

CASE 5981: (Continued from September 14, 1977, Examiner Hearing)

Application of W. A. Moncrief, Jr., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of an oil pool for Upper-Pennsylvanian production for his State Well No. 1 located in Unit E of Section 26, Township 16 South, Range 33 East, Lea County, New Mexico, and the promulgation of special rules therefor, including a provision for 80-acre spacing.

CASE 6061: Application of Yates Petroleum Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Stinking Draw Unit Area comprising 2,881 acres, more or less, of Federal and State lands in Township 21 South, Range 22 East, Eddy County, New Mexico.

CASE 5983: (Continued from September 28, 1977, Examiner Hearing)

Application of Yates Petroleum Corporation for the amendment of Order No. R-5445, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5445 to provide for a 200 percent risk factor for drilling the unit well rather than 20 percent. Said order pooled the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico.

CASE 6062: Application of Yates Exploration Company for compulsory pooling, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down to and including the San Andres formation underlying the SW/4 NW/4 of Section 27, Township 9 South, Range 28 East, Chaves County, New Mexico, to be dedicated to applicant's Plains Radio Well No. 1 located in the center of said tract. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6063: Application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the N/2 of Section 28, Township 19 South, Range 25 East, Eddy County, New Mexico, to be dedicated to applicant's Boyd South Gas Unit Well No. 1 to be located in Unit G of said Section 28. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6064: Application of Texas Oil & Gas Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 29, Township 19 South, Range 28 East, Eddy County, New Mexico, to be dedicated to applicant's Exxon State Com B Well No. 1 located in Unit G of said Section 29. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 5757: (Reopened)

In the matter of Case 5757 being reopened pursuant to the provisions of Order No. R-5296 which order established temporary special pool rules for the Maljamar-Pennsylvanian Pool, Lea County, New Mexico. All interested parties may appear and show cause why said pool should not be developed on 40-acre spacing units.

CASE 6047: (Continued from September 28, 1977, Examiner Hearing)

Application of Continental Oil Company for capacity allowable, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for a capacity allowable for its Pearl "B" Wells Nos. 5 and 6, located in Units M and O, respectively, of Section 25, Township 17 South, Range 32 East, and its Pearl "B" Well No. 7 located in Unit M of Section 30, Township 17 South, Range 33 East, Maljamar Grayburg-San Andres Pool, Lea County, New Mexico.

CASE 6043: (Continued from September 28, 1977, Examiner Hearing)

Application of V-F Petroleum Inc., for an unorthodox oil well location, Roosevelt County, New Mexico. Applicant, in the above-styled cause, seeks approval for an unorthodox oil well location 330 feet from the South line and 2310 feet from the East line of Section 29, Township 8 South, Range 38 East, North Sawyer-Devonian Pool, Roosevelt County, New Mexico.

Dockets Nos. 33-77 and 34-77 are tentatively set for hearing on October 26 and November 9, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - OCTOBER 12, 1977

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE: (1) Consideration of the allowable production of gas for November, 1977, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for November, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6053: (Continued & Readvertised)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Noel Reynolds and all other interested parties to appear and show cause why the Torreón Water Well No. 1, located in Unit J of Section 21, Township 18 North, Range 3 West, Sandoval County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 6025: (Continued & Readvertised)

Application of Roger C. Hanks for a special gas-oil ratio limitation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the establishment of a special gas-oil ratio limitation of 10,000 cubic feet of gas per barrel of oil for the North Dagger Draw-Upper Pennsylvanian Pool, Eddy County, New Mexico, retroactive to August 22, 1977.

CASE 6052: (Continued from September 28, 1977, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Western Energy Corporation and all other interested parties to appear and show cause why the Ute Well No. 2 located in Unit O of Section 23, Township 31 North, Range 16 West, San Juan County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 6055: (Continued from September 28, 1977, Examiner Hearing)

In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Han-San, Inc., and all other interested parties to appear and show cause why the Grevey Well No. 4 located in Unit E of Section 26, Township 26 North, Range 1 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 6057: Application of Aminoil USA Inc., for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Willow Lake Well No. 3 to be located 1980 feet from the South line and 1940 feet from the West line of Section 15, Township 24 South, Range 28 East, Willow Lake Field, Eddy County, New Mexico, the S/2 of said Section 15 to be dedicated to the well.

CASE 6058: Application of Atlantic Richfield Company for the amendment of Order No. R-5430, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5430, which order approved an unorthodox Justis-Fusselman location for its Wimberly WN Well No. 11 in Section 24, Township 25 South, Range 37 East, Lea County, New Mexico. Applicant now requests that the unorthodox location for said well be extended to include the Montoya formation.

CASE 6059: Application of Dome Petroleum Corporation for pool creation, an oil discovery allowable, and a special depth bracket allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Leggs-Entrada Oil Pool in Section 11, Township 21 North, Range 10 West, San Juan County, New Mexico, the assignment of approximately 27,020 barrels of oil discovery allowable to its Santa Fe-Leggs Well No. 1 located in Unit O of said Section 11, and the establishment of a special depth bracket allowable of 750 barrels of oil per day for said pool.

CASE 6060: Application of J. Cecil Rhodes for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Blinbry formation into the perforated interval from 5252 feet to 5448 feet in his Corrigan Well No. 1 located in Unit M of Section 11, Township 25 South, Range 37 East, Justis-Blinbry Pool, Lea County, New Mexico.

CASE 6061: (Continued from October 12, 1977, Examiner Hearing)

Application of Yates Petroleum Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Stinking Draw Unit Area comprising 2,881 acres, more or less, of Federal and State lands in Township 21 South, Range 22 East, Eddy County, New Mexico.

CASE 5983: (Continued from October 12, 1977, Examiner Hearing)

Application of Yates Petroleum Corporation for the amendment of Order No. R-5445, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5445 to provide for a 200 percent risk factor for drilling the unit well rather than 20 percent. Said order pooled the N/2 of Section 19, Township 20 South, Range 25 East, Eddy County, New Mexico.

CASE 6072: (Continued from October 26, 1977, Examiner Hearing)

Application of Harvey E. Yates Company for pool creation and special pool rules, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the creation of a new oil pool for Canyon production for its Travis Deep Unit Well No. 2, located in Unit G of Section 13, Township 18 South, Range 28 East, Eddy County, New Mexico, and the promulgation of special rules therefor, including a provision for 80-acre spacing.

CASE 6086: Application of Yates Petroleum Corporation for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Morrow formation underlying the E/2 of Section 21, Township 17 South, Range 26 East, Eddy County, New Mexico, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision. Also to be considered will be the designation of applicant as operator of the well and a charge for risk involved in drilling said well.

CASE 6087: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Ralph Nix "IT" Well No. 1 to be located 660 feet from the South line and 990 feet from the East line of Section 13, Township 20 South, Range 24 East, Eddy County, New Mexico, the S/2 of said Section 13 to be dedicated to the well.

CASE 6088: Application of Yates Petroleum Corporation for a dual completion, downhole commingling, and salt water disposal, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of East Eagle Creek Atoka-Morrow, Eagle Creek-Strawn and Eagle Creek Permo-Penn production in the wellbore of its Mitchell "IN" Well No. 2 located in Unit I of Section 23, Township 17 South, Range 25 East, Eddy County, New Mexico, and to dually complete said well in such a manner as to permit disposal of produced salt water into the Devonian formation thru tubing and production of the aforesaid commingled zones thru the casing-tubing annulus.

CASE 5981: (Continued from October 12, 1977, Examiner Hearing)

Application of W. A. Moncrief, Jr., for pool creation and special pool rules, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the creation of an oil pool for Upper-Pennsylvanian production for his State Well No. 1 located in Unit E of Section 26, Township 16 South, Range 33 East, Lea County, New Mexico, and the promulgation of special rules therefor, including a provision for 80-acre spacing.

CASE 6076: (Continued from October 26, 1977, Examiner Hearing)

Application of E. L. Latham, Jr., Roy G. Barton, Jr., and R. L. Foree for a gas well curtailment and gas pool prorationing, Chaves County, New Mexico. Applicants, in the above-styled cause, seek an order temporarily shutting in, or limiting production from the La Rue and Muncy Nola Well No. 1, located in Unit O of Section 8, Township 14 South, Range 28 East, Sams Ranch Grayburg Gas Pool, Chaves County, New Mexico. Applicants further request that the Commission institute gas prorationing in said pool retroactively to date of first production and direct the gas purchaser(s) in said pool to take ratably from all wells in said pool.

Dockets Nos. 38-77 and 39-77 are tentatively set for hearing on November 30 and December 14, 1977. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - NOVEMBER 16, 1977

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,  
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

- ALLOWABLE:** (1) Consideration of the allowable production of gas for December, 1977, from fifteen prorated pools in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico.
- (2) Consideration of the allowable production of gas for December, 1977, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.
- CASE 6079:** Application of Dome Petroleum Corporation for a non-standard oil proration unit, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for a 80-acre non-standard oil proration unit comprising the E/2 SW/4 of Section 10, Township 26 North, Range 14 West, Bisti-Lower Gallup Pool, San Juan County, New Mexico.
- CASE 6059:** (Continued from October 12, 1977, Examiner Hearing)
- Application of Dome Petroleum Corporation for pool creation, an oil discovery allowable, and a special depth bracket allowable, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the creation of the Leggs-Entrada Oil Pool in Section 11, Township 21 North, Range 10 West, San Juan County, New Mexico, the assignment of approximately 27,020 barrels of oil discovery allowable to its Santa Fe-Leggs Well No. 1 located in Unit O of said Section 11, and the establishment of a special depth bracket allowable of 750 barrels of oil per day for said pool.
- CASE 6080:** Application of Orla Petco, Inc., for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its R. K. Williams Well No. 1 to be located 1980 feet from the South line and 660 feet from the West line of Section 8, Township 19 South, Range 26 East, Eddy County, New Mexico, the S/2 of said Section 8 to be dedicated to the well.
- CASE 6081:** Application of Atlantic Richfield Company for directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the directional drilling in a northwesterly direction of its Lanehart 22 Well No. 1 from a surface location 660 feet from the North and West lines of Section 22, Township 25 South, Range 37 East, Langlie-Mattix Pool, Lea County, New Mexico, bottoming said well no closer than 280 feet from the North and West lines of said Section 22.
- CASE 6082:** Application of Gulf Oil Corporation for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for its Sand Well Unit Area comprising 3843 acres, more or less, of State, Federal, and fee lands in Township 23 South, Range 35 East, Lea County, New Mexico.
- CASE 6083:** Application of Sun Oil Company for downhole commingling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Drinkard and Tubb production in the wellbore of its State 15 Well No. 4 located in Unit P of Section 16, Township 21 South, Range 37 East, Lea County, New Mexico.
- CASE 6084:** Application of Freeport Oil Company for a pressure maintenance project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a pressure maintenance in the West Garrett-Devonian Pool by the injection of water into the Devonian formation through its Mattie Price Well No. 4 located in Unit O of Section 6, Township 17 South, Range 38 East, Lea County, New Mexico.
- CASE 6085:** Application of Reserve Oil, Inc., for downhole commingling or pool contraction and extension, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Jalmat and Langlie-Mattix production in the wellbore of its Cooper Jal Unit Wells No. 115 in Unit P of Section 13 and Nos. 121, 134, and 209 in Units B, N, and L of Section 24, Township 24 South, Range 36 East, and No. 117 in Unit N of Section 18, and Nos. 150 and 221 in Units L and N of Section 19, Township 24 South, Range 37 East, Lea County, New Mexico, and an administrative procedure for such approval for future wells. In the alternative, applicant seeks the contraction of the vertical limits of the Jalmat Gas Pool underlying said Cooper Jal Unit Area by the deletion of the Yates and Seven Rivers formations therefrom and the extension of the vertical limits of the Langlie-Mattix Pool to include said formations.

**RANDOLPH M. RICHARDSON**

OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

P. O. BOX 819

ROSWELL, NEW MEXICO 88201

OFFICE 505 622-8801  
HOME 505 622-7985

June 13, 1978

In Re: Stinking Draw Unit Agreement  
Eddy County, New Mexico

*No. 6061*

Ms. Lynn Teschendorf  
N.M.O.C.C.  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Ms. Teschendorf:

Pursuant to Order No. R-5582, Case No. 6061, I am enclosing copy of the Stinking Draw Unit Agreement showing approval by the Commissioner Of Public Lands and the USGS. You will also find copy of letter dated May 9, 1978, wherein they accepted commitment of one Federal tract to the unit.

This letter is the reason for the delay in forwarding your copy of the Unit Agreement, and we still do not have the official Decision from the Bureau Of Land Management segregating this particular Federal lease. Please advise if you need any additional information at this time.

Yours truly,



R. M. Richardson

RMR:dal

Enclosure

Xerox copy: Yates Petroleum Corporation

State of New Mexico



Commissioner of Public Lands

May 14, 1981

P. O. BOX 1148  
SANTA FE, NEW MEXICO 87501

ALEX J. ARMIJO  
COMMISSIONER

Yates Petroleum Corporation  
207 South Fourth Street  
Artesia, New Mexico 88210

6061

Re: Stinking Draw Unit  
Eddy County, New Mexico

Gentlemen:

This letter is to officially notify you that the Commissioner of Public Lands has terminated the captioned unit for failure to commence the second test well as per Section 9 of the agreement. The effective date of the termination being December 29, 1978.

By letter of February 1, 1979 the USGS terminated same effective as of the above date.

Very truly yours,

ALEX J. ARMIJO  
COMMISSIONER OF PUBLIC LANDS

BY:  
FLOYD O. PRANDO, Assistant Director  
Oil and Gas Division  
AC 505-827-2748

AJA/FOP/s  
cc.

OCD-Santa Fe, New Mexico ✓  
USGS-Albuquerque, New Mexico



LAW OFFICES

LOSEE & CARSON, P.A.

300 AMERICAN HOME BUILDING

P. O. DRAWER 239

ARTESIA, NEW MEXICO 88210

A. J. LOSEE  
JOEL M. CARSON  
CHAD DICKERSON

AREA CODE 505  
746-3508

11 October 1977

Ms. Lynn Teschendorf  
New Mexico Oil Conservation  
Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Dear Ms. Teschendorf:

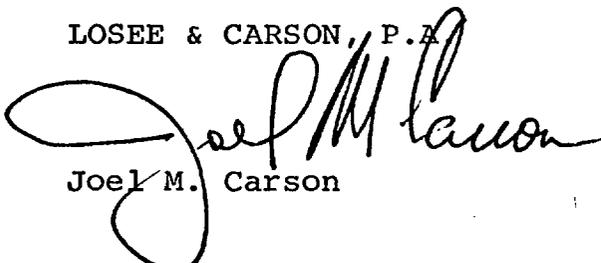
Please dismiss Case No. 6062, styled Application of Yates Exploration Company for force pooling its Plains Radio No. 1 Well in Chaves County, New Mexico. I have previously asked that you dismiss Case Nos. 6063 and 6064.

Please continue the cases from the October 26, 1977 hearing, being Nos. 5983 and 6061 until the November 16, 1977 hearing, and we will try to be up there with everything.

Enclosed, please find our check in the amount of \$5.40 as the transcript fee for continuing Case No. 5983. Thank you.

Yours truly,

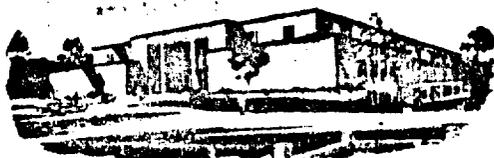
LOSEE & CARSON, P.A.

  
Joel M. Carson

JMC:pv  
Enclosure

cc: Mr. Harvey E. Yates, Jr.

State of New Mexico



Commissioner of Public Lands

June 14, 1978

PHIL R. LUCERO  
COMMISSIONER

P. O. BOX 1148  
SANTA FE, NEW MEXICO 87501

Mr. Randolph M. Richardson  
P. O. Box 819  
Roswell, New Mexico 88201

*Mo. 6061*

Re: Stinking Draw Unit Agreement  
Eddy County, New Mexico

Dear Mr. Richardson:

We are in receipt of your letter of June 13, 1978, together with Consent and Ratification forms to the Stinking Draw Unit Agreement and Operating agreement, executed by Joan R. Duncan, Annamarie Duncan, Walter Duncan, and J. Walter Duncan, Jr. Also enclosed was copy of letter signed by the Duncan family.

Such instruments and request were accepted for record purposes as of May 1, 1978. Therefore, Tract No. 2 is considered fully committed to the Stinking Draw unit agreement effective May 1, 1978.

Very truly yours,

PHIL R. LUCERO  
COMMISSIONER OF PUBLIC LANDS

BY:  
RAY D. GRAHAM, Director  
Oil and Gas Division

PRL/RDG/s

cc: OCC-Santa Fe, New Mexico  
USGS-Roswell, New Mexico  
USGS-Albuquerque, New Mexico



United States Department of the Interior

GEOLOGICAL SURVEY  
P. O. Box 26124  
Albuquerque, New Mexico 87125

FEB 01 1979

Yates Petroleum Corporation  
207 South Fourth Street  
Artesia, New Mexico 88210

*No. 6061*

Gentlemen:

The Stinking Draw unit agreement, Eddy County, New Mexico, was approved March 28, 1978, by the Area Oil and Gas Supervisor, effective as of the date of approval. The term of such agreement is contingent upon the unit operator drilling one well at a time, allowing no more than six months time between the completion of one well and the commencement of the next well, until a well capable of producing unitized substances in paying quantities is completed.

Our records show that the initial test well was plugged and abandoned as a dry hole on June 29, 1978, and the second test well was due to be commenced on December 29, 1978. Inasmuch as the second test well was not commenced, the Stinking Draw unit agreement is considered to be terminated automatically as of December 29, 1978, pursuant to Section 9 of the agreement.

Sincerely yours,

(ORIG. SGD.) JAMES W. SUTHERLAND

Oil and Gas Supervisor, SRMA

cc:  
BLM, Santa Fe  
NMOCD, Santa Fe

NOTE TO BLM: All committed Federal leases within the Stinking Draw unit area should be considered for two year extensions pursuant to 43 CFR 3107.5 as applicable.

← This Copy for



# United States Department of the Interior

GEOLOGICAL SURVEY

P. O. Box 26124  
Albuquerque, New Mexico 87125

APR 27 1978

Randolph M. Richardson  
P. O. Box 319  
Roswell, New Mexico 88201

no. 6061

Dear Mr. Richardson:

Your letter of April 13, 1978, transmitted three copies of consent and ratification to the Unit Operating Agreement for the Stinking Draw unit area, Eddy County, New Mexico. Such instrument has been executed by Amoco Production Company, 100% record title and working interest owner in unit tract No. 10, State of New Mexico lease L-6421-1.

The instrument was received on April 14, 1978, and is hereby accepted for record purposes effective as of May 1, 1978 pursuant to Section 28 of the unit agreement. Amoco had previously executed the consent and ratification to the unit agreement, therefore, tract No. 10 is now considered fully committed to the Stinking Draw unit agreement.

Copies of the instrument are being distributed to the appropriate Federal offices. You are requested to furnish all principals with evidence of this acceptance.

Sincerely yours,

(ORIG. SGD.) JAMES W. SUTHERLAND

Area Oil and Gas Supervisor

cc:  
BLM, Santa Fe (w/cy jdr.)  
NMOCC, Santa Fe (ltr. only) *//// This copy for*  
Com. Pub. Lands, Santa Fe (ltr. only)



# United States Department of the Interior

GEOLOGICAL SURVEY

P. O. Box 26124  
Albuquerque, New Mexico 87125

MAY 09 1978

*No. 6061*

Randolph M. Richardson  
P. O. Box 819  
Roswell, New Mexico 88201

Dear Mr. Richardson:

Your letter of April 24, 1978 transmitted three copies of consent and ratifications to the Stinking Draw unit agreement and two copies each of consent and ratification to the Stinking Draw unit operating agreement from the following interest owners in unit Tract No. 2, Federal lease NM-6009: Walter Duncan, owner of 30% record title and 1.875% overriding royalty; J. Walter Duncan, Jr., owner of 9% record title and 0.5625% overriding royalty; Joan R. Duncan, owner of 3% overriding royalty and Annamarie Duncan, wife of Vincent Duncan. (Joinders for Vincent J. Duncan and Raymond T. Duncan, each an owner of 30% record title and 1.875% overriding royalty interest, were on file with this office at the time of unit approval.)

Your letter also transmitted three copies of a letter request signed by Walter Duncan, Vincent J. Duncan, Raymond T. Duncan and J. Walter Duncan, Jr., owners of 99% record title in Federal lease NM-6009. Such letter requested commitment of the above lease to the Stinking Draw Unit as if Walter Duncan III, owner of 1% record title and 0.0625% overriding royalty interest, had executed the consent and ratification. The foregoing interest owners agreed to bear and be responsible for 100% of all rights, duties, privileges and obligations owned and borne by the Lessee of Record.

The instruments and request were received on April 24, 1978 and are hereby accepted for record purposes as of May 1, 1978, pursuant to Section 28 of the unit agreement. All other interests in Tract No. 2 had previously executed consent and ratification to the unit agreement and unit operating agreement, therefore, Tract No. 2 is considered fully committed to the Stinking Draw unit agreement effective May 1, 1978.

12 13 14

Copies of the instruments are being distributed to the appropriate Federal offices. You are requested to furnish all principals with evidence of this acceptance.

Sincerely yours,

(ORIG. SGD.) JAMES W. SUTHERLAND

Oil and Gas Supervisor, SRMA

cc:  
BLM, Santa Fe (w/cy instrs.)  
NMOCC, Santa Fe (ltr. only)

NOV 12 1964

**RANDOLPH M. RICHARDSON**

OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

P. O. BOX 819

ROSWELL, NEW MEXICO 88201

April 13, 1978

OFFICE 505 622-8801

HOME 505 622-7985

6061

Ms.

In Re: Stinking Draw Unit Area  
T-21-S, R-22-E, NMPM  
Eddy County, New Mexico

Mr. Jim Gillham  
USGS  
P. O. Box 1857  
Roswell, New Mexico 88201

Mr. Ray Graham  
State Land Office  
P. O. Box 1148  
Santa Fe, New Mexico 87501

 Ms. Lynn Teschendorf  
NMOCC  
P. O. Box 2088  
Santa Fe, New Mexico 87501

Ladies, Gentlemen:

Please refer to the captioned unit, which was assigned No. 14-08-0001-16901 by the USGS and approved by the USGS, Commissioner of Public Lands, and NMOCC about the 27th and 28th of March 1978. I am now enclosing to the USGS three copies of Consent and Ratification forms to the Unit Operating Agreement executed by Amoco Production Company, two copies to the Commissioner of Public Lands, and one copy to the NMOCC.

By copy of this letter, I am also furnishing all of the working interest owners one copy of this Consent and Ratification by Amoco.

Amoco did execute the Unit Agreement and such was submitted for final approval; but at the time of final approval, they had not had time to approve the Unit Operating Agreement.

We advised at the time of final approval that Amoco would forward their joinder to the Unit Agreement; however, the tract was considered as not committed by the USGS or State Land Office. With this enclosed signature, we now consider that the tract is fully committed and would appreciate your changing your records accordingly.

Since the foregoing amounts to submission of a late signature, which we knew would be arriving, we do not feel that there are any other steps which should be taken under the terms of the Unit Agreement in submitting this signature.

Please advise if you need any additional information or if all is not in order.

Yours truly,

  
R. M. Richardson

RMR:cmg

Enc.

Xerox Copy: Cities Service Oil Company  
Amoco Production Company  
Gulf Oil Corporation  
Yates Drilling Company  
Jack McClellan  
Martin Yates, III

Kerr-McGee Corporation  
Pennzoil Company  
Great Western Drilling Company  
Davoil, Inc.  
Yates Petroleum Corporation

CONSENT AND RATIFICATION

UNIT OPERATING AGREEMENT

FOR THE STINKING DRAW UNIT AREA

EDDY COUNTY, NEW MEXICO

The undersigned, (wether one or more) hereby acknowledges receipt of a copy of the Unit Operating Agreement in connection with the Unit Agreement for the development and operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledges that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of leasehold interests being committed to said Unit Agreement do hereby consent to said Unit Operating Agreement and ratify all 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 acknowledgements.

Amoco Production Company

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

*C. N. Heminger*  
ATTORNEY-IN-FACT *C. N. Heminger*

APPROVED  
*CH*

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

Notary Public

CORPORATE

STATE OF Texas )  
COUNTY OF Harris ) SS.

The foregoing instrument was acknowledged before me this 10<sup>th</sup> day of April, 1978, by C. N. Heminger Attorney-in-Fact President of Amoco Production Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

10-31-78

*Irene Haldas*  
Notary Public



United States Department of the Interior

GEOLOGICAL SURVEY



MAR 28 1978

Mr. Randolph Richardson  
P. O. Box 819  
Roswell, New Mexico 88201

*No. 6041*

Gentlemen:

One approved copy of the Stinking Draw unit agreement, Eddy County, New Mexico, with Yates Petroleum Corporation as unit operator is enclosed. Such agreement has been assigned No. 14-08-0001-16901 and is effective as of the date of approval. You are requested to furnish all principals with evidence of this approval.

Sincerely yours,

**(ORIG. SGD.) JAMES W. SUTHERLAND**

**AREA OIL AND GAS SUPERVISOR, SRMA**

Enclosure

cc:  
NMOCC, Santa Fe (ltr. only) ← This Copy for



# United States Department of the Interior

GEOLOGICAL SURVEY

P. O. Box 26124  
Albuquerque, New Mexico 87125

MAR 28 1978



no. 6061

MEMORANDUM

**TO:** Chief, Branch of Lands and Minerals Operations,  
Bureau of Land Management, Santa Fe, New Mexico

**FROM:** Oil and Gas Supervisor, Southern Rocky Mountain Area

**SUBJECT:** Stinking Draw unit agreement, Eddy County, New Mexico

One approved copy of the subject agreement is enclosed. Such agreement has been assigned No. 14-08-0001-16901 and is effective on the date approved.

The basic information of this agreement is as follows:

1. The unit operator is Yates Petroleum Corporation, 207 S. 4th Street, Artesia, New Mexico 88210.
2. No oil or gas has been discovered within the unit area. The depth of the test well and the area to be unitized were approved under the unit plan regulations of 30 CFR 226, by Survey letter of October 7, 1977.
3. All formations are unitized. The text of the unit agreement is identical to the 1968 reprint of the Form of Agreement for Unproved Areas modified as required by Survey letter of October 7, 1977.
4. The unit area embraces 2,830.64 acres, more or less, of which 2,560.64 acres (88.89 percent) are Federal lands, and 320.00 acres are State of New Mexico lands.
5. The following Federal leases embrace lands included within the unit area:

NM-6008  
NM-6009  
NM-6010

NM-6706\*  
NM-9532  
NM-21009

NM-21010  
NM-21014\*  
NM-22613

\*Indicate lease to be considered for segregation by the Bureau of Land Management pursuant to Section 18(g) of the unit agreement and Public Law 86-765. We recommend that the portions of the leases within the unit area retain the original base lease numbers.

6. All lands are fully or effectively committed except the following:

NO PART COMMITTED

| Tract | Type of Land        | Lessee of Record  | Working Interest Owner     | Acres  |
|-------|---------------------|---|----------------------------|--------|
| 2     | NM-6009             | *Walter Duncan<br>Raymond T. Duncan<br>Vincent O. Duncan<br>*J. Walter Duncan, Jr.<br>*Walter Duncan, III | Great Western Drilling Co. | 160.00 |
| 10    | State of New Mexico | Amoco Production Co.  | Amoco Production Co.       | 320.00 |
| TOTAL |                     |   |                            | 480.00 |

\*Non-committed interests

The total acreage not committed is 480.00 acres or 16.66 percent of the total unit area. However, Amoco Production Company, working interest owner of Tract 10, which is 320 acres of State land, has joined the unit agreement, but has not signed the unit operating agreement, although they have agreed to do so. Also certain overriding royalty interest owners have not signed the unit agreement, although they have verbally agreed to join. All owners of interest within the unit area have been invited to join.

7. The State of New Mexico Oil Conservation Commission has approved the unit agreement.

8. We believe the foregoing commitment status, in view of the State pooling provisions, provides the unit operator with adequate control of the unit area to fulfill the objectives of unitization.

for *J. Sutherland*  
JAMES W. SUTHERLAND

Enclosure

cc: NMOCC, Santa Fe (ltr. only) ← This copy for



State of New Mexico



RECEIVED

MAR 30 1978

Oil Conservation Commission

Commissioner of Public Lands

March 27, 1978

PHIL R. LUCERO  
COMMISSIONER

P. O. BOX 1148  
SANTA FE, NEW MEXICO 87501

Mr. Randolph M. Richardson  
P. O. Box 819  
Roswell, New Mexico 88201

*Ms. 6061*

Re: Stinking Draw Unit  
Eddy County, New Mexico

Dear Mr. Richardson:

The Commissioner of Public Lands has this date approved the Stinking Draw Unit, Eddy County, New Mexico. This approval is subject to like approval by the United States Geological Survey.

State Tract 10 is considered not committed until such time as we receive the ratification from Amoco Production Company to the Operating Agreement.

Enclosed are Five (5) Certificates of approval.

When the United States Geological Survey approves this unit please advise this office so that we may finish processing same and ascertain the effective date.

Your filing fee in the amount of Fifty (\$50.00) Dollars has been received.

Very truly yours,

PHIL R. LUCERO  
COMMISSIONER OF PUBLIC LANDS

BY:  
RAY D. GRAHAM, Director  
Oil and Gas Division

PRL/RDG/s  
encls.  
cc:

OCC-Santa Fe, New Mexico ✓  
USGS-Roswell, New Mexico  
USGS-Albuquerque, New Mexico

**RANDOLPH M. RICHARDSON**  
OIL AND GAS LAND AND UNIT CONSULTANT  
FEDERAL - STATE - FEE  
P. O. BOX 819  
ROSWELL, NEW MEXICO 88201

*Stamps*  
*RLL*

March 31, 1978

OFFICE 505 622-8801  
HOME 505 622-7985

In Re: Stinking Draw Unit Area  
Eddy County, New Mexico

New Mexico Oil Conservation Commission  
P. O. Box 2088  
Santa Fe, New Mexico 87501

*No. 6061*

Gentlemen:

Pursuant to your Order No. R-5582 entered in Case No. 6061, I am enclosing one executed copy of the Unit Agreement showing approval by both the Commissioner of Public Lands and the U. S. G. S.

Please advise if you need any additional information at this time.

Yours truly,



R. M. Richardson

RMR:cmg

Enclosure

BEFORE THE OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico 87501

Comes the undersigned Yates Petroleum Corporation, with offices at Artesia, New Mexico and files herewith one (1) copy of the proposed Unit Agreement for the development and operation of the Stinking Draw Unit Area, Eddy County, New Mexico and hereby makes application for approval of said Unit Agreement as provided by law, and in support thereof, states:

1. That the proposed Unit Area covered by said Agreement embraces 2,880.59 acres of land, more or less, more particularly described as follows:

T-21-S, R-22-E, NMPM  
Secs. 3, 4; All  
Secs. 9, 10; All  
Sec. 16; N½

2560.59  
320.00  
2880.59

Eddy County, New Mexico

2. That of the lands embraced within the proposed Unit, 2,560.59 acres are lands of the United States, being 88.89% of the Area; and 320.00 acres are State of New Mexico lands being 11.11% of the Area.

3. That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological feature involved, and that in the event of a discovery of oil and gas thereon, that said Unit Agreement will permit the producing area to be developed or operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That Yates Petroleum Corporation is designated as the Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the Unit Area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to penetrate the Mississippian Formation, but applicant is not obligated to drill said well in any event to a depth in excess of 9,000 feet.

5. That the applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances and that said Unit Agreement is in the interest of conservation of prevention of waste as contemplated by the New Mexico Oil Conservation rules and regulations.

6. That Application for Approval of said Unit Agreement has been filed with the Commissioner of Public Lands.

7. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner on the matter of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that this matter be heard at the first available hearing following this date.

DATED this 8th day of September, 1977.

YATES PETROLEUM CORPORATION  
By Randolph M. Richardson  
Randolph M. Richardson  
Attorney At Law  
P. O. Box 819  
Roswell, New Mexico 88201

BEFORE THE OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico 87501

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Eddy County, New Mexico

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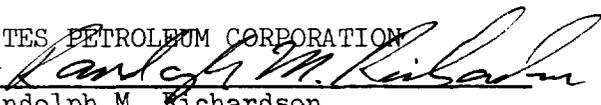
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By   
Randolph M. Richardson  
Attorney At Law  
P. O. Box 819  
Roswell, New Mexico 88201

BEFORE THE OIL CONSERVATION COMMISSION  
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission  
Santa Fe, New Mexico 87501

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Eddy County, New Mexico

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4. That Yates Petroleum Corporation is designated as the Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the Unit Area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to penetrate the Mississippian Formation, but applicant is not obligated to drill said well in any event to a depth in excess of 9,000 feet.

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DATED this 8th day of September, 1977.

YATES PETROLEUM CORPORATION  
By   
Randolph M. Richardson  
Attorney At Law  
P. O. Box 819  
Roswell, New Mexico 88201

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
STINKING DRAW UNIT  
COUNTY OF EDDY  
STATE OF NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 1st day of September,  
1977, by and between the parties subscribing, ratifying, or consenting hereto,  
and herein referred to as the "parties hereto,"

W I T N E S S E T H :

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is  
authorized by an Act of the Legislature (Sec. 7-11-29 N.M. Statutes 1953 Annotated)  
to consent to or approve this agreement on behalf of the State of New Mexico, insofar  
as it covers and includes lands and mineral interest of the State of New Mexico; and,

WHEREAS, the Oil Conservation Commission of the State of New Mexico is author-  
ized by an Act of the Legislature (Chapter 72, Laws of 1935, as amended by Chapter  
193, Laws of 1937; Chapter 166, Laws of 1941; and Chapter 168, Laws of 1949) to ap-  
prove this agreement and the conservation provisions hereof; and,

WHEREAS, the parties hereto hold sufficient interests in the \_\_\_\_\_  
Stinking Draw Unit Area covering the land hereinafter des-  
cribed to give reasonably effective control of operations therein; and

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

herein set forth;

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

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

2. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

T-21-S, R-22-E, NMPM  
Secs. 3, 4; All  
Secs. 9, 10; All  
Sec. 16; N½

Containing 2880.59 acres,  
more or less.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and indentities of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," or when requested by the Commissioner of Public Lands of the State of New Mexico,

hereinafter referred to as "Land Commissioner," and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

The above-described unit area shall, when practicable, be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

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

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

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

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Supervisor, the Land Commissioner, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands

shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all non-participating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Land Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the ten-year period specified in this subsection 2 (e), a single extension of not to exceed two years may be accomplished by consent of the owners of 90% of the working interests in the current non-participating unitized lands and the owners of 60% of the basic royalty interests (exclusive of the basic royalty interests of the United States) in non-participating unitized lands with approval of the Director and Land Commissioner, provided such extension application is submitted to the Director and the Land Commissioner not later than 60 days prior to the expiration of said ten-year period.

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

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

4. UNIT OPERATOR. Yates Petroleum Corporation  
 is hereby designated as Unit Operator and by signature hereto as Unit Operator

agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in the capacity and not as an owner of interest in unitized substances, and the term "working-interest owner" when used shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working-interest owners and the Supervisor and the Land Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and the State Commission as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but, in all instances of resignation or removal, until a successor unit operator is selected and approved as hereinafter provided, the working-interest owners shall be jointly responsible for performance of the duties of unit operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the new duly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working-interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until

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

(b) the selection shall have been approved by the Supervisor and approved by the Land Commissioner.

If no successor Unit Operator is selected and qualified as herein provided, the Director and the Land Commissioner, at their election, may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs, and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working-interest owners and the

Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working-interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working-interest owners as may be agreed upon by Unit Operator and the working-interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Land Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Land Commissioner, if on State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Mississippian formation has been penetrated and all beds of Pennsylvanian age have been tested, or until at a lesser depth unitized substances shall be discovered which can be produced in paying

quantities (to-wit: quantities sufficient to repay the costs of drilling, completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 9,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to commence any well provided for in this section within the time allowed, including any extension of time granted by the Supervisor and the Land Commissioner, this agreement will automatically terminate; upon failure to continue drilling diligently any well commenced hereunder, the Supervisor and the Land Commissioner may, after 15-days notice to the Unit Operator, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit

for the approval of the Supervisor and the Land Commissioner a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Land Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

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

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

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and the Land Commissioner are authorized to grant a reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor and the Land Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Land Commissioner, the Unit Operator shall submit for approval by the Supervisor and the Land Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor and the Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the

effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor and the Land Commissioner. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor and the Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor and the Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Supervisor and the Land Commissioner as to the proper definition or redefinition

of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands and the Land Commissioner for the State lands and the amount thereof shall be deposited, as directed by the Supervisor and the Land Commissioner, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor and the Land Commissioner, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working-interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, 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, for repressuring or recycling in accordance with a plan of development approved by the Supervisor and Land Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working-interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby

agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was last defined at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor and the Land Commissioner, at such party's sole risk, costs, and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and the Unit Operator, or the working-interest owner in case

of the operation of a well by a working-interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working-interest owners responsible therefor under existing contracts, laws, and regulations, or by the Unit Operator, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Supervisor and the Land Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as may otherwise be consented to by the Supervisor and the Land Commissioner as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working-interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall

operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are 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 until 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 such measures as the Supervisor and Land Commissioner deem appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement.

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 on 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, as to Federal leases and the Land Commissioner, as to State leases, shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does 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 thereof shall be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of the unit area.

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Land Commissioner, or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in

accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

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

(h) In the event the Initial Test Well is commenced prior to the expiration date of the shortest term State Lease within the Unit Area, any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the leasee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same as to all lands embraced therein, shall

remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas; said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the Land Commissioner or his duly authorized representative, and shall terminate five (5) years from said effective date unless

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

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

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances are produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered are produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the working-interest owners signatory hereto, with the approval of the Supervisor and the Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and the Commissioner of Public Lands and to appeal from orders issued under the regulations of said Department or Land Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior or the Land Commissioner or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

23. NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses

set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the unit operator subject to approval of the Supervisor and the Land Commissioner.

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all the provisions of section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement.

27. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of

funds due the United States or the State of New Mexico should be withheld, but such funds shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice delivered to the Supervisor and the Land Commissioner and the Unit Operator prior to the approval of this agreement by the Supervisor. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working-interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working-interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this unit unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Land Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the Supervisor and the Land Commissioner.

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

30. SURRENDER. Nothing in this agreement shall prohibit the exercise by any working-interest owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If, as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party may forfeit such rights and further benefits from operation hereunder as to said land to the party next in the chain of title who shall be and become the owner of such working interest.

If, as the result of any such surrender or forfeiture, working interest rights become vested in the fee owner of the unitized substances, such owner may:

(1) Accept those working-interests rights subject to this agreement and the unit operating agreement; or

(2) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement.

(3) Provide for the independent operation of any part of such land that are not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working-interest rights subject to this agreement and the unit operating agreement or lease, such lands as above-provided within six (6) months after the surrendered or forfeited working-interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners or working interests shall compensate the fee owner of unitized sub-

stances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days. In the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

The exercise of any right vested in a working-interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

31. TAXES. The working-interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered, and sold from the land subject to this contract after the effective date of this agreement, or upon the proceeds derived therefrom. The working-interest owners on each tract shall and may charge the proper proportion of said taxes to the royalty owners having interests in said tract, and may currently retain and deduct sufficient of the unitized substances or derivative products, or net proceeds thereof from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessor who has a contract with his lessee which requires the lessee to pay such taxes.

32. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed, or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

33. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working-interest owners, nor any of them, shall be subject to any forfeiture, termination, or expiration of any right hereunder or under any leases or contracts subject hereto,



Unit Name STINKING DRAW UNIT  
 Operator YATES PETROLEUM CORPORATION  
 County EDDY

| DATE         | OCC CASE NO.                 | EFFECTIVE DATE | TOTAL ACREAGE | STATE  | FEDERAL  | INDIAN-FEE | SEGREGATION CLAUSE | TERM   |
|--------------|------------------------------|----------------|---------------|--------|----------|------------|--------------------|--------|
| APPROVED     | 6061<br>OCC ORDER NO. P-5582 |                |               |        |          |            |                    |        |
| COMMISSIONER | Commission<br>11-22-77       | 3-28-78        | 2,880.64      | 320.00 | 2,560.64 | -0-        | Yes                | 5 yrs. |

UNIT AREA

TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM  
 Section 3 and 4: All  
 Section 9 and 10: All  
 Section 16: N/2

**TERMINATED**  
 12-29-78  
 E.H.

Unit Name STINKING DRAW UNIT (EXPLORATORY)  
 Operator Yates Petroleum Corporation  
 County Eddy

| STATE TRACT NO. | LEASE NO. | INSTI-TUTION | SEC. | TWP. | RGE. | SUBSECTION | RATIFIED DATE | ACRES  | ACREAGE NOT RATIFIED | LESSEE           |
|-----------------|-----------|--------------|------|------|------|------------|---------------|--------|----------------------|------------------|
| 10              | L-6421-1  | C.S.         | 16   | 21S  | 22E  | N/2        | 4-10-78       | 320.00 |                      | Amoco Production |

**TERMINATED**  
 5-14-78  
 ELL: 12-29-78



United States Department of the Interior

GEOLOGICAL SURVEY

P. O. Box 26124  
Albuquerque, New Mexico 88201

MAR 28 1978

Mr. Randolph Richardson  
P. O. Box 819  
Roswell, New Mexico 88201

Gentlemen:

One approved copy of the Stinking Draw unit agreement, Eddy County, New Mexico, with Yates Petroleum Corporation as unit operator is enclosed. Such agreement has been assigned No. 14-08-0001-16901 and is effective as of the date of approval. You are requested to furnish all principals with evidence of this approval.

Sincerely yours,

JAMES W. SUTHERLAND  
Oil and Gas Supervisor, SRMA

Enclosure



# NEW MEXICO STATE LAND OFFICE

## CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO  
STINKING DRAW UNIT  
EDDY COUNTY, NEW MEXICO

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There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated September 1, 1977, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the afore-said statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 27th day of March, 19 78.

  
COMMISSIONER OF PUBLIC LANDS  
of the State of New Mexico

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 Oil and Gas Supervisors of the Geological Survey (33 F.R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the STINKING DRAW Unit Area, State of New Mexico, County of Eddy.

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.

Dated MAR 28 1978.

James W. Sutherland  
Oil and Gas Supervisor, United States Geological Survey

Contract Number 14-08-0001-16901

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
STINKING DRAW UNIT  
COUNTY OF EDDY  
STATE OF NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 1st day of September,  
1977, by and between the parties subscribing, ratifying, or consenting hereto,  
and herein referred to as the "parties hereto,"

W I T N E S S E T H :

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is  
authorized by an Act of the Legislature (Sec. 7-11-29 N.M. Statutes 1953 Annotated)  
to consent to or approve this agreement on behalf of the State of New Mexico, insofar  
as it covers and includes lands and mineral interest of the State of New Mexico; and,

WHEREAS, the Oil Conservation Commission of the State of New Mexico is author-  
ized by an Act of the Legislature (Chapter 72, Laws of 1935, as amended by Chapter  
193, Laws of 1937; Chapter 166, Laws of 1941; and Chapter 168, Laws of 1949) to ap-  
prove this agreement and the conservation provisions hereof; and,

WHEREAS, the parties hereto hold sufficient interests in the \_\_\_\_\_  
Stinking Draw Unit Area covering the land hereinafter des-  
cribed to give reasonably effective control of operations therein; and

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

herein set forth;

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

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

2. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

T-21-S, R-22-E, NMPM  
Secs. 3, 4; All  
Secs. 9, 10; All  
Sec. 16; N½

Containing 2880.64 acres,  
more or less.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and indentities of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," or when requested by the Commissioner of Public Lands of the State of New Mexico,

hereinafter referred to as "Land Commissioner," and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

The above-described unit area shall, when practicable, be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

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

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

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

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Supervisor, the Land Commissioner, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands

shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all non-participating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Land Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the ten-year period specified in this subsection 2 (e), a single extension of not to exceed two years may be accomplished by consent of the owners of 90% of the working interests in the current non-participating unitized lands and the owners of 60% of the basic royalty interests (exclusive of the basic royalty interests of the United States) in non-participating unitized lands with approval of the Director and Land Commissioner, provided such extension application is submitted to the Director and the Land Commissioner not later than 60 days prior to the expiration of said ten-year period.

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

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

4. UNIT OPERATOR. Yates Petroleum Corporation  
is hereby designated as Unit Operator and by signature hereto as Unit Operator

agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in the capacity and not as an owner of interest in unitized substances, and the term "working-interest owner" when used shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working-interest owners and the Supervisor and the Land Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and the State Commission as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but, in all instances of resignation or removal, until a successor unit operator is selected and approved as hereinafter provided, the working-interest owners shall be jointly responsible for performance of the duties of unit operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the new duly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working-interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until

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

(b) the selection shall have been approved by the Supervisor and approved by the Land Commissioner.

If no successor Unit Operator is selected and qualified as herein provided, the Director and the Land Commissioner, at their election, may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs, and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working-interest owners and the

Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working-interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working-interest owners as may be agreed upon by Unit Operator and the working-interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Land Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Land Commissioner, if on State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Mississippian formation has been penetrated and all beds of Pennsylvanian age have been tested, or until at a lesser depth unitized substances shall be discovered which can be produced in paying

quantities (to-wit: quantities sufficient to repay the costs of drilling, completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 9,500 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to commence any well provided for in this section within the time allowed, including any extension of time granted by the Supervisor and the Land Commissioner, this agreement will automatically terminate; upon failure to continue drilling diligently any well commenced hereunder, the Supervisor and the Land Commissioner may, after 15-days notice to the Unit Operator, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the Land Commissioner, and State Commission an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Land Commissioner, and State Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall

submit for the approval of the Supervisor, the Land Commissioner, and State Commission a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor, the Land Commissioner, and State Commission may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the Land Commissioner, and State Commission.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and the Land Commissioner are authorized to grant a reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor, the Land Commissioner, and State Commission, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor, the Land Commissioner, or the State Commission, the Unit Operator shall submit for approval by the Supervisor, the Land Commissioner, and State Commission a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor, the Land Commissioner, and State Commission to constitute a participating area, effective

as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor, the Land Commissioner, and the State Commission. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the Supervisor, the Land Commissioner, and State Commission. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor, the Land Commissioner, and State Commission. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Supervisor, the Land Commissioner, and State Commission, as to the proper definition or redefinition of a participating area, or until a participating area has, or areas

have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands and the Land Commissioner for the State lands and the amount thereof shall be deposited, as directed by the Supervisor and the Land Commissioner, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, the Land Commissioner, and State Commission that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working-interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

Determination as to whether a well completed within the Unit Area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as a result of the completion of a well for production in paying quantities in accordance with Section 9 hereof.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, 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, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, Land Commissioner, and State Commission, or unavoidable lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working-interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby

agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was last defined at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor and the Land Commissioner, at such party's sole risk, costs, and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and the Unit Operator, or the working-interest owner in case

of the operation of a well by a working-interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working-interest owners responsible therefor under existing contracts, laws, and regulations, or by the Unit Operator, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Supervisor and the Land Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as may otherwise be consented to by the Supervisor and the Land Commissioner as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working-interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall

operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are 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 until 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 such measures as the Supervisor and Land Commissioner deem appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement.

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 on 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, as to Federal leases and the Land Commissioner, as to State leases, shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does 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 thereof shall be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of the unit area.

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Land Commissioner, or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in

accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

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

(h) In the event the Initial Test Well is commenced prior to the expiration date of the shortest term State Lease within the Unit Area, any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the leasee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same as to all lands embraced therein, shall

remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas; said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the Land Commissioner or his duly authorized representative, and shall terminate five (5) years from said effective date unless

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

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

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances are produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered are produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the working-interest owners signatory hereto, with the approval of the Supervisor and the Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and the Commissioner of Public Lands and to appeal from orders issued under the regulations of said Department or Land Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior or the Land Commissioner or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

23. NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses

set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the unit operator subject to approval of the Supervisor and the Land Commissioner.

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all the provisions of section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement.

27. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of

funds due the United States or the State of New Mexico should be withheld, but such funds shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice delivered to the Supervisor, the Land Commissioner, the State Commission, and the Unit Operator prior to the approval of this agreement by the Supervisor. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working-interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working-interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this unit unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the Land Commissioner, and the State Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the Supervisor, the Land Commissioner, or State Commission.

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

30. SURRENDER. Nothing in this agreement shall prohibit the exercise by any working-interest owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If, as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party may forfeit such rights and further benefits from operation hereunder as to said land to the party next in the chain of title who shall be and become the owner of such working interest.

If, as the result of any such surrender or forfeiture, working interest rights become vested in the fee owner of the unitized substances, such owner may:

(1) Accept those working-interests rights subject to this agreement and the unit operating agreement; or

(2) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement.

(3) Provide for the independent operation of any part of such land that are not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working-interest rights subject to this agreement and the unit operating agreement or lease, such lands as above-provided within six (6) months after the surrendered or forfeited working-interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners or working interests shall compensate the fee owner of unitized sub-

stances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days. In the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

The exercise of any right vested in a working-interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

31. TAXES. The working-interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered, and sold from the land subject to this contract after the effective date of this agreement, or upon the proceeds derived therefrom. The working-interest owners on each tract shall and may charge the proper proportion of said taxes to the royalty owners having interests in said tract, and may currently retain and deduct sufficient of the unitized substances or derivative products, or net proceeds thereof from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessor who has a contract with his lessee which requires the lessee to pay such taxes.

32. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed, or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

33. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working-interest owners, nor any of them, shall be subject to any forfeiture, termination, or expiration of any right hereunder or under any leases or contracts subject hereto,

or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the working-interest owners, or any of them, are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Commission, agree that all powers and authority vested in the State Commission in and by any provisions of this agreement are vested in the State Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

34. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing in this agreement shall modify or change either the special Federal Lease stipulations relating to surface management or such special Federal Lease stipulations relating to surface and environmental protection, attached to and made a part of, Oil and Gas Leases covering lands within the Unit Area.

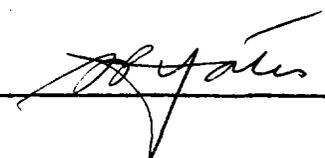
IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

ATTEST:

Yates Petroleum Corporation

BY: 

Assistant Secretary

BY: 

President

Address:

UNIT OPERATOR

STATE OF New Mexico )  
COUNTY OF Sandoval ) ss

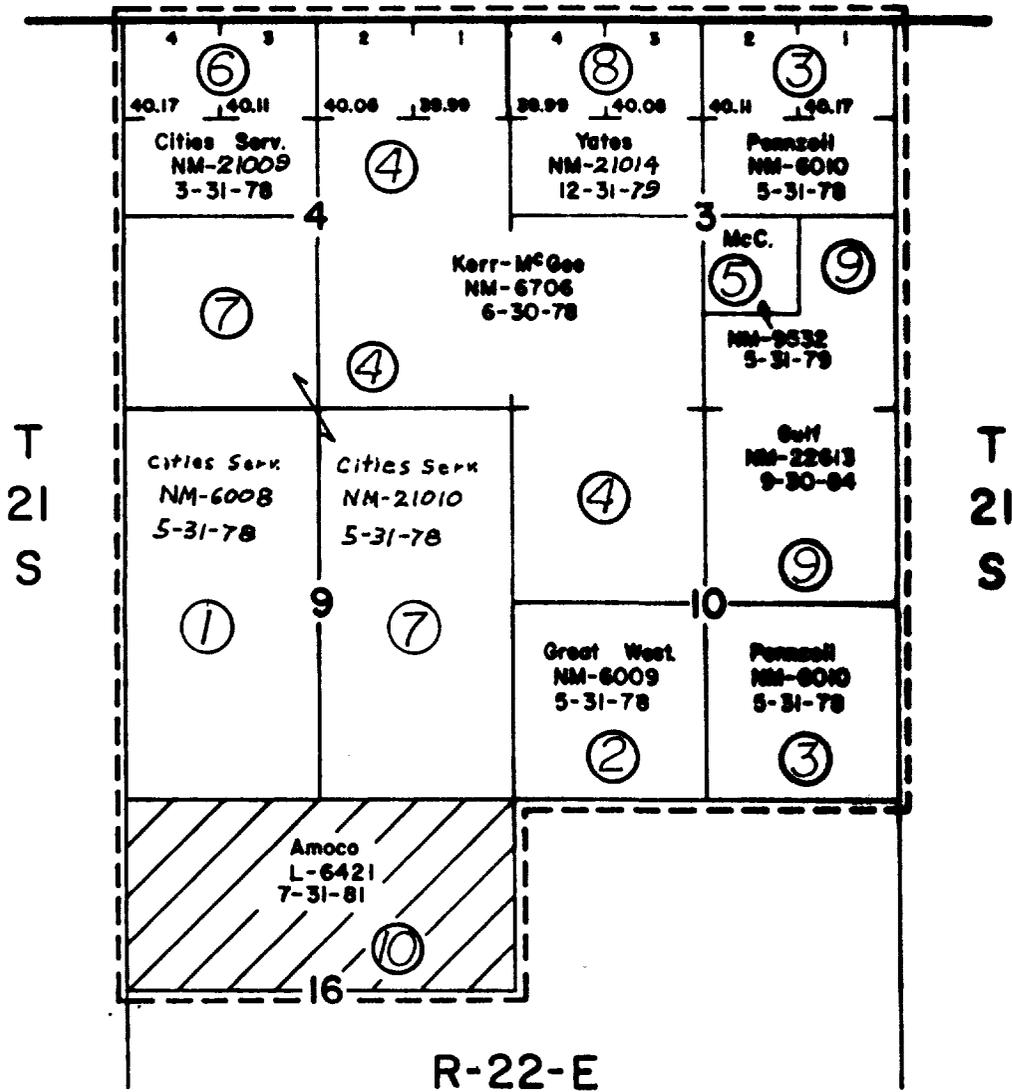
The foregoing instrument was acknowledged before me this 20th day of March, 1978, by S. P. Yates who is President of Yates Petroleum Corporation (State of Incorp.) a New Mexico corporation, for and on behalf of said Corporation.

My Commission Expires:

8-23-81

  
Notary Public

R-22-E



- Unit Outline
- Tract No.
- Federal Lands  
2,560.64 Acres  
88.89 % of Unit Area
- ▨ State of New Mexico Lands  
320.00 Acres  
11.11 % of Unit Area

EXHIBIT "A"  
Stinking Draw Unit Area  
Eddy County, New Mexico

EXHIBIT "B"

SCHEDULE OF LANDS AND LEASES  
STINKING DRAW UNIT AREA  
EDDY COUNTY, NEW MEXICO

| TRACT NO. | DESCRIPTION | ACRES | SERIAL NO. & EXPIRATION DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD AND PERCENTAGE | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|-----------|-------------|-------|------------------------------|----------------------------|---------------------------------|-----------------------------------|---------------------------------|
|-----------|-------------|-------|------------------------------|----------------------------|---------------------------------|-----------------------------------|---------------------------------|

All Lands are in T-21-S, R-22-E, N.M.P.M.

Federal Lands

|    |   |        |                    |             |  |  |   |   |
|----|---|--------|--------------------|-------------|--|--|---|---|
| 1. | Sec. 9; W $\frac{1}{2}$   | 320.00 | NM-6008<br>5-31-78 | USA<br>12.5 | Cities Service Oil Co.   | Wm. L. McCullough<br>R. C. Van Tassel  | 1.0<br>2.0<br><u>3.0</u>  | Cities Service Oil Co.<br>All                     |
| 2. | Sec. 10; SW $\frac{1}{4}$   | 160.00 | NM-6009<br>5-31-78 | USA<br>12.5 | Walter Duncan<br>Raymond T. Duncan<br>Vincent J. Duncan<br>J. Walter Duncan, Jr.<br>Walter Duncan, III | Joan R. Duncan<br>Walter Duncan<br>Raymond T. Duncan<br>Vincent J. Duncan<br>J. Walter Duncan, Jr.<br>Walter Duncan, III | 3.0000<br>1.8750<br>1.8750<br>1.8750<br>0.5625<br><u>0.0625</u><br>9.2500 | Great Western<br>Dril. Co.<br>Davoil, Inc.<br>All |
| 3. | Sec. 3; Lots 1, 2, SW $\frac{1}{4}$<br>Sec. 10; SE $\frac{1}{4}$  | 320.28 | NM-6010<br>5-31-78 | USA<br>12.5 | Pennzoil Company   | J. Travis Reeves   | 5.0   | Pennzoil Company<br>All                           |
| 4. | Sec. 3; SW $\frac{1}{4}$<br>Sec. 4; Lots 1, 2, SW $\frac{1}{4}$ , SE $\frac{1}{4}$<br>Sec. 10; NW $\frac{1}{4}$ | 640.04 | NM-6706<br>6-30-78 | USA<br>12.5 | Kerr-McGee Corp.   | Milllicent K. Knight<br>\$300 per acre out of  | 3.0   | Kerr-McGee Corp.<br>All                           |

|                                  |   |                |                      |               |   |              |  |                          |   |              |
|----------------------------------|---|----------------|----------------------|---------------|---|--------------|--|--------------------------|---|--------------|
| 5.                               | Sec. 3; NW $\frac{1}{4}$ SE $\frac{1}{4}$   | 40.00          | NM-9532<br>5-31-79   | USA<br>12.5   | Jack L. McClellan                       | All          | None                                       |                          | Jack L. McClellan                       | All          |
| 6.                               | Sec. 4; Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$   | 160.28         | NM-21009<br>3-31-78  | USA<br>12.5   | Cities Service Oil Co.                  | All          | A. G. Andrikopoulos<br>J. G. Andrikopoulos | 2.5<br><u>0.5</u><br>3.0 | Cities Service Oil Co.                  | All          |
| 7.                               | Sec. 4; SW $\frac{1}{4}$<br>Sec. 9; E $\frac{1}{2}$   | 480.00         | NM-21010<br>5-31-78  | USA<br>12.5   | Cities Service Oil Co.                  | All          | Wm. L. McCullough<br>R. C. Van Tassel      | 1.0<br><u>2.0</u><br>3.0 | Cities Service Oil Co.                  | All          |
| 8.                               | Sec. 3; Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$   | 160.04         | NM-21014<br>12-31-79 | USA<br>12.5   | Martin Yates, III<br>Yates Drilling Co. | 50.0<br>50.0 | Charles R. Wilcox                          | 3.0                      | Martin Yates, III<br>Yates Drilling Co. | 50.0<br>50.0 |
| 9.                               | Sec. 3; E $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$<br>Sec. 10; NE $\frac{1}{4}$ | 280.00         | NM-22613<br>9-30-84  | USA<br>12.5   | Gulf Oil Corp.                          | All          | Herb L. Smith                              | 5.0                      | Gulf Oil Corp.                          | All          |
| Total                            |   | 2,560.64 Acres | Federal Lands        |               |   |              |  |                          |   |              |
| <u>State of New Mexico Lands</u> |   |                |                      |               |   |              |  |                          |   |              |
| 10.                              | Sec. 16; NW $\frac{1}{2}$   | 320.00         | L-6421-1<br>7-31-81  | State<br>12.5 | Amoco Production Co.                    | All          | None                                       |                          | Amoco Production Co.                    | All          |

Total 320.00 Acres State of New Mexico Lands

Recapitulation:  
 2,560.64 Acres Federal Lands 88.89% of Unit Area  
 320.00 Acres State Lands 11.11% of Unit Area  
 2,880.64 Acres 100.00% of Unit Area

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

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

CITIES SERVICE COMPANY

By Wiley C Hill  
WILEY C. HILL Attorney-in-Fact

1-67

STATE OF OKLAHOMA )  
                          ) SS  
COUNTY OF TULSA   )

The foregoing instrument was acknowledged before me this 23rd day of March, 1978, by WILEY C. HILL, as Attorney-in-Fact, on behalf of CITIES SERVICE COMPANY, a Delaware corporation.



My Commission Expires 10/26/79.

Nora Lippert  
Nora Lippert Notary Public

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_\_, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ Vincent J. Duncan  
\_\_\_\_\_ 2  
\_\_\_\_\_

INDIVIDUAL

STATE OF Colorado )  
COUNTY OF Denver ) SS.

The foregoing instrument was acknowledged before me this 23rd day of March, 1978, by Vincent J. Duncan.

My Commission Expires:

June 3, 1979

Dina M. Jones  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197 , by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
 STINKING DRAW UNIT AGREEMENT  
 EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

\_\_\_\_\_ Raymond T. Duncan  
 \_\_\_\_\_  
 \_\_\_\_\_ 2

INDIVIDUAL

STATE OF Colorado )  
 COUNTY OF Denver ) SS.

The foregoing instrument was acknowledged before me this 23rd day of March, 1978, by Raymond T. Duncan.

My Commission Expires:

12-10-80

Connie R. Fulton  
 Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
 COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_ Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

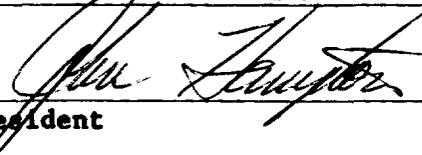
The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged that 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

**ATTEST:** \_\_\_\_\_

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

**GREAT WESTERN DRILLING COMPANY** \_\_\_\_\_

  
\_\_\_\_\_  
**President**

2

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CORPORATE

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

The foregoing instrument was acknowledged before me this 23 day of March, 197\_, by John Hampton, President of Great Western Drilling Company, a Texas corporation, on behalf of said corporation.

My Commission Expires:

**November 30, 1978**

  
\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

ATTEST:  
David H. Anderson  
Secretary

DAVOIL, INC.  
J. L. Brannon  
President 2

INDIVIDUAL

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

Notary Public

CORPORATE

STATE OF TEXAS }  
COUNTY OF TARRANT } SS.

The foregoing instrument was acknowledged before me this 23 day of November, 1977, by J. L. Brannon, President of Davoil, Inc., a Texas corporation, on behalf of said corporation.

My Commission Expires:

January 31, 1979

Genevieve Valentine  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

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

PENNZOIL COMPANY

By: *W. C. Hayes*  
Agent and Attorney-in-Fact

APPROVED  
GH

3

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

Notary Public

CORPORATE

STATE OF TEXAS )  
COUNTY OF MIDLAND ) SS.

The foregoing instrument was acknowledged before me this 19th day of December, 1977, by W. C. HAYES, Agent and Attorney-in-Fact of PENNZOIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

December 31, 1978

*Marjorie L. Matthews*  
Notary Public  
MARJORIE L. MATTHEWS

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

ATTEST:

\_\_\_\_\_  
*Carl S. Dudley*  
\_\_\_\_\_  
Assistant Secretary

KERR-McGEE CORPORATION

By: *J. W. McKenny*  
\_\_\_\_\_  
J. W. McKenny  
Vice Chairman of the Board  
FORM APPROVED  
LAW DEPT.

INDIVIDUAL

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

Notary Public

CORPORATE

STATE OF Oklahoma }  
COUNTY OF Oklahoma } SS.

The foregoing instrument was acknowledged before me this 22nd day of March, 1978, by J. W. McKenny, Vice Chairman President of Kerr-McGee Corporation, a delaware corporation, on behalf of said corporation.

My Commission Expires:

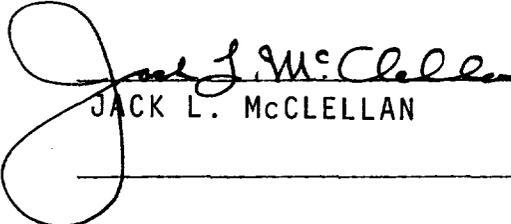
9-26-79

*Rosy Kate Bullen*  
\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

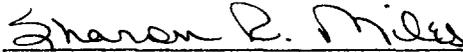
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_   
JACK L. McCLELLAN  
\_\_\_\_\_ 5

INDIVIDUAL

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) SS.

The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of November, 1977, by JACK L. McCLELLAN.

My Commission Expires:  
September 14, 1981

  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

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

MARTIN YATES, III

By: Frank Yates  
Frank Yates, Attorney-in-Fact for  
Martin Yates, III

INDIVIDUAL

STATE OF NEW MEXICO )  
COUNTY OF EDDY ) SS.

The foregoing instrument was acknowledged before me this 20th day of March, 1978, by FRANK YATES as Attorney-in-Fact for MARTIN YATES, III

My Commission Expires:  
8-23-81

Kathryn Colbert  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

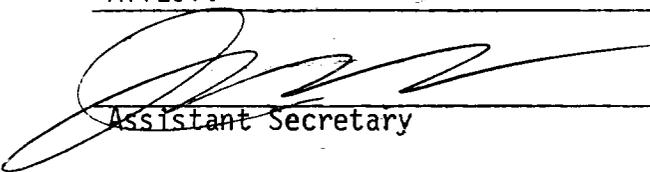
\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

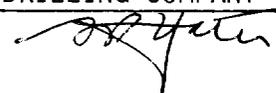
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IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

ATTEST:

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

YATES DRILLING COMPANY

  
By: \_\_\_\_\_  
Vice President  
8

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

Notary Public

CORPORATE

STATE OF NEW MEXICO )  
COUNTY OF EDDY ) SS.

The foregoing instrument was acknowledged before me this 20th day of March, 1978, by S. P. YATES, Vice President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

8-23-81

  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

ATTEST

By [Signature]  
Assistant Secretary

GULF OIL CORPORATION  
By [Signature]  
Attorney-in-Fact

[Signature]  
JFK  
bb  
RAH  
ax

WI 9

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CORPORATE

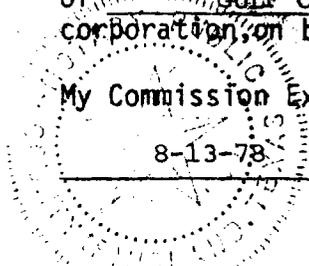
STATE OF TEXAS )  
COUNTY OF MIDLAND ) SS.

The foregoing instrument was acknowledged before me this 23rd day of March, 1978, by R. E. GRIFFITH, Attorney-in-Fact of GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

8-13-78

[Signature]  
Notary Public



CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

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

Amoco Production Company  
*J. E. Harrison*  
\_\_\_\_\_  
ATTORNEY-IN-FACT

APPROVED  
*(Signature)*

INDIVIDUAL

10

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CORPORATE

STATE OF Texas )  
COUNTY OF Harris ) SS.

The foregoing instrument was acknowledged before me this 22<sup>nd</sup> day of March, 1978, by J. E. Harrison <sup>Attorney-in-Fact</sup> President of Amoco Production Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

10-31-78  
\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

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

Millicent K. Knight  
Eliot S. Knight  
\_\_\_\_\_

INDIVIDUAL

STATE OF New Jersey )  
COUNTY OF Morris ) SS.

The foregoing instrument was acknowledged before me this 1st day of December, 1977, by \_\_\_\_\_

My Commission Expires:

JANE RUSSELL  
~~NOTARY PUBLIC OF NEW JERSEY~~  
My Commission Expires April 26, 1981

Jane U. Russell  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

\_\_\_\_\_

*A. G. Andrikopoulos*  
A. G. Andrikopoulos, a single man  
P. O. Box 788  
Cheyenne, Wyoming 82001

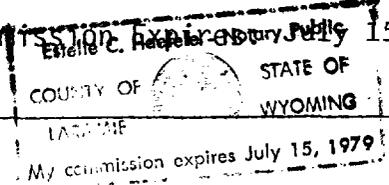
6

INDIVIDUAL

STATE OF Wyoming )  
COUNTY OF Laramie ) SS.

The foregoing instrument was acknowledged before me this 18th day of November, 1977, by A. G. Andrikopoulos, a single man.

My Commission Expires July 15, 1979



*Estelle C. Haefele*  
Notary Public, Estelle C. Haefele

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

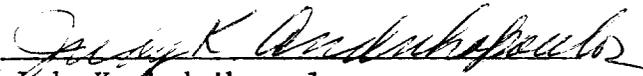
My Commission Expires:

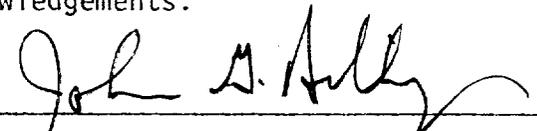
\_\_\_\_\_ Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

  
Judy K. Andrikopoulos

  
John G. Andrikopoulos  
P. O. Box 542  
Cheyenne, Wyoming 82001

6

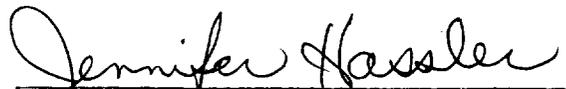
INDIVIDUAL

STATE OF Colorado )  
COUNTY OF Larimer ) SS.

The foregoing instrument was acknowledged before me this 22nd day of November, 1977, by John G. Andrikopoulos and Judy K. Andrikopoulos

My Commission Expires:

My Commission expires July 15, 1981

  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ *Charles R. Wilson*  
\_\_\_\_\_ *Nettie E. Wilson*  
\_\_\_\_\_ 8

STATE OF *Colorado* }  
COUNTY OF *Denver* } SS.

INDIVIDUAL

The foregoing instrument was acknowledged before me this *21<sup>st</sup>* day of *November*, 1977, by *Charles R. Wilson and Nettie E. Wilson*.

My Commission Expires:  
*12-16-79*

*Vicki A. Brungardt*  
Notary Public

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

CORPORATE

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

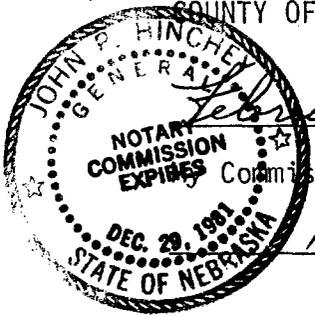
The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged that 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
*Herb L. Smith*  
\_\_\_\_\_  
*Betty L. Smith*  
\_\_\_\_\_  
9

INDIVIDUAL

STATE OF Nebraska }  
COUNTY OF Douglas } SS.



The foregoing instrument was acknowledged before me this 7<sup>th</sup> day of February, 1978, by HERB L. AND BETTY L. SMITH

Commission Expires: 12/29/81

*John P. Hinchey*  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

B ORE 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. 6061  
Order No. R-5582

APPLICATION OF YATES PETROLEUM CORPORATION  
FOR APPROVAL OF THE STINKING DRAW UNIT  
AGREEMENT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 16, 1977,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 22nd day of November, 1977, the Commission,  
a quorum being present, having considered the testimony, the  
record, and the recommendations of the Examiner, 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 applicant, Yates Petroleum Corporation, seeks  
approval of the Stinking Draw Unit Agreement covering 2,880.64  
acres, more or less, of State and Federal lands described as  
follows:

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM  
Section 3 and 4: All  
Section 9 and 10: All  
Section 16: N/2

(3) That approval of the proposed unit agreement should  
promote the prevention of waste and the protection of correlative  
rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Stinking Draw Unit Agreement is hereby  
approved.

-2-

Case No. 6061  
Order No. R-5582

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby 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, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

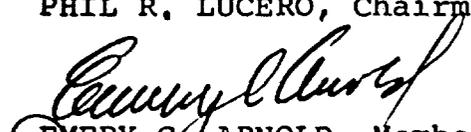
(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement, and that the last unit operator shall notify the Commission immediately in writing of such termination.

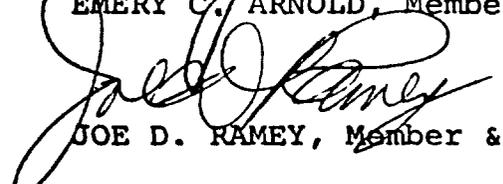
(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

  
EMERY C. ARNOLD, Member

  
JOE D. RAMEY, Member & Secretary

S E A L

jr/



# United States Department of the Interior

GEOLOGICAL SURVEY

P. O. Box 26124  
Albuquerque, New Mexico 87125

MAY 09 1978

Randolph M. Richardson  
P. O. Box 819  
Roswell, New Mexico 88201

Dear Mr. Richardson:

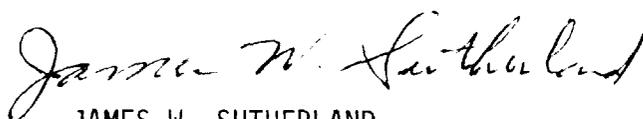
Your letter of April 24, 1978 transmitted three copies of consent and ratifications to the Stinking Draw unit agreement and two copies each of consent and ratification to the Stinking Draw unit operating agreement from the following interest owners in unit Tract No. 2, Federal lease NM-6009: Walter Duncan, owner of 30% record title and 1.875% overriding royalty; J. Walter Duncan, Jr., owner of 9% record title and 0.5625% overriding royalty; Joan R. Duncan, owner of 3% overriding royalty and Annamarie Duncan, wife of Vincent Duncan. (Joinders for Vincent J. Duncan and Raymond T. Duncan, each an owner of 30% record title and 1.875% overriding royalty interest, were on file with this office at the time of unit approval.)

Your letter also transmitted three copies of a letter request signed by Walter Duncan, Vincent J. Duncan, Raymond T. Duncan and J. Walter Duncan, Jr., owners of 99% record title in Federal lease NM-6009. Such letter requested commitment of the above lease to the Stinking Draw Unit as if Walter Duncan III, owner of 1% record title and 0.0625% overriding royalty interest, had executed the consent and ratification. The foregoing interest owners agreed to bear and be responsible for 100% of all rights, duties, privileges and obligations owned and borne by the Lessee of Record.

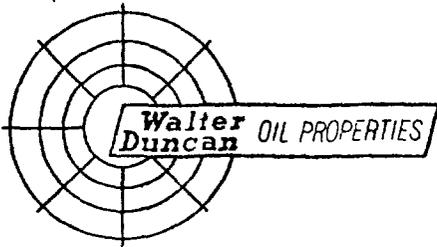
The instruments and request were received on April 24, 1978 and are hereby accepted for record purposes as of May 1, 1978, pursuant to Section 28 of the unit agreement. All other interests in Tract No. 2 had previously executed consent and ratification to the unit agreement and unit operating agreement, therefore, Tract No. 2 is considered fully committed to the Stinking Draw unit agreement effective May 1, 1978.

Copies of the instruments are being distributed to the appropriate Federal offices. You are requested to furnish all principals with evidence of this acceptance.

Sincerely yours,

A handwritten signature in cursive script that reads "James W. Sutherland". The signature is written in dark ink and is positioned above the typed name.

JAMES W. SUTHERLAND  
Oil and Gas Supervisor, SRMA



1300 WRITERS' CENTER IV • 1720 SOUTH BELLAIR STREET  
AREA CODE 303 TEL. 759-3303 • DENVER, COLORADO 80222

April 7, 1978

Supervisor  
United States Geological Survey  
Albuquerque, New Mexico

Re: Stinking Draw Unit Agreement  
Federal Lease NM-6009  
Eddy County, New Mexico

Attention: Mr. Jim Gillham  
U.S.G.S.  
Federal Building  
Roswell, New Mexico 88201

Dear Sir:

The captioned Federal Oil & Gas Lease, NM-6009, covers, among other lands, the SW $\frac{1}{4}$  Sec. 10, T-21-S, R-22-E, NMPM, Eddy County, New Mexico. Such lease, as to the SW $\frac{1}{4}$  Sec. 10, is inside the Stinking Draw Unit Area, with the Unit Agreement for such area being approved by you March 28, 1978, Contract No. 14-08-0001-16901. The captioned lease was not committed to the Unit Agreement since the below mentioned 1% interest did not execute.

The Lessees of Record of said lease are Walter Duncan 30%, Raymond T. Duncan 30%, Vincent J. Duncan 30%, J. Walter Duncan, Jr., 9%, and Walter Duncan, III, 1%. The operating rights to this lease are owned 100% by Great Western Drilling Company and Davoil, Inc.

All Lessees of Record and owners of the operating rights have executed the Unit Agreement and Unit Operating Agreement with the exception of Walter Duncan, III, who as mentioned, owns bare record title to 1% interest.

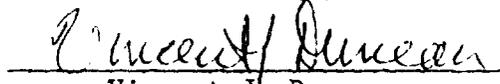
Walter Duncan, III, is temporarily incapacitated due to serious illness and cannot execute the unit instruments. It is the desire of all the undersigned, however, that this lease be committed to the Stinking Draw Unit Agreement, and all have so executed the necessary unit instruments.

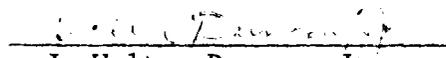
We the undersigned, owners of 99% record title, do hereby request that you commit the above mentioned lease and lands to the Stinking Draw Unit, and do hereby agree that we will bear and be responsible for 100% of all the rights, duties, privileges, and obligations as may be owned and borne by the Lessee of Record of a Federal Oil & Gas Lease, all to the same force and effect as if Walter Duncan, III, had executed the necessary unit instruments, and all in compliance with all appropriate terms and provisions of the Federal Mineral Leasing Law and Regulations.

Yours very truly,

  
Walter Duncan

  
Raymond T. Duncan

  
Vincent J. Duncan

  
J. Walter Duncan, Jr.

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 Oil and Gas Supervisors of the Geological Survey (33 F.R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the STINKING DRAW Unit Area, State of New Mexico, County of Eddy.

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.

Dated MAR 28 1978.

James W. Sutherland  
Oil and Gas Supervisor, United States Geological Survey

Contract Number 14-08-0001-16901



# NEW MEXICO STATE LAND OFFICE

## CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

STINKING DRAW UNIT

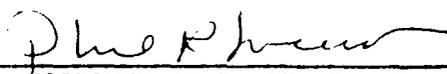
EDDY COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated September 1, 1977, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 27th day of March, 19 78.

  
COMMISSIONER OF PUBLIC LANDS  
of the State of New Mexico

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
STINKING DRAW UNIT  
COUNTY OF EDDY  
STATE OF NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 1st day of September,  
1977, by and between the parties subscribing, ratifying, or consenting hereto,  
and herein referred to as the "parties hereto,"

W I T N E S S E T H :

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is  
authorized by an Act of the Legislature (Sec. 7-11-29 N.M. Statutes 1953 Annotated)  
to consent to or approve this agreement on behalf of the State of New Mexico, insofar  
as it covers and includes lands and mineral interest of the State of New Mexico; and,

WHEREAS, the Oil Conservation Commission of the State of New Mexico is author-  
ized by an Act of the Legislature (Chapter 72, Laws of 1935, as amended by Chapter  
193, Laws of 1937; Chapter 166, Laws of 1941; and Chapter 168, Laws of 1949) to ap-  
prove this agreement and the conservation provisions hereof; and,

WHEREAS, the parties hereto hold sufficient interests in the \_\_\_\_\_  
Stinking Draw Unit Area covering the land hereinafter des-  
cribed to give reasonably effective control of operations therein; and

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

herein set forth;

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

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

2. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

T-21-S, R-22-E, NMPM  
Secs. 3, 4; All  
Secs. 9, 10; All  
Sec. 16; N½

Containing 2880.64 acres,  
more or less.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and indentities of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," or when requested by the Commissioner of Public Lands of the State of New Mexico,

hereinafter referred to as "Land Commissioner," and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

The above-described unit area shall, when practicable, be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

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

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

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

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Supervisor, the Land Commissioner, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands

shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all non-participating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Land Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the ten-year period specified in this subsection 2 (e), a single extension of not to exceed two years may be accomplished by consent of the owners of 90% of the working interests in the current non-participating unitized lands and the owners of 60% of the basic royalty interests (exclusive of the basic royalty interests of the United States) in non-participating unitized lands with approval of the Director and Land Commissioner, provided such extension application is submitted to the Director and the Land Commissioner not later than 60 days prior to the expiration of said ten-year period.

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

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

4. UNIT OPERATOR. Yates Petroleum Corporation  
is hereby designated as Unit Operator and by signature hereto as Unit Operator

agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in the capacity and not as an owner of interest in unitized substances, and the term "working-interest owner" when used shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working-interest owners and the Supervisor and the Land Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and the State Commission as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but, in all instances of resignation or removal, until a successor unit operator is selected and approved as hereinafter provided, the working-interest owners shall be jointly responsible for performance of the duties of unit operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

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

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the new duly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working-interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until

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

(b) the selection shall have been approved by the Supervisor and approved by the Land Commissioner.

If no successor Unit Operator is selected and qualified as herein provided, the Director and the Land Commissioner, at their election, may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs, and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working-interest owners and the

Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working-interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working-interest owners as may be agreed upon by Unit Operator and the working-interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Land Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Land Commissioner, if on State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Mississippian formation has been penetrated and all beds of Pennsylvanian age have been tested, or until at a lesser depth unitized substances shall be discovered which can be produced in paying

quantities (to-wit: quantities sufficient to repay the costs of drilling, completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 9,500 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to commence any well provided for in this section within the time allowed, including any extension of time granted by the Supervisor and the Land Commissioner, this agreement will automatically terminate; upon failure to continue drilling diligently any well commenced hereunder, the Supervisor and the Land Commissioner may, after 15-days notice to the Unit Operator, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the Land Commissioner, and State Commission an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Land Commissioner, and State Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall

submit for the approval of the Supervisor, the Land Commissioner, and State Commission a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor, the Land Commissioner, and State Commission may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the Land Commissioner, and State Commission.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and the Land Commissioner are authorized to grant a reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor, the Land Commissioner, and State Commission, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor, the Land Commissioner, or the State Commission, the Unit Operator shall submit for approval by the Supervisor, the Land Commissioner, and State Commission a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor, the Land Commissioner, and State Commission to constitute a participating area, effective

as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor, the Land Commissioner, and the State Commission. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the Supervisor, the Land Commissioner, and State Commission. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor, the Land Commissioner, and State Commission. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Supervisor, the Land Commissioner, and State Commission, as to the proper definition or redefinition of a participating area, or until a participating area has, or areas

have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands and the Land Commissioner for the State lands and the amount thereof shall be deposited, as directed by the Supervisor and the Land Commissioner, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, the Land Commissioner, and State Commission that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working-interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

Determination as to whether a well completed within the Unit Area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as a result of the completion of a well for production in paying quantities in accordance with Section 9 hereof.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, 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, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, Land Commissioner, and State Commission, or unavoidable lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working-interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby

agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was last defined at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor and the Land Commissioner, at such party's sole risk, costs, and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and the Unit Operator, or the working-interest owner in case

of the operation of a well by a working-interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working-interest owners responsible therefor under existing contracts, laws, and regulations, or by the Unit Operator, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Supervisor and the Land Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as may otherwise be consented to by the Supervisor and the Land Commissioner as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working-interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall

operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are 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 until 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 such measures as the Supervisor and Land Commissioner deem appropriate and adequate to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement.

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 on 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, as to Federal leases and the Land Commissioner, as to State leases, shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does 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 thereof shall be deemed full performance of all obligations for development and operation with respect to each and every separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of the unit area.

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Land Commissioner, or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in

accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

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

(h) In the event the Initial Test Well is commenced prior to the expiration date of the shortest term State Lease within the Unit Area, any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the leasee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same as to all lands embraced therein, shall

remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas; said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the Land Commissioner or his duly authorized representative, and shall terminate five (5) years from said effective date unless

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

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

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances are produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered are produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the working-interest owners signatory hereto, with the approval of the Supervisor and the Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law.

Powers in this section vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and the Commissioner of Public Lands and to appeal from orders issued under the regulations of said Department or Land Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior or the Land Commissioner or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

23. NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses

set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the unit operator subject to approval of the Supervisor and the Land Commissioner.

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all the provisions of section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), as amended, which are hereby incorporated by reference in this agreement.

27. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of

funds due the United States or the State of New Mexico should be withheld, but such funds shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice delivered to the Supervisor, the Land Commissioner, the State Commission, and the Unit Operator prior to the approval of this agreement by the Supervisor. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working-interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working-interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this unit unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the Land Commissioner, and the State Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the Supervisor, the Land Commissioner, or State Commission.

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

30. SURRENDER. Nothing in this agreement shall prohibit the exercise by any working-interest owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

If, as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party may forfeit such rights and further benefits from operation hereunder as to said land to the party next in the chain of title who shall be and become the owner of such working interest.

If, as the result of any such surrender or forfeiture, working interest rights become vested in the fee owner of the unitized substances, such owner may:

(1) Accept those working-interests rights subject to this agreement and the unit operating agreement; or

(2) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement.

(3) Provide for the independent operation of any part of such land that are not then included within a participating area established hereunder.

If the fee owner of the unitized substances does not accept the working-interest rights subject to this agreement and the unit operating agreement or lease, such lands as above-provided within six (6) months after the surrendered or forfeited working-interest rights become vested in the fee owner, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective working interest ownerships, and such owners or working interests shall compensate the fee owner of unitized sub-

stances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

An appropriate accounting and settlement shall be made, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days. In the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

The exercise of any right vested in a working-interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

31. TAXES. The working-interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered, and sold from the land subject to this contract after the effective date of this agreement, or upon the proceeds derived therefrom. The working-interest owners on each tract shall and may charge the proper proportion of said taxes to the royalty owners having interests in said tract, and may currently retain and deduct sufficient of the unitized substances or derivative products, or net proceeds thereof from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessor who has a contract with his lessee which requires the lessee to pay such taxes.

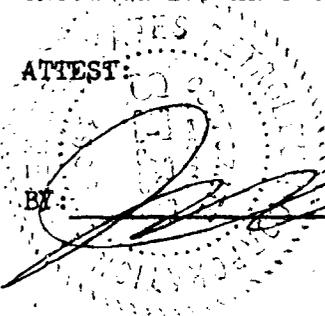
32. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed, or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

33. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working-interest owners, nor any of them, shall be subject to any forfeiture, termination, or expiration of any right hereunder or under any leases or contracts subject hereto,

or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the working-interest owners, or any of them, are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Commission, agree that all powers and authority vested in the State Commission in and by any provisions of this agreement are vested in the State Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

34. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing in this agreement shall modify or change either the special Federal Lease stipulations relating to surface management or such special Federal Lease stipulations relating to surface and environmental protection, attached to and made a part of, Oil and Gas Leases covering lands within the Unit Area.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

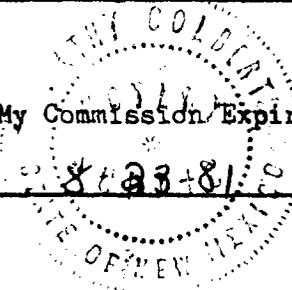
ATTEST:  BY: [Signature]  
Assistant Secretary

Yates Petroleum Corporation  
BY: [Signature] President  
Address:

UNIT OPERATOR

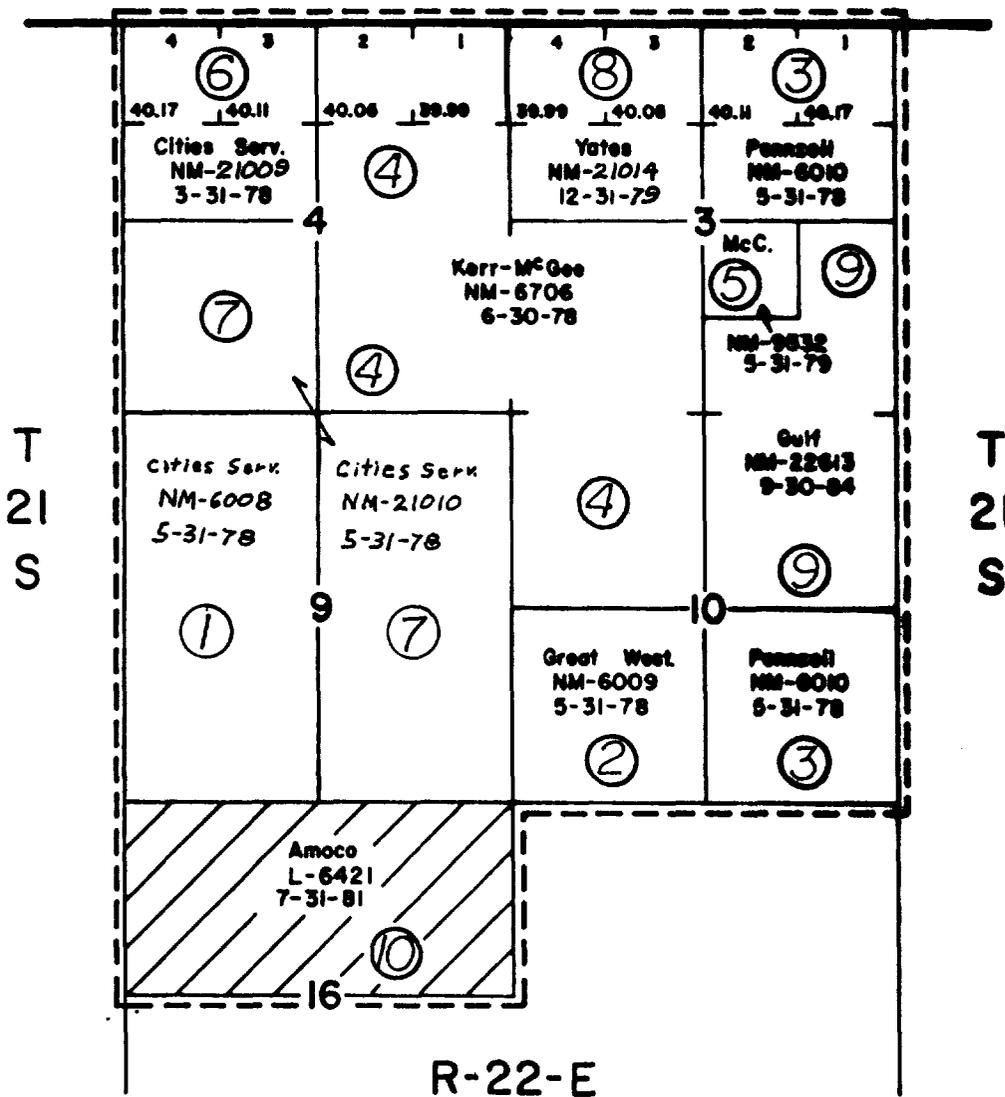
STATE OF New Mexico )  
COUNTY OF Eddy ) ss

The foregoing instrument was acknowledged before me this 20th day of March, 1978, by S. P. Yates who is President of Yates Petroleum Corporation (State of Incorp.) 2 New Mexico corporation, for and on behalf of said Corporation.

My Commission Expires: 8-23-81  


[Signature]  
Notary Public

R-22-E



- Unit Outline
- Tract No.
- Federal Lands  
2,560.64 Acres  
88.89 % of Unit Area
- ▨ State of New Mexico Lands  
320.00 Acres  
11.11 % of Unit Area

**EXHIBIT "A"**  
**Stinking Draw Unit Area**  
**Eddy County, New Mexico**

EXHIBIT "B"

SCHEDULE OF LANDS AND LEASES  
STINKING DRAW UNIT AREA  
EDDY COUNTY, NEW MEXICO

| TRACT NO. | DESCRIPTION | ACRES | SERIAL NO. & EXPIRATION DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD AND PERCENTAGE | OVERRIDING ROYALTY AND PERCENTAGE | WORKING INTEREST AND PERCENTAGE |
|-----------|-------------|-------|------------------------------|----------------------------|---------------------------------|-----------------------------------|---------------------------------|
|-----------|-------------|-------|------------------------------|----------------------------|---------------------------------|-----------------------------------|---------------------------------|

All Lands are in T-21-S, R-22-E, N.M.P.M.

Federal Lands

|    |                         |        |                    |             |                        |  |                          |                               |
|----|-------------------------|--------|--------------------|-------------|------------------------|--|--------------------------|-------------------------------|
| 1. | Sec. 9; W $\frac{1}{2}$ | 320.00 | NM-6008<br>5-31-78 | USA<br>12.5 | Cities Service Oil Co. | Wm. L. McCullough<br>R. C. Van Tassell | 1.0<br>2.0<br><u>3.0</u> | Cities Service Oil Co.<br>ALL |
|----|-------------------------|--------|--------------------|-------------|------------------------|--|--------------------------|-------------------------------|

|    |                           |        |                    |             |  |  |   |   |
|----|---------------------------|--------|--------------------|-------------|--|--|---|---|
| 2. | Sec. 10; SW $\frac{1}{4}$ | 160.00 | NM-6009<br>5-31-78 | USA<br>12.5 | Walter Duncan<br>Raymond T. Duncan<br>Vincent J. Duncan<br>J. Walter Duncan, Jr.<br>Walter Duncan, III | Joan R. Duncan<br>Walter Duncan<br>Raymond T. Duncan<br>Vincent J. Duncan<br>J. Walter Duncan, Jr.<br>Walter Duncan, III | 3.0000<br>1.8750<br>1.8750<br>1.8750<br>0.5625<br>0.0625<br><u>9.2500</u> | Great Western<br>Dr. Co.<br>Davoil, Inc.<br>35. |
|----|---------------------------|--------|--------------------|-------------|--|--|---|---|

|    |  |        |                    |             |                  |                  |     |                         |
|----|--|--------|--------------------|-------------|------------------|------------------|-----|-------------------------|
| 3. | Sec. 3; Lots 1, 2, S $\frac{1}{2}$ N $\frac{1}{2}$ E $\frac{1}{4}$ | 320.28 | NM-6010<br>5-31-78 | USA<br>12.5 | Pennzoil Company | J. Travis Reeves | 5.0 | Pennzoil Company<br>ALL |
|----|--|--------|--------------------|-------------|------------------|------------------|-----|-------------------------|

|    |  |        |                    |             |                  |   |     |                         |
|----|--|--------|--------------------|-------------|------------------|---|-----|-------------------------|
| 4. | Sec. 3; SW $\frac{1}{4}$<br>Sec. 4; Lots 1, 2, S $\frac{1}{2}$ N $\frac{1}{2}$ E $\frac{1}{4}$ , SE $\frac{1}{4}$<br>Sec. 10; NW $\frac{1}{4}$ | 640.04 | NM-6706<br>6-30-78 | USA<br>12.5 | Kerr-McGee Corp. | Milllicent K. Knight<br>\$300 per acre out of | 3.0 | Kerr-McGee Corp.<br>ALL |
|----|--|--------|--------------------|-------------|------------------|---|-----|-------------------------|

|       |   |                |                      |               |   |              |  |                          |   |          |
|-------|---|----------------|----------------------|---------------|---|--------------|--|--------------------------|---|----------|
| 5.    | Sec. 3; NW $\frac{1}{4}$ SE $\frac{1}{4}$   | 40.00          | NM-9532<br>5-31-79   | USA<br>12.5   | Jack L. McClellan                       | All          | None                                       |                          | Jack L. McClellan                       | All      |
| 6.    | Sec. 4; Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$   | 160.28         | NM-21009<br>3-31-78  | USA<br>12.5   | Cities Service Oil Co.                  | All          | A. G. Andrikopoulos<br>J. G. Andrikopoulos | 2.5<br>0.5<br><u>3.0</u> | Cities Service Oil Co.                  | All      |
| 7.    | Sec. 4; SW $\frac{1}{4}$<br>Sec. 9; E $\frac{1}{2}$   | 480.00         | NM-21010<br>5-31-78  | USA<br>12.5   | Cities Service Oil Co.                  | All          | Wm. L. McCullough<br>R. C. Van Tassel      | 1.0<br>2.0<br><u>3.0</u> | Cities Service Oil Co.                  | All      |
| 8.    | Sec. 3; Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$   | 160.04         | NM-21014<br>12-31-79 | USA<br>12.5   | Martin Yates, III<br>Yates Drilling Co. | 50.0<br>50.0 | Charles R. Wilcox                          | 3.0                      | Martin Yates, III<br>Yates Drilling Co. | 50<br>50 |
| 9.    | Sec. 3; E $\frac{1}{2}$ S $\frac{1}{2}$ E $\frac{1}{4}$ ,<br>SW $\frac{1}{4}$ SE $\frac{1}{4}$<br>Sec. 10; NE $\frac{1}{4}$ | 280.00         | NM-22613<br>9-30-84  | USA<br>12.5   | Gulf Oil Corp.                          | All          | Herb L. Smith                              | 5.0                      | Gulf Oil Corp.                          | All      |
| Total |   | 2,560.64 Acres | Federal Lands        |               |   |              |  |                          |   |          |
| 10.   | Sec. 16; NW $\frac{1}{2}$   | 320.00         | L-6421-1<br>7-31-81  | State<br>12.5 | Amoco Production Co.                    | All          | None                                       |                          | Amoco Production Co.                    | All      |

State of New Mexico Lands

Recapitulation:  
 2,560.64 Acres Federal Lands 88.89% of Unit Area  
320.00 Acres State Lands 11.11% of Unit Area  
 2,880.64 Acres 100.00% of Unit Area

Total 320.00 Acres State of New Mexico Lands

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

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

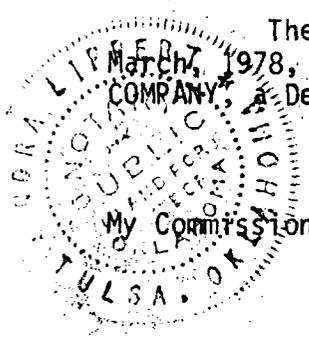
CITIES SERVICE COMPANY

By Wiley C. Hill  
WILEY C. HILL Attorney-in-Fact

WI-1-6-7

STATE OF OKLAHOMA )  
                          ) SS  
COUNTY OF TULSA )

The foregoing instrument was acknowledged before me this 23rd day of March, 1978, by WILEY C. HILL, as Attorney-in-Fact, on behalf of CITIES SERVICE COMPANY, a Delaware corporation.



My Commission Expires 10/26/79.

Nora Lippert  
Nora Lippert Notary Public

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_

Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

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

Vincent J. Duncan  
 Vincent J. Duncan

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

2

INDIVIDUAL

STATE OF Colorado )  
 ) SS.  
 COUNTY OF Denver )

The foregoing instrument was acknowledged before me this 23rd day of March, 1978, by Vincent J. Duncan

My Commission Expires:

June 3, 1979

Gene M. Jones  
 Notary Public

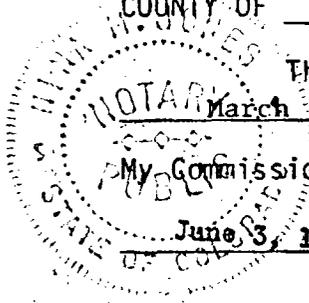
CORPORATE

STATE OF \_\_\_\_\_ )  
 ) SS.  
 COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
 Notary Public









CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ J. Walter Duncan, Jr.

INDIVIDUAL

STATE OF Oklahoma )  
COUNTY OF Oklahoma )SS.

The foregoing instrument was acknowledged before me this 28th day of March, 1978, by J. Walter Duncan, Jr.

My Commission Expires:

Dec 29, 1981

Juan L. Haward  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_\_, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

**ATTEST:**  
[Signature]  
Assistant Secretary

GREAT WESTERN DRILLING COMPANY  
[Signature]  
President  
WI 2

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

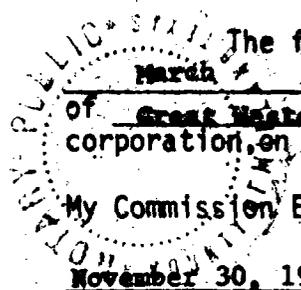
CORPORATE

STATE OF TEXAS )  
COUNTY OF MIDLAND ) SS.

The foregoing instrument was acknowledged before me this 23 day of March, 197\_, by John Hampton, President of Great Western Drilling Company, a Texas corporation, on behalf of said corporation.

My Commission Expires:  
November 30, 1978

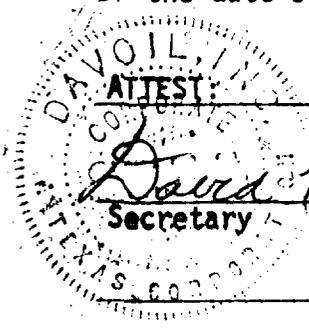
[Signature]  
Notary Public



CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.



ATTEST:  
David H. Sanders  
Secretary

DAVOIL, INC.  
J. L. Brannon  
President  
W I 2

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_.

My Commission Expires:

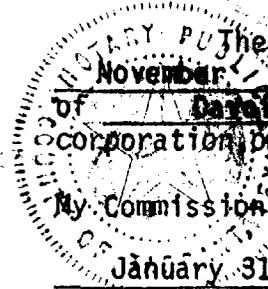
\_\_\_\_\_  
Notary Public

CORPORATE

STATE OF TEXAS )  
COUNTY OF TARRANT ) SS.

The foregoing instrument was acknowledged before me this 23 day of November, 1977, by J. L. Brannon, President of Davoil, Inc., a Texas corporation, on behalf of said corporation.

My Commission Expires:



Genevieve Valentine  
Notary Public

January 31, 1979

2

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

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

PENNZOIL COMPANY

By: *W. C. Hayes*  
Agent and Attorney-in-Fact  
WT 3

APPROVED  
GH

INDIVIDUAL

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

Notary Public

CORPORATE

STATE OF TEXAS )  
COUNTY OF MIDLAND ) SS.

The foregoing instrument was acknowledged before me this 19th day of December, 1977, by W. C. HAYES, Agent and Attorney-in-Fact of PENNZOIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

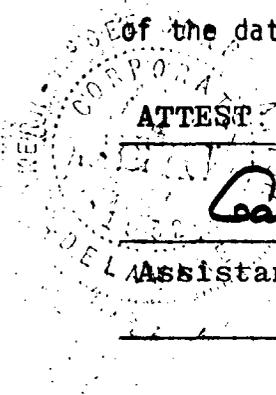
December 31, 1978

*Marjorie L. Matthews*  
Notary Public  
MARJORIE L. MATTHEWS

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.



ATTEST

[Signature]  
Assistant Secretary

KERR-McGEE CORPORATION

By: [Signature]  
J. W. McKenny  
Vice Chairman of the Board

FORM APPROVED  
LAW DEPT.

INDIVIDUAL

WI 4

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CORPORATE

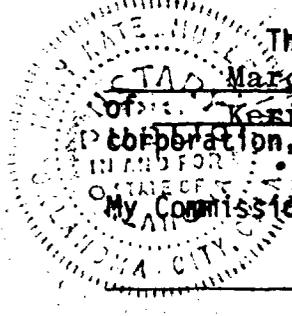
STATE OF Oklahoma )  
COUNTY OF Oklahoma ) SS.

The foregoing instrument was acknowledged before me this 22nd day of March, 1978, by J. W. McKenny, Vice Chairman President of Kerr-McGee Corporation, a delaware corporation, on behalf of said corporation.

My Commission Expires:

9-26-79

[Signature]  
Notary Public





CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

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

MARTIN YATES, III  
By: Frank Yates  
Frank Yates, Attorney-in-Fact for  
Martin Yates, III

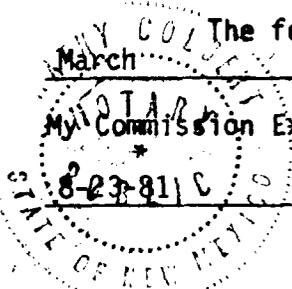
WI 8

INDIVIDUAL

STATE OF NEW MEXICO )  
COUNTY OF EDDY ) SS.

The foregoing instrument was acknowledged before me this 20th day of March, 1978 by FRANK YATES as Attorney-in-Fact for MARTIN YATES, III.

My Commission Expires:



Kathy Colbert  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

ATTEST  
S. P. YATES  
Assistant Secretary.

YATES DRILLING COMPANY

By: *[Signature]*  
Vice President

WJ S

INDIVIDUAL

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public

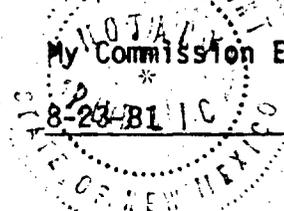
CORPORATE

STATE OF NEW MEXICO }  
COUNTY OF EDDY } SS.

The foregoing instrument was acknowledged before me this 20th day of March, 1978, by S. P. YATES, Vice President of YATES DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

*[Signature]*  
Notary Public



CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

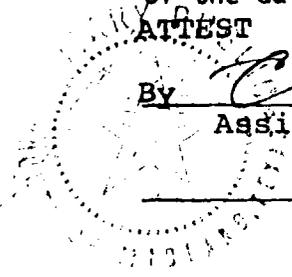
ATTEST

By [Signature]  
Assistant Secretary

GULF OIL CORPORATION

By [Signature]  
Attorney-in-Fact

[Signature]  
bb  
RAH  
ack



WI 9

INDIVIDUAL

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public

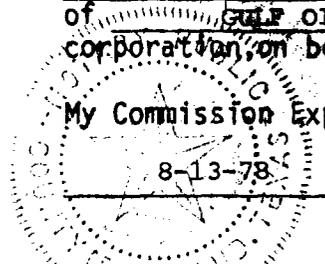
CORPORATE

STATE OF TEXAS }  
COUNTY OF MIDLAND } SS.

The foregoing instrument was acknowledged before me this 23rd day of March, 1978, by R. E. GRIFFITH, Attorney-in-Fact of GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

[Signature]  
Notary Public



CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

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

Amoco Production Company

*J. E. Harrison*

APPROVE  
*J.E.*

ATTORNEY-IN-FACT

*WI 10*

INDIVIDUAL

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_, by \_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CORPORATE

STATE OF Texas }  
COUNTY OF Harris } SS.

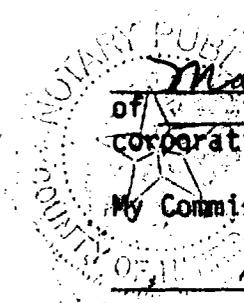
The foregoing instrument was acknowledged before me this 22<sup>nd</sup> day of March, 1978, by J. E. Harrison, Attorney-in-7 President of Amoco Production Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

*Irene Haldas*

\_\_\_\_\_  
Notary Public

IRENE HALDAS  
Notary Public in and for Harris County, Texas



CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ Millicent K. Knight  
Eliot S. Knight  
\_\_\_\_\_  
ORR 4

INDIVIDUAL



New Jersey }  
Morris } SS.

The foregoing instrument was acknowledged before me this 1st day of December, 1977, by \_\_\_\_\_.

My Commission Expires:  
JANE RUSSELL  
NOTARY PUBLIC, NEW JERSEY  
My Commission Expires April 26, 1981

Jane H. Russell  
Notary Public

CORPORATE

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

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

*A. G. Andrikopoulos*  
A. G. Andrikopoulos, a single man  
P. O. Box 788  
Cheyenne, Wyoming 82001

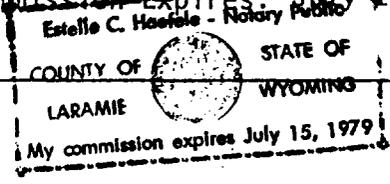
*ORR 6*

INDIVIDUAL

STATE OF Wyoming )  
COUNTY OF Laramie ) SS.

The foregoing instrument was acknowledged before me this 18th day of November, 1977, by A. G. Andrikopoulos, a single man

My Commission Expires July 15, 1979



*Estelle C. Haefele*  
Notary Public, Estelle C. Haefele

CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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 acknowledgements.

Judy K. Andrikopoulos  
Judy K. Andrikopoulos

John G. Andrikopoulos  
John G. Andrikopoulos  
P. O. Box 542  
Cheyenne, Wyoming 82001

ORR-6

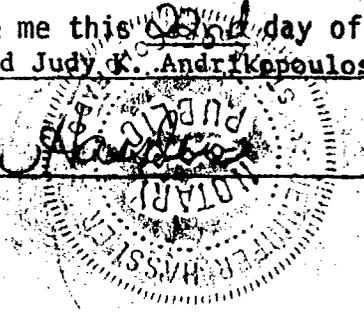
INDIVIDUAL

STATE OF Colorado )  
COUNTY OF Larimer ) SS.

The foregoing instrument was acknowledged before me this 23rd day of November, 1977, by John G. Andrikopoulos and Judy K. Andrikopoulos

My Commission Expires:  
My Commission expires July 15, 1981

Jennifer Anderson  
Notary Public



CORPORATE

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public

CONSENT AND RATIFICATION  
STINKING DRAW UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Stinking Draw Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 1st day of September, 1977, and acknowledged 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 interests 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 interests to the Stinking Draw 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.

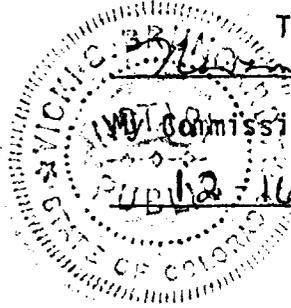
IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ Charles R Wilcox  
\_\_\_\_\_ Nettie E Wilcox  
\_\_\_\_\_ CR-8

STATE OF Colorado }  
COUNTY OF Denver } SS.

INDIVIDUAL

The foregoing instrument was acknowledged before me this 21<sup>st</sup> day of December, 1977, by Charles R Wilcox and Nettie E Wilcox.



My Commission Expires: 12-16-79

Vickie A. Brungardt  
Notary Public

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

CORPORATE

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1977, by \_\_\_\_\_, \_\_\_\_\_ President of \_\_\_\_\_, a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public



BUREAU OF 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. 6061  
Order No. R-5582

APPLICATION OF YATES PETROLEUM CORPORATION  
FOR APPROVAL OF THE STINKING DRAW UNIT  
AGREEMENT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on November 16, 1977,  
at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 22nd day of November, 1977, the Commission,  
a quorum being present, having considered the testimony, the  
record, and the recommendations of the Examiner, 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 applicant, Yates Petroleum Corporation, seeks  
approval of the Stinking Draw Unit Agreement covering 2,880.64  
acres, more or less, of State and Federal lands described as  
follows:

EDDY COUNTY, NEW MEXICO  
TOWNSHIP 21 SOUTH, RANGE 22 EAST, NMPM  
Section 3 and 4: All  
Section 9 and 10: All  
Section 16: N/2

(3) That approval of the proposed unit agreement should  
promote the prevention of waste and the protection of correlative  
rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Stinking Draw Unit Agreement is hereby  
approved.

-2-

Case No. 6061  
Order No. R-5582

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby 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, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

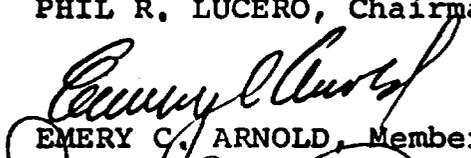
(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement, and that the last unit operator shall notify the Commission immediately in writing of such termination.

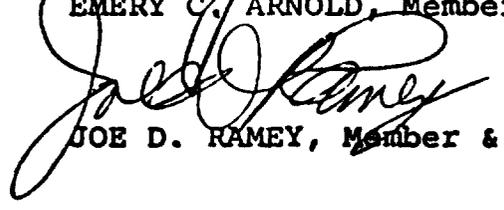
(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

PHIL R. LUCERO, Chairman

  
EMERY C. ARNOLD, Member

  
JOE D. RAMEY, Member & Secretary

S E A L

jr/