

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE LINDRITH UNIT AREA

RIO ARRIBA COUNTY

STATE OF NEW MEXICO

I. SEC. NO. 713

This agreement, entered into as of the 7th day of

December, 1948, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

W-I-T-N-E-S-S-E-T-H:

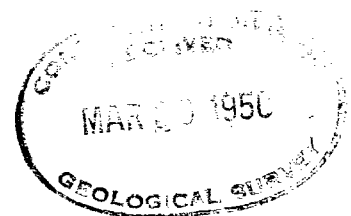
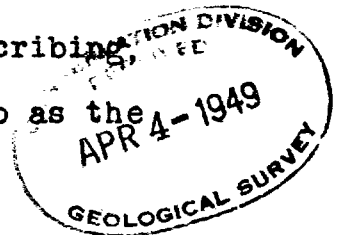
WHEREAS, the parties hereto are the owners of working, royalty, or other oil or gas interests in the unit area subject to this agreement; and

WHEREAS, the Act of February 25, 1920, 41 Stat..437, 30 U.S.C. secs. 181, et. seq., as amended by the Act of August 8, 1946, 60 Stat. 950, authorized Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating under a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof, for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Chap. 88, Laws 1943) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Chap. 72, Laws 1935) to approve this agreement and the conservation provisions hereof; and

RECEIVED
MAR 15 1949
U. S. GEOLOGICAL SURVEY
DUNSMITH, NEW MEXICO



WHEREAS, the parties hereto hold sufficient interests in the Lindrith Unit Area to give reasonably effective control of operations therein; and

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

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

ENABLING ACT AND REGULATIONS

1. The Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement, and as to non-Federal land applicable State laws are accepted and made part of this agreement.

UNIT AREA

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

NEW MEXICO PRINCIPAL MERIDIAN

T. 24 N., R. 2 W. - Sec. 3 - Lot 4, SW $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$
Sections 4 to 9, incl. - All

Sec. 10 - W $\frac{1}{2}$

Sec. 15 - W $\frac{1}{2}$

Sec. 16 to 21, incl. - All

Sec. 22 - W $\frac{1}{2}$ Secs. 28 to 32, incl. - All

Sec. 33 - N $\frac{1}{2}$

T. 25 N., R. 2 W. - Sec. 31 - Lots 1, 2, 3 and 4 (All)

Sec. 32 - All

T. 24 N., R. 3 W. - Sec. 1, 2 and 3 - All

Secs. 9 to 16, incl. - All

Secs. 21 to 28, incl. - All

Sec. 33 - E $\frac{1}{2}$

Secs. 34, 35 and 36 - All

T. 25 N., R. 3 W. - Sec. 34 - S $\frac{1}{2}$

Sec. 35 - S $\frac{1}{2}$

Sec. 36 - S $\frac{1}{2}$

Rio Arriba County, New Mexico, containing 28,499.41 acres, more or less

Exhibit A attached hereto is a map showing the unit area and the known ownership of all land and leases in said area. Exhibit B attached hereto is a schedule showing the percentage and kind of ownership of oil and gas interests in all land in the unit area. Exhibits A and B shall be revised by the Unit Operator whenever changes in the unit area or other changes render such revision necessary, and not less than six copies of the revised exhibits shall be filed with the Oil and Gas Supervisor.

The above-described unit area shall be expanded or contracted, whenever such action is necessary or desirable to conform with the purposes of this agreement, in the following manner;

(a) Unit Operator, on its own motion or on demand of the Director of the U. S. Geological Survey, hereinafter referred to as Director, or on demand of the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof.

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

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor and Commissioner evidence of mailing of the notice of

expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator.

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

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

UNITIZED SUBSTANCES

3. All oil, gas, natural gasoline, and associated fluid hydrocarbons in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

UNIT OPERATOR

4. The Magnolia Petroleum Company, a corporation, with offices at Dallas, Texas, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it as set forth in Exhibit S, and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances.

The Unit Operator may resign as Unit Operator whenever not in default under this agreement, but no Unit Operator shall be relieved from the duties and obligations of Unit Operator for

a period of 6 months after it has served notice of intention to resign on all owners of working interests subject hereto and the Director and Commissioner, unless a new Unit Operator shall have been selected and approved and shall have assumed the duties and obligations of Unit Operator prior to the expiration of said 6-month period. Upon default or failure in the performance of its duties or obligations under this agreement the Unit Operator may be removed by a majority vote of owners of working interests determined in like manner as herein provided for the selection of a successor Unit Operator. Prior to the effective date of relinquishment by or within 6 months after removal of Unit Operator, the duly qualified successor Unit Operator shall have an option to purchase on reasonable terms all or any part of the equipment, material, and appurtenances in or upon the land subject to this agreement, owned by the retiring Unit Operator and used in its capacity as such operator, or if no qualified successor operator has been designated, the working interest owners may purchase such equipment, material, and appurtenances. At any time within the next ensuing 3 months any equipment, material, and appurtenances not purchased and not necessary for the preservation of wells may be removed by the retiring Unit Operator, but if not removed shall become the joint property of the owners of unitized working interests in the participating area or, if no participating area has been established, in the entire unit area. The termination of the rights as Unit Operator under this agreement shall not terminate the right, title, or interest of such Unit Operator in its separate capacity as owner of interests in unitized substances.

SUCCESSOR UNIT OPERATOR

5. Whenever the Unit Operator shall relinquish the right as Unit Operator or shall be removed, the owners of the unitized working interests in the participating area on an acreage basis, or in the unit area on an acreage basis until a participating area shall have been established, shall select a new Unit Operator. A majority vote of the working interests qualified to vote shall be required to select a new Unit Operator; PROVIDED, That, if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of at least one additional working interest owner shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director and Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

UNIT ACCOUNTING AGREEMENT

6. If the Unit Operator is not the sole owner of working interests, all costs and expenses incurred in conducting unit operations hereunder and the working interest benefits accruing hereunder shall be apportioned among the owners of unitized working interests in accordance with a unit accounting agreement by and between the Unit Operator and the other owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether

one or more, are herein referred to as the "unit accounting agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit accounting agreement this unit agreement shall prevail. Three true copies of any unit accounting agreement executed pursuant to this section shall be filed with the Supervisor.

RIGHTS AND OBLIGATIONS OF UNIT OPERATOR

7. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing and storing the unitized substances are hereby vested in and shall be exercised by the Unit Operator as herein provided; but not withstanding anything contained in this Agreement to the contrary, all working interest owners of unitized lands hereby reserve the right to take their proportionate shares of the unitized substances in kind or to provide for the sale of their respective interests therein for their individual accounts, as such unitized substances are allocated to the respective working interest owners in accordance with the provisions of 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 the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

The Unit Operator shall pay all costs and expenses of operation with respect to the unitized land. If and when the Unit Operator is not the sole owner of all working interests,

such costs shall be charged to the account of the owner or owners of working interests, and the Unit Operator shall be reimbursed therefor by such owners and shall account to the working interest owners for their respective shares of the revenue and benefits derived from operations hereunder, all in the manner and to the extent provided in the unit accounting agreement. The Unit Operator shall render each month to the owners of unitized interests entitled thereto an accounting of the operations on unitized land during the previous calendar month, and shall pay in value or deliver in kind to each party entitled thereto a proportionate and allocated share of the benefits accruing hereunder in conformity with operating agreements, leases, or other independent contracts between the Unit Operator and the parties hereto either collectively or individually.

The development and operation of land subject to this agreement under the terms hereof shall be deemed full performance by the Unit Operator of all obligations for such development and operation with respect to each and every part or separately owned tract of land subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement, or other contract by and between the parties hereto or any of them.

DRILLING TO DISCOVERY

8. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location to be approved by the Supervisor, if such location is upon lands of the United States, and if upon State lands or

patented lands, such location shall be approved by the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as the Commission, and thereafter continue such drilling diligently until a well not less than 6500[✓] feet in depth has been drilled, unless at a lesser depth unitized substances shall be discovered which can be produced in paying quantities or the Unit Operator shall at any time establish to the satisfaction of the Supervisor as to wells on Federal land, or the Commission as to wells on State land or patented land, that further drilling of said well would not be warranted. If the first or any subsequent test well fails to result in the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal land or the Commissioner if on State land or patented land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign, as provided in Section 4 hereof, after any well drilled under this section is placed in a satisfactory condition for suspension or is plugged and abandoned pursuant to applicable regulations. The Director, and the Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in their opinion, such action is warranted. Upon failure to comply with the drilling provisions of this section, the Director and Commissioner may, after reasonable notice to the Unit Operator and each working interest owner, lessee, and lessor at their last known addresses, declare this unit agreement terminated.

The drilling of an initial test well to the depth and in the manner hereinabove specified by the Magnolia Petroleum Company shall satisfy the requirement set forth hereinabove for the drilling of such well, notwithstanding that such well may have been commenced or completed prior to the effective date of this agreement.

PLAN OF FURTHER DEVELOPMENT AND OPERATION

9. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission, an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Commissioner, and Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner, and the Commission, a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for exploration of the unitized area and for the determination of the commercially productive area thereof in each and every productive formation and shall be as complete and adequate as the Supervisor, the Commissioner, and the Commission may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject

to the approval of the Supervisor, Commissioner, and the Commission. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. All parties hereto agree that after completion of one commercially productive well no further wells, except such as may be necessary to afford protection against operations not under this agreement, shall be drilled except in accordance with a plan of development approved as herein provided.

PARTICIPATION AFTER DISCOVERY

10. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner, and the Commission a schedule, based on subdivision of the public land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all land in said schedule on approval of the Director, the Commissioner and the Commission to constitute a participating area, effective as of the date of first production. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from

and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month following the date of first authentic knowledge or information on which such revision is predicated, unless a more appropriate effective date is specified in the schedule. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

In the absence of agreement at any time between the Unit Operator, the Director, the Commissioner, and the Commission as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable

to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor and the Commissioner and the amount thereof deposited with the District Land Office of the Bureau of Land Management and the Commissioner of Public Lands, respectively, to be held as unearned money until the participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor as to wells on Federal land and the Commissioner as to wells on State land, and the Commission as to patented land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall be allocated to the land on which the well is located so long as that well is not within a participating area established for the pool or deposit from which such production is obtained.

ALLOCATION OF PRODUCTION

11. All unitized substances produced from each participating area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the said participating area. It is hereby agreed that production of unitized

substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area.

DEVELOPMENT OR OPERATION ON NON-PARTICIPATING LAND

12. Any party hereto, other than the Unit Operator, owning or controlling a majority of the working interests in any unitized land not included in a participating area and having thereon a regular well location in accordance with a well-spacing pattern established under an approved plan of development and operation may drill a well at such location at his own expense, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this agreement.

If such well is not drilled by the Unit Operator and results in production such that the land upon which it is situated may properly be included in a participating area, the party paying the cost of drilling such well shall be reimbursed as provided in the unit accounting agreement for the cost of drilling similar wells in the unit area, and the well shall be operated pursuant to the terms of this agreement as though the well had been drilled by the Unit Operator.

If any well drilled by the Unit Operator or by an owner of working interests, as provided in this section, obtains production insufficient to justify inclusion of the land on which said well is situated in a participating area, said owner of working interests at his election, within 30 days after determination of such insufficiency, shall be wholly responsible for and

may operate and produce the well at his sole expense and for his sole benefit. If such well was drilled by the Unit Operator and said owner of working interests elects to operate said well, he shall pay the Unit Operator a fair salvage value for the casing and other necessary equipment left in the well.

Wells drilled or produced at the sole expense and for the sole benefit of an owner of working interest other than the Unit Operator shall be operated pursuant to the terms and provisions of this agreement. Royalties in amount or value of production from any such well shall be paid as specified in the lease affected.

ROYALTIES AND RENTALS

13. The Unit Operator, on behalf of the parties hereto, shall pay in value or deliver in kind, according to the rights of the parties established by underlying leases or agreements, all royalties due upon production allocated to unitized land and shall pay all rentals or minimum royalties due on unitized land. All such payments or deliveries in kind shall be charged by the Unit Operator to the appropriate working interest owners as provided in the unit accounting agreement. Nothing herein contained shall operate to relieve the lessees of Federal or State land from their obligations under the terms of their respective leases to pay rentals and royalties.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by

law or regulation: PROVIDED, That for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

Rental or minimum royalty for land of the United States subject to this agreement shall be paid at the rates specified in the respective Federal leases, or such rental or minimum royalty may be waived, suspended, or reduced to the extent authorized by law and applicable regulations.

CONSERVATION

14. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances, to the end that the maximum efficient yield may be obtained without waste, as defined by or pursuant to State or Federal law or regulation; and production of unitized substances shall be limited to such production as can be put to beneficial use with adequate realization of fuel and other values.

DRAINAGE

15. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal land or as approved by the Commissioner as to State land.

LEASES AND CONTRACTS CONFORMED TO AGREEMENT

16. The parties hereto holding interests in leases embracing unitized land of the United States or of the State of New Mexico consent that the Secretary and Commissioner, respectively, may, and said Secretary and Commissioner, by their approval of this agreement do hereby establish, alter, change or revoke the

drilling, producing, rental, minimum royalty, and royalty requirements of such leases and the regulations in respect thereto, to conform said requirements to the provisions of this agreement, but otherwise the terms and conditions of said leases shall remain in full force and effect.

Said parties further consent and agree, and the Secretary and Commissioner by their approval hereof determine, that during the effective life of this agreement, drilling and producing operations performed by the Unit Operator upon any unitized land will be accepted and deemed to be operations under and for the benefit of all unitized leases embracing land of the United States and the State of New Mexico; and that no such lease shall be deemed to expire by reason of failure to produce wells situated on land therein embraced. Any Federal lease for a term of 20 years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force until the termination hereof. Any other Federal lease or state lease committed hereto shall continue in force as to the committed land so long as the lease remains committed hereto, provided a valuable deposit of unitized substances is discovered prior to the expiration date of the primary term of such lease. Authorized suspension of all operations and production on the unitized land shall be deemed to constitute authorized suspension with respect to each unitized lease.

Each of the parties hereto holding any unitized interest, including royalty and working interest, in, to and under an oil and gas lease of privately owned land subject to this agreement hereby agrees that such lease is hereby modified, as between such of the parties hereto as are interested therein, effective as of the effective date of this agreement, to the extent necessary that (1) such lease shall remain in full force and effect for the primary term therein stated, subject only to the payment of any and all delay

rentals and the compliance with any other requirements therein provided, and for so long thereafter as one or more of the substances so leased is producible from lands embraced by such lease in quantities sufficient to justify the cost of production, and (2) in the event any of the land embraced by such lease is before expiration or termination thereof included within a participating area, or extension thereof, effective pursuant to this agreement, so that the holders of such interests become entitled to share in the production, or proceeds from sale thereof, from such participating area, payable at the rate or rates provided in such lease on the production allocated hereunder to the land so included, then the term of such lease is extended (free of subsequently accruing delay rentals, if any) as to all the land embraced by it, for and during the entire term of this agreement.

COVENANTS RUN WITH LAND

17. The covenants herein shall be construed to be covenants running with the land with respect to the interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest, and as to Federal land shall be subject to approval by the Secretary and as to State land shall be subject to approval by the Commissioner.

EFFECTIVE DATE AND TERM

18. This agreement shall become effective upon approval by the Commissioner and Secretary and shall terminate on December 31, 1951, unless (a) such date of expiration is extended by the Director and Commissioner, or (b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities and after notice of

intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and the Commissioner, or (c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which case the agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities; or (d) it is terminated as provided in section 5 or section 8 hereof. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto with the approval of the Director and the Commissioner.

RATE OF PROSPECTING, 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. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify 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; provided further that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately-owned lands subject to

this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

CONFLICT OF SUPERVISION

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

UNAVOIDABLE DELAY

21. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, lockouts, acts of God, Federal, State, or municipal laws or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials

in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

COUNTERPARTS

22. 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, or this agreement may be ratified with like force and effect by a separate instrument in writing specifically referring hereto. Any separate counterpart, consent, or ratification duly executed after approval hereof by the Secretary and the Commissioner shall be effective on the first day of the month next following the filing thereof with the Supervisor and the Commissioner, unless objection thereto is made by the Director or Commissioner and notice of such objection is served upon the appropriate parties within 60 days after such filing.

FAIR EMPLOYMENT

23. The Unit Operator shall not discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and an identical provision shall be incorporated in all subcontracts.

LOSS OF TITLE

24. In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join this unit agreement, so that such tract is not committed to this unit agreement, there shall be such re-adjustment of participation as may be required on account of such failure of title. In the event of a dispute as to title or as to any interest in unitized land, the Unit Operator may withhold payment or delivery on account thereof without liability for

interest until the dispute is finally settled; PROVIDED: That as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico shall be withheld but such funds shall be deposited with the District Land Office of the Bureau of Land Management and Commissioner of Public Lands of the State of New Mexico, respectively, to be held as unearned money pending final settlement of the title dispute and then applied as earned or returned in accordance with such final settlement.

COMMITMENT OF STATE LANDS

25. This agreement provides for approval hereof by the Commissioner and the Commission, and in addition contains provisions authorizing the Commissioner and the Commission to exercise certain functions. It is hereby understood and agreed that, in view of the small percentage of State lands in the unit area which may be committed hereto, the Commissioner and Commission will exercise none of the functions prescribed in this agreement, except as to operations on State lands, until such time as said State lands, or a portion thereof, are included in an approved participating area.

In the event the Commissioner or Commission should not approve this agreement, it shall nevertheless be effective upon approval by the Secretary of the Interior and thereupon all of the provisions of this agreement pertaining to the functions of the Commissioner or Commission shall be of no effect.

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

ATTEST:

J. H. Pennington
Asst. Secretary
Jan. 5, 1949
Date

December 9, 1948
Date

MAGNOLIA PETROLEUM COMPANY

By

S. A. Thompson
VICE-PRESIDENT

Working interest owner Tracts 1 to 27 inclusive, and lessee Tract No. 29.

R. W. Wickens
Sean C. Wickens
Record owner Tract No. 1.

R. W. Wickens	
Gas	<input checked="" type="checkbox"/>
Land	<input checked="" type="checkbox"/>

Record owner Tract No. 6.
December 9, 1948
Date

Louise Pearson
C. Shanton

Record owner Tract No. 3.
December 9, 1948
Date

Timothy E. Ingwersen
Sarah E. Ingwersen

Record owner Tract No. 4.
December 9, 1948
Date

Daniel P. Rostling
Lee Rostling
W. L. Hawkins

Record owner Tract No. 8.
December 10, 1948
Date

Louise L. Mannan
Don B. Mannan

Record owner Tract No. 2.
December 10, 1948
Date

Record owner Tract No. 9.
December 10, 1948
Date

A. M. Vassil
Ann Vassil

Record owner Tract No. 5.
December 10, 1948
Date

Robert Lee Dase
Virginia R. Dase

Record owner Tract No. 7.
December 10, 1948
Date

W. E. Hammond
Mary Helen Hammond

Record Owner Tract No. 10.
March 26, 1949
Date

A. L. Duff Jr.
Rena B. Duff

Date

Date

Date

STATE OF Texas)
COUNTY OF Dallas) SS

On this 5th day of January, 1949, before me personally appeared S. A. Thompson to me personally known, who, being by me duly sworn did say that he is the Vice- President of MAGNOLIA PETROLEUM COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said S. A. Thompson, acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires:

June 1, 1949

Joan Stephens
Notary Public

JOAN STEPHENS, Notary Public
in and for Dallas County, Texas

STATE OF New Mexico)
COUNTY OF Bernalillo)

On this 9th day of December, 1948, before me personally appeared R.V. Wickens and Jean C. Wickens, his wife; and J.G. Heaston and Louise Heaston, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My commission expires
1-13-51


Notary Public

STATE OF New Mexico)
COUNTY OF Bernalillo)

On this 9th day of December, 1948, before me personally appeared ~~Timothy B. Ingwersen and Sarah E. Ingwersen, his wife;~~ and Timothy B. Ingwersen and Sarah E. Ingwersen, his wife; and Daniel P. Nolting and Nell Nolting, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My commission expires:
1-13-51



Notary Public

STATE OF New Mexico)
COUNTY OF Bernalillo)

On this 10th day of December, 1948, before me personally appeared W.L. Hawkins, a widower thru the death of his wife, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My commission expires:
1-13-51

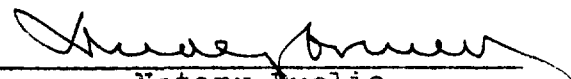

Notary Public

STATE OF New Mexico)
COUNTY OF Bernalillo)

On this 10th day of December, 1948, before me personally appeared Owen B. Marron and Louise C. Marron, his wife; and A. M. Nassif and Ann Nassif, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My commission expires
1-13-51


Notary Public

STATE OF New Mexico)
COUNTY OF Bernalillo)

On this 10th day of December, 1948, before me personally appeared Robert J. Nordhaus + Virginia R. Nordhaus, his wife; and W. E. Hammond + Mary Helen Hammond, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My commission expires:
1-13-51


Notary Public

STATE OF New Mexico)
COUNTY OF San Juan)

On this 26th day of March, 1949, before me personally appeared A. L. Duff, Jr. and Reba B. Duff, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission expires:
Oct 31, 1951


Notary Public

EXHIBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTEREST
IN ALL LANDS IN THE LINDRITH UNIT AGREEMENT

Tract No.	Description	No. of Acres	Santa Fe Serial No.	% Royalty Payable to U.S.	Royalty Record Owner of Lease	% of Overriding Royalty Under Option Agreement, Operating Agreement or Assignment and Owner	Working Interest Owner and % of Interest
1	Lots 1, 2, 3, 4 Sec. 31; N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 32-25N-2W; Lot 4, SW $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 3; All Secs. 4 and 6; N $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 10-24N-2W	2,316.53	078907	12 $\frac{1}{2}$ %	R.V.Wickens	R.V.Wickens, 2% under Option Agreement	Magnolia Petroleum Co., 85 $\frac{1}{2}$ % under Option Agreement
2	All Secs. 7 and 8; E $\frac{1}{2}$ Sec. 9; Lots 1, 2 & 4, E $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 18; N $\frac{1}{2}$ E $\frac{1}{2}$, S $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 17; W $\frac{1}{2}$ W $\frac{1}{2}$ Sec. 16-24N-2W.	2,370.92	078908	12 $\frac{1}{2}$ %	Owen B.Marron	Owen B.Marron, 2% under Option Agreement	Magnolia Petroleum Co., 85 $\frac{1}{2}$ % under Option Agreement
3	W $\frac{1}{2}$ Sec. 15; NE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 16; W $\frac{1}{2}$ Sec. 22; S $\frac{1}{2}$ Sec. 21; All Sec. 20; Lots 3 & 4, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ Sec. 19; N $\frac{1}{2}$ Sec. 30-24N-2W; E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 24-24N-3W.	2,544.29	078909	12 $\frac{1}{2}$ %	Timothy B. Ingwersen	Timothy B. Ingwersen, 2% under Option Agreement	Magnolia Petroleum Co., 85 $\frac{1}{2}$ % under Option Agreement
4	E $\frac{1}{2}$, N $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 28; NE $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 29; S $\frac{1}{2}$ Sec. 30; All Secs. 31 and 32-24N-2W; SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 24-24N-3W.	2,456.53	078910	12 $\frac{1}{2}$ %	Daniel P. Nolting	Daniel P. Nolting, 2% under Option Agreement	Magnolia Petroleum Co., 85 $\frac{1}{2}$ % under Option Agreement

Tract No.	Description	No. of Acres	Santa Fe Serial No.	% Royalty Payable to U.S.	Record Owner of Lease	% of Overriding Royalty Under Option Agreement, Operating Agreement or Assignment and Owner	Working Interest Owner and % of Interest
5	SE $\frac{1}{4}$ Sec. 35; S $\frac{1}{2}$ Sec. 36-25N-3W; All Secs. 1, 2 & 3-24N-3W	2,451.24	078911	12 $\frac{1}{2}$ %	Robert J. Nordhaus	Robert J. Nordhaus 2% under Option Agreement	Magnolia Petroleum Co.; 85 $\frac{3}{4}$ % under Option Agreement
6	All Sec. 10; N $\frac{1}{2}$, SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 11; NW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 12; NE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 13; E $\frac{1}{2}$, S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 14; NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 24-24N-3W.	2,560	078912	12 $\frac{1}{2}$ %	J.G. Heaston	J.G. Heaston, 2% under Option Agreement	Magnolia Petroleum Co.; 85 $\frac{3}{4}$ % under Option Agreement
7	All Secs. 15, 16, 21 and 22-24N-3W	2,560	078913	12 $\frac{1}{2}$ %	W.E. Hammond	W.E. Hammond, 2% under Option Agreement	Magnolia Petroleum Co.; 85 $\frac{3}{4}$ % under Option Agreement
8	All Secs. 25, 26, 27 and 28-24N-3W	2,560	078914	12 $\frac{1}{2}$ %	W.L. Hawkins	W.L. Hawkins, 2% under Option Agreement	Magnolia Petroleum Co.; 85 $\frac{3}{4}$ % under Option Agreement
9	All Secs. 23, 34, 35 and 36-24N-3W	2,560	078915	12 $\frac{1}{2}$ %	A.M. Nassif	A.M. Nassif, 2% under Option Agreement	Magnolia Petroleum Co.; 85 $\frac{3}{4}$ % under Option Agreement
10	NW $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 34-25N-3W	40	080804 Application	12 $\frac{1}{2}$ %	A.L. Duff, Jr.	A.L. Duff, Jr., 2% under Option Agreement	Magnolia Petroleum Co.; 85 $\frac{3}{4}$ % under Option Agreement
10a	N $\frac{3}{8}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 16-24N-2W	240	081230 Application	12 $\frac{1}{2}$ %	Manuel A. Sanchez	None	Magnolia Petroleum Co.; 87 $\frac{3}{4}$ % under Option Agreement
Total Federal Lands		22,659.51					

FEE LANDS

Tract No.	Description	No. of Acres	% Royalty Payable to Lessors and Others	Working Interest Owner and % of Interest
11	S $\frac{1}{2}$ N $\frac{1}{2}$, N $\frac{1}{2}$ S $\frac{1}{2}$ Sec. 17-24N-2W	320	5/128- Jerry Curtis 7/256- S. P. Yates 7/256- Martin Yates, III 1/64- L. A. Nordan 1/64- Salmount Oil Company	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
12a	W $\frac{1}{2}$ Sec. 29-24N-2W	320	1/32 - Fanny J. Hill 1/16 - G. E. Boring 1/64 - Case-Pomeroy & Co. 1/64 - Montoya Oil Co., Inc.	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
12b	W $\frac{1}{2}$ Sec. 33-24N-2W	320	5/64 - G. E. Boring 1/64 - Case-Pomeroy & Co. 1/64 - Montoya Oil Co., Inc. 1/64 - A. G. Johnson	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
12c	SW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 28; E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 29-24N-2W	320	1/32 - M. C. Price 1/32 - G. E. Boring 1/128- Case-Pomeroy & Co. 7/128- Montoya Oil Co., Inc.	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
13	SW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 10-24N-2W	240	3/64 - A. G. Johnson 1/64 - G. E. Boring 1/16 - Fanny J. Hill	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
14	SW $\frac{1}{4}$ Sec. 35-25N-3W	160	1/16 - Ira A. Myers 1/32 - John Ehlen 1/64 - J. Vincent Daniell 1/64 - Gus Boring	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
15	NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, Lot 3 Sec. 18-24N-2W	315.96	1/8 - R. E. Adams	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
16	All Sec. 9-24N-3W	640	1/8 - W. O. Hughes	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %

Tract No.	Description	FEE LANDS			Working Interest Owner and % of Interest
		No. of Acres	% Royalty Payable to Lessors and Others		
17	N $\frac{1}{2}$ Sec. 19-24N-2W	311.98	1/16 - Ernest Willis Meharg 1/32 - Mary E. Lance 1/32 - Allen M. Tonkin		Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
18	N $\frac{1}{2}$ S $\frac{1}{2}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 13; NE $\frac{1}{4}$ NE $\frac{1}{2}$ Sec. 24-24N-3W	320	1/8 - Ernest Willis Meharg		Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
19	E $\frac{1}{2}$ Sec. 33-24N-3W	320	1/8 - Lee D. Dalton		Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
20	E $\frac{1}{2}$ Sec. 5-24N-2W	325.52	1/16 - Edwin L. Browning 1/32 - Albert P. Avant 1/64 - John R. Anderson 1/128 - L. A. Nordan 1/128 - Salmount Oil Company		Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
21	W $\frac{1}{2}$ Sec. 9-24N-2W	320	1/32 - Albert P. Avant 1/32 - G. E. Boring 1/32 - John R. Anderson 1/64 - L. A. Nordan 1/64 - Salmount Oil Company		Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
23	S $\frac{1}{2}$ S $\frac{1}{2}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 34-25N-3W	280	1/160 - Edgar W. Horn 1/20 - Tenny R. McDowell 3/160 - Cassy Olive Johnson, Juanita Myers & Beola Stephens 1/40 - Mayme Belle Pepper 1/40 - Mamie Singleton, Chester Singleton, Edward E. Singleton, Lahoma Allen, Bobbie Joe Singleton, Ruby Mae Marcum		Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
24	W $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 11; NW $\frac{1}{4}$ N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 14-24N-3W	320	1/8 - Horace F. McKay		Magnolia Petroleum Co. 87 $\frac{1}{2}$ %

FEE LANDS

Tract No.	Description	No. of Acres	%Royalty Payable to Lessors and Others	Working Interest Owner and % of Interest
25	N $\frac{1}{2}$ Sec. 21-24N-2W	320	1/16 - T. W. Stevenson 1/32 - E. B. McFarlin 1/64 - Case-Pomeroy & Co. 1/64 - Montoya Oil Co., Inc.	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
26	NE $\frac{1}{4}$ Sec. 12-24N-3W	160	1/8 - Rex L. Clinkenbeard T. J. Clinkenbeard Rosalie Rleniets Eva Blanche Austin Clifford L. Clinkenbeard Hal H. Clinkenbeard Vera C. Doud	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
27	E $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 12-24N-3W	160	1/8 - Horace F. McKay	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
28	W $\frac{1}{2}$ Sec. 5-24N-2W	326.44	1/8 Curtis Evans O. C. Evans Henry Evans D. A. Evans & Hazel M. Evans	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %
Total Fee Lands		5,799.90		

STATE LANDS

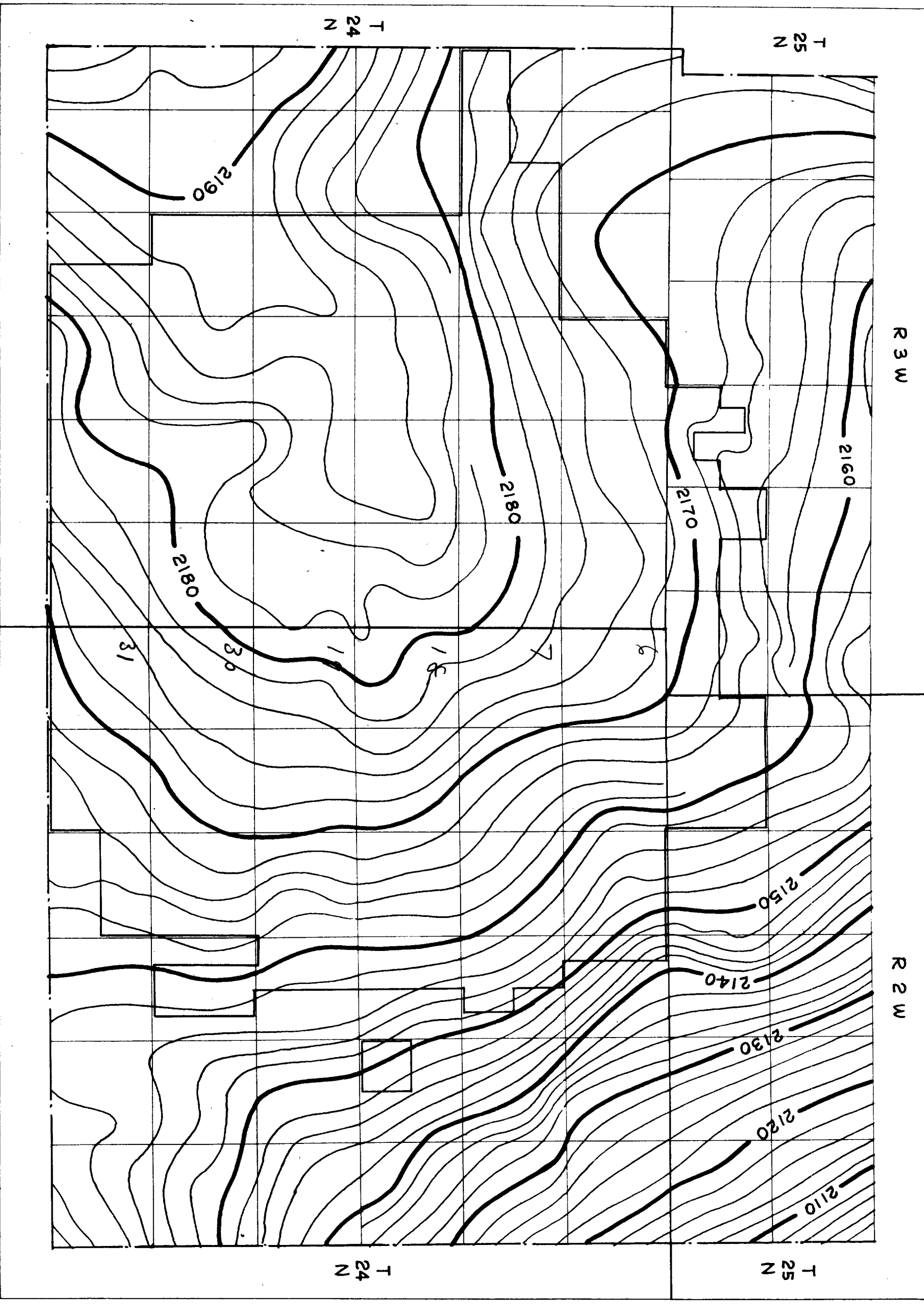
Tract No.	Description	No. of Acres	Serial No. and Expiration Date	% Royalty Payable to State of New Mexico	Lease Record Owner & % of Working Interest	% of Overriding Royalty and Owner
29	SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 32-25N-2W	40	E-1214 2/19/57	12 $\frac{1}{2}$ %	Magnolia Petroleum Co. 87 $\frac{1}{2}$ %	None
Total State Lands		40				

TOTAL LANDS IN LINDRITH UNIT AREA - 28,499.41 acres

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

Federal Lands	22,659.51 acres
Fee Lands	5,799.90 acres
State Lands	40.00 acres

Total Number of acres in Lindrith
Unit Area 28,499.41 acres



GRAVITY SURVEY
LINDRITH PROSPECT
RIO ARRIBA CO., NEW MEXICO
SCALE: 1" = 1 MILE