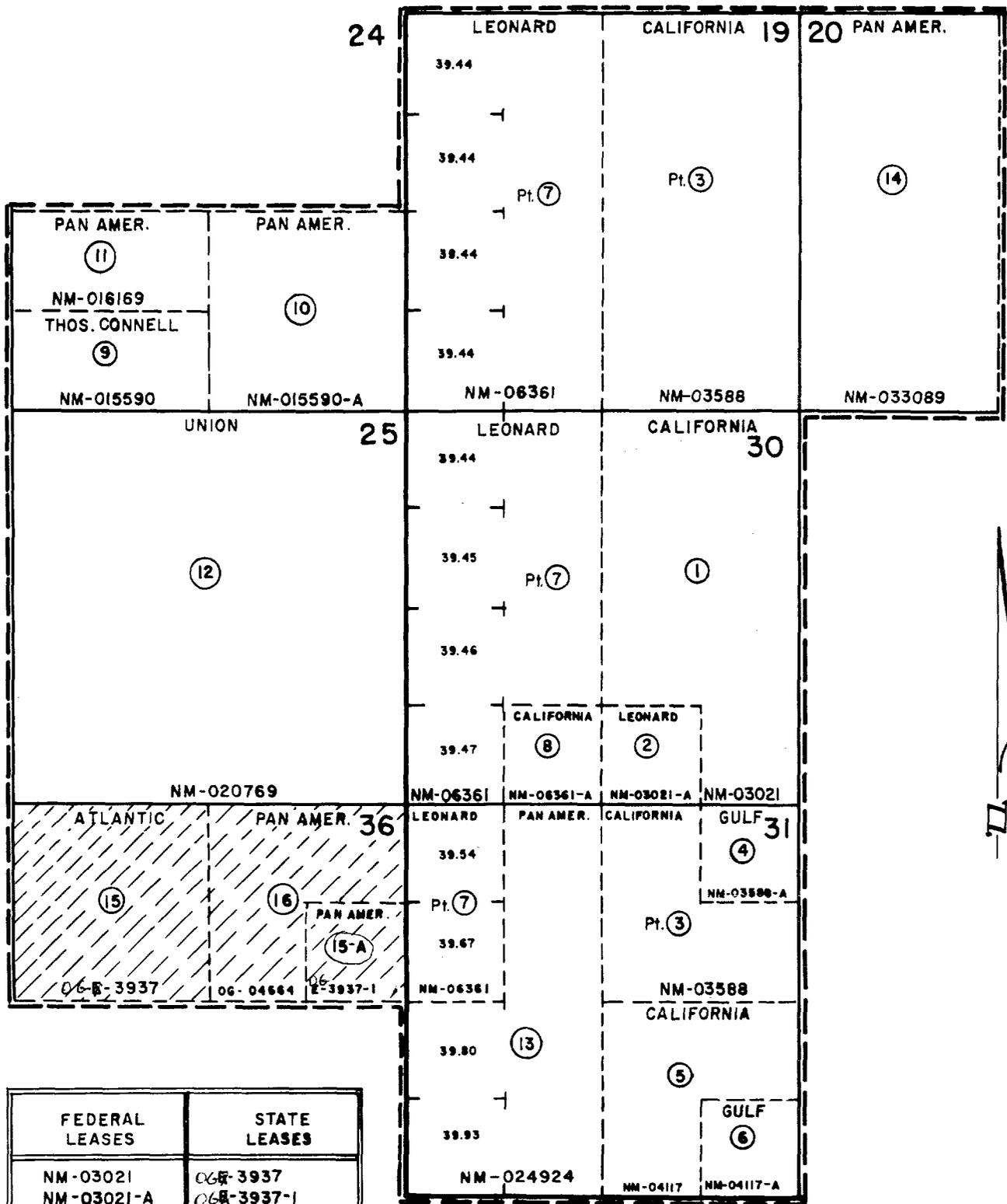


R23E

R24E

20 T  
S



NOTE: ALL SECTIONS CONTAIN 640 AC. EXCEPT AS INDICATED  
TOTAL ACRES IN UNIT.....3514.52

**LEGEND**

-  Unit Boundary
-  Tract Number
-  State Land
-  Federal Land

EXHIBIT "A"  
LONG DRAW UNIT  
EDDY COUNTY, NEW MEXICO  
SCALE: 1"=2000'

Exhibit "B" - Long Draw Unit Area, Eddy County, New Mexico

Tract No.	Description of Land	Number of Acres	Serial No. & Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>Federal Land</u>							
1.	T-20-S, R-24-E Sec. 30: NE/4 N/2 SE/4 SE/4 SE/4	280	NM 03021 5-31-64 (3)	USA - 12 $\frac{1}{2}$ %	California Oil Company	Unknown	California Oil Company - All*
2.	Sec. 30: SW/4 SE/4	40	NM 03021-A 5-31-64 (3)	USA - 12 $\frac{1}{2}$ %	Leonard Oil Company	Unknown	Leonard Oil Company - All*
3.	Sec. 19: E/2 Sec. 31: S/2 NE/4 NW/4 NE/4	140	NM 03588 4-30-64 (3)	USA - 12 $\frac{1}{2}$ %	California Oil Company	Unknown	California Oil Company - All*
4.	Sec. 31: NE/4 NE/4	40	NM 03588-A 4-30-64 (3)	USA - 12 $\frac{1}{2}$ %	Gulf Oil Corporation	Unknown	Gulf Oil Corp. - All*
5.	Sec. 31: N/2 SE/4 SW/4 SE/4	120	NM 04117 7-31-64 (3)	USA - 12 $\frac{1}{2}$ %	California Oil Company	Unknown	California Oil Company - All*
6.	Sec. 31: SE/4 SE/4	40	NM 04117-A 7-31-64 (3)	USA - 12 $\frac{1}{2}$ %	Gulf Oil Corporation	Unknown	Gulf Oil Corp. - All*
7.	Sec. 19: Lots 1,2,3,4 E/2 W/2 Sec. 30: Lots 1,2,3,4 E/2 NW/4 NE/4 SW/4 Sec. 31: Lots 1,2	674.79	NM 06361 4-30-64 (3)	USA - 12 $\frac{1}{2}$ %	Leonard Oil Company	Unknown	Leonard Oil Company - All*
8.	Sec. 30: SE/4 SW/4	40	NM 06361-A 4-30-64 (3)	USA - 12 $\frac{1}{2}$ %	California Oil Company	Unknown	California Oil Company - All*
9.	T-20-S, R-23-E Sec. 24: S/2 SW/4	80	NM 015590 11-30-64 (2)	USA - 12 $\frac{1}{2}$ %	Thomas Connell	None	Thomas Connell - All*

Tract No.	Description of Land	Number of Acres	Serial No. & Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
10.	T-20-S, R-23-E Sec. 24: SE/4	160	NM 015590-A 11-30-64(2)	USA - 12 $\frac{1}{2}$ %	Pan American Petroleum Corp.	Thomas Connell et ux Emily K. Connell - 5%	Pan American Petroleum Corp. - All
11.	Sec. 24: N/2 SW/4	80	NM 016169 11-30-64(2)	USA - 12 $\frac{1}{2}$ %	Pan American Petroleum Corp.	Fred M. Cassidy et ux Margaret Cassidy - $\frac{1}{2}$ of 1% ORR, \$400 per acre production payment out of 2% owned by Marion V. Harris & Lawrence C. Harris	Pan American Petroleum Corp. - All
12.	Sec. 25: All	640	NM 020769 1-31-66(2)	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	Unknown	Union Oil Company of California - All
13.	T-20-S, R-24-E Sec. 31: Lots 3, 4 E/2 W/2	239.73	NM 024924 1-31-68(2)	USA - 12 $\frac{1}{2}$ %	Pan American Petroleum Corp.	Blanche V. White and Emmett D. White - 2%	Pan American Petroleum Corp. - All
14.	Sec. 20: W/2	320	NM 033089 3-31-68	USA - 12 $\frac{1}{2}$ %	Pan American Petroleum Corp.	\$500 per acre production payment out of 5% owned as follows: Edward C. Donohue - 40% Wilma E. Donohue - 40% Wilma D. Moleen - 10% Wilma D. Moleen as trustee for Geo. Edward Donohue Moleen - 10%	Pan American Petroleum Corp. - All

14 Federal Tracts: 3,194.52 Acres, or 90.8949%

Exhibit "B" - Long Draw Unit Area, Eddy County, New Mexico

Tract No.	Description of Land	Number of Acres	Serial No. & Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>State Lands</u>							
15.	<u>T-20-S, R-23-E</u> Sec. 36: <u>NW/4</u>	160	<u>OGK-3937</u> 6-17-68	State of New Mexico - 12 $\frac{1}{2}$ %	Atlantic	Unknown	Atlantic
15-A.	Sec. 36: <u>SE/4 NE/4</u>	40	<u>OGK-3937-1</u> 6-17-68	State of New Mexico - 12 $\frac{1}{2}$ %	Pan American Petroleum Corp.	None	Pan American Petroleum Corporation
16.	Sec. 36: <u>N/2 NE/4 SW/4 NE/4</u>	120	<u>OG-4664</u> 10-21-68	State of New Mexico - 12 $\frac{1}{2}$ %	Pan American Petroleum Corp.	None	Pan American Petroleum Corporation

3 State Tracts: 320 Acres, or 9.1051%

TOTAL: 17 Tracts: 3,514.52 Acres in Entire Unit Area

RECAPITULATION

<u>Land</u>	<u>Acres</u>	<u>Percentages</u>
Federal	3194.52	90.8949%
State	320.00	9.1051%
Patented	0	0
<b>TOTAL UNIT AREA</b>	<b>3514.52</b>	<b>100.0000%</b>

\*Upon completion of initial test well, Pan American will acquire certain operating rights in these tracts.

UNIT AGREEMENT FOR THE DEVELOPMENT  
AND OPERATION OF THE LONG DRAW UNIT AREA  
COUNTY OF EDDY, STATE OF NEW MEXICO

INDEX

<u>Section</u>	<u>Title</u>	<u>Page</u>
	Preliminary Recitals	1
1	ENABLING ACT AND REGULATIONS	2
2	UNIT AREA	2
3	UNITIZED LAND AND UNITIZED SUBSTANCES	5
4	UNIT OPERATOR	5
5	RESIGNATION OR REMOVAL OF UNIT OPERATOR	5
6	SUCCESSOR UNIT OPERATOR	6
7	ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT	7
8	RIGHTS AND OBLIGATIONS OF UNIT OPERATOR	7
9	DRILLING TO DISCOVERY	8
10	PLAN OF FURTHER DEVELOPMENT AND OPERATION	9
11	PARTICIPATION AFTER DISCOVERY	10
12	ALLOCATION OF PRODUCTION	12
13	DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS	12
14	ROYALTY SETTLEMENT	13
15	RENTAL SETTLEMENT	14
16	CONSERVATION	15
17	DRAINAGE	15
18	LEASES AND CONTRACTS CONFORMED AND EXTENDED	15
19	COVENANTS RUN WITH LAND	17
20	EFFECTIVE DATE AND TERM	18
21	RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION	18
22	APPEARANCES	19
23	NOTICES	19
24	NO WAIVER OF CERTAIN RIGHTS	20
25	UNAVOIDABLE DELAY	20
26	NONDISCRIMINATION	20
27	LOSS OF TITLE	20
28	NON-JOINDER AND SUBSEQUENT JOINDER	21
29	COUNTERPARTS	21
30	SURRENDER	22
31	TAXES	24
32	CONFLICT OF SUPERVISION	24
33	NO PARTNERSHIP	25
	Exhibit "A" (Map)	
	Exhibit "B" (Description of interests subject to agreement)	

1 UNIT AGREEMENT 1  
2 FOR THE DEVELOPMENT AND OPERATION 2  
3 OF THE 3  
4 LONG DRAW UNIT AREA 4  
5 COUNTY OF EDDY 5  
6 STATE OF NEW MEXICO 6  
7 NO. \_\_\_\_\_ 7

8 THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 1964, 8  
9 by and between the parties subscribing, ratifying, or consenting hereto, and 9  
10 herein referred to as the "parties hereto", 10

11 WITNESSETH: 11

12 WHEREAS, the parties hereto are the owners of working, royalty, or other 12  
13 oil and gas interests in the unit area subject to this agreement; and 13

14 WHEREAS, the term "Working Interest" as used herein shall mean the in- 14  
15 terest held in unitized substances or in lands containing unitized sub- 15  
16 stances by virtue of a lease, operating agreement, fee title, or otherwise, 16  
17 which is chargeable with and obligated to pay or bear all or a portion of 17  
18 the cost of drilling, developing, producing, and operating the land under 18  
19 the unit or cooperative agreement. The right delegated to Unit Operator as 19  
20 such by this agreement is not to be regarded as a working interest; and 20

21 WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as 21  
22 amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their 22  
23 representatives to unite with each other, or jointly or separately with 23  
24 others, in collectively adopting and operating a cooperative or unit plan of 24  
25 development or operation of any oil or gas pool, field, or like area, or any 25  
26 part thereof for the purpose of more properly conserving the natural re- 26  
27 sources thereof whenever determined and certified by the Secretary of the 27  
28 Interior to be necessary or advisable in the public interest; and 28

29 WHEREAS, the Commissioner of Public Lands of the State of New Mexico 29  
30 is authorized by an Act of the Legislature (Sec. 1, Chap. 162, Laws of 1951, 30  
31 and Secs. 1 and 2, Chap. 176, Laws of 1961, See Chap. 7, Article 11, Secs. 31  
32 39, 40 and 41 New Mexico Statutes 1953, Annotated) to consent to or approve 32  
33 this agreement on behalf of the State of New Mexico, insofar as it covers and 33  
34 includes lands and mineral interests of the State of New Mexico; and 34

1           WHEREAS, the Oil Conservation Commission of the State of New Mexico is 1  
2 authorized by Act of Legislature (Chap, 168, Laws 1949) to approve this agree- 2  
3 ment and the conservation provisions hereof; and 3

4           WHEREAS, the parties hereto hold sufficient interests in the Long Draw Unit 4  
5 Area covering the land hereinafter described to give reasonably effective con- 5  
6 trol of operations therein; and 6

7           WHEREAS, it is the purpose of the parties hereto to conserve natural re- 7  
8 sources, prevent waste, and secure other benefits obtainable through develop- 8  
9 ment and operation of the area subject to this agreement under the terms, con- 9  
10 ditions, and limitations herein set forth; 10

11           NOW, THEREFORE, in consideration of the premises and the promises herein 11  
12 contained, the parties hereto commit to this agreement their respective in- 12  
13 terests in the below-defined unit area, and agree severally among themselves 13  
14 as follows: 14

15           1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 15  
16 1920, as amended, supra, and all valid pertinent regulations, including opera- 16  
17 ting and unit plan regulations, heretofore issued thereunder or valid, perti- 17  
18 nent, and reasonable regulations hereafter issued thereunder are accepted and 18  
19 made a part of this agreement as to Federal lands, provided such regulations 19  
20 are not inconsistent with the terms of this agreement; and as to non-Federal 20  
21 lands, the oil and gas operating regulations in effect as of the effective date 21  
22 hereof governing drilling and producing operations, not inconsistent with the 22  
23 terms hereof or the laws of the State in which the non-Federal land is located, 23  
24 are hereby accepted and made a part of this agreement. 24

25           2. UNIT AREA. The area specified on the map attached hereto marked Ex- 25  
26 hibit A is hereby designated and recognized as constituting the unit area, con- 26  
27 taining 3514.52 acres, more or less. 27

28           Exhibit A shows, in addition to the boundary of the unit area, the boun- 28  
29 daries and identity of tracts and leases in said area to the extent known to 29  
30 the Unit Operator. Exhibit B attached hereto is a schedule showing to the 30  
31 extent known to the Unit Operator the acreage, percentage, and kind of owner- 31  
32 ship of oil and gas interests in all land in the unit area. However, nothing 32  
33 herein or in said schedule or map shall be construed as a representation by 33  
34 any party hereto as to the ownership of any interest other than such interest 34

1 or interests as are shown in said map or schedule as owned by such party. Ex- 1  
2 hibits A and B shall be revised by the Unit Operator whenever changes in the 2  
3 unit area render such revision necessary, or when requested by the Oil and Gas 3  
4 Supervisor, hereinafter referred to as "Supervisor" and not less than six 4  
5 copies of the revised exhibits shall be filed with the Supervisor, and two 5  
6 copies each with the Commissioner of Public Lands of the State of New Mexico, 6  
7 hereinafter referred to as the "Commissioner", and the Oil Conservation Commis- 7  
8 sion, hereinafter referred to as "Commission". 8

9 The above-described unit area shall when practicable be expanded to in- 9  
10 clude therein any additional tract or tracts regarded as reasonably necessary 10  
11 or advisable for the purposes of this agreement, or shall be contracted to ex- 11  
12 clude lands not within any participating area whenever such expansion or con- 12  
13 traction is necessary or advisable to conform with the purposes of this agree- 13  
14 ment. Such expansion or contraction shall be effected in the following manner: 14

15 (a) Unit Operator, on its own motion or on demand of the Director of the 15  
16 Geological Survey, hereinafter referred to as "Director", or on demand of the 16  
17 Commissioner after preliminary concurrence by the Director, shall prepare a 17  
18 notice of proposed expansion or contraction describing the contemplated changes 18  
19 in the boundaries of the unit area, the reasons therefor, and the proposed ef- 19  
20 fective date thereof, preferably the first day of a month subsequent to the 20  
21 date of notice. 21

22 (b) Said notice shall be delivered to the Supervisor and the Commissioner 22  
23 and copies thereof mailed to the last known address of each working interest 23  
24 owner, lessee, and lessor whose interests are affected, advising that 30 days 24  
25 will be allowed for submission to the Unit Operator of any objections. 25

26 (c) Upon expiration of the 30-day period provided in the preceding item 26  
27 (b) hereof, Unit Operator shall file with the Supervisor and the Commissioner 27  
28 evidence of mailing of the notice of expansion or contraction and a copy of 28  
29 any objections thereto which have been filed with the Unit Operator, together 29  
30 with an application in sufficient number, for approval of such expansion or 30  
31 contraction and with appropriate joinders. 31

32 (d) After due consideration of all pertinent information, the expansion 32  
33 or contraction shall, upon approval by the Director and the Commissioner, be 33  
34 come effective as of the date prescribed in the notice thereof. 34

1 (e) All legal subdivisions of unitized lands (i.e., 40 acres by Govern- 1  
2 ment survey or its nearest lot or tract equivalent in instances of irregular 2  
3 surveys, however, unusually large lots or tracts shall be considered in mul- 3  
4 tiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose 4  
5 of elimination under this subsection), no parts of which are entitled to be in 5  
6 a participating area within 5 years after the first day of the month following 6  
7 the effective date of the first initial participating area established under 7  
8 this unit agreement, shall be eliminated automatically from this agreement, ef- 8  
9 fective as of the first day thereafter, and such lands shall no longer be a part 9  
10 of the unit area and shall no longer be subject to this agreement, unless at 10  
11 the expiration of said 5-year period diligent drilling operations are in pro- 11  
12 gress on unitized lands not entitled to participation, in which event all such 12  
13 lands shall remain subject hereto for so long as such drilling operations are 13  
14 continued diligently, with not more than 90 days' time elapsing between the com- 14  
15 pletion of one such well and the commencement of the next such well, except 15  
16 that the time allowed between such wells shall not expire earlier than 30 days 16  
17 after the expiration of any period of time during which drilling operations are 17  
18 prevented by a matter beyond the reasonable control of unit operator as set 18  
19 forth in the section hereof entitled "Unavoidable Delay"; provided that all 19  
20 legal subdivisions of lands not in a participating area and not entitled to be- 20  
21 come participating under the applicable provisions of this agreement within 21  
22 10 years after said first day of the month following the effective date of said 22  
23 first initial participating area shall be eliminated as above specified. De- 23  
24 termination of creditable "Unavoidable Delay" time shall be made by unit op- 24  
25 erator and subject to approval of the Director and the Commissioner. The unit 25  
26 operator shall, within 90 days after the effective date of any elimination 26  
27 hereunder, describe the area so eliminated to the satisfaction of the Director 27  
28 and the Commissioner and promptly notify all parties in interest. 28

29 If conditions warrant extension of the 10-year period specified in this 29  
30 subsection 2(e), a single extension of not to exceed 2 years may be accomplished 30  
31 by consent of the owners of 90% of the current unitized working interests and 31  
32 60% of the current unitized basic royalty interests (exclusive of the basic 32  
33 royalty interests of the United States), on a total-nonparticipating-acreage 33  
34 basis, respectively, with approval of the Director and the Commissioner, pro- 34  
35 vided such extension application is submitted to the Director and the 35

1 Commissioner not later than 60 days prior to the expiration of said 10-year 1  
2 period. 2

3 Any expansion of the unit area pursuant to this section which embraces 3  
4 lands theretofore eliminated pursuant to this subsection 2(e) shall not be 4  
5 considered automatic commitment or recommitment of such lands. 5

6 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this 6  
7 agreement shall constitute land referred to herein as "unitized land" or "land 7  
8 subject to this agreement". All oil and gas in any and all formations of the 8  
9 unitized land are unitized under the terms of this agreement and herein are 9  
10 called "unitized substances". 10

11 4. UNIT OPERATOR. Pan American Petroleum Corporation is hereby designated 11  
12 as Unit Operator and by execution hereof as Unit Operator agrees and consents to 12  
13 accept the duties and obligations of Unit Operator for the discovery, develop- 13  
14 ment, and production of unitized substances as herein provided. Whenever refer- 14  
15 ence is made herein to the Unit Operator, such reference means the Unit Operator 15  
16 acting in that capacity and not as an owner of interest in unitized substances, 16  
17 and the term "working interest owner" when used herein shall include or refer 17  
18 to Unit Operator as the owner of a working interest when such an interest is 18  
19 owned by it. 19

20 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the 20  
21 right to resign at any time prior to the establishment of a participating area 21  
22 or areas hereunder, but such resignation shall not become effective so as to re- 22  
23 lease Unit Operator from the duties and obligations of Unit Operator and ter- 23  
24minate Unit Operator's rights as such for a period of 6 months after notice of 24  
25 intention to resign has been served by Unit Operator on all working interest 25  
26 owners, the Director and the Commissioner, and until all wells then drilled 26  
27 hereunder are placed in a satisfactory condition for suspension or abandonment, 27  
28 whichever is required by the Supervisor, unless a new Unit Operator shall have 28  
29 been selected and approved and shall have taken over and assumed the duties 29  
30 and obligations of Unit Operator prior to the expiration of said period. 30

31 Unit Operator shall have the right to resign in like manner and subject to 31  
32 like limitations as above provided at any time a participating area established 32  
33 hereunder is in existence, but, in all instances of resignation or removal, un- 33  
34 til a successor unit operator is selected and approved as hereinafter provided, 34  
35 the working interest owners shall be jointly responsible for performance of the 35

1 duties of unit operator, and shall not later than 30 days before such resigna- 1  
2 tion or removal becomes effective appoint a common agent to represent them in 2  
3 any action to be taken hereunder. 3

4 The resignation of Unit Operator shall not release Unit Operator from any 4  
5 liability for any default by it hereunder occurring prior to the effective date 5  
6 of its resignation. 6

7 The Unit Operator may, upon default or failure in the performance of its 7  
8 duties or obligations hereunder, be subject to removal by the same percentage 8  
9 vote of the owners of working interests determined in like manner as herein pro- 9  
10 vided for the selection of a new Unit Operator. Such removal shall be effective 10  
11 upon notice thereof to the Director and the Commissioner. 11

12 The resignation or removal of Unit Operator under this agreement shall not 12  
13 terminate its right, title, or interest as the owner of a working interest or 13  
14 other interest in unitized substances, but upon the resignation or removal of 14  
15 Unit Operator becoming effective, such Unit Operator shall deliver possession of 15  
16 all equipment, materials, and appurtenances used in conducting the unit opera- 16  
17 tions and owned by the working interest owners to the new duly qualified succes- 17  
18 sor Unit Operator or to the owners thereof if no such new Unit Operator is 18  
19 elected, to be used for the purpose of conducting unit operations hereunder. 19  
20 Nothing herein shall be construed as authorizing removal of any material, equip- 20  
21 ment and appurtenances needed for the preservation of any wells. 21

22 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his 22  
23 or its resignation as Unit Operator or shall be removed as hereinabove pro- 23  
24 vided, or a change of Unit Operator is negotiated by working interest owners, 24  
25 the owners of the working interests in the participating area or areas accord- 25  
26 ing to their respective acreage interests in such participating area or areas, 26  
27 or, until a participating area shall have been established, the owners of the 27  
28 working interests according to their respective acreage interests in all uni- 28  
29 tized land, shall by majority vote select a successor Unit Operator: Provided, 29  
30 that, if a majority but less than 75 per cent of the working interests quali- 30  
31 fied to vote are owned by one party to this agreement, a concurring vote of 31  
32 one or more additional working interest owners shall be required to select a 32  
33 new operator. Such selection shall not become effective until 33

34 (a) a Unit Operator so selected shall accept in writing the duties and 34  
25 responsibilities of Unit Operator, and 35

1 (b) the selection shall <sup>filed with the Supervisor and</sup> have been approved by the ~~Director and the Commis-~~ 1  
2 sioner. If no successor Unit Operator is selected and qualified as herein pro- 2  
3 vided, the Director at his election may declare this unit agreement terminated. 3

4 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Opera- 4  
5 tor is not the sole owner of working interests, costs and expenses incurred by 5  
6 Unit Operator in conducting unit operations hereunder shall be paid and appor- 6  
7 tioned among and borne by the owners of working interests, all in accordance 7  
8 with the agreement or agreements entered into by and between the Unit Operator 8  
9 and the owners or working interests, whether one or more, separately or collec- 9  
10 tively. Any agreement or agreements entered into between the working interest 10  
11 owners and the Unit Operator as provided in this section, whether one or more, 11  
12 are herein referred to as the "unit operating agreement". Such unit operating 12  
13 agreement shall also provide the manner in which the working interest owners 13  
14 shall be entitled to receive their respective proportionate and allocated share 14  
15 of the benefits accruing hereto in conformity with their underlying operating 15  
16 agreements, leases, or other independent contracts, and such other rights and 16  
17 obligations as between Unit Operator and the working interest owners as may be 17  
18 agreed upon by Unit Operator and the working interest owners; however, no such 18  
19 unit operating agreement shall be deemed either to modify any of the terms and 19  
20 conditions of this unit agreement or to relieve the Unit Operator of any right 20  
21 or obligation established under this unit agreement, and in case of any in- 21  
22 consistency or conflict between the unit agreement and the unit operating 22  
23 agreement, this unit agreement shall prevail. Three true copies of any unit 23  
24 operating agreement executed pursuant to this section should be filed with the 24  
25 Supervisor and two true copies with the Commissioner, prior to approval of 25  
26 this unit agreement. 26

27 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise speci- 27  
28 fically provided herein, the exclusive right, privilege, and duty of exercis- 28  
29 ing any and all rights of the parties hereto which are necessary or conven- 29  
30 ient for prospecting for, producing, storing, allocating, and distributing the 30  
31 unitized substances are hereby delegated to and shall be exercised by the Unit 31  
32 Operator as herein provided. Acceptable evidence of title to said rights shall 32  
33 be deposited with said Unit Operator and, together with this agreement, shall 33  
34 constitute and define the rights, privileges, and obligations of Unit Operator. 34

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

6 9. DRILLING TO DISCOVERY. Within 6 months after the effective date here- 6  
7 of, the Unit Operator shall begin to drill an adequate test well at a location 7  
8 approved by the Supervisor if such location is upon lands of the United States, 8  
9 and if upon State or patented lands, such location shall be approved by the 9  
10 Commission and the Commissioner, unless on such effective date a well is being 10  
11 drilled conformably with the terms hereof, and thereafter continue such drill- 11  
12 ing diligently until the Mississippian formation is penetrated or until at 12  
13 a lesser depth unitized substances shall be discovered which can be produced 13  
14 in paying quantities (to wit: quantities sufficient to repay the costs of drill- 14  
15 ing, and producing operations, with a reasonable profit) or the Unit Operator 15  
16 shall at any time establish to the satisfaction of the Supervisor as to wells 16  
17 on Federal lands, or to the Commission and the Commissioner as to wells on 17  
18 State or patented lands, that further drilling of said well would be unwarrant- 18  
19 ed or impracticable, provided, however, that Unit Operator shall not in any 19  
20 event be required to drill said well to a depth in excess of 9,300 feet. Un- 20  
21 til the discovery of a deposit of unitized substances capable of being produced 21  
22 in paying quantities, the Unit Operator shall continue drilling diligently one 22  
23 well at a time, allowing not more than 6 months between the completion of one 23  
24 well and the beginning of the next well, at locations approved by the Super- 24  
25 visor if such locations are on lands of the United States, and if upon State 25  
26 or patented lands at locations approved by the Commission and the Commissioner, 26  
27 until a well capable of producing unitized substances in paying quantities is 27  
28 completed to the satisfaction of said Supervisor and Commissioner or until 28  
29 it is reasonably proved that the unitized land is incapable of producing uni- 29  
30 tized substances in paying quantities in the formations drilled hereunder. 30  
31 Nothing in this section shall be deemed to limit the right of the Unit Opera- 31  
32 tor to resign as provided in Section 5 hereof, or as requiring Unit Operator to 32  
33 commence or continue any drilling during the period pending such resignation 33  
34 becoming effective in order to comply with the requirements of this section. 34  
35 The Director and the Commissioner may modify the drilling requirements of this 35

1 section by granting reasonable extensions of time when, in their opinion, such 1  
2 action is warranted. 2

3 Upon failure to comply with the drilling provisions of this section, the 3  
4 Director and the Commissioner may, after reasonable notice to the Unit Operator, 4  
5 and each working interest owner, lessee, and lessor at their last known address, 5  
6 declare this Unit Agreement terminated. 6

7 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after com- 7  
8 pletion of a well capable of producing unitized substances in paying quantities, 8  
9 the Unit Operator shall submit for the approval of the Supervisor, the Commis- 9  
10 sioner and the Commission an acceptable plan of development and operation for 10  
11 the unitized land which, when approved by the Supervisor, the Commissioner and 11  
12 the Commission, shall constitute the further drilling and operating obligations 12  
13 of the Unit Operator under this agreement for the period specified therein. 13  
14 Thereafter, from time to time before the expiration of any existing plan, the 14  
15 Unit Operator shall submit for the approval of the Supervisor, the Commissioner 15  
16 and the Commission a plan for an additional specified period for the development 16  
17 and operation of the unitized land. 17

18 Any plan submitted pursuant to this section shall provide for the explora- 18  
19 tion of the unitized area and for the diligent drilling necessary for deter- 19  
20 mination of the area or areas thereof capable of producing unitized substances 20  
21 in paying quantities in each and every productive formation and shall be as com- 21  
22 plete and adequate as the Supervisor, the Commissioner and the Commission may 22  
23 determine to be necessary for timely development and proper conservation of the 23  
24 oil and gas resources of the unitized area and shall 24

25 (a) specify the number and locations of any wells to be drilled and the 25  
26 proposed order and time for such drilling; and 26

27 (b) to the extent practicable specify the operating practices regarded 27  
28 as necessary and advisable for proper conservation of natural resources. 28

29 Separate plans may be submitted for separate productive zones, subject to the 29  
30 approval of the Supervisor, the Commissioner and the Commission. 30

31 Plans shall be modified or supplemented when necessary to meet changed 31  
32 conditions or to protect the interests of all parties to this agreement. 32

33 Reasonable diligence shall be exercised in complying with the obligations of 33  
34 the approved plan of development. The Supervisor and the Commissioner are 34

1 authorized to grant a reasonable extension of the 6-month period herein pre- 1  
2 scribed for submission of an initial plan of development where such action is 2  
3 justified because of unusual conditions or circumstances. After completion 3  
4 hereunder of a well capable of producing any unitized substance in paying quan- 4  
5 tities, no further wells, except such as may be necessary to afford protection 5  
6 against operations not under this agreement or such as may be specifically ap- 6  
7 proved by the Supervisor and the Commissioner, shall be drilled except in ac- 7  
8 cordance with a plan of development approved as herein provided. 8

9 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of 9  
10 producing unitized substances in paying quantities or as soon thereafter as re- 10  
11 quired by the Supervisor and the Commissioner, the Unit Operator shall submit 11  
12 for approval by the Director, the Commissioner and the Commission, a schedule 12  
13 based on subdivisions of the public-land survey or aliquot parts thereof, of 13  
14 all unitized land then regarded as reasonably proved to be productive of uni- 14  
15 tized substances in paying quantities; all lands in said schedule on approval 15  
16 of the Director, the Commissioner and the Commission to constitute a partici- 16  
17 pating area, effective as of the date of completion of such well or the effec- 17  
18 tive date of the unit agreement, whichever is later. The acreages of both 18  
19 Federal and non-Federal lands shall be based upon appropriate computations from 19  
20 the courses and distances shown on the last approved public-land survey as of 20  
21 the effective date of the initial participating area. Said schedule also shall 21  
22 set forth the percentage of unitized substances to be allocated as herein pro- 22  
23 vided to each unitized tract in the participating area so established, and 23  
24 shall govern the allocation of production from and after the date the parti- 24  
25 cipating area becomes effective. A separate participating area shall be es- 25  
26 tablished in like manner for each separate pool or deposit of unitized sub- 26  
27 stances or for any group thereof produced as a single pool or zone, and any 27  
28 two or more participating areas so established may be combined into one with 28  
29 the consent of the owners of all working interests in the lands within the 29  
30 participating areas so to be combined, on approval of the Director, the Com- 30  
31 missioner and the Commission. The participating area or areas so established 31  
32 shall be revised from time to time, subject to like approval, whenever such 32  
33 action appears proper as a result of further drilling operations or otherwise 33  
34 to include additional land then regarded as reasonably proved to be produc- 34  
35 tive in paying quantities, or to exclude land then regarded as reasonably 35

1 proved not to be productive in paying quantities and the percentage of alloca- 1  
2 tion shall also be revised accordingly. The effective date of any revision 2  
3 shall be the first of the month in which is obtained the knowledge or informa- 3  
4 tion on which such revision is predicated, provided, however, that a more ap- 4  
5 propriate effective date may be used if justified by the Unit Operator and ap- 5  
6 proved by the Director and the Commissioner and the Commission. No land shall 6  
7 be excluded from a participating area on account of depletion of the unitized 7  
8 substances. 8

9 It is the intent of this section that a participating area shall represent 9  
10 the area known or reasonably estimated to be productive in paying quantities; 10  
11 but, regardless of any revision of the participating area, nothing herein con- 11  
12 tained shall be construed as requiring any retroactive adjustment for produc- 12  
13 tion obtained prior to the effective date of the revision of the participating 13  
14 area. 14

15 In the absence of agreement at any time between the Unit Operator and the 15  
16 Director, the Commissioner and the Commission as to the proper definition or re- 16  
17 definition of a participating area, or until a participating area has, or areas 17  
18 have, been established as provided herein, the portion of all payments affected 18  
19 thereby may be impounded in a manner mutually acceptable to the owners of work- 19  
20 ing interests, except royalties due the United States and the State of New 20  
21 Mexico, which shall be determined by the Supervisor and the Commissioner, re- 21  
22 spectively, and the amount thereof deposited, as directed by the Supervisor and 22  
23 the Commissioner, respectively, to be held as unearned money until a partici- 23  
24 pating area is finally approved and then applied as earned or returned in ac- 24  
25 cordance with a determination of the sum due as Federal and State royalty on 25  
26 the basis of such approved participating area. 26

27 Whenever it is determined, subject to the approval of the Supervisor, as 27  
28 to the wells on Federal lands, the Commissioner as to wells on State lands, 28  
29 and the Commission as to wells on patented lands, that a well drilled under 29  
30 this agreement is not capable of production in paying quantities and inclusion 30  
31 of the land on which it is situated in a participating area is unwarranted, 31  
32 production from such well shall, for the purposes of settlement among all par- 32  
33 ties other than working interest owners, be allocated to the land on which the 33  
34 well is located so long as such land is not within a participating area es- 34  
35 tablished for the pool or deposit from which such production is obtained. 35

1 Settlement for working interest benefits from such a well shall be made as pro- 1  
2 vided in the unit operating agreement. 2

3 12. ALLOCATION OF PRODUCTION. All unitized substances produced from each 3  
4 participating area established under this agreement, except any part thereof 4  
5 used in conformity with good operating practices within the unitized area for 5  
6 drilling, operating, camp and other production or development purposes, for re- 6  
7 pressuring or recycling in accordance with a plan of development approved by 7  
8 the Supervisor, the Commissioner and the Commission, or unavoidably lost, shall 8  
9 be deemed to be produced equally on an acreage basis from the several tracts of 9  
10 unitized land of the participating area established for such production and, for 10  
11 the purpose of determining any benefits accruing under this agreement, each such 11  
12 tract of unitized land shall have allocated to it such percentage of said produc- 12  
13 tion as the number of acres of such tract included in said participating area 13  
14 bears to the total acres of unitized land in said participating area, except that 14  
15 allocation of production hereunder for purposes other than for settlement of the 15  
16 royalty, overriding royalty, or payment out of production obligations of the re- 16  
17 spective working interest owners, shall be on the basis prescribed in the unit 17  
18 operating agreement whether in conformity with the basis of allocation herein 18  
19 set forth or otherwise. It is hereby agreed that production of unitized sub- 19  
20 stances from a participating area shall be allocated as provided herein regard- 20  
21 less of whether any wells are drilled on any particular part or tract of said 21  
22 participating area. If any gas produced from one participating area is used 22  
23 for repressuring or recycling purposes in another participating area, the first 23  
24 gas withdrawn from such last-mentioned participating area for sale during the 24  
25 life of this agreement shall be considered to be the gas so transferred until 25  
26 an amount equal to that transferred shall be so produced for sale and such gas 26  
27 shall be allocated to the participating area from which initially produced as 27  
28 constituted at the time of such final production. 28

29 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 29  
30 Any party hereto owning or controlling the working interest in any unitized 30  
31 land having thereon a regular well location may with the approval of the 31  
32 Supervisor, the Commissioner or the Commission, at such party's sole risk, 32  
33 costs, and expense, drill a well to test any formation for which a partici- 33  
34 pating area has not been established or to test any formation for which a 34

1 participating area has been established if such location is not within said 1  
2 participating area, unless within 90 days of receipt of notice from said party 2  
3 of his intention to drill the well the Unit Operator elects and commences to 3  
4 drill such a well in like manner as other wells are drilled by the Unit Opera- 4  
5 tor under this agreement. 5

6 If any well drilled as aforesaid by a working interest owner results in 6  
7 production such that the land upon which it is situated may properly be in- 7  
8 cluded in a participating area, such participating area shall be established 8  
9 or enlarged as provided in this agreement and the well shall thereafter be 9  
10 operated by the Unit Operator in accordance with the terms of this agreement 10  
11 and the unit operating agreement. 11

12 If any well drilled as aforesaid by a working interest owner obtains pro- 12  
13 duction in quantities insufficient to justify the inclusion in a participating 13  
14 area of the land upon which such well is situated, such well may be operated 14  
15 and produced by the party drilling the same subject to the conservation re- 15  
16 quirements of this agreement. The royalties in amount or value of production 16  
17 from any such well shall be paid as specified in the underlying lease and agree- 17  
18 ments affected. 18

19 14. ROYALTY SETTLEMENT. The United States and the State of New Mexico and 19  
20 all royalty owners who, under existing contract, are entitled to take in kind 20  
21 a share of the substances now unitized hereunder produced from any tract, shall 21  
22 hereafter be entitled to the right to take in kind their share of the unitized 22  
23 substances allocated to such tract, and Unit Operator, or in case of the opera- 23  
24 tion of a well by a working interest owner as herein in special cases provided 24  
25 for, such working interest owner, shall make deliveries of such royalty share 25  
26 taken in kind in conformity with the applicable contracts, laws, and regula- 26  
27 tions. Settlement for royalty interest not taken in kind shall be made by 27  
28 working interest owners responsible therefor under existing contracts, laws 28  
29 and regulations on or before the last day of each month for unitized sub- 29  
30 stances produced during the preceding calendar month; provided, however, that 30  
31 nothing herein contained shall operate to relieve the lessees of any land 31  
32 from their respective lease obligations for the payment of any royalties due 32  
33 under their leases. 33

34 If gas obtained from lands not subject to this agreement is introduced 34

1 into any participating area hereunder, for use in repressuring, stimulation of 1  
2 production, or increasing ultimate recovery, which shall be in conformity with 2  
3 a plan first approved by the Supervisor and the Commissioner, a like amount of 3  
4 gas, after settlement as herein provided for any gas transferred from any ot- 4  
5 her participating area and with due allowance for loss or depletion from any 5  
6 cause, may be withdrawn from the formation into which the gas was introduced, 6  
7 royalty free as to dry gas, but not as to the products extracted therefrom; pro-7  
8 vided that such withdrawal shall be at such time as may be provided in the plan 8  
9 of operations or as may otherwise be consented to by the Supervisor, the Com- 9  
10 missioner and the Commission as conforming to good petroleum engineering prac- 10  
11 tice; and provided further, that such right of withdrawal shall terminate on 11  
12 the termination of this unit agreement. 12

13 Royalty due the United States shall be computed as provided in the opera- 13  
14 ting regulations and paid in value or delivered in kind as to all unitized sub- 14  
15 stances on the basis of the amounts thereof allocated to unitized Federal land 15  
16 as provided herein at the rates specified in the respective Federal leases, 16  
17 or at such lower rate or rates as may be authorized by law or regulation; pro- 17  
18 vided, that for leases on which the royalty rate depends on the daily average 18  
19 production per well, said average production shall be determined in accordance 19  
20 with the operating regulations as though each participating area were a single 20  
21 consolidated lease. 21

22 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases com- 22  
23 mitted hereto shall be paid by working interest owners responsible therefor 23  
24 under existing contracts, laws, and regulations, provided that nothing herein 24  
25 contained shall operate to relieve the lessees of any land from their respec- 25  
26 tive lease obligations for the payment of any rental or minimum royalty in 26  
27 lieu thereof due under their leases. Rental or minimum royalty for lands of 27  
28 the United States subject to this agreement shall be paid at the rate speci- 28  
29 fied in the respective leases from the United States unless such rental or 29  
30 minimum royalty is waived, suspended, or reduced by law or by approval of the 30  
31 Secretary or his duly authorized representative. Rentals on State of New 31  
32 Mexico lands subject to this agreement shall be paid at the rates specified 32  
33 in the respective leases, or may be reduced and suspended upon the order of 33  
34 the Commissioner of Public Lands of the State of New Mexico pursuant to ap- 34  
35 plicable laws and regulations. 35

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

16. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulation.

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with prior consent of the Director or the Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor or the Commissioner.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary and the Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations

1 for development and operation with respect to each and every part or separately, 1  
2 owned tract subject to this agreement, regardless of whether there is any de- 2  
3 velopment of any particular part or tract of the unit area, notwithstanding any-3  
4 thing to the contrary in any lease, operating agreement or other contract by 4  
5 and between the parties hereto, or their respective predecessors in interest, 5  
6 or any of them. 6

7 (b) Drilling and producing operations performed hereunder upon any tract 7  
8 of unitized lands will be accepted and deemed to be performed upon and for the 8  
9 benefit of each and every tract of unitized land, and no lease shall be deemed 9  
10 to expire by reason of failure to drill or produce wells situated on the land 10  
11 therein embraced. 11

12 (c) Suspension of drilling or producing operations on all unitized lands 12  
13 pursuant to direction or consent of the Secretary or his duly authorized re- 13  
14 presentative, and on all unitized lands of the State of New Mexico pursuant 14  
15 to the consent of the Commissioner, or his duly recognized representative, 15  
16 shall be deemed to constitute such suspension pursuant to such direction or 16  
17 consent as to each and every tract of unitized land. 17

18 (d) Each lease, sublease or contract relating to the exploration, drill- 18  
19 ing, development or operation for oil or gas of lands other than those of the 19  
20 United States committed to this agreement, which, by its terms might expire 20  
21 prior to the termination of this agreement, is hereby extended beyond any such 21  
22 term so provided therein so that it shall be continued in full force and effect 22  
23 for and during the term of this agreement. 23

24 (e) Any Federal lease for a fixed term of twenty (20) years or any re- 24  
25 newal thereof or any part of such lease which is made subject to this agree- 25  
26 ment shall continue in force beyond the term provided therein until the ter- 26  
27 mination hereof. Any other Federal lease committed hereto shall continue in 27  
28 force beyond the term so provided therein or by law as to the land committed 28  
29 so long as such lease remains subject hereto, provided that production is had 29  
30 in paying quantities under this unit agreement prior to the expiration date 30  
31 of the term of such lease, or in the event actual drilling operations are 31  
32 commenced on unitized land, in accordance with the provisions of this agree- 32  
33 ment, prior to the end of the primary term of such lease and are being dili- 33  
34 gently prosecuted at that time, such lease shall be extended for two years and 34

1 so long thereafter as oil or gas is produced in paying quantities in accordance 1  
2 with the provisions of the Mineral Leasing Act Revision of 1960. 2

3 (f) Each sublease or contract relating to the operation and development 3  
4 of unitized substances from lands of the United States committed to this agree- 4  
5 ment, which by its terms would expire prior to the time at which the underlying 5  
6 lease, as extended by the immediately preceding paragraph, will expire, is here- 6  
7 by extended beyond any such term so provided therein so that it shall be con- 7  
8 tinued in full force and effect for and during the term of the underlying lease 8  
9 as such term is herein extended. 9

10 (g) The segregation of any Federal lease committed to this agreement is 10  
11 governed by the following provision in the fourth paragraph of Sec. 17(j) of 11  
12 the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 12  
13 781-784): "Any (Federal) lease heretofore or hereafter committed to any such 13  
14 (unit) plan embracing lands that are in part within and in part outside of the 14  
15 area covered by any such plan shall be segregated into separate leases as to the 15  
16 lands committed and the lands not committed as of the effective date of unitiza- 16  
17 tion: Provided, however, That any such lease as to the nonunitized portion shall 17  
18 continue in force and effect for the term thereof but for not less than two 18  
19 years from the date of such segregation and so long thereafter as oil or gas is 19  
20 produced in paying quantities." 20

21 (h) Any lease, other than a Federal lease, having only a portion of its 21  
22 lands committed hereto shall be segregated as to the portion committed and the 22  
23 portion not committed, and the provisions of such lease shall apply separately 23  
24 to such segregated portions commencing as of the effective date hereof. In 24  
25 the event any such lease provides for a lump-sum rental payment, such payment 25  
26 shall be prorated between the portions so segregated in proportion to the acre- 26  
27 age of the respective tracts. 27

28 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to 28  
29 be covenants running with the land with respect to the interest of the parties 29  
30 hereto and their successors in interest until this agreement terminates, and 30  
31 any grant, transfer, or conveyance of interest in land or leases subject here- 31  
32 to shall be and hereby is conditioned upon the assumption of all privileges 32  
33 and obligations hereunder by the grantee, transferee, or other successor in in- 33  
34 terest. No assignment or transfer of any working interest, royalty, or other 34

1 interest subject hereto shall be binding upon Unit Operator until the first day 1  
2 of the calendar month after Unit Operator is furnished with the original, pho- 2  
3 tostatic, or certified copy of the instrument of transfer. 3

4 20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon 4  
5 approval by the Secretary and the Commissioner or their duly authorized repre- 5  
6 sentatives and shall terminate five (5) years from said effective date unless 6

7 (a) such date of expiration is extended by the Director and the Commis- 7  
8 sioner, or 8

9 (b) it is reasonably determined prior to the expiration of the fixed 9  
10 term of any extension thereof that the unitized land is incapable of pro- 10  
11 duction of unitized substances in paying quantities in the formations tested 11  
12 hereunder and after notice of intention to terminate the agreement on such 12  
13 ground is given by the Unit Operator to all parties in interest at their last 13  
14 known addresses, the agreement is terminated with the approval of the Director 14  
15 and the Commissioner, or 15

16 (c) a valuable discovery of unitized substances has been made or accepted 16  
17 on unitized land during said initial term or any extension thereof, in which 17  
18 event the agreement shall remain in effect for such term and so long as uni- 18  
19 tized substances can be produced in quantities sufficient to pay for the cost 19  
20 of producing same from wells on unitized land within any participating area 20  
21 established hereunder and, should production cease, so long thereafter as dili- 21  
22 gent operations are in progress for the restoration of production or discovery 22  
23 of new production and so long thereafter as the unitized substances so dis- 23  
24 covered 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 75 per centum, 26  
27 on an acreage basis, of the owners of working interests signatory hereto, 27  
28 with the approval of the Director and the Commissioner; notice of any such 28  
29 approval to be given by the Unit Operator to all parties hereto. 29

30 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is 30  
31 hereby vested with authority to alter or modify from time to time in his dis- 31  
32 cretion the quantity and rate of production under this agreement when such 32  
33 quantity and rate is not fixed pursuant to Federal or State law or does not 33  
34 conform to any state-wide voluntary conservation or allocation program, which 34

ATTEST: DATE: UNION OIL COMPANY OF CALIFORNIA

\_\_\_\_\_  
Secretary By \_\_\_\_\_  
\_\_\_\_\_  
President

Address: \_\_\_\_\_

ATTEST: DATE: THE ATLANTIC REFINING COMPANY

\_\_\_\_\_  
Secretary By \_\_\_\_\_  
\_\_\_\_\_  
President

Address: \_\_\_\_\_

Address: DATE: \_\_\_\_\_  
THOMAS CONNELL

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

THE STATE OF TEXAS :  
:  
COUNTY OF TARRANT :

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_, as Attorney in Fact on behalf of PAN AMERICAN PETROLEUM CORPORATION.

My commission expires:

\_\_\_\_\_  
Notary Public in and for  
Tarrant County, Texas

THE STATE OF \_\_\_\_\_ :  
:  
COUNTY OF \_\_\_\_\_ :

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1964, by \_\_\_\_\_, \_\_\_\_\_ President of CALIFORNIA OIL COMPANY, a \_\_\_\_\_ corporation, on behalf of said corporation.

My commission expires:

\_\_\_\_\_  
Notary Public in and for  
County, \_\_\_\_\_



