

UNIT AGREEMENT (Federal)
FOR THE DEVELOPMENT AND OPERATION OF THE RHODES AREA

This agreement, entered into as of the 1st day of January, 1944,
by and between the parties subscribing or consenting hereto,

WITNESSETH:

WHEREAS, the parties subscribing or consenting hereto are the owners of operating, royalty, or other oil or gas interests in the Rhodes unit area hereinafter defined;

WHEREAS, it is the purpose of the parties hereto to conserve the natural resources, prevent avoidable waste, and obtain the other benefits obtainable through development and operation of said unit area (or the part thereof made subject to this agreement) under the terms, conditions, and limitations hereinafter set forth, under and pursuant to the provisions of sections 17, 27 and 32 of the act of Congress, approved February 25, 1920, entitled "An act to promote the mining of coal, phosphate, oil, oil shale, gas and sodium on the public domain," 41 Stat. 443, 448, 450, as amended or supplemented by the acts of March 4, 1931, 46 Stat. 1525, and August 21, 1935, 49 Stat. 677, 678; 30 U. S. C. 226, 184 and 189;

NOW, THEREFORE, in consideration of the premises and the promises hereinafter contained, the parties hereto and the parties consenting hereto agree among themselves and with the Secretary of the Interior as follows:

ENABLING ACT
AND
REGULATIONS

1. The act of February 25, 1920, supra, as amended, and all pertinent regulations heretofore and all pertinent and reasonable regulations hereafter issued thereunder, including operating regulations, are accepted and made a part of this agreement.

UNIT AREA

2. The following described lands shown on the map attached hereto are hereby designated and recognized as constituting the Rhodes unit area:

Section 4: W/2 W/2; S/2 SW/4; W/2 SE/4; SE/4 SE/4

Section 5: All

Section 6: NE/4 NW/4; NE/4; N/2 SE/4; SE/4 SE/4

Section 7: NE/4 NE/4

Section 8: NW/4; N/2 SW/4; SE/4 SW/4; E/2

Section 9: All

Section 10: NW/4 NW/4; S/2 NW/4; S/2

Section 15: All

Section 16: All

Section 17: E/2; E/2 NW/4

Section 20: E/2

Section 21: All

Section 22: All

Section 23: SW/4 NW/4; SW/4

Section 26: All

Section 27: All

Section 28: All

Section 29: E/2 NE/4

All in Township 26 South, Range 37 East, N. H. Meridian.

Total 8,520 acres.

The above described unit area may be modified upon application by the Group 1 Unit Operator hereinafter referred to and by the unit operator or operators for the unitized substances in Group 2 and Group 3, or, if there be no unit operator for the unitized substances in both or either of said Groups, then the owners of the operating rights as to unitized substances in the Group for which there is no unit operator upon the majority of the lands then subject to this agreement, and with the approval of the Secretary of the Interior, to include additional land reasonably regarded as necessary or desirable for the purposes of this agreement or to exclude land reasonably proved to be unnecessary for such purposes. Such increase or decrease shall be effective as of the first of the month following approval.

LANDS SUBJECT
TO
THIS AGREEMENT

3. All tracts within the unit area as to which the oil and gas operating rights are committed to this agreement constitute the lands subject to this agreement. Signature hereof or consent hereto by any person commits to this agreement the interests (whether operating rights or other interests) specified opposite such person's signature hereof or specified in such person's consent hereto.

UNITIZED
SUBSTANCES

4. All oil, gas, natural gasoline, and associated fluid hydrocarbons in lands subject to this agreement in any and all sands or horizons are unitized under the terms of this agreement and are hereinafter called "unitized substances".

SEGREGATION
OF UNITIZED
SUBSTANCES

5. It is the intent and purpose of the parties to this agreement that the unitized substances shall be subject to development and operation in separate groups as follows:

Group 1. Gas (including casinghead gas) in any and all sands at or above a depth of 4,000 feet from the ground surface, whether such gas is now in place or is hereafter injected.

Group 2. Oil in any and all sands at or above a depth of 4,000 feet from the ground surface.

Group 3. All unitized substances below a depth of 4,000 feet from the ground surface.

GROUP 2
AND/OR
GROUP 3
UNIT OPERATOR
OR OPERATOR

6. No Unit Operator has been appointed for the unitized substances in Group 2 and/or Group 3, nor need be unless the appointment of such a Unit Operator be demanded by the Secretary.

The terms and conditions for the development and operation of unitized substances in Group 2 and/or Group 3 shall (unless and until a plan for their development be established as below provided) be deemed to be the terms and conditions of the leases, contracts, and other agreements under which said unitized substances are now being developed and operated, except insofar as said leases, contracts or other agreements may require adjustment or modification to conform with the herein provided terms and conditions.

The holders of the operating rights as to the unitized substances in Group 2 and Group 3, or either, may at any time select, and they agree upon demand of the Secretary promptly to select, a Unit Operator for the unitized substances in Group 2 and Group 3, or either, and in either such case they shall also submit a schedule showing a method of allocation of benefits and costs of operations as to said unitized substances and the ratio of apportionment thereof among the parties entitled to such benefits or chargeable with such costs.

After approval by the Secretary of the Unit Operator so selected, and of the schedule so submitted, and within 30 days after demand by the Supervisor, said Unit Operator shall submit for the approval of the Supervisor a plan of development and/or operation for the unitized substances in Groups 2 and/or 3, which plan or plans, when so approved, shall constitute the further drilling and operating obligations of said Unit Operator for the unitized substances involved. Said plan or plans shall be as nearly complete and adequate as the Supervisor may determine to be necessary and advisable to conserve properly the unitized substances covered by such plan or plans. Said plan or plans may be modified from time to time upon approval of said Supervisor, or at the direction of said Supervisor, to meet changed conditions, and the further obligations of the Unit Operator or Operators involved shall be conformed thereto.

GROUP 1
UNIT
OPERATOR

7. El Paso Natural Gas Company is hereby designated as unit operator for Group 1 unitized substances, hereinafter designated as Group 1 Unit Operator, and by signature hereof commits to this agreement all interests vested in it in lands within the unit area and agrees to accept the duties and obligations of such unit operator to conduct and manage the operation of the lands subject to this agreement for the development, storage and production of Group 1 unitized substances as herein provided.

SUCCESSOR
UNIT
OPERATOR

8. Whenever a Unit Operator for a Group or groups of unitized substances designated under this agreement shall be removed or shall relinquish his rights as Unit Operator under this agreement, the owners of the majority of operating rights as to such group or groups of unitized substances according to their total acreage interests in the lands subject to this agreement as to such group or groups shall select a new unit operator for such group or groups of unitized substances. Such selection

shall not become effective until (a) the unit operator so selected shall accept the duties and responsibilities of such unit operator and (b) the selection shall have been approved by the Secretary. Any unit operator shall be subject to removal for failure to perform effectively his duties and obligations as Unit Operator hereunder on notice by the Secretary, such notice to be given only after reasonable opportunity has been given to correct any specified default in performance.

The right to relinquish all rights as a unit operator may be exercised whenever said operator is not in default under this agreement but no Unit Operator shall be relieved from his duties and obligations as Unit Operator for a period of six months after notice of intention to relinquish such duties and obligations has been served by him on all other parties hereto holding operating rights in respect to the unitized substances involved and the Secretary, unless a new operator shall have been selected and shall have taken over and assumed the duties and obligations of such Unit Operator prior to the expiration of said period. At any time prior to the date on which relinquishment by or removal of a Unit Operator becomes effective, the owners of operating rights as to the unitized substances involved or a duly qualified new Unit Operator may elect to purchase on reasonable terms all or any part of the preceding Unit Operator's equipment, material, and appurtenances in or upon the lands subject to this agreement, provided that, no such equipment, material, or appurtenances so selected for purchase shall be removed pending determination of reasonable terms of purchase. Any equipment, material, and appurtenances not so purchased and not so necessary for the preservation of wells may be removed by the retiring Unit Operator at any time within six (6) months after the relinquishment or removal becomes effective, but if not so removed shall become the joint property of the owners of the operating rights as to the unitized substances involved.

Acquisition or assignment of operating rights pertaining to Federal lands subject to this agreement and the consideration therefor shall be subject to approval by the Secretary.

RIGHTS AND
OBIGATIONS
OF GROUP 1
UNIT OPERATOR

9. The exclusive right, privilege, and duty of exercising any and all rights of the parties signatory hereto which are necessary or convenient for prospecting for, producing, storing and disposing of the Group 1 unitized substances is hereby vested in the Group 1 Unit Operator and shall be exercised by said Unit Operator as provided in this agreement. Acceptable evidence of title to said rights shall be deposited with said Unit Operator, and, together with this agreement, shall constitute and define said Unit Operator's rights, privileges, and obligations in the premises; provided, that nothing herein shall be construed to transfer title to any lands, leases, or operating agreements, it being understood that the Group 1 Unit Operator shall have rights of possession and use merely for the purposes herein specified, and for any and all other purposes all existing agreements in respect to Group 1 unitized substances remain in force and effect. Like provisions shall be applicable to Group 2 and/or Group 3 unitized substances if and when a unit operator or operators for those substances are selected as herein provided.

The Group 1 Unit Operator shall pay all costs and expenses of operations with respect to the development, storage and recovery of Group 1 unitized substances.

PLAN OF
OPERATION
AS TO GROUP 1
UNITIZED
SUBSTANCES

10. The Group 1 Unit Operator is authorized to shut-in or produce the unitized substances in Group 1, or supplement such substances by injection of gas, according to a plan of development and/or operations which shall be submitted by said Unit Operator for approval by the Oil and Gas Supervisor within 30 days after approval of this agreement and when so approved shall constitute the obligations of said Unit Operator for development and operation of such unitized substances; provided that said plan shall be subject to modification from time to time at the option of said Unit Operator subject to like approval; and provided further that the Oil and Gas Supervisor may require that a new plan of development and/or operations shall be submitted when, in his opinion, such action is necessary and advisable in the public interest.

ALLOCATION
OF GROUP 1
UNITIZED
SUBSTANCES

11. Group 1 unitized substances, as and when produced, will be deemed to be produced equally on an acreage basis from all the lands subject to this agreement and will be allocated to the several tracts in the ratio that the total acreage of each bears to the total acreage subject to this agreement.

PAYMENTS OF
ROYALTIES
ON GROUP 1
UNITIZED
SUBSTANCES

12. Group 1 Unit Operator, on behalf of the respective lessees, shall pay all royalties due the United States, the State of New Mexico, and others entitled thereto, on account of Group 1 unitized substances; provided, that if said Unit Operator defaults in any such payments and no bond has been posted by said Unit Operator which is adequate to cover such default, or when there is no Group 1 Unit Operator, the obligation to pay royalties on Group 1 Unitized Substances shall rest upon the respective lessees.

ROYALTIES
AND RENTALS

13. (a) Royalties on Group 1 unitized substances payable to the United States shall be:

(1) A royalty of 3.79 per cent on the value of the gas as to production thereof allocated to Federal lands for a period of 25 years subject to the provisions of the following paragraphs of this section, regardless of whether the production was originally in place or was injected by Group 1 Unit Operator, and thereafter the lease rates shall prevail unless a modification of such rates is agreed upon by the Secretary of the Interior and Group 1 Unit Operator.

(2) Royalties on gasoline or other liquid hydrocarbons allocated to Federal lands shall be paid at the lease rates.

(3) If for any reason Group 1 Unit Operator does not inject into sands or horizons containing Group 1 unitized substances a total of 65,000,000 M.C.F. of gas within 15 years from the effective date hereof or if, upon the permanent discontinuance of the injection of gas, Group 1 Unit Operator has failed to inject 65,000,000 M.C.F., the rate of royalty due the United States on the gas recovered from the production of Group 1 unitized substances shall be 3.79 per cent plus that percentage of 6.54 per cent which the difference between 65,000,000 M.C.F. and the amount of such gas injected bears to 65,000,000 M.C.F.

(4) If the total volume of gas produced per acre equals the amount injected per acre plus 4,136 M.C.F. per acre at 15,025# pressure base, the rate of Federal royalty on all subsequent production shall be at the lease rates. +

(5)²

13. (b) Royalties for Groups 2 and 3 unitized substances payable to the United States shall be paid at the rates specified in the respective leases subject to this agreement. If and when such substances are produced under a plan of development and/or operation approved pursuant to this agreement, said royalties shall be computed on the basis of the amount or value of production allocated to said leases.

13. (c) Rental for lands of the United States

subject to this agreement shall be paid at the rates specified in the leases, except that, as to leaseholds determined by the Secretary of the Interior to be valuable only for storage or production of Group 1 unitized substances, the rental shall be paid at an annual rate of 25 cents an acre during the first 25 years following the effective date of this agreement. In any and all events, the leases shall be deemed to be in a status of operating leases while being used for storage of Group 1 unitized substances.

CONSERVATION

14. All operations shall be conducted so as to provide for the most economical and efficient recovery of unitized substances to the end that maximum ultimate yield may be obtained without waste, and for the purpose of more properly conserving the natural resources, the production of unitized substances at all times shall be without waste as defined by State or Federal law; and production from gas wells shall be limited to such quantity as can be put to beneficial use with adequate realization of fuel values; and, in the discretion of the Secretary of the Interior, production of unitized substances shall be limited by the beneficial demand as determined by said Secretary.

DRAINAGE

15. Any Unit Operator shall take appropriate and adequate measures to prevent drainage of the unitized substances as to which he is Unit Operator from the unitized lands by wells not on the lands subject to this agreement, or, with approval of the Secretary of the Interior, pay a fair and reasonable compensatory royalty as determined by the Supervisor.

LEASES AND
CONTRACTS
CONFORMED
TO AGREEMENT

16. The parties hereto are consenting hereto holding Federal leases subject to this agreement, consent that the Secretary shall, and said Secretary, by his approval of this agreement, does, establish, alter, change or revoke the drilling, producing, royalty and rental requirements of such leases and the

regulations in respect thereof, to conform said requirements to the provisions of this agreement.

The Secretary further agrees, consents and determines that during the effective life of this agreement, the prospecting, drilling, and producing operations performed upon any lands subject hereto will be accepted and deemed to be operations under and for the benefit of all such leases; that suspension of operations or production on any such lease shall be deemed not to have occurred if there be operations or production on any part of the lands subject hereto; and that suspension of all operations and production on said lands pursuant to any approved plan of development and/or operation or to the direction or consent of said Secretary, shall be deemed to constitute such suspension with respect to each such lease; and no such lease shall be deemed to expire by reason of such approved suspension.

All agreements by and between the parties hereto or consenting hereto are hereby modified or amended to the extent that such agreements are not consistent herewith and in case of any conflict the terms of this unit agreement shall prevail.

The parties hereto owning rights in any Federal oil and gas lease which covers lands part of which are within, and part of which are outside, the Rhodes Unit Area described in this agreement, by their signature hereto hereby consent and agree that lands covered by any such lease located outside said Rhodes Unit Area will, upon request of the Secretary of the Interior, be made subject to any future unit agreement approved or prescribed by the Secretary.

COVENANTS
ON
FEDERAL

17. The covenants herein run with the land until this agreement terminates, and any grant, transfer, or lease of interest in lands or leases subject hereto shall be conditioned on the assumption of all privileges and obligations hereunder by the grantee, transferee, lessee, or other successor in interest and as to Federal land shall be subject to approval by the Secretary.

AFFECTIVE DATE
AND TERM

18. This agreement upon approval by the Secretary shall be deemed to have become effective as of January 1, 1944, and shall terminate two (2) years after said effective date unless (1) gas has been or is being injected into the horizons containing Group 1 unitized substances, as herein provided, or (2) a plan for the development and operation of Group 2 or Group 3 unitized substances has been established, pursuant to section (6) hereof, provided that this agreement may be terminated by the Secretary of the Interior upon request of Group 1 Unit Operator and the unit operator or operators for unitized substances in Groups 2 and 3, or, if there be no unit operator for unitized substances in said Groups or either of them, then the owners of the operating interests as to unitized substances as to which there is no unit operator upon the majority of the lands then subject to this agreement, after notice of intention to request such termination has been served on all parties in interest who are not parties to the request for such termination.

REGULATION
OF DEVELOPMENT
AND PRODUCTION

19. All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute; provided that the Secretary is vested with authority, pursuant to the mineral leasing act, 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, 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.

DETERMINATIONS
BY OPERATOR AND
REVIEW THEREOF

20. Operator shall determine all matters involved in this agreement for which a different method of determination is not herein established; provided that Operator shall give timely notice of all such determinations to all interested parties, including the Secretary; provided further, that all such determinations may be reviewed by the Secretary on his own initiative or on written request of any interested party, notice of any such review to be given to all interested parties, including Operator, within 60 days after receipt of notice of Operator's determination; and provided further, that any matters so reviewed, on request or consent of Operator, may be submitted to a committee of three competent persons appointed by said Secretary, one on nomination of Operator, one on nomination of the other interested parties, and the third on nomination of the first two, the cost of such committee to be a cost of operation and its report (which shall be binding on the committee when concurred in by any two of its members) shall be submitted to said Secretary, the Operator, and other interested parties; and provided further, that opportunity shall be given in said review for all interested parties to present their contentions and supporting evidence by written or oral communication to said committee or said Secretary, and that after consideration of all credible evidence, said Secretary shall render a reasonable decision, so made and rendered, shall be final and binding on all parties hereto or consenting hereto.

"Operator", as used in this Section 20, means (a) where unitized substances in Group 1 are concerned, the Group 1 Unit Operator; (b) where unitized substances in Groups 2 and 3 are involved, the unit operator or operators for such substances, or, if there be no unit operator for the unitized substances in both or either of said groups, then the owners of the

operating interests as to the unitized substances for which there is no unit operator upon the majority of the lands then subject to this agreement; and (c) where unitized substances in Groups 1, 2 and 3 are involved, the Group 1 Unit Operator and the unit operator or operators for unitized substances in Groups 2 and 3, or if there be no such unit operator for the unitized substances in Groups 2 and 3 or either of them, the owners of the operating interests as to the unitized substances in said groups or group upon the majority of the lands then subject to this agreement.

BOND

21. Any Unit Operator shall furnish within 30 days after approval hereof by the Secretary of the Interior of after his selection and maintain at all times thereafter a bond in the penal sum of \$5,000.00 with approved corporate surety, or with deposit of United States bonds as surety therefor, conditioned upon compliance with the terms of this agreement applicable to him, provided that additional bond may be required at any time deemed necessary by the Secretary of the Interior.

22. It is understood and agreed that the calculations upon which the royalty percentages mentioned in paragraphs 1 and 3 of Section 13(a) and the M.c.f. per acre mentioned in paragraph 4 of said Section 13(a) are based on 5,480 acres of Group 1 unitized substances, initially committed to this agreement. If at any time it is mutually agreed to change the number of acres initially included within Group 1 unitized substances, then the aforesaid royalty percentages and M.c.f. per acre shall be recalculated on the basis of the new acreage and facts appertaining thereto. No change shall be made in the aforesaid royalty percentages and M.c.f. per acre until such changes are mutually agreed upon by the Secretary of the Interior and Group 1 Unit Operator.

COUNTERPARTS

23. This agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and set opposite their respective names the date of execution and a list of the lands or interests made subject to this agreement. (Note: When any person executes this agreement in a representative capacity of any type, there should be attached thereto a duly certified or photostatic copy of the instrument(s) setting forth his authority to execute this agreement.)

Date March 13th, 1944. Sec. 7: NE $\frac{1}{2}$ NE $\frac{1}{2}$

EL PASO NATURAL GAS COMPANY Oil rights only above 4000' and all gas rights in:

By (Sgd) C. C. Cragin
Vice President Sec. 9: SW $\frac{1}{2}$ NE $\frac{1}{2}$

Attest: (Sgd) J. E. Franey
Secretary

Gas rights only to 4000' depth in:

- Sec. 4: W $\frac{1}{2}$ NW $\frac{1}{2}$; SW $\frac{1}{2}$; W $\frac{1}{2}$ SE $\frac{1}{2}$; SE $\frac{1}{2}$ SE $\frac{1}{2}$
- Sec. 10: SW $\frac{1}{2}$ SW $\frac{1}{2}$; SE $\frac{1}{2}$ SE $\frac{1}{2}$
- Sec. 15: NE $\frac{1}{2}$ NE $\frac{1}{2}$; NW $\frac{1}{2}$ NW $\frac{1}{2}$; S $\frac{1}{2}$ N $\frac{1}{2}$
- Sec. 5: All
- Sec. 6: NE $\frac{1}{2}$ NW $\frac{1}{2}$; NE $\frac{1}{2}$; N $\frac{1}{2}$ SE $\frac{1}{2}$; SE $\frac{1}{2}$ SE $\frac{1}{2}$
- Sec. 8: NW $\frac{1}{2}$; N $\frac{1}{2}$ SW $\frac{1}{2}$; SE $\frac{1}{2}$ SW $\frac{1}{2}$; E $\frac{1}{2}$
- Sec. 9: E $\frac{1}{2}$ NE $\frac{1}{2}$; NW $\frac{1}{2}$ NE $\frac{1}{2}$; W $\frac{1}{2}$; SE $\frac{1}{2}$
- Sec. 10: W $\frac{1}{2}$ NW $\frac{1}{2}$; SE $\frac{1}{2}$ NW $\frac{1}{2}$
- Sec. 15: S $\frac{1}{2}$
- Sec. 17: N $\frac{1}{2}$ NE $\frac{1}{2}$
- Sec. 21: E $\frac{1}{2}$ NE $\frac{1}{2}$; NW $\frac{1}{2}$ NE $\frac{1}{2}$
- Sec. 22: All
- Sec. 26: All
- Sec. 27: E $\frac{1}{2}$
- Sec. 28: S $\frac{1}{2}$

All in Township 26 South, Range 37 East, N.M.P. Meridian.

Date Mar. 22, 1944.

THE TEXAS COMPANY

By (Sgd) J. S. Leach
Vice President

Attest: (Sgd) J. B. Duke
Assistant Secretary

- Sec. 5: All
- Sec. 6: NE $\frac{1}{2}$ NW $\frac{1}{2}$; NE $\frac{1}{2}$; N $\frac{1}{2}$ SE $\frac{1}{2}$; SE $\frac{1}{2}$ SE $\frac{1}{2}$
- Sec. 8: NW $\frac{1}{2}$; N $\frac{1}{2}$ SW $\frac{1}{2}$; SE $\frac{1}{2}$ SW $\frac{1}{2}$; E $\frac{1}{2}$
- Sec. 9: E $\frac{1}{2}$ NE $\frac{1}{2}$; NW $\frac{1}{2}$ NE $\frac{1}{2}$; W $\frac{1}{2}$; SE $\frac{1}{2}$
- Sec. 10: W $\frac{1}{2}$ NW $\frac{1}{2}$; SE $\frac{1}{2}$ NW $\frac{1}{2}$
- Sec. 15: S $\frac{1}{2}$
- Sec. 17: N $\frac{1}{2}$ NE $\frac{1}{2}$
- Sec. 21: E $\frac{1}{2}$ NE $\frac{1}{2}$; NW $\frac{1}{2}$ NE $\frac{1}{2}$
- Sec. 22: All
- Sec. 26: All
- Sec. 27: E $\frac{1}{2}$
- Sec. 28: S $\frac{1}{2}$

All in Township 26 South, Range 37 East, N.M.P. Meridian.

Date March 31, 1944.

COLUMBIAN CARBON COMPANY

By (Sgd) Reid L. Carr
President

Attest: (Sgd) Geo. L. Dobb
Asst. Secretary

Date April 6, 1944.

AMERADA PETROLEUM CORPORATION

By (Sgd) Allan M. Blow
Vice-Pres.

Attest: (Sgd) L. G. Etchison
Asst. Secy.

Approved as to terms:

3/16/44 (Sgd) C. B. Williams

STIPULATION

The provisions of section 13(a) of the Unit Agreement For The Development and Operation Of The Rhodes Area, Lea County, New Mexico, dated as of January 1, 1944, by and between the El Paso Natural Gas Company and others, are based on the assumption that 65,000,000 M.c.f. of injected gas and at least 21,994,531 M.c.f. of gas in place will be produced and allocated to the Federal leases committed to said agreement. These quantities may not be available for such allocation if gas from the zones embracing Group 1 unitized substances is produced by wells on lands not subject to the unit agreement in an amount exceeding the gas in place on such lands, estimated to be 11,052,250 M.c.f. as of January 1, 1944.

Accordingly, the undersigned hereby stipulate, agree, and consent:

1. That all gas produced from lands not subject to the unit agreement from zones containing Group 1 unitized substances in excess of the aggregate of 11,052,250 M.c.f. and the amount of any gas injected on said lands shall be deemed to be gas drained from unitized land, and compensatory royalty shall be paid the United States for such excess gas as though produced and allocated under the unit agreement.

2. That the volume of gas produced from lands not subject to the unit agreement from zones containing Group 1 unitized substances in excess of the aggregate of 11,052,250 M.c.f. and the amount of any gas injected on said lands shall be deducted from the total volume of gas injected under the unit agreement, and the volume remaining after such deduction shall be divided by the total unitized acreage in determining the amount of "injected gas per acre" under subsection 13 (a) (4) of said agreement.

3. That, in the event lands within the area containing Group 1 unit-ized substances but not committed to the unit agreement are subsequently made subject to said agreement, the 11,052,250 M.c.f. estimate, as used in items 1 and 2 hereof, shall be recalculated on the basis of the new acreage and facts appertaining thereto.

Attest:

(Sgd) J. E. Franey
Secretary

Date June 6, 1944

EL PASO NATURAL GAS COMPANY

By (Sgd) E. C. Cragin
Vice President

Attest:

(Sgd) J. B. Duke
Assistant Secretary

Date June 10, 1944

THE TEXAS COMPANY

By (Sgd) Ira McFarland
Vice President

Attest:

(Sgd) Geo. L. Bubb
Asst. Secretary

Date June 15, 1944

COLUMBIAN CARBON COMPANY

By (Sgd) Reid L. Carr
President

Attest:

(Sgd) L. G. Etchison
Asst. Secretary

Date June 12, 1944

AMERADA PETROLEUM CORPORATION

By (Sgd) Earle S. Porter
Vice President

The undersigned hereby stipulate and agree that operations under the Unit Agreement for the Development and Operation of the Rhodes Area, Lea County, New Mexico, dated as of January 1, 1944, by and between the El Paso Natural Gas Company and others, shall be subject to the following condition:

The operator or operators shall not discriminate against any employe or applicant for employment because of race, creed, color, or national origin, and shall require an identical provision to be included in all sub-contracts.

Dated June 16, 1944

THE TEXAS COMPANY

Attest:

By (Sgd) ? ? Saunders
Vice President

(Sgd) signature illegible
Asst. Secretary

COLUMBIAN CARBON COMPANY

Attest:

By (Sgd) Reid L. Carr
President

(Sgd) Geo. L. Bubb
Asst. Secretary

AMERADA PETROLEUM CORPORATION

By (Sgd) signature illegible
Secretary

EL PASO NATURAL GAS COMPANY

Attest:

By (Sgd) C. C. Crazin

(Sgd) J. E. Francey
Secretary

APPROVAL - CERTIFICATION - DETERMINATION

Pursuant to the statutory authority in the Secretary of the Interior under the Act approved March 4, 1931, 46 Stat. 1523, 30 U.S.C. 184, and the Act approved August 21, 1935, 49 Stat. 674, 30 U.S.C. 222, amending the Act approved February 25, 1920, 41 Stat. 437, 30 U.S.C. 181, in order to secure the proper protection of the public interest, I, Oscar L. Chapman, Assistant Secretary of the Interior, this 29th day of June, 1944, hereby take the following action:

A. Approve the attached agreement for the development and operation of the RHODES UNIT AREA, Lea County, New Mexico, entered into between the El Paso Natural Gas Company and others subscribing thereto;

B. Determine and certify that the plan of development and operation contemplated in said agreement is for the purpose of more properly conserving the oil or gas resources of said unit area and is necessary or advisable in the public interest.

C. Certify that each and every lease heretofore or hereafter issued for lands of the United States and made subject as to all or any part of the leased lands to said agreement, from the effective date thereof and concurrently therewith, shall be modified as to the drilling, producing, and royalty provisions of such lease to conform with said agreement, that the prospecting, drilling, storing and producing operations performed upon any lands subject to said agreement will be accepted and deemed to be operations under and for the benefit of all subject leases in their entirety, and each such lease shall in its entirety be deemed to continue in force and effect so long as oil or

gas is produced in paying quantities anywhere on lands subject to said agreement, including the term of any suspension of producing operations pursuant to any plan of development and/or operation under said agreement or to any order or consent of the Secretary of the Interior, and until the termination of said agreement.

(Sgd.) Oscar L. Chapman

Assistant Secretary of the Interior.