

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE

NOPAL DRAW UNIT AREA

COUNTY OF EDDY

STATE OF NEW MEXICO

1        THIS AGREEMENT, entered into as of the 18th day of November,  
2        1977, by and between the parties subscribing, ratifying, or consenting  
3        hereto, and herein referred to as the "parties hereto,"

4                                WITNESSETH:

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

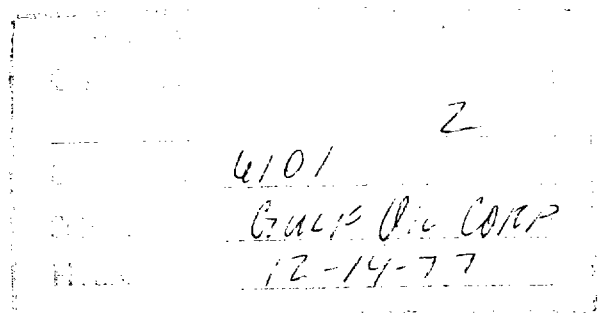
8        WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437,  
9        as amended, 30 U. S. C. secs. 181 et seq., authorizes Federal lessees  
10       and their representatives to unite with each other, or jointly or separately  
11       with others, in collectively adopting and operating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

16       WHEREAS, the parties hereto hold sufficient interests in the \_\_\_\_\_  
17       NOPAL DRAW Unit Area covering the land  
18       hereinafter described to give reasonably effective control of operations  
19       therein; and

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

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

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



1        2. UNIT AREA. The area specified on the map attached hereto marked  
2 Exhibit "A" is hereby designated and recognized as constituting the unit  
3 area, containing 1920 acres, more or less.

4        Exhibit "A" shows, in addition to the boundary of the unit area,  
5 the boundaries and identity of tracts and leases in said area to the  
6 extent known to the Unit Operator. Exhibit "B" attached hereto is a  
7 schedule showing to the extent known to the Unit Operator the acreage,  
8 percentage, and kind of ownership of oil and gas interests in all land  
9 in the unit area. However, nothing herein or in said schedule or map  
10 shall be construed as a representation by any party hereto as to the  
11 ownership of any interest other than such interest or interests as are  
12 shown in said map or schedule as owned by such party. Exhibits "A" and  
13 "B" shall be revised by the Unit Operator whenever changes in the unit  
14 area render such revision necessary, or when requested by the Oil and  
15 Gas Supervisor, hereinafter referred to as "Supervisor" and not less  
16 than six copies of the revised exhibits shall be filed with the Supervisor.

17        The above-described unit area shall when practicable be expanded  
18 to include therein any additional tract or tracts regarded as reasonably  
19 necessary or advisable for the purposes of this agreement, or shall be  
20 contracted to exclude lands not within any participating area whenever  
21 such expansion or contraction is necessary or advisable to conform with  
22 the purposes of this agreement. Such expansion or contraction shall be  
23 effected in the following manner:

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

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

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

41        (d) After due consideration of all pertinent information, the ex-  
42 pansion or contraction shall, upon approval by the Supervisor, become  
43 effective as of the date prescribed in the notice thereof.

44        (e) All legal subdivisions of unitized lands (i.e., 40 acres by  
45 Government survey or its nearest lot or tract equivalent in instances  
46 of irregular surveys, however, unusually large lots or tracts shall be  
47 considered in multiples of 40 acres, or the nearest aliquot equivalent  
48 thereof), no parts of which are entitled to be in a participating area  
49 within 5 years commencing the first day of the month following the effective  
50 date of the first initial participating area established under this unit

1 agreement, shall be eliminated automatically from this agreement, effective  
2 as of the first day thereafter, and such lands shall no longer be a part of  
3 the unit area and shall no longer be subject to this agreement, unless at the  
4 expiration of said 5-year period diligent drilling operations are in  
5 progress on unitized lands not entitled to participation, in which event  
6 all such lands shall remain subject hereto for so long as such drilling  
7 operations are continued diligently, with not more than 90 days time  
8 elapsing between the completion of one such well and the commencement  
9 of the next such well, except that the time allowed between such wells  
10 shall not expire earlier than 30 days after the expiration of any period  
11 of time during which drilling operations are prevented by a matter beyond  
12 the reasonable control of Unit Operator as set forth in the section  
13 hereof entitled "Unavoidable Delay"; provided that all legal subdivisions  
14 of lands not in a participating area and not entitled to become partici-  
15 pating under the applicable provisions of this agreement within 10 years  
16 after said first day of the month following the effective date of said  
17 first initial participating area shall be eliminated as above specified.  
18 Determination of creditable "Unavoidable Delay" time shall be made by  
19 unit operator and subject to approval of the Supervisor. Elimination  
20 taking place after the completion of a well that has deferred elimination  
21 shall be effective on the first day after the time allowed to commence  
22 the next well. The Unit Operator shall, within 90 days after the effective  
23 date of any elimination hereunder, describe the area so eliminated to  
24 the satisfaction of the Supervisor and promptly notify all parties in  
25 interest.

26 If conditions warrant extension of the 10-year period specified in  
27 this subsection 2(e), a single extension of not to exceed 2 years may be  
28 accomplished by consent of the owners of 90% of the current unitized  
29 working interests and 60% of the current unitized basic royalty interests  
30 (exclusive of the basic royalty interests of the United States), on a  
31 total-nonparticipating-acreage basis, respectively, with approval of the  
32 Director, provided such extension application is submitted to the Director  
33 not later than 60 days prior to the expiration of said 10-year period.

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

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

43 4. UNIT OPERATOR. GULF OIL CORPORATION is hereby desig-  
44 nated as Unit Operator and by signature hereto as Unit Operator agrees  
45 and consents to accept the duties and obligations of Unit Operator for  
46 the discovery, development, and production of unitized substances as  
47 herein provided. Whenever reference is made herein to the Unit Operator,  
48 such reference means the Unit Operator acting in that capacity and not  
49 as an owner of interest in unitized substances, and the term "working  
50 interest owner" when used herein shall include or refer to Unit Operator  
51 as the owner of a working interest when such an interest is owned by it.

52 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall  
53 have the right to resign at any time prior to the establishment of a  
54 participating area or areas hereunder, but such resignation shall not  
55 become effective so as to release Unit Operator from the duties and

1 obligations of Unit Operator and terminate Unit Operator's rights as  
2 such for a period of 6 months after notice of intention to resign has  
3 been served by Unit Operator on all working interest owners and the  
4 Supervisor, and until all wells then drilled hereunder are placed in a  
5 satisfactory condition for suspension or abandonment whichever is required  
6 by the Supervisor, unless a new Unit Operator shall have been selected  
7 and approved and shall have taken over and assumed the duties and obliga-  
8 tions of Unit Operator prior to the expiration of said period.

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

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

21 The Unit Operator may, upon default or failure in the performance  
22 of its duties or obligations hereunder, be subject to removal by the same  
23 percentage vote of the owners of working interests as herein provided  
24 for the selection of a new Unit Operator. Such removal shall be effec-  
25 tive upon notice thereof to the Supervisor.

26 The resignation or removal of Unit Operator under this agreement  
27 shall not terminate its right, title or interest as the owner of a  
28 working interest or other interest in unitized substances, but upon  
29 the resignation or removal of Unit Operator becoming effective, such  
30 Unit Operator shall deliver possession of all equipment, materials and  
31 appurtenances used in conducting the unit operations and owned by the  
32 working interest owners to the new duly qualified successor Unit Operator  
33 or to the owners thereof if no such new Unit Operator is elected, to be  
34 used for the purpose of conducting unit operations hereunder. Nothing  
35 herein shall be construed as authorizing removal of any material, equip-  
36 ment and appurtenances needed for the preservation of any wells.

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

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

1 (b) the selection shall have been approved by the Supervisor. If  
2 no successor Unit Operator is selected and qualified as herein provided,  
3 the Director at his election may declare this unit agreement terminated.

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

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

42 9. DRILLING TO DISCOVERY. Within 6 months after the effective  
43 date hereof, the Unit Operator shall begin to drill an adequate test  
44 well at a location approved by the Supervisor, unless on such effective  
45 date a well is being drilled conformably with the terms hereof, and  
46 thereafter continue such drilling diligently until all formations of  
47 Pennsylvania age have been tested or until at a lesser  
48 depth unitized substances shall be discovered which can be produced  
49 in paying quantities (to-wit: quantities sufficient to repay the costs  
50 of drilling, and producing operations, with a reasonable profit) or the  
51 Unit Operator shall at any time establish to the satisfaction of the  
52 Supervisor that further drilling of said well would be unwarranted or  
53 impracticable, provided, however, that Unit Operator shall not in any  
54 event be required to drill said well to a depth in excess of 10,400  
55 feet. Until the discovery of a deposit of unitized substances capable

1 of being produced in paying quantities, the Unit Operator shall continue  
2 drilling diligently one well at a time, allowing not more than 6 months  
3 between the completion of one well and the beginning of the next well,  
4 until a well capable of producing unitized substances in paying quantities  
5 is completed to the satisfaction of said Supervisor or until it is  
6 reasonably proved that the unitized land is incapable of producing  
7 unitized substances in paying quantities in the formations drilled here-  
8 under. Nothing in this section shall be deemed to limit the right of  
9 the Unit Operator to resign as provided in Section 5 hereof, or as requir-  
10 ing Unit Operator to commence or continue any drilling during the period  
11 pending such resignation becoming effective in order to comply with the  
12 requirements of this section. The Director may modify the drilling  
13 requirements of this section by granting reasonable extensions of time  
14 when, in his opinion, such action is warranted.

15       Upon failure to comply with the drilling provisions of this section,  
16 the Director may, after reasonable notice to the Unit Operator, and  
17 each working interest owner, lessee, and lessor at their last known  
18 addresses, declare this unit agreement terminated.

19       10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months  
20 after completion of a well capable of producing unitized substances  
21 in paying quantities, the Unit Operator shall submit for the approval  
22 of the Supervisor an acceptable plan of development and operation for  
23 the unitized land which, when approved by the Supervisor, shall consti-  
24 tute the further drilling and operating obligations of the Unit Operator  
25 under this agreement for the period specified therein. Thereafter, from  
26 time to time before the expiration of any existing plan, the Unit Operator  
27 shall submit for the approval of the Supervisor a plan for an additional  
28 specified period for the development and operation of the unitized land.  
29 Any plan submitted pursuant to this section shall provide for the explora-  
30 tion of the unitized area and for the diligent drilling necessary for  
31 determination of the area or areas thereof capable of producing unitized  
32 substances in paying quantities in each and every productive formation  
33 and shall be as complete and adequate as the Supervisor may determine  
34 to be necessary for timely development and proper conservation of the  
35 oil and gas resources of the unitized area and shall

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

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

41       Separate plans may be submitted for separate productive zones, subject  
42 to the approval of the Supervisor.

43       Plans shall be modified or supplemented when necessary to meet  
44 changed conditions or to protect the interests of all parties to this  
45 agreement. Reasonable diligence shall be exercised in complying with  
46 the obligations of the approved plan of development. The Supervisor  
47 is authorized to grant a reasonable extension of the 6-month period  
48 herein prescribed for submission of an initial plan of development where  
49 such action is justified because of unusual conditions or circumstances.  
50 After completion hereunder of a well capable of producing any unitized  
51 substance in paying quantities, no further wells, except such as may

1 be necessary to afford protection against operations not under this  
2 agreement or such as may be specifically approved by the Supervisor,  
3 shall be drilled except in accordance with a plan of development approved  
4 as herein provided.

5 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well  
6 capable of producing unitized substances in paying quantities or as soon  
7 thereafter as required by the Supervisor, the Unit Operator shall submit  
8 for approval by the Supervisor a schedule, based on subdivisions of the  
9 public-land survey or aliquot parts thereof, of all unitized land then  
10 regarded as reasonably proved to be productive of unitized substances  
11 in paying quantities; all lands in said schedule on approval of the Supervi-  
12 sor to constitute a participating area, effective as of the date of  
13 completion of such well or the effective date of the unit agreement,  
14 whichever is later. The acreages of both Federal and non-Federal lands  
15 shall be based upon appropriate computations from the courses and dis-  
16 tances shown on the last approved public-land survey as of the effective  
17 date of the initial participating area. Said schedule also shall set  
18 forth the percentage of unitized substances to be allocated as herein  
19 provided to each unitized tract in the participating area so established,  
20 and shall govern the allocation of production from and after the date  
21 the participating area becomes effective. A separate participating  
22 area shall be established in like manner for each separate pool or de-  
23 posit of unitized substances or for any group thereof produced as a  
24 single pool or zone, and any two or more participating areas so established  
25 may be combined into one with the consent of the owners of all working  
26 interests in the lands within the participating areas so to be combined,  
27 on approval of the Supervisor. The participating area or areas so establishe  
28 shall be revised from time to time, subject to like approval, whenever  
29 such action appears proper as a result of further drilling operations  
30 or otherwise, to include additional land then regarded as reasonably  
31 proved to be productive in paying quantities, or to exclude land then  
32 regarded as reasonably proved not to be productive in paying quantities  
33 and the percentage of allocation shall also be revised accordingly.  
34 The effective date of any revision shall be the first of the month in  
35 which is obtained the knowledge or information on which such revision  
36 is predicated; provided, however, that a more appropriate effective date  
37 may be used if justified by the Unit Operator and approved by the  
38 Supervisor. No land shall be excluded from a participating area on account  
39 of depletion of the unitized substances, except that any participating area  
40 established under the provisions of this Unit Agreement shall terminate automatically when-  
41 ever all completions in the formation on which the participating area is based are  
42 abandoned.

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

49 In the absence of agreement at any time between the Unit Operator  
50 and the Supervisor as to the proper definition or redefinition of a parti-  
51 cipating area, or until a participating area has, or areas have, been  
52 established as provided herein, the portion of all payments affected  
53 thereby may be impounded in a manner mutually acceptable to the owners  
54 of working interests, and the Supervisor. Royalties due the United States,  
55 which shall be determined by the Supervisor and the amount thereof deposited,  
56 as directed by the Supervisor, to be held as unearned money until a



1 participating area is finally approved and then applied as earned or  
2 returned in accordance with a determination of the sum due as Federal  
3 royalty on the basis of such approved participating area.

4 Whenever it is determined, subject to the approval of the Supervisor,  
5 that a well drilled under this agreement is not capable of production in  
6 paying quantities and inclusion of the land on which it is situated in a  
7 participating area is unwarranted, production from such well shall,  
8 for the purposes of settlement among all parties other than working  
9 interest owners, be allocated to the land on which the well is located  
10 so long as such land is not within a participating area established for  
11 the pool or deposit from which such production is obtained. Settlement  
12 for working interest benefits from such a well shall be made as provided  
13 in the unit operating agreement.

14 12. ALLOCATION OF PRODUCTION. All unitized substances produced  
15 from each participating area established under this agreement, except  
16 any part thereof used in conformity with good operating practices within  
17 the unitized area for drilling, operating, camp and other production or  
18 development purposes, for repressuring or recycling in accordance with  
19 a plan of development approved by the Supervisor, or unavoidably lost,  
20 shall be deemed to be produced equally on an acreage basis from the  
21 several tracts of unitized land of the participating area established  
22 for such production and, for the purpose of determining any benefits  
23 accruing under this agreement, each such tract of unitized land shall  
24 have allocated to it such percentage of said production as the number  
25 of acres of such tract included in said participating area bears to the  
26 total acres of unitized land in said participating area, except that  
27 allocation of production hereunder for purposes other than for settlement  
28 of the royalty, overriding royalty, or payment out of production obliga-  
29 tions of the respective working interest owners, shall be on the basis  
30 prescribed in the unit operating agreement whether in conformity with  
31 the basis of allocation herein set forth or otherwise. It is hereby  
32 agreed that production of unitized substances from a participating area  
33 shall be allocated as provided herein regardless of whether any wells  
34 are drilled on any particular part or tract of said participating area.  
35 If any gas produced from one participating area is used for repressuring  
36 or recycling purposes in another participating area, the first gas with-  
37 drawn from such last-mentioned participating area for sale during the  
38 life of this agreement shall be considered to be the gas so transferred  
39 until an amount equal to that transferred shall be so produced for sale  
40 and such gas shall be allocated to the participating area from which  
41 initially produced as constituted at the time of such final production.

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



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

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

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

30 If gas obtained from lands not subject to this agreement is introduced  
31 into any participating area hereunder, for use in repressuring, stimula-  
32 tion of production, or increasing ultimate recovery, which shall be in  
33 conformity with a plan first approved by the Supervisor, a like amount  
34 of gas, after settlement as herein provided for any gas transferred from  
35 any other participating area and with due allowance for loss or depletion  
36 from any cause, may be withdrawn from the formation into which the gas  
37 was introduced, royalty free as to dry gas, but not as to the products  
38 extracted therefrom; provided that such withdrawal shall be at such  
39 time as may be provided in the plan of operations or as may otherwise  
40 be consented to by the Supervisor as conforming to good petroleum engineer-  
41 ing practice; and provided further, that such right of withdrawal shall  
42 terminate on the termination of this unit agreement.

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

1        15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases  
2 committed hereto shall be paid by working interest owners responsible  
3 therefor under existing contracts, laws and regulations, provided that  
4 nothing herein contained shall operate to relieve the lessees of any  
5 land from their respective lease obligations for the payment of any  
6 rental or minimum royalty in lieu thereof due under their leases. Rental  
7 or minimum royalty for lands of the United States subject to this agree-  
8 ment shall be paid at the rate specified in the respective leases from  
9 the United States unless such rental or minimum royalty is waived, sus-  
10 pended or reduced by law or by approval of the Secretary or his duly  
11 authorized representative.

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

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

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

30        18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, condi-  
31 tions and provisions of all leases, subleases and other contracts relat-  
32 ing to exploration, drilling, development or operation for oil or gas  
33 of lands committed to this agreement are hereby expressly modified and  
34 amended to the extent necessary to make the same conform to the provisions  
35 hereof, but otherwise to remain in full force and effect; and the parties  
36 hereto hereby consent that the Secretary shall and by his approval hereof,  
37 or by the approval hereof by his duly authorized representative, does  
38 hereby establish, alter, change or revoke the drilling, producing, rental,  
39 minimum royalty, and royalty requirements of Federal leases committed  
40 hereto and the regulations in respect thereto to conform said require-  
41 ments to the provisions of this agreement, and without limiting the  
42 generality of the foregoing, all leases, subleases and contracts are  
43 particularly modified in accordance with the following:

44        (a) The development and operation of lands subject to this agree-  
45 ment under the terms hereof shall be deemed full performance of all  
46 obligations for development and operation with respect to each and every  
47 part or separately owned tract subject to this agreement, regardless  
48 of whether there is any development of any particular part or tract of  
49 the unit area, notwithstanding anything to the contrary in any lease,  
50 operating agreement or other contract by and between the parties hereto,  
51 or their respective predecessors in interest, or any of them.

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

6 (c) Suspension of drilling or producing operations on all unitized  
7 lands pursuant to direction or consent of the Secretary or his duly  
8 authorized representative shall be deemed to constitute such suspension  
9 pursuant to such direction or consent as to each and every tract of  
10 unitized land. A suspension of drilling or producing operations limited  
10a to specified lands shall be applicable only to such lands.

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

18 (e) Any Federal lease for a fixed term of twenty (20) years or  
19 any renewal thereof or any part of such lease which is made subject to  
20 this agreement shall continue in force beyond the term provided therein  
21 until the termination hereof. Any other Federal lease committed hereto  
22 shall continue in force beyond the term so provided therein or by law  
23 as to the land committed so long as such lease remains subject hereto,  
24 provided that production is had in paying quantities under this unit  
25 agreement prior to the expiration date of the term of such lease, or, in  
26 the event actual drilling operations are commenced on unitized land, in  
27 accordance with the provisions of this agreement, prior to the end of  
28 the primary term of such lease and are being diligently prosecuted at  
29 that time, such lease shall be extended for two years and so long there-  
30 after as oil or gas is produced in paying quantities in accordance with  
31 the provisions of the Mineral Leasing Act Revision of 1960.

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

39 (g) The segregation of any Federal lease committed to this agree-  
40 ment is governed by the following provision in the fourth paragraph of  
41 Sec. 17 (j) of the Mineral Leasing Act, as amended by the Act of Septem-  
42 ber 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or  
43 hereafter committed to any such (unit) plan embracing lands that are in  
44 part within and in part outside of the area covered by any such plan  
45 shall be segregated into separate leases as to the lands committed and  
46 the lands not committed as of the effective date of unitization: Pro-  
47 vided, however, That any such lease as to the non-unitized portion shall  
48 continue in force and effect for the term thereof but for not less than  
49 two years from the date of such segregation and so long thereafter as  
50 oil or gas is produced in paying quantities."

51 (h) Any lease, other than a Federal lease, having only a portion  
52 of its lands committed hereto shall be segregated as to the portion  
53 committed and the portion not committed, and the provisions of such  
53 lease shall apply separately to such segregated portions commencing

1 as of the effective date hereof. In the event any such lease provides  
2 for a lump-sum rental payment, such payment shall be prorated between  
3 the portions so segregated in proportion to the acreage of the respective  
4 tracts.

5 19. COVENANTS RUN WITH LAND. The covenants herein shall be con-  
6 strued to be covenants running with the land with respect to the interest  
7 of the parties hereto and their successors in interest until this agree-  
8 ment terminates, and any grant, transfer, or conveyance, of interest in  
9 land or leases subject hereto shall be and hereby is conditioned upon  
10 the assumption of all privileges and obligations hereunder by the grantee,  
11 transferee, or other successor in interest. No assignment or transfer  
12 of any working interest, royalty, or other interest subject hereto shall  
13 be binding upon Unit Operator until the first day of the calendar month  
14 after Unit Operator is furnished with the original, photostatic, or  
15 certified copy of the instrument of transfer.

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

19 (a) such date of expiration is extended by the Director, or

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

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

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

38 This agreement may be terminated at any time by not less than 75  
39 per centum, on an acreage basis, of the owners of working interests  
40 signatory hereto, with the approval of the Supervisor; notice of any such  
41 approval to be given by the Unit Operator to all parties hereto.

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

1 the foregoing, the Director is also hereby vested with authority  
2 to alter or modify from time to time in his discretion the rate of  
3 prospecting and development and the quantity and rate of production  
4 under this agreement when such alteration or modification is in the  
5 interest of attaining the conservation objectives stated in this agree-  
6 ment and is not in violation of any applicable Federal or State law.

7 Powers in this section vested in the Director shall only be exer-  
8 cised after notice to Unit Operator and opportunity for hearing to be  
9 held not less than 15 days from notice.

10 22. APPEARANCES. Unit Operator shall, after notice to other  
11 parties affected, have the right to appear for and on behalf of any and  
12 all interests affected hereby before the Department of the Interior  
13 and to appeal from orders issued under the regulations of said Depart-  
14 ment or to apply for relief from any of said regulations or in any  
15 proceedings relative to operations before the Department of the Interior  
16 or any other legally constituted authority; provided, however, that any  
17 other interested party shall also have the right at his own expense to  
18 be heard in any such proceeding.

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

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

34 25. UNAVOIDABLE DELAY. All obligations under this agreement  
35 requiring the Unit Operator to commence or continue drilling or to  
36 operate on or produce unitized substances from any of the lands covered  
37 by this agreement shall be suspended while, but only so long as, the  
38 Unit Operator despite the exercise of due care and diligence is prevented  
39 from complying with such obligations, in whole or in part, by strikes,  
40 acts of God, Federal, State or municipal law or agencies, unavoidable  
41 accidents, uncontrollable delays in transportation, inability to obtain  
42 necessary materials in open market, or other matters beyond the reason-  
43 able control of the Unit Operator whether similar to matters herein  
44 enumerated or not. No Unit obligation which is suspended under this section  
45 shall become due less than thirty (30) days after it has been determined  
46 that the suspension is no longer applicable. Determination of creditable  
47 "Unavoidable Delay" time shall be made by the Unit Operator subject to  
48 approval by the Supervisor.

49 26. NON-DISCRIMINATION. In connection with the performance of  
50 work under this agreement, the operator agrees to comply with all of the  
51 provisions of section 202 (1) to (7) inclusive, Executive Order 11246,  
52 (30 F.R. 12319), which is hereby incorporated by reference in this agree-  
53 ment.

54 27. LOSS OF TITLE. In the event title to any tract of unitized  
55 land shall fail and the true owner cannot be induced to join in this

1 unit agreement, such tract shall be automatically regarded as not  
2 committed hereto and there shall be such readjustment of future costs  
3 and benefits as may be required on account of the loss of such title.  
4 In the event of a dispute as to title as to any royalty, working interest,  
5 or other interests subject thereto, payment or delivery on account thereof  
6 may be withheld without liability for interest until the dispute is  
7 finally settled; provided, that, as to Federal land or leases, no pay-  
8 ments of funds due the United States should be withheld, but such funds  
9 shall be deposited as directed by the Supervisor to be held as unearned  
10 money pending final settlement of the title dispute, and then applied  
11 as earned or returned in accordance with such final settlement.

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

14 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any sub-  
15 stantial interest in a tract within the unit area fails or refuses to  
16 subscribe or consent to this agreement, the owner of the working interest  
17 in that tract may withdraw said tract from this agreement by written  
18 notice to the Supervisor and the Unit Operator prior to the approval of  
19 this agreement by the Supervisor. Any oil or gas interests in lands within  
20 the unit area not committed hereto prior to submission of this agreement  
21 for final approval may thereafter be committed hereto by the owner or  
22 owners thereof subscribing or consenting to this agreement, and, if the  
23 interest is a working interest, by the owner of such interest also sub-  
24 scribing to the unit operating agreement. After operations are commenced  
25 hereunder, the right of subsequent joinder, as provided in this section,  
26 by a working interest owner is subject to such requirements or approvals,  
27 if any, pertaining to such joinder, as may be provided for in the unit  
28 operating agreement. After final approval hereof joinder by a non-working  
29 interest owner must be consented to in writing by the working interest  
30 owner committed hereto and responsible for the payment of any benefits  
31 that may accrue hereunder in behalf of such non-working interest.  
32 Joinder by any owner of a non-working interest, at any time, must be  
33 accompanied by appropriate joinder by the owner of the corresponding  
34 working interest in order for the interest to be regarded as committed  
35 hereto. Joinder to the unit agreement by a working interest owner, at  
36 any time, must be accompanied by appropriate joinder to the unit opera-  
37 ting agreement, if more than one committed working interest owner is  
38 involved, in order for the interest to be regarded as committed to this  
39 unit agreement. Except as may otherwise herein be provided subsequent  
40 joinders to this agreement shall be effective as of the first day of  
41 the month following the filing with the Supervisor of duly executed  
42 counterparts of all or any papers necessary to establish effective  
43 commitment of any tract to this agreement unless objection to such  
44 joinder is duly made within 60 days by the Supervisor.

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

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

8        If as a result of any such surrender, the working interest rights  
9 as to such lands become vested in any party other than the fee owner  
10 of the unitized substances, said party shall forfeit such rights and  
11 no further benefits from operation hereunder as to said land shall  
12 accrue to such party, unless within ninety (90) days thereafter said  
13 party shall execute this agreement and the unit operating agreement as  
14 to the working interest acquired through such surrender, effective as  
15 though such land had remained continuously subject to this agreement  
16 and the unit operating agreement. And in the event such agreements are  
17 not so executed, the party next in the chain of title shall be and become  
18 the owner of such working interest at the end of such ninety (90) day  
19 period, with the same force and effect as though such working interest  
20 had been surrendered to such party.

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

24        (1) Execute this agreement and the unit operating agreement as a  
25 working interest owner, effective as though such land had remained  
26 continuously subject to this agreement and the unit operating agreement.

27        (2) Again lease such lands but only under the condition that the  
28 holder of such lease shall within thirty (30) days after such lands are  
29 so leased execute this agreement and the unit operating agreement as to  
30 each participating area theretofore established hereunder, effective as  
31 though such land had remained continuously subject to this agreement and  
32 the unit operating agreement.

33        (3) Operate or provide for the operation of such land independently  
34 of this agreement as to any part thereof or any oil or gas deposits  
35 therein not then included within a participating area.

36        If the fee owner of the unitized substances does not execute this  
37 agreement and the unit operating agreement as a working interest owner  
38 or again lease such lands as above provided with respect to each exist-  
39 ing participating area, within six (6) months after any such surrender  
40 or forfeiture, such fee owner shall be deemed to have waived the right  
41 to execute the unit operating agreement or lease such lands as to each  
42 such participating area, and to have agreed, in consideration for the  
43 compensation hereinafter provided, that operations hereunder as to any  
44 such participating area or areas shall not be affected by such surrender.

45        For any period the working interest in any lands are not expressly  
46 committed to the unit operating agreement as the result of any such  
47 surrender or forfeiture, the benefits and obligations of operations  
48 accruing to such lands under this agreement and the unit operating agree-  
49 ment shall be shared by the remaining owners of unitized working inter-  
50 ests in accordance with their respective participating working interest  
51 ownerships in any such participating area or areas, and such owners of



1 working interests shall compensate the fee owner of unitized substances  
2 in such lands by paying sums equal to the rentals, minimum royalties,  
3 and royalties applicable to such lands under the lease in effect when  
4 the lands were unitized, as to such participating area or areas.

5       Upon commitment of a working interest to this agreement and the  
6 unit operating agreement as provided in this section, an appropriate  
7 accounting and settlement shall be made, to reflect the retroactive  
8 effect of the commitment; for all benefits accruing to or payments and  
9 expenditures made or incurred on behalf of such surrendered working  
10 interest during the period between the date of surrender and the date  
11 of recommitment, and payment of any moneys found to be owing by such  
12 an accounting shall be made as between the parties then signatory to  
13 the unit operating agreement and this agreement within thirty (30)  
14 days after the recommitment. The right to become a party to this agree-  
15 ment and the unit operating agreement as a working interest owner by  
16 reason of a surrender or forfeiture as provided in this section shall  
17 not be defeated by the nonexistence of a unit operating agreement and  
18 in the event no unit operating agreement is in existence and a mutually  
19 acceptable agreement between the proper parties thereto cannot be con-  
20 summated, the Supervisor may prescribe such reasonable and equitable  
21 agreement as he deems warranted under the circumstances.

22       Nothing in this section shall be deemed to limit the right of  
23 joinder or subsequent joinder to this agreement as provided elsewhere in  
24 this agreement. The exercise of any right vested in a working interest  
25 owner to reassign such working interest to the party from whom obtained  
26 shall be subject to the same conditions as set forth in this section  
27 in regard to the exercise of a right to surrender.

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

42       32. NO PARTNERSHIP. It is expressly agreed that the relation of  
43 the parties hereto is that of independent contractors and nothing in  
44 this agreement contained, expressed or implied, nor any operations con-  
45 ducted hereunder, shall create or be deemed to have created a partner-  
46 ship or association between the parties hereto or any of them.

47       33. BUREAU OF LAND MANAGEMENT SPECIAL STIPULATIONS. Nothing in this  
48 agreement shall modify or change any special federal stipulations relating  
49 to surface management, surface disturbances, or cultural resources attached  
50 to and made a part of any oil and gas lease covering lands within the  
51 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.

Date of Signature and Address

UNIT OPERATOR AND WORKING INTEREST OWNER

GULF OIL CORPORATION

(Date) 11-17-77

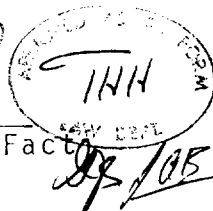
(Address) P. O. Box 1150  
Midland, Texas 79702

ATTEST:

*H. E. Griffith*  
Assistant Secretary

By

*R. E. Griffith*  
R. E. Griffith, Attorney-in-Fact



WORKING INTEREST OWNERS

(Date) \_\_\_\_\_

(Address) \_\_\_\_\_  
\_\_\_\_\_

By \_\_\_\_\_  
Vice President

ATTEST: \_\_\_\_\_  
Secretary

(Date) \_\_\_\_\_

(Address) \_\_\_\_\_  
\_\_\_\_\_

By \_\_\_\_\_  
Vice President

ATTEST: \_\_\_\_\_  
Secretary

(Date) \_\_\_\_\_

(Address) \_\_\_\_\_  
\_\_\_\_\_

By \_\_\_\_\_  
Vice President

ATTEST: \_\_\_\_\_  
Secretary

(Date) \_\_\_\_\_

(Address) \_\_\_\_\_  
\_\_\_\_\_

By \_\_\_\_\_  
Vice President

ATTEST: \_\_\_\_\_  
Secretary

(Date) \_\_\_\_\_

(Address) \_\_\_\_\_  
\_\_\_\_\_

By \_\_\_\_\_  
Vice President

ATTEST: \_\_\_\_\_  
Secretary

(Date) \_\_\_\_\_

(Address) \_\_\_\_\_  
\_\_\_\_\_

(Date) \_\_\_\_\_

(Address) \_\_\_\_\_  
\_\_\_\_\_

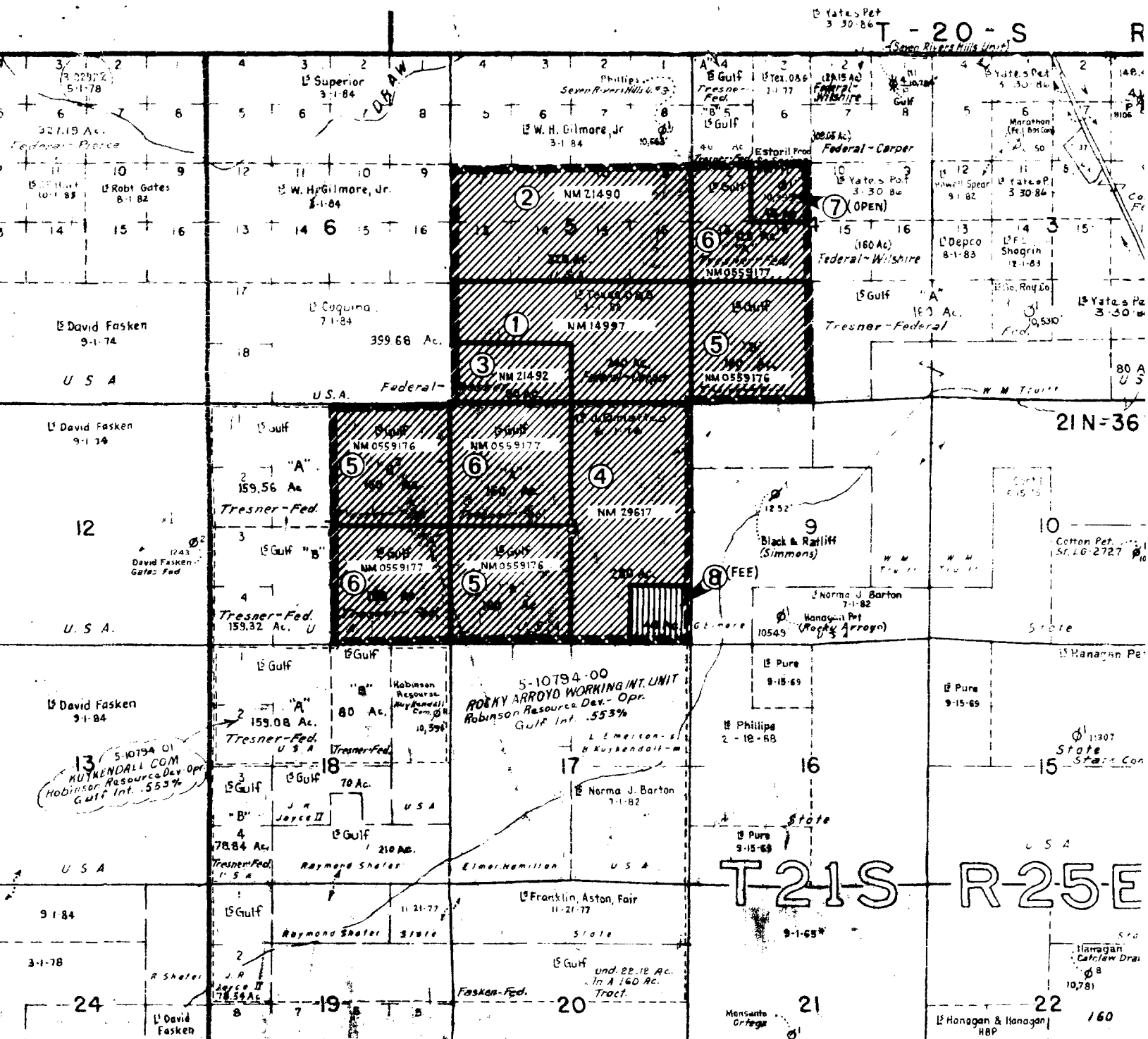


Exhibit A

NOPAL DRAW UNIT AREA  
Eddy County, New Mexico

Tract Numbers	Legend
1. NM 14997	Unit Outline Area
2. NM 21490	
3. NM 21492	Federal Lands -
4. NM 29617	1,880 Acres
5. NM 0559176	97.9167% Unit Area
6. NM 0559177	
7. Open KGS	Fee -
8. Fee (Yates Petroleum)	40 Acres
	2.0833% Unit Area

EXHIBIT "A"  
NOPAL DRAW UNIT

UNIT AREA DESCRIPTION

T-21-S, R-25-E, N.M.P.M.

Section 4: Lots 11, 12, 13, 14, and SW/4  
Section 5: South 2/3  
Section 7: E/2  
Section 8: All

Containing 1920.00 acres, more or less, Eddy County, New Mexico.

## EXHIBIT "B"

## SCHEDULE OF LANDS AND LEASES

## NOPAL DRAW UNIT

## EDDY COUNTY, NEW MEXICO

Tract No.	Description	Acres	Serial No. and Expiration Date	Basic Royalty and Percentage	Lessee of Record and Percentage	Overriding Royalty and Percentage	Working Interest and Percentage
1	<u>T-21-S, R-25-E</u> Sec 5: <u>SE/4, N/2 SW/4</u> of South 640	240	NM-14997	12.5% U.S.A.	Texas Oil & Gas Corporation 100%	John B. Vreeland 4.5% Sherman & Jon Nelson .5%	Texas Oil & Gas Corporation 100%
2	<u>T-21-S, R-25-E</u> Sec 5: Lots 9 thru 16	320	NM-21490	12.5% U.S.A.	W. H. Gilmore 75% Gulf 12.5% RRDC 6.25% Roy L. McKay 6.25%	None	Gilmore 75% Gulf 12.5% RRDC 6.25% McKay 6.25%
3	<u>T-21-S, R-25-E</u> Sec 5: <u>S/2 SW/4</u> of South 640	80	NM-21492	12.5% U.S.A.	Coquina Oil Corp. 100%	Dean A. Chase 5%	Coquina 100%
4	<u>T-21-S, R-25-E</u> Sec 8: <u>NE/4, N/2 SE/4, SW/4</u> SE/4	280	NM-29617	12.5% U.S.A.	RRDC 100%	John DiMatteo 4%	RRDC 100%
5	<u>T-21-S, R-25-E</u> Sec 7: <u>NE/4, Sec 8: SW/4,</u> Sec 4: <u>SW/4</u> of South 640	480	NM-0559176	12.5% U.S.A.	Gulf Oil Corporation James L. Harden 4% Gerlad T. Tresner 1% 100%	NE/4 Sec 7 & SW/4 Sec 8, Gulf 55.30000%	RRDC 38.01951% Yates 1.90865% Holly & RS 4.77184% SW/4 Sec 4, Gulf 100%

6	T-21-S, R-25-E Sec 7: SE/4, Sec 8: NW/4 Sec 4: NW/4 NW/4, S/2 NW/4 of South 640	440	NM-0559177	12.5% U.S.A.	Gulf Oil Corporation 100%	E. I. Vetter 4% Gerlad T. Tresner 1%	SE/4 Sec 7 & NW/4 Sec 8, Gulf 55.30000% RHDC 38.01951% Yates 1.90865% Holly & RS 4.77184% S/2 NW/4, NW/4 NW/4 of South 640 Gulf 100%
7	T-21-S, R-25-E Sec 4: NE/4 NW/4 of the South 640	40	Open KGS				
TOTAL: 1,880 Acres Federal Land							
8	T-21-S, R-25-E Sec 8: SE/4 SE/4	40	YATES-FEE 2-20-78	12.5% Reed W. Cox et ux	Yates Petroleum Corporation 100%	None	Sec 8: SE/4 SE/4 Gulf 55.30000% RHDC 38.01951% Yates 1.90865% Holly & RS 4.77184%
TOTAL: 40 Acres Fee Land							



RECAPITULATION		
Federal Lands	1,880	97.91667% of Unit Area
Fee Lands	<u>40</u>	<u>2.08333%</u> of Unit Area
Total	1,920	100.00000% of Unit Area