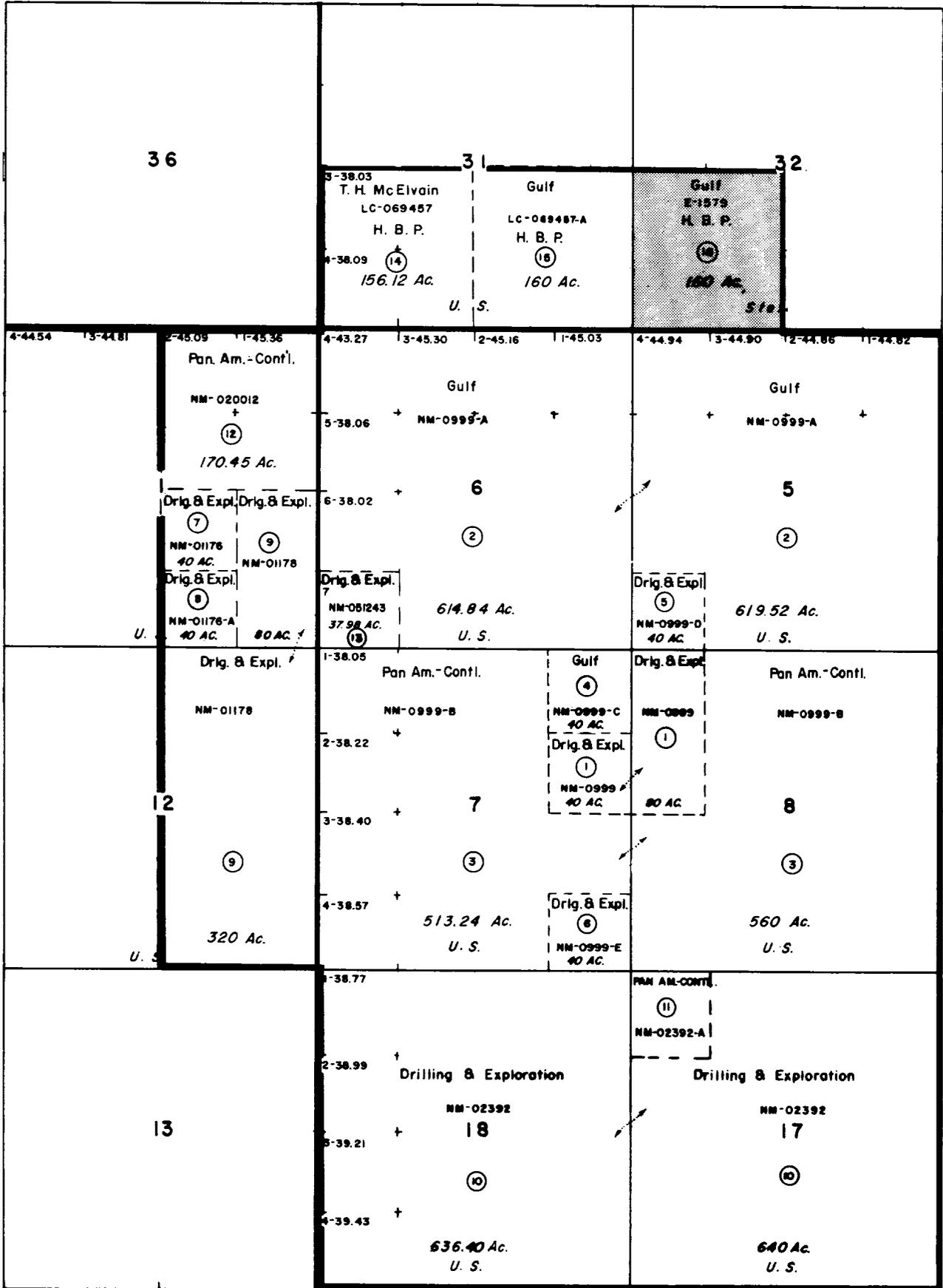
Handwritten notes:
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LEGEND:		
	Federal Land	4828.55 Acres 96.79%
	State Land	160.00 Acres 3.21%
	Total	4988.55 Acres 100.00%
	Boundary Unit Area	
	Tract No. From Exhibit "B"	

EXHIBIT "A"
MESCALERO UNIT AREA
 LEA COUNTY, NEW MEXICO
 August 3, 1960

GEOLOGICAL REPORT TO ACCOMPANY
APPLICATION FOR DESIGNATION OF
MESCALERO UNIT AREA,
STATE OF NEW MEXICO

BEFORE EXAMINER NUTTER
DIACONSERVATION COMMISSION
EXHIBIT NO. <u>2</u>
CASE NO. <u>2060</u>

The proposed Mescalero Unit Area is located in southeastern Lea County, New Mexico, approximately twenty-four miles west of the City of Hobbs, and approximately six miles north of the intersection of U. S. Highway No. 62 and the south line of Township 19 South, Range 34 East. The area is difficult to traverse because of lack of roads and the presence of prominent dunes of soft, loose sand which is very fine-grained and reddish-brown in color. Vegetation in the dune areas is limited almost entirely to a low shrub with a very extensive root system and belonging to the oak family.

The area proposed to be included in the Mescalero Unit outline is shown on the attached plat, a portion of Map of Southeast New Mexico - Roswell-9, U. S. Dept. of Interior, U. S. Geological Survey. Shown also on this plat, labeled Exhibit I, are the outlines of nearby and presently existing Federal Units, all deep (Devonian and deeper) test wells in the area embraced by the plat, and the line of cross section A-A'.

A recent seismic survey of the area, conducted by Drilling and Exploration Company, Inc. delineated a quite attractive anticlinal structural feature at Devonian depth. The enclosed seismic map, labeled Exhibit II, is contoured in time and represents the structural configuration at the approximate top of the Devonian. A domal uplift with expected accompanying

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faulting is the principle feature and embraces some 5,000 acres. This interpretation is based on seismic records obtained with modern equipment and record quality was considered very good. The proposed unit outline has been limited by the indicated lowest closing contour between faults. Such a unit would encompass the part of the general area which appears to be under the influence of the depicted structural ~~structure~~. The relationship of this area to nearby wells which have encountered the Devonian is indicated on the enclosed cross section, labeled Exhibit III.

The following tabulation indicates the expected stratigraphic sequence to be encountered along with estimated depths to the most prominent horizons. Possible productive formations are indicated by asterisks (*). It is expected that the initial test well would be drilled to a depth of 15,000 feet or fluid in the Devonian unless production is indicated at a shallower depth. Such depth would test all possible pay zones down to and including the Devonian.

<u>System</u>	<u>Series</u>	<u>Formation</u>	<u>Expected Depth</u>
Quaternary & Tertiary Triassic		Dune, sand and uncemented sand and red beds	Surface to 150'
		Dockum	150'
	(Ochoa	Rustler anhydrite	1480
		Salado Halite	1600
	(Guadalupe	Tansil	2940
		*Yates	3100
Permian		*Seven Rivers	3500
		*Queen	4350
		*Grayburg	4795
		*San Andres	5220

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<u>System</u>	<u>Series</u>	<u>Formation</u>	<u>Expected Depth</u>
Permian	(Leonard	*Bone Springs	7520
	(Wolfcamp	*Wolfcamp	10590
Pennsylvanian	Mississippian	*Pennsylvanian	12100
		*Mississippian lime	13750
Devonian		Woodford shale	14320
		*Devonian limestone and/or dolomite	14500

7520
3793
3127 *low on BS*

*Indicate possible productive horizons. All depths are approximate.

DRILLING AND EXPLORATION
COMPANY, INC.

1/2 / *Jack E. Hegner*
Chief Geologist
July 9, 1959

-3981
-3127
552 Low

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