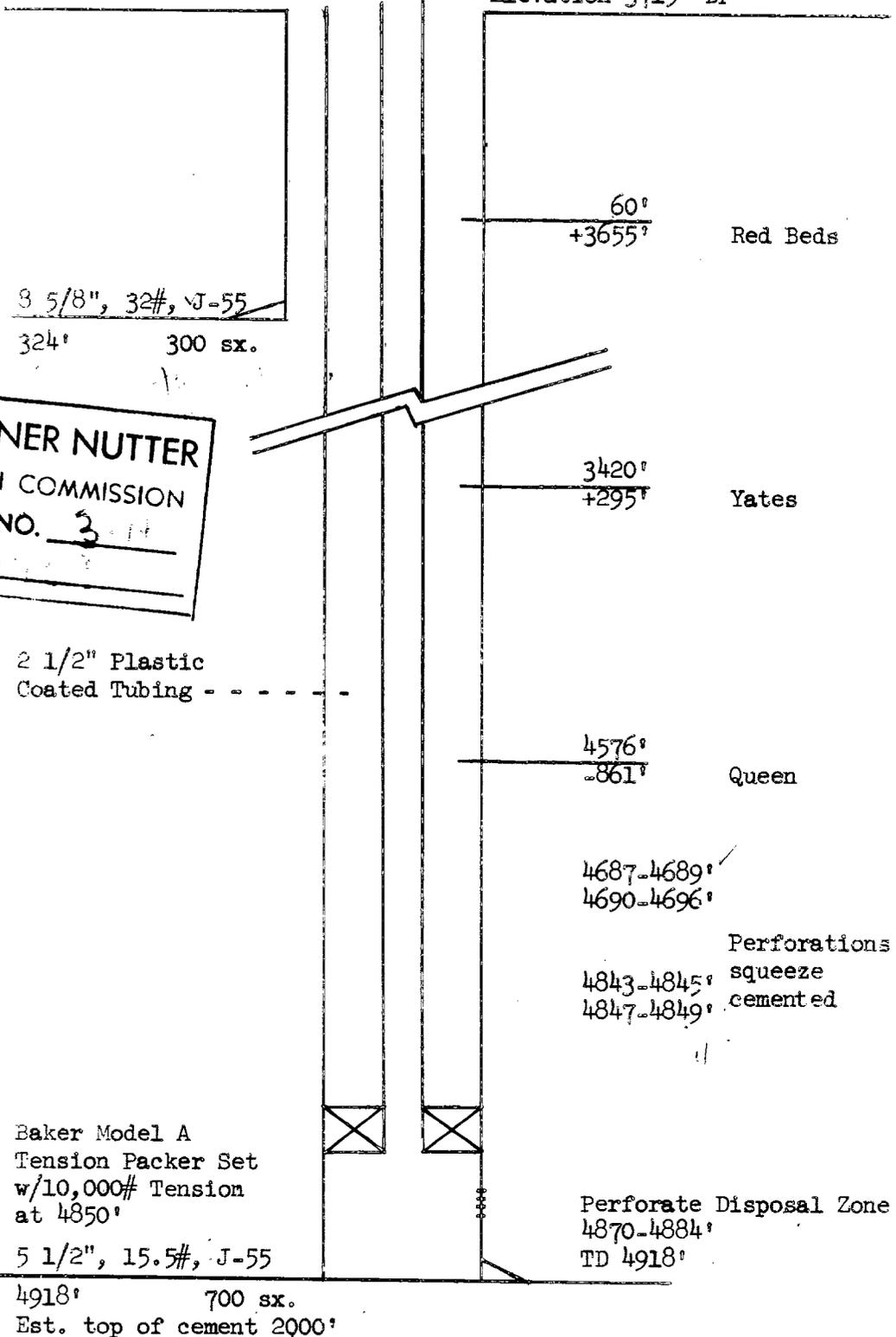


Anticipated Status - SWD
 SHELL RECORD #1
 Pearl Queen Field
 1980' FSL and 660' FWL Section 26-19S-35E
 Lea County, New Mexico

Elevation 3715' DF



BEFORE EXAMINER NUTTER
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 3-11
 CASE NO. _____

Anticipated Status - SWD
 SHELL ALLEN ESTATE #3
 Pearl Queen Field
 660' FS and ELs of Section 27-19S-35E
 Lea County, New Mexico

Elevation 3715' DF

8 5/8", 32#, H-40
 96' Cemented to surface

50'
 +3665' Red Beds

BEFORE EXAMINER NUTTER
 OIL CONSERVATION COMMISSION
 EXHIBIT NO. 2-14
 CASE NO. 1737

3515'
 +280' Yates

4597'
 -882' Queen

2 1/2" Plastic Coated
 Tubing - - - - -

Baker Model A Tension
 Packer @ 4875' Set w/
 10,000# Tension

5 1/2" 15.5#, J-55
 4900' 200 sx.
 Est. Top of Cement 3700'
 WOC 18 hours

4900'
 -1195' Zone IV
 Disposal Zone
 4900-4918'

TD 5015'

JAL:AWL
7/15/59
M-167-58

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
HENSHAW DEEP UNIT AREA
EDDY COUNTY, STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 18th day of September, 1959,
by and between the parties subscribing, ratifying, or consenting hereto, and herein
referred to as the "parties hereto,"

W I T N E S S E T H:

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

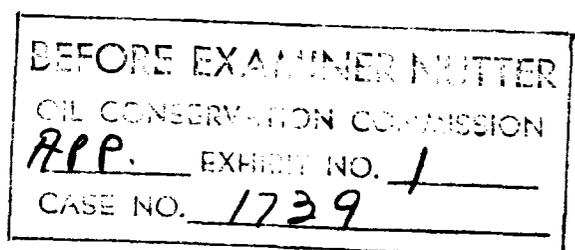
WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as
amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and their repre-
sentatives to unite with each other, or jointly or separately with others, in collect-
ively adopting and operating a cooperative or unit plan of development or operation of
any oil or gas pool, field, or like area, or any part thereof, for the purpose of
more properly conserving the natural resources thereof whenever determined and certi-
fied 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 of 1943) to consent to and
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 law (Chap. 72, Laws of 1935, as amended, N.M.S., 1953 Comp., Sections
65-3-3 et seq.) to approve this agreement and the conservation provisions hereof;
and

WHEREAS, the parties hereto hold sufficient interests in the Henshaw
Deep Unit Area covering the land hereinafter described 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 develop-
ment 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 consent to this agreement their respective interests in the below-defined unit area, and agree severally among themselves as follows:

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

2. UNIT AREA. The following-described land, as to all formations specified in Section 3 hereof, is hereby designated and recognized as constituting the unit area:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Township 16 South, Range 30 East

Section 11: S-1/2
Section 12: S-1/2
Section 13: All
Section 14: All
Section 23: All
Section 24: All
Section 25: All

Township 16 South, Range 31 East

Section 7: Lot 3, Lot 4, and E-1/2 SW-1/4
Section 18: Lot 1, Lot 2, Lot 3, Lot 4, and E-1/2 W-1/2
Section 19: Lot 1, Lot 2, Lot 3, Lot 4, and E-1/2 W-1/2
Section 30: Lot 1, Lot 2, Lot 3, Lot 4, and E-1/2 W-1/2

situated in Eddy County, New Mexico, containing 4,823.84 acres, more or less.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party

hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or the Commissioner of Public Lands, hereinafter referred to as "Commissioner", and not less than six copies of the revised exhibits shall be filed with the Supervisor, and at least one copy shall be filed with the Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," after preliminary concurrence by the Director, or on demand of the 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, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the 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, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion

or contraction shall, upon approval by the Director and Commissioner, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys, however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within 5 years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and Commissioner. The unit operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working

interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States and the State of New Mexico), on a total-nonparticipating-acreage basis, respectively, with approval of the Director and Commissioner, provided such extension application is submitted to the Director and Commissioner not later than 60 days prior to the expiration of said 10-year period.

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement, of the land described or referred to in Section 2 hereof, shall constitute land referred to herein as "unitized land" or "land subject to this agreement", as to all oil and gas in any and all formations of the unitized land at all depths below a horizon that is the stratigraphic correlative of the top of the Yegre formation occurring at a depth of 4127 feet on the Schlumberger electric log of the Great Western and Wilshire, Grayburg Deep Unit No. 1 well in the Southeast Quarter (SE-1/4) of the Northwest Quarter (NW-1/4) of Section 18, Township 17-South, Range 30-East, N.M.P.M., Eddy County, New Mexico. Such oil and gas are unitized under the terms of this agreement and herein are called "unitized substances".

4. UNIT OPERATOR. Shell Oil Company, a Delaware corporation, whose Post Office Address is Post Office Box 1509, Midland, Texas, is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice

of intention to resign has been served by Unit Operator on all working interest owners, the Director and Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor, as to Federal lands, and the Commissioner, as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

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

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

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

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender

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

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

(b) the selection shall have been approved by the 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.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "Unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and

conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if such location is upon Federal land, or by the Commissioner, if such location is upon State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Siluro-Devonian has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor, if on Federal land, or the Commissioner, if on State land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 12,300 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling

diligently one well at a time, allowing not more than 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 until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and the Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and the 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.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. 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 the 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 the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor, the 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, the 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. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner and the Commission, a schedule based on subdivisions 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 lands in said schedule on approval of the Director, the Commissioner and the Commission, to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. Said schedule also shall 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, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director, the Commissioner and the Commission. 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, or to exclude land then regarded as reasonably proved not 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 in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director, the Commissioner and the Commission. 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 adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the 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, respectively, and the amount thereof deposited, as directed by the Supervisor and the Commissioner, to be held as unearned money until a participating area

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

Whenever it is determined, subject to the approval of the Supervisor, as to wells on Federal land, and the Commissioner, as to wells on State 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, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

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

used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.

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

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

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

14. ROYALTY SETTLEMENT. The United States and the State of New Mexico and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their

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

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

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

It is expressly understood and agreed that beginning at the end of the respective 20-year terms, or any extensions thereof other than that provided by Section 19(e), of the Federal leases committed to this agreement which contain provisions for the payment of a 5% rate of royalty to the United States, the royalty rate on said leases shall be the same rate as would be applicable to the renewal leases in the absence of unitization.

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

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

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

16. RIGHTS OF WORKING INTEREST OWNERS IN UNITIZED SUBSTANCES. Notwithstanding any provision contained herein to the contrary, if any, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

Any working interest owner who takes its share of the unitized substances in kind shall pay or secure the payment of the royalty on its interest and furnish at its own expense all tankage and other equipment necessary for taking said unitized substances in kind and shall also pay any other additional expenses of Unit Operator occasioned thereby. Likewise, any royalty owners who under existing contracts are entitled to take their share of the unitized substances in kind shall furnish at their own expense all equipment necessary in connection therewith, and shall reimburse Unit Operator for all expenses incurred on account thereof; provided, that as to Federal lands such expense, equipment and storage of royalty oil taken in kind shall be assumed and furnished pursuant to the provisions of the Federal leases involved.

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

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

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

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract 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 their respective predecessors in interest, or any of them.

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

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

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof, subject to the royalty provisions of Section 14. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject

hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease.

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(b) of the Act, as amended by the Act of July 29, 1954 (68 Stat. 583, 585): "Any (Federal) lease hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

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

20. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties

hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance, 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. No assignment or transfer of any working interest, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

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

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

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the 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 event the agreement shall remain in effect for such term and so long as unitized substances can be produced in paying quantities, i.e., in this particular instance in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or

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

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

22. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, however, that no 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, nor as to any land of the State of New Mexico as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

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

23. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of said Department, the Commissioner or Commission, or to apply for relief from any of said regulations or in any

proceedings relative to operations before the Department of the Interior, the Commissioner or Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

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

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

26. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, 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, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

27. FAIR EMPLOYMENT. In connection with the performance of work under this agreement, the operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment

or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.

The operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

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

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

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement.

After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as effectively committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the Commissioner and the Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, Commissioner or Commission.

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

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

In so far as applicable to the parties hereto, each party hereto

elects that the parties hereto, and the operations hereunder, be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954 or such portion or portions thereof as to which the Secretary of the Treasury of the United States or his delegate may permit such exclusion. Unit Operator is hereby authorized and directed to execute on behalf of each party hereto such further evidence of such election as may be required by regulations issued under said Subchapter K, and, should such regulations require execution by each party, each party hereto agrees to execute such further evidence.

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 Execution:

September 13, 1959

SHELL OIL COMPANY

By: J.V. Lindsey
Attorney in Fact

Address: P. O. Box 1509
Midland, Texas

UNIT OPERATOR AND WORKING INTEREST
OWNER

OTHER WORKING INTERESTS OWNERS

TEXACO INC.

Date of Execution:

September 23, 1959

*BEA 11/5
11/85*

By: J.L. Sleeper
Attorney in Fact

Address: P.O. Box 3109
Midland, Texas

HUMBLE OIL AND REFINING COMPANY

By: W.L. Schiethris
VICE President

Address: P.O. Box 1237
Roswell, New Mexico

TRADE O.K.
W. A. MALEY
By: W.A.M.

ATTEST:

Margaret W. Hatala
Assistant Secretary

Date of Execution:

September 24, 1959

ATTEST:

Secretary

Date of Execution:

WESTERN OIL FIELDS, INC.

By: _____
President

Address: _____

OTHER WORKING INTEREST OWNERS (Cont'd.)

ATTEST:

Robert D. Gardner
Asst. Secretary

Date of Execution:

September 28, 1959

ATTEST:

A. Smith
Assistant Secretary

Date of Execution:

September 25, 1959

ATTEST:

James T. Hardy
Asst. Secretary

Date of Execution:

September 24, 1959

Date of Execution:

9-23-59

Date of Execution:

Date of Execution:

Date of Execution:

CARPER DRILLING COMPANY, INC.

By: Stuart Carson
Exec. President

Address: Carper Building
Clinton, New Mexico

PAN AMERICAN PETROLEUM CORPORATION



By: J. J. Knight
ATTORNEY-IN-FACT President

Address: P.O. Box 1411
First National Bank Building
Ft. Worth, Texas

THREE STATES NATURAL GAS COMPANY

By: M. Donahue
V.P. President

Address: 1700 Carnegie Tower
Dallas, Texas

J. I. O'Neill, Jr.
J. I. O'Neill, Jr.

Catherine C. O'Neill
Catherine C. O'Neill

Address: 410 W. Ohio
Milford, Tex.

Address: _____

Address: _____

Address: _____

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 18 day of September, 1959, by J. V. Lindsey, Attorney-in-Fact for SHELL OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires:
June 1, 1961

Jean [Signature]
Notary Public in and for Midland County, Texas.

STATE OF Texas)
)
COUNTY OF Midland)

The foregoing instrument was acknowledged before me this 23 day of September, 1959, by J. L. Sleeper, Jr., as Attorney-in-Fact for TEXACO INC., a Delaware Corporation, on behalf of said corporation.

My Commission expires:
6-1-61

Mary Jamison MARY JAMISON
Notary Public in and for Midland County, Texas

STATE OF TEXAS)
)
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 24th day of Sept, 1959, by RALPH J. SCHILTHUIS, as VICE PRESIDENT for HUMBLE OIL AND REFINING COMPANY, a Texas corporation, on behalf of said corporation.

My Commission expires:
6-1-61

Mona H. Minter Mona H. Minter
Notary Public in and for HARRIS County, Texas

STATE OF _____)
)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____, as _____ for WESTERN OIL FIELDS, INC., a _____ corporation, on behalf of said corporation.

My Commission expires:

Notary Public in and for _____ County, _____

STATE OF New Mexico
COUNTY OF Eddy

The foregoing instrument was acknowledged before me this 28 day of Sept, 1959, by Stanley Carper, as Exec. Vice Pres. for CARPER DRILLING COMPANY, INC., a New Mexico corporation, on behalf of said corporation.

My Commission expires:
10-15-59

Chris Chapman
Notary Public in and for Eddy
County, New Mexico

STATE OF Texas
COUNTY OF Tarrant

The foregoing instrument was acknowledged before me this 25th day of September, 1959, by J. L. Hoyt, Jr., as ATTORNEY-IN-FACT for PAN AMERICAN PETROLEUM CORPORATION, a Delaware corporation, on behalf of said corporation.

My Commission expires:
6-1-61

Velma B. Craft
Notary Public in and for Tarrant
County, Texas

VELMA B. CRAFT

STATE OF Texas
COUNTY OF Dallas

The foregoing instrument was acknowledged before me this 24th day of September, 1959, by J. P. Donahue, Jr. as Vice President for THREE STATES NATURAL GAS COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires:
HAZEL GRAY
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1961

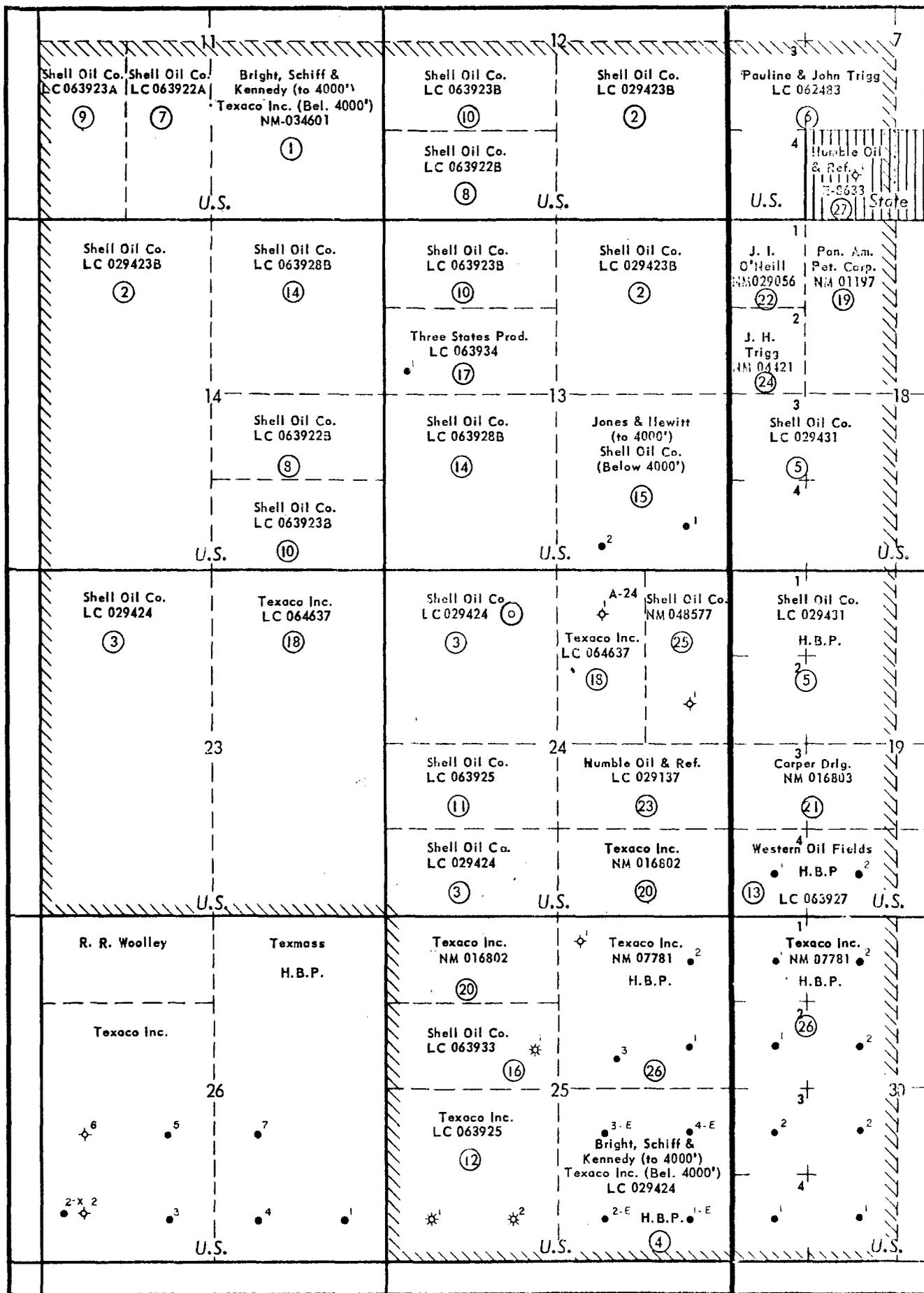
Hazel Gray
Notary Public in and for Dallas
County, Texas

STATE OF Texas
COUNTY OF Richardson

The foregoing instrument was acknowledged before me this 23rd day of September, 1959, by J. I. O'Neill, Jr., and his wife, Catherine C. O'Neill.

My Commission expires:
June 1, 1961

James H. ...
Notary Public in and for Richardson
County, Texas



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R 30 E

R 31 E

LEGEND



State of New Mexico Land
Federal Land

EXHIBIT "A"

EXHIBIT "B"
HENSHAW DEEP UNIT AREA, EDDY COUNTY, NEW MEXICO
TWP. 16S, RGS. 30 AND 31E
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP
OF OIL AND GAS INTERESTS IN ALL LAND IN UNIT AREA

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR SERIAL NO. AND EFFECTIVE DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE | |
|---------------------|---|--------------|--|----------------------------|--------------------------|---|---|---------------------|
| <u>FEDERAL LAND</u> | | | | | | | | |
| 1. | <u>T-16-S, R-30-E</u> Sec. 11: SE-1/4 | 160 | NM-034601 12-13-38 | USA - All 5% | Bright, Schiff & Kennedy | Harry Leonard Southern Petroleum Exploration, Inc. H. W. Etz., Jr. A. N. Etz Olivia W. Etz Bob Franklin Moreland T. Hartwell Dora M. Johnson Bright, Schiff & Kennedy | 1% 1% 1.8334% 1.8333% 1.8333% 1.25% .625% .625% 2.5% (1) | Texaco Inc. - All |
| 2. | <u>T-16-S, R-30-E</u> Sec. 12: SE-1/4 Sec. 13: NE-1/4 Sec. 14: W-1/2 | 640 | LC-029423-b 12-13-38 | USA - All 12.5% (2) | Shell Oil Company | Bob Franklin Dora M. Johnson Moreland T. Hartwell Bright, Schiff & Kennedy | 1.25% .625% .625% 3.75% (3) | Shell Oil Co. - All |
| 3. | <u>T-16-S, R-30-E</u> Sec. 23: W-1/2 Sec. 24: NW-1/4 & S-1/2 SW-1/4 | 560 | LC-029424 1-1-40 | USA - All 12.5% (2) | Bright, Schiff & Kennedy | Olivia W. Etz Bonnie R. Etz Southern Petroleum Exploration, Inc. H. R. Sendorf George H. Etz, Jr. A. N. Etz H. W. Etz, Jr. Dora M. Johnson Alma Walsh Mallison Bright, Schiff & Kennedy | .25% .32291% .25% .25% .29167% .21875% .29167% .625% 1.875% 1.875% (3) | Shell Oil Co. - All |

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR SERIAL NO. AND EFFECTIVE DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------|--|--------------|--|----------------------------|-----------------------------|--|-------------------------------|
| 4. | T-16-S, R-30-E Sec. 25: SE-1/4 | 160 | LC-029424 1-1-40 | USA - All 12.5% (2) | Bright, Schiff & Kennedy | Olivia W. Etz Bonnie R. Etz Southern Petroleum Exploration, Inc. H. R. Sindorf George H. Etz, Jr. A. N. Etz H. W. Etz, Jr. Dora M. Johnson Alma Walsh Mallison Bright, Schiff & Kennedy | Texaco Inc. - All |
| | | | | | | .25% .32291% .25% .25% .29167% .21875% .29167% .625% 1.875% | |
| 5. | T-16-S, R-31-E Sec. 18: Lots 3 & 4 & E-1/2 SW-1/4 Sec. 19: Lots 1 & 2 & E-1/2 NW-1/4 | 280.62 | LC-029431 12-31-38 | USA - All 12.5% (2) | Shell Oil Company | Albuquerque National Bank, Trustee under The Last Will and Testament of F. A. Andrews, deceased, and Selma Andrews, a widow Marshall & Winston, Inc. Rose M. Cottingham, Independent Execu- trix of the Estate of V. E. Cottingham, deceased J. S. Ward Higgins Trust, Inc. U. Vera Cox (Haefs) Vera Lee Cox (Robinson) Argo Oil Corporation International Trust Company of Denver, Trustee under The Last Will and Testament of Josephine M. Smith, deceased | Shell Oil Co. |
| | | | | | | .25% .25% .25% .0625% .25% .03125% .09375% .3125% | |

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR SERIAL NO. AND EFFECTIVE DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|----------------|---|--------------|--|----------------------------|-------------------|---|-------------------------------|
| 5. (Continued) | | | | | | | |
| 6. | <u>T-16-S, R-31-E</u> Sec. 7: Lots 3 & 4 & NE-1/4 SW-1/4 | 99.84 | LC-062 | USA - All | Pauline B. Trigg | - - - | Pauline B. Trigg |
| 7. | <u>T-16-S, R-30-E</u> Sec. 11: E-1/2 SW-1/4 | 80.00 | LC-063922-a 12-13-38 | USA - All 5% | Shell Oil Company | Harry W. Leonard Southern Petroleum Exploration, Inc. 1% A. N. Etz 1.8333% Olivia W. Etz 1.8333% H. W. Etz, Jr. 1.8334% Carl W. Folkner et ux, Lilla Folkner 2.5% (4) B. A. Bowers et ux, Helen M. Bowers 2.5% (4) | Shell Oil Co. - All |
| 8. | <u>T-16-S, R-30-E</u> Sec. 12: S-1/2 SW-1/4 Sec. 14: N-1/2 SE-1/4 | 160 | LC-063922-b 12-13-38 | USA - All 12.5% (2) | Shell Oil Company | Carl Folkner et ux, Lilla Folkner 2.5% B. A. Bowers et ux, Helen M. Bowers 2.5% | Shell Oil Co. - All |

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR SERIAL NO. AND EFFECTIVE DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE | |
|-----------|---|--------------|--|----------------------------|-------------------|---|--|---------------------|
| 9. | T-16-S, R-30-E Sec. 11: W-1/2 SW-1/4 | 80 | LC-063923-a 12-13-38 | USA - All 5% | Shell Oil Company | Harry W. Leonard Southern Petroleum Exploration, Inc. A. N. Etz Olivia W. Etz H. W. Etz, Jr. W. C. Spain et ux S. Allyn Spain | 1% 1% 1.8333% 1.8333% 1.8334% 5% (4) | Shell Oil Co. - All |
| 10. | T-16-S, R-30-E Sec. 12: N-1/2 SW-1/4 Sec. 13: N-1/2 NW-1/4 Sec. 14: S-1/2 SE-1/4 | 240 | LC-063923-b 12-13-38 | USA - All 12.5% (2) | Shell Oil Company | W. C. Spain et ux S. Allyn Spain | 5% | Shell Oil Co. - All |
| 11. | T-16-S, R-30-E Sec. 24: N-1/2 SW-1/4 | 80 | LC-063925 1-1-40 | USA - All 12.5% (2) | Texaco Inc. | Ralph Nix Olivia W. Etz Bonnie R. Etz Southern Petroleum Exploration, Inc. H. W. Etz, Jr. A. N. Etz George H. Etz, Jr. J. B. Mulcock Harry L. Bigbee Tom Wilson | 1% .25% .32291% .25% .29167% .21875% .21875% .29167% .79166% .79167% .79167% | Shell Oil |
| 12. | T-16-S, R-30-E Sec. 25: SW-1/4 | 160 | LC-063925 1-1-40 | USA - All 12.5% (2) | Texaco Inc. | Ralph Nix Olivia W. Etz Bonnie R. Etz Southern Petroleum Exploration, Inc. H. R. Sindorf H. W. Etz, Jr. A. N. Etz George H. Etz, Jr. | 1% .25% .32291% .25% .29167% .25% .29167% .21875% .29167% | Texaco Inc. - All |

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR SERIAL NO. AND EFFECTIVE DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------|--|--------------|--|----------------------------|-------------------|---|-------------------------------|
| 13. | (Continued) | | | | | | |
| 14. | T-16-S, R-30-E Sec. 13: SW-1/4 Sec. 14: NE-1/4 | 320 | LC-063928-b 12-13-38 | USA - All 12.5% (2) | Shell Oil Company | <p>Wade H. James .125%</p> <p>M. W. Coll .1875%</p> <p>Maggie S. Cockburn 2.05078% (6)</p> <p>Johnney Cockburn .68359% (6)</p> <p>Thelma Cockburn .68359% (6)</p> <p>Zula Cockburn 2.05078% (6)</p> <p>Ruby English and Leroy English et ux, .98958%</p> <p>Frances English, Ervin Schwartz et ux, Georgie Schwartz, and Luis Zork et ux, Ruth Zork 2.5%</p> <p>Frank B. Hadlock et ux, Adah Hadlock Potash, Cameron, Potash & Bernat, A Partnership Evelyn Ann English, Individually and as Guardian of the Estate of Linda Sueann English, Minor, and Mrs. V. A. Peck, Guardian of the Estate of Patricia Eileen Peck, Minor, (Heirs of P. B. English, Jr.) .19792%</p> | Shell Oil Co. - All |

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR | | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | | WORKING INTEREST & PERCENTAGE |
|-----------|---|--------------|-------------------------------|--|---|---|---|--|--|
| | | | SERIAL NO. AND EFFECTIVE DATE | | | | | | |
| 15. | <u>T-16-S, R-30-E</u> Sec. 13: SE-1/4 | 160 | LC-063932 12-13-38 | | USA - All 12.5% (2) | J. W. Jones et ux, Zora Jones, and Pauline Archer Hewitt et vir, A. L. Hewitt | J. W. Jones and Zora Jones and Pauline A. Hewitt and A. L. Hewitt | 5% (7) | Shell Oil Co. - All |
| 16. | <u>T-16-S, R-30-E</u> Sec. 25: S-1/2 NW-1/4 | 80 | LC-063933 1-1-40 | | USA - All 12.5% (2) | Shell Oil Company | Bonnie R. Etz Olivia W. Etz Southern Petroleum Exploration, Inc. H. R. Sindorf George H. Etz, Jr. A. N. Etz H. W. Etz, Jr. | .32291% .25% .25% .25% .29167% .21875% .29167% | Shell Oil Co. - All |
| 17. | <u>T-16-S, R-30-E</u> Sec. 13: S-1/2 NW-1/4 | 80 | LC-063934 12-13-38 | | USA - All 12.5% (2) | Three States Natural Gas Company | None | | Three States Natural Gas Company - All |
| 18. | <u>T-16-S, R-30-E</u> Sec. 23: E-1/2 Sec. 24: W-1/2 NE-1/4 | 400 | LC-064637 2-1-51 | | USA - All 12.5% | H. J. Loe | Alvie V. Tapp et vir, Ira. E. Tapp | 3% | Texaco Inc. - All |
| 19. | <u>T-16-S, R-31-E</u> Sec. 18: E-1/2 NW-1/4 | 80 | NM-01197 11-1-51 | | USA - All 12.5% | Eugene E. Nearburg | George H. Hunker, Jr., & Margaret K. Hunker | 3% (8) | * Pan American Petroleum Corporation - All |
| 20. | <u>T-16-S, R-30-E</u> Sec. 24: S-1/2 SE-1/4 Sec. 25: N-1/2 NW-1/4 | 160 | NM-016802 2-1-55 | | USA - All oil: 12 $\frac{1}{2}$ - 25% gas: 12 $\frac{1}{2}$ - 16 2/3% | Texaco Inc. | None | | Texaco Inc. - All |
| 21. | <u>T-16-S, R-31-E</u> Sec. 19: Lot 3 and NE-1/4 SW-1/4 | 70.33 | NM-016803 2-1-55 | | USA - All 12.5% | Carper Drilling Company, Inc. | None | | Carper Drilling Company, Inc. - All |

*Pan-American Petroleum Corporation owns option only. Option will be exercised when unit finally approved.

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR SERIAL NO. AND EFFECTIVE DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------|---|--------------|--|---|-------------------------------|---------------------------------|------------------------------------|
| 22. | <u>T-16-S, R-31-E</u> Sec. 18: Lot 1 | 30.07 | NM-029056 6-1-57 | USA - All 12.5% | J. I. O'Neill, Jr. | Lamar Lunt Hoover H. Wright | 2% 2% |
| 23. | <u>T-16-S, R-30-E</u> Sec. 24: N-1/2 SE-1/4 | 80 | NM-029137 12-1-56 | USA - All oil: 12½ - 25% gas: 12½ - 16 2/3% | Humble Oil & Refining Company | None | Humble Oil & Refining Co. - All |
| 24. | <u>T-16-S, R-31-E</u> Sec. 18: Lot 2 | 30.08 | NM-04421 | USA - All | J. H. Trigg | - - - | J. H. Trigg |
| 25. | <u>T-16-S, R-30-E</u> Sec. 24: E-1/2 NE-1/4 | 80 | NM-048577 9-1-58 | USA - All oil: 12½ - 25% gas: 12½ - 16 2/3% | Shell Oil Company | None | Shell Oil Co. - All |
| 26. | <u>T-16-S, R-30-E</u> Sec. 25: NE-1/4 <u>T-16-S, R-31-E</u> Sec. 30: Lots 1, 2, 3 & 4, and E-1/2 W-1/2 | 442.48 | NM-07781 6-1-52 | USA - All oil: 12½ - 25% gas: 12½ - 16 2/3% | Texaco Inc. | None | Texaco Inc. - All |

26 Federal Tracts, containing 4,783.84 acres, or 99.17% (approx.) of Unit Area

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | SERIAL NO. AND EXPIRATION DATE OF LEASE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-------------------|--|--------------|---|---------------------------------|-------------------------------|---------------------------------|---------------------------------|
| <u>STATE LAND</u> | | | | | | | |
| 27. | <u>T-16-S, R-31-E</u> Sec. 7: SE-1/4 SW-1/4 | 40 | E-8633 11-16-64 | State of New Mexico - All 12.5% | Humble Oil & Refining Company | None | Humble Oil & Refining Co. - All |

1 State Tract, containing 40 acres, or .83% (approx.) of Unit Area

- (1) This is production payment of \$720,000.00 payable out of production from this and other lands.
- (2) On the assumption that the royalty rate will be governed by Title 43-CFR Section 192.82 (3).
- (3) This is production payment of \$1,400,000.00 payable out of production from this and other lands.
- (4) This overriding royalty abates pro tanto as the base royalty to be paid the Federal government increases above 5%, terminating entirely if and when said base royalty increases to 10% or more.
- (5) This is production payment of \$4,000.00.
- (6) This is production payment of \$10,000.00; the percent figure shown doubles as to production from flowing wells.
- (7) Includes 3% overriding royalty owned equally by George Etz, Bonnie Etz, and H. W. Etz, Jr.
- (8) This is production payment limited to \$750.00 per acre.

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

Tracts 5 and 13 of Exhibit "B" to the Henshaw Deep Unit Agreement No. 14-08-001-6453 (leasehold owner as to Tract 13, Western Oil Fields, Inc., did not join unit)

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ALBUQUERQUE NATIONAL BANK,
Testamentary Trustee of Frank A.
Andrews, Deceased

By: Ralph E. Becker
President and Trust Officer

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____, 1959, by _____

My Commission Expires: _____

Notary Public

STATE OF NEW MEXICO)
COUNTY OF BERNALILLO)

Before me, the undersigned authority, on this the 11th day of December, 1959, appeared Ralph E. Becker, to me personally known, who, being by me duly sworn, did say that he is vice President and Trust officer of the Albuquerque National Bank, a corporation, and that the seal affixed to the foregoing instrument is the seal of said corporation; that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and he acknowledged said instrument to be the free act and deed of said corporation, same having been executed by him for the purposes and consideration therein expressed and in the capacity therein stated.

My Commission Expires: _____

George Barber
Notary Public in and for Bernalillo County,
New Mexico

March 18, 1963

APPROVED:
Leasehold owner as to Tract 5 and Unit Operator:
SHELL OIL COMPANY:
BY: [Signature]
Attorney in Fact

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

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

Evelyn Ann English
Evelyn Ann English, Individually and
as Guardian of the Estate of Linda
Susan English, Minor

STATE OF New Mexico
COUNTY OF San Juan

The foregoing instrument was acknowledged before me this 9 day of December, 1959, by Evelyn Ann English, in her individual capacity and as Guardian of the Estate of Linda Susan English, a minor.

My Commission Expires: May 15, 1960
Evelyn A. Edgar
Notary Public

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

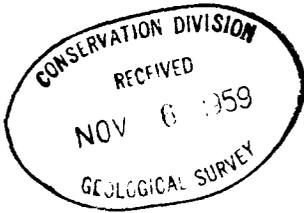
My Commission Expires: _____
Notary Public

APPROVED:
Leasehold owner and Unit Operator:
SHELL OIL COMPANY
By: [Signature]

RECEIVED

OCT 27 1959

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO



CERTIFICATION - DETERMINATION

14-08-001-6453

Pursuant to the authority vested in the Secretary of the Interior, under the Act approved 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, and delegated to the Director of the Geological Survey pursuant to Departmental Order 2365 of October 8, 1947, 12 F.R. 6784, I do hereby:

A. Approve the attached agreement for the development and operation of the Henshaw Deep Unit Area, Eddy County, New Mexico.

B. Certify and determine that the unit plan of development and operation set forth in the attached agreement is necessary and advisable in the public interest and is for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated:

DEC 3 - 1959


Acting Director,
United States Geological Survey

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OCT 27 1959
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO



OCT 27 1959
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

CERTIFICATION - DETERMINATION

14-08-001-6453

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B. Certify and determine that the unit plan of development and operation set forth in the attached agreement is necessary and advisable in the public interest and is for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated:

DEC 3 - 1959


Acting Director,
United States Geological Survey

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

MINERAL DEED UNIT AGREEMENT- EDDY COUNTY, NEW MEXICO

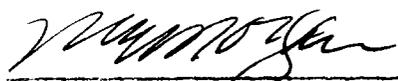
There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated September 18, 1959, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes. Approval is also subject to the following:

All tracts embracing lands of the State of New Mexico, no parts of which are entitled to be in a participating area within five years after the first day of the month following the effective date of this agreement, shall be automatically eliminated from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said five year period diligent drilling operations are in progress on said tract, in which event all lands in such tract shall remain subject hereto for so long as drilling operations are in progress on said tract.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 13th day of October 19 59.



Commissioner of Public Lands
of the State of New Mexico

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OCT 27 1959

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
HENSHAW DEEP UNIT AREA
EDDY COUNTY, STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 18th day of September, 1959,
by and between the parties subscribing, ratifying, or consenting hereto, and herein
referred to as the "parties hereto,"

W I T N E S S E T H:

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

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as
amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and their repre-
sentatives to unite with each other, or jointly or separately with others, in collect-
ively adopting and operating a cooperative or unit plan of development or operation of
any oil or gas pool, field, or like area, or any part thereof, for the purpose of
more properly conserving the natural resources thereof whenever determined and certi-
fied 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 of 1943) to consent to and
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 law (Chap. 72, Laws of 1935, as amended, N.M.S., 1953 Comp., Sections
65-3-3 et seq.) to approve this agreement and the conservation provisions hereof;
and

WHEREAS, the parties hereto hold sufficient interests in the Henshaw
Deep Unit Area covering the land hereinafter described 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 develop-
ment and operation of the area subject to this agreement under the terms, conditions,

and limitations herein set forth;

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

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

2. **UNIT AREA.** The following-described land, as to all formations specified in Section 3 hereof, is hereby designated and recognized as constituting the unit area:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Township 16 South, Range 30 East

Section 11: S-1/2
Section 12: S-1/2
Section 13: All
Section 14: All
Section 23: All
Section 24: All
Section 25: All

Township 16 South, Range 31 East

Section 7: Lot 3, Lot 4, and E-1/2 SW-1/4
Section 18: Lot 1, Lot 2, Lot 3, Lot 4, and E-1/2 W-1/2
Section 19: Lot 1, Lot 2, Lot 3, Lot 4, and E-1/2 W-1/2
Section 30: Lot 1, Lot 2, Lot 3, Lot 4, and E-1/2 W-1/2

situated in Eddy County, New Mexico, containing 4,823.84 acres, more or less.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party

hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or the Commissioner of Public Lands, hereinafter referred to as "Commissioner", and not less than six copies of the revised exhibits shall be filed with the Supervisor, and at least one copy shall be filed with the Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," after preliminary concurrence by the Director, or on demand of the 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, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the 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, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion

or contraction shall, upon approval by the Director and Commissioner, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys, however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within 5 years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and Commissioner. The unit operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the current unitized working

interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States and the State of New Mexico), on a total-nonparticipating-acreage basis, respectively, with approval of the Director and Commissioner, provided such extension application is submitted to the Director and Commissioner not later than 60 days prior to the expiration of said 10-year period.

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement, of the land described or referred to in Section 2 hereof, shall constitute land referred to herein as "unitized land" or "land subject to this agreement". as to all oil and gas in any and all formations of the unitized land at all depths below a horizon that is the stratigraphic correlative of the top of the Yeso formation occurring at a depth of 4127 feet on the Schlumberger electric log of the Great Western and Wilshire, Grayburg Deep Unit No. 1 well in the Southeast Quarter (SE-1/4) of the Northwest Quarter (NW-1/4) of Section 18, Township 17-South, Range 30-East, N.M.P.M., Eddy County, New Mexico. Such oil and gas are unitized under the terms of this agreement and herein are called "unitized substances".

4. UNIT OPERATOR. Shell Oil Company, a Delaware corporation, whose Post Office Address is Post Office Box 1509, Midland, Texas, is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice

of intention to resign has been served by Unit Operator on all working interest owners, the Director and Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor, as to Federal lands, and the Commissioner, as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

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

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

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

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender

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

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

(b) the selection shall have been approved by the 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.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "Unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and

conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if such location is upon Federal land, or by the Commissioner, if such location is upon State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Siluro-Devonian has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor, if on Federal land, or the Commissioner, if on State land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 12,300 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling

diligently one well at a time, allowing not more than 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 until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and the Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in his opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and the 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.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. 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 the 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 the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor, the 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, the 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. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner and the Commission, a schedule based on subdivisions 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 lands in said schedule on approval of the Director, the Commissioner and the Commission, to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. Said schedule also shall 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, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director, the Commissioner and the Commission. 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, or to exclude land then regarded as reasonably proved not 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 in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director, the Commissioner and the Commission. 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 adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the 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, respectively, and the amount thereof deposited, as directed by the Supervisor and the Commissioner, to be held as unearned money until a participating area

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

Whenever it is determined, subject to the approval of the Supervisor, as to wells on Federal land, and the Commissioner, as to wells on State 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, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

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

used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.

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

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

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

14. ROYALTY SETTLEMENT. The United States and the State of New Mexico and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their

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

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

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

It is expressly understood and agreed that beginning at the end of the respective 20-year terms, or any extensions thereof other than that provided by Section 19(e), of the Federal leases committed to this agreement which contain provisions for the payment of a 5% rate of royalty to the United States, the royalty rate on said leases shall be the same rate as would be applicable to the renewal leases in the absence of unitization.

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

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

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

16. RIGHTS OF WORKING INTEREST OWNERS IN UNITIZED SUBSTANCES. Notwithstanding any provision contained herein to the contrary, if any, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract 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 their respective predecessors in interest, or any of them.

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

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

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof, subject to the royalty provisions of Section 14. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject

hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease.

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(b) of the Act, as amended by the Act of July 29, 1954 (68 Stat. 583, 585): "Any (Federal) lease hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

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

20. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties

hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance, 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. No assignment or transfer of any working interest, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

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

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

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the 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 event the agreement shall remain in effect for such term and so long as unitized substances can be produced in paying quantities, i.e., in this particular instance in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or

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

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

22. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, however, that no 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, nor as to any land of the State of New Mexico as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

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

23. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of said Department, the Commissioner or Commission, or to apply for relief from any of said regulations or in any

proceedings relative to operations before the Department of the Interior, the Commissioner or Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

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

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

26. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, 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, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

27. FAIR EMPLOYMENT. In connection with the performance of work under this agreement, the operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment

or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.

The operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

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

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

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement.

After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as effectively committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the Commissioner and the Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, Commissioner or Commission.

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

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

In so far as applicable to the parties hereto, each party hereto

elects that the parties hereto, and the operations hereunder, be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954 or such portion or portions thereof as to which the Secretary of the Treasury of the United States or his delegate may permit such exclusion. Unit Operator is hereby authorized and directed to execute on behalf of each party hereto such further evidence of such election as may be required by regulations issued under said Subchapter K, and, should such regulations require execution by each party, each party hereto agrees to execute such further evidence.

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 Execution:

September 18, 1959

SHELL OIL COMPANY

By: J. V. [Signature]
Attorney in Fact

Address: P. O. Box 1509
Midland, Texas

UNIT OPERATOR AND WORKING INTEREST
OWNER

OTHER WORKING INTERESTS OWNERS

TEXACO INC.

Date of Execution:

September 23, 1959

ASH, [Signature]

By: J. L. Sleeper
Attorney in Fact

Address: P.O. Box 3109
Midland, Texas

ATTEST:

Margaret N. Hatch
Assistant Secretary

HUMBLE OIL AND REFINING COMPANY

By: Alph Schittnis
VICE President

Address: P.O. Box 1287
Kennel, New Mexico

TRADE O.K.
W. A. MALEY

By: [Signature]

Date of Execution:

September 24, 1959

ATTEST:

Secretary

Date of Execution:

WESTERN OIL FIELDS, INC.

By _____
President

Address: _____

OTHER WORKING INTEREST OWNERS (Cont'd.)

ATTEST:

Alvin R. Paskey
Asst. Secretary

Date of Execution:

September 28, 1959

ATTEST:

[Signature]
Assistant Secretary

Date of Execution:

September 25, 1959

ATTEST:

James T. Hardy
Asst. Secretary

Date of Execution:

9-24-59

Date of Execution:

9-23-59

Date of Execution:

Date of Execution:

Date of Execution:

CARPER DRILLING COMPANY, INC.

By: [Signature]
E. V. [Signature] President

Address: Carper Building
Artesian, Huebner

PAN AMERICAN PETROLEUM CORPORATION

By: [Signature]
ATTORNEY-IN-FACT President



Address: P. O. Box 1416
Oil and Gas Building
Fort Worth, Texas

THREE STATES NATURAL GAS COMPANY

By: [Signature]
Vice-President

Address: 1700 Corneg Lane
Dallas, Texas

[Signature]
J. I. O'Neill, Jr.

Catherine C. O'Neill
Catherine C. O'Neill

Address: 410 W. Ohio
Midland, Tex

Address: _____

Address: _____

Address: _____

STATE OF TEXAS)
)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 18 day of September, 1959, by J. V. Lindsey, Attorney-in-Fact for SHELL OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires:
June 1, 1961

Jean Abbe
Notary Public in and for Midland County, Texas.

STATE OF Texas)
)
COUNTY OF Midland)

The foregoing instrument was acknowledged before me this 23 day of September, 1959, by J. L. Sleepy, Jr., as Attorney-in-Fact for TEXACO INC., a Delaware Corporation, on behalf of said corporation.

My Commission expires:
6-1-61

MARY
Mary Jamison
Notary Public in and for Midland County, Texas

STATE OF TEXAS)
)
COUNTY OF HARRIS)

The foregoing instrument was acknowledged before me this 24 day of September 1959, by RALPH J. SCHILTHUIS, as VICE PRESIDENT for HUMBLE OIL AND REFINING COMPANY, a TEXAS corporation, on behalf of said corporation.

My Commission expires:
6-1-61

Mona H. Minter Mona H. Minter
Notary Public in and for HARRIS County, TEXAS

STATE OF _____)
)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____, as _____ for WESTERN OIL FIELDS, INC., a _____ corporation, on behalf of said corporation.

My Commission expires:

Notary Public in and for _____ County, _____

STATE OF New Mexico
COUNTY OF Eddy

The foregoing instrument was acknowledged before me this 25 day of Sept., 1959, by Stanley Cooper, as Exec. Vice Pres. for CARPER DRILLING COMPANY, INC., a New Mexico corporation, on behalf of said corporation.

My Commission expires:
12-15-57

Chris Chagnon
Notary Public in and for Eddy
County, New Mexico

STATE OF Texas
COUNTY OF Tarrant

The foregoing instrument was acknowledged before me this 25th day of September, 1959, by J. L. Hogg Jr., as ATTORNEY-IN-FACT for PAN AMERICAN PETROLEUM CORPORATION, a Delaware corporation, on behalf of said corporation.

My Commission expires:
June 1, 1961

Velma B. Craft
Notary Public in and for Tarrant
County, Texas
VELMA B. CRAFT

STATE OF Texas
COUNTY OF Dallas

The foregoing instrument was acknowledged before me this 24th day of September, 1959, by K. P. Danekun, as Vice President for THREE STATES NATURAL GAS COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission expires:
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1961

Steph B. Gray
Notary Public in and for Dallas
County, Texas

STATE OF Texas
COUNTY OF Midland

The foregoing instrument was acknowledged before me this 25th day of September, 1959, by J. I. O'Neill, Jr., and his wife, Catherine C. O'Neill.

My Commission expires:
June 1, 1961

J. I. O'Neill, Jr.
Notary Public in and for Midland
County, Texas

CONSENT AND RATIFICATION
 HENSHAW DEEP UNIT AGREEMENT
 EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Bob Franklin
Katherine M. Franklin

STATE OF TEXAS)
 COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 12th day of October, 1959, by Bob Franklin and Katherine M. Franklin

My Commission Expires: June 1, 1961

Len Webb (Len Webb)
 Notary Public

STATE OF _____)
 COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires: _____

 Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

_____ W. M. Johnson

STATE OF Texas)
COUNTY OF Tarrant)

The foregoing instrument was acknowledged before me this 19th day of October, 1959 by W. M. Johnson

My Commission Expires: June 1, 1961
Frank W. Hukill
Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires: _____
Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

BRIGHT, SCHIFF & KENNEDY
By *H. G. Schiff*

STATE OF TEXAS)
)
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 16th day of October, 19 59 by H. G. Schiff, Partner of Bright, Schiff & Kennedy

My Commission Expires:
6-1-61

Jane Campbell
Notary Public
Dallas County, Texas

STATE OF _____)
)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19 __, by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Alma Walsh Mallison
C. R. Mallison

STATE OF Texas)
COUNTY OF Burnet)

The foregoing instrument was acknowledged before me this 20 day of October, 1959, by Alma Walsh Mallison

My Commission Expires:
June 1, 1961

Clark Galloway CLARK GALLOWAY
Notary Public

STATE OF Texas)
COUNTY OF Burnet)

The foregoing instrument was acknowledged before me this 20 day of October, 1959, by C.R. Mallison

My Commission Expires:
June 1, 1961

Clark Galloway CLARK GALLOWAY
Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

George H. Fitz, Jr.

STATE OF TEXAS)
COUNTY OF HIDALGO)

The foregoing instrument was acknowledged before me this 12 day of OCTOBER, 1959, by GEORGE H. FITZ, JR.

My Commission Expires:
JUNE 30, 1961

J. Perry Jones

Notary Public

J. PERRY JONES
NOTARY PUBLIC
HIDALGO CO., TEXAS

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
 HENSHAW DEEP UNIT AGREEMENT
 EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ATTEST:

THE VICKERS PETROLEUM CO., INC.

By _____

 VICE PRESIDENT

JW

STATE OF KANSAS)
)
 COUNTY OF WAGONER)

The foregoing instrument was acknowledged before me this 21st day of October, 1959, by James W. Vickers, as Vice President for
THE VICKERS PETROLEUM CO., INC., a Kansas Corporation, on behalf of said corporation.

My Commission Expires:
Oct. 24, 1960

 Notary Public Christine Kuhn

STATE OF _____)
)
 COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires:

 Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ATTEST:

James H. Aguel

Secretary

WALKER OIL CORPORATION

By *William E. Walker*

President

STATE OF KANSAS)
)
COUNTY OF SEDGWICK)

The foregoing instrument was acknowledged before me this 13 day of October, 19 59, by William E. Walker as President for WALKER OIL CORPORATION, a Kansas corporation, on behalf of said corporation

My Commission Expires 1962
My Commission Expires OCT. 21

Bessie J. Harn

Notary Public

STATE OF _____)
)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19 __, by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Wade H. James

1111 Hunt Building,
Tulsa, Oklahoma

STATE OF Oklahoma)
COUNTY OF Tulsa)

The foregoing instrument was acknowledged before me this 15th day of October, 1959, by Wade H. James

My Commission Expires:
1-29-60

W. James
Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ATTEST:
S. W. Blount, III
Assistant Secretary
S. W. Blount, III

ARGO OIL CORPORATION
S. R. Cohagan
By Vice President

STATE OF TEXAS)
COUNTY OF BEXAR)

The foregoing instrument was acknowledged before me this 20th day of October, 1959, by S. R. COHAGAN, as Vice President of ARGO OIL CORPORATION.

My Commission Expires:

June 1, 1961

Berney H. Joseph
Notary Public
in and for Bexar County, Texas.

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

_____ *Harry L. Bigbee*
Betty Bigbee

STATE OF New Mexico)
COUNTY OF Santa Fe)

The foregoing instrument was acknowledged before me this 20 day of October, 19 59, by Harry L. Bigbee and Betty Bigbee, his wife

My Commission Expires:
July 23, 1961

Mary E. Luman

Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Tom Wilson _____
Mary Wilson _____

STATE OF ~~NEW MEXICO~~)
COUNTY OF ~~SANTA FE~~)

The foregoing instrument was acknowledged before me this 19th day of ~~October~~, 1957, by ~~Tom Wilson and Mary Wilson, his wife.~~

My Commission Expires:
~~7-9-61~~

Paul L. Laska
Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires:

Notary Public

T. 1

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

POTASH, CAMERON, POTASH & BERNAT

By *Melvin Potash*
Partner

STATE OF TEXAS)
COUNTY OF EL PASO)

The foregoing instrument was acknowledged before me this 19th day of October, 1959, by MELVIN POTASH, A Partner of POTASH, CAMERON, POTASH & BERNAT

My Commission Expires: June 1 1961

Howe Anderson
Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires: _____
Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

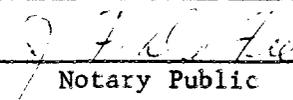




STATE OF Texas)
COUNTY OF Eddy)

The foregoing instrument was acknowledged before me this 17th day of Oct., 1959, by Louis Elmer

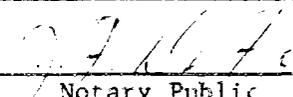
My Commission Expires:
6-1-61


Notary Public

STATE OF Texas)
COUNTY OF Eddy)

The foregoing instrument was acknowledged before me this 17th day of Oct., 1959, by Louis Elmer

My Commission Expires:
6-1-61


Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

_____ Leroy English
Frances B. English

STATE OF NEW MEXICO
COUNTY OF SAN JUAN

The foregoing instrument was acknowledged before me this 20 day of OCTOBER, 1959, by LEREY ENGLISH and FRANCES B. ENGLISH, his wife

My Commission Expires:
My Commission expires March 21, 1962

Walter D. Bird
Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Frank B. Hadlock
Adah Hadlock

STATE OF Nebraska
COUNTY OF Eddy

The foregoing instrument was acknowledged before me this 12th day of Oct, 1959, by Frank B. Hadlock
Adah Hadlock

My Commission Expires:
1 June 1961

Richard G. [Signature]
Notary Public

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Lamar Lunt
Lucille C. Lunt

STATE OF New Mexico
COUNTY OF Santa Fe

The foregoing instrument was acknowledged before me this 12 day of October, 1959, by Lamar Lunt & Lucille C Lunt

My Commission Expires: 10/3/62

Ramona Flores
Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires: _____
Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

_____ Hoover H. Wright
Betty Ruth Wright

STATE OF New Mexico)
COUNTY OF Santa Fe) SS

The foregoing instrument was acknowledged before me this 21 day of October, 1959, by Hoover H. Wright and Betty Ruth Wright, his wife,

My Commission Expires:
2/18/61

Eloy F. Sanchez
Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires:

Notary Public

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

_____ Ruby English

STATE OF Texas)
)
COUNTY OF Dallas)

The foregoing instrument was acknowledged before me this 30th day of October, 19 59, by Ruby English

My Commission Expires:
June 1, 1961

O'Bella Harris
Notary Public

STATE OF _____)
)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19 __, by _____

My Commission Expires:

Notary Public

APPROVED:
LEASEHOLD OWNER AND UNIT OPERATOR:
SHELL OIL COMPANY
BY: J. V. Lindsey
Attorney in Fact

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

_____ Ira E. Tapp

APPROVED:

STATE OF NEW MEXICO)
COUNTY OF EDDY)

LEASEHOLD OWNER

H. J. Loe
H. J. LOE

The foregoing instrument was acknowledged before me this 18th day of November, 1959, by Ira E. Tapp

My Commission Expires: 7-15-60

Lybil P. Woodard
Notary Public

STATE OF TEXAS)
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 2nd day of December, 1959, by H. J. Loe

My Commission Expires:
6-1-61

M. L. Reed
Notary Public

APPROVED:

WORKING INTEREST OWNER:
TEXACO Inc.
BY: M. Washley
Attorney in Fact

UNIT OPERATOR:
SHELL OIL COMPANY
BY: J. H. Huddleston
Attorney in Fact

Tracts 5 and 13 of
Exhibit "B" to the Henshaw
Deep Unit Agreement
(Leasehold owner as to
Tract 13, Western Oil Fields,
Inc., did not join unit)

CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Rose M. Cotttingham
Rose M. Cotttingham, Independent
Executrix of the Estate of
V. E. Cotttingham, Deceased

STATE OF Texas)
COUNTY OF San Juan)

APPROVED:
Leasehold owner as to Tract 5 and Unit
Operator:
SHELL OIL COMPANY,
By: [Signature]
Attorney in Fact

The foregoing instrument was acknowledged before me this 3rd day of
November, 19 59, by Rose M. Cotttingham as Independent Executrix of
the Estate of V. E. Cotttingham, Deceased

My Commission Expires:
June 1, 1961

[Signature]
Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day
of _____, 19___, by _____

My Commission Expires:

Notary Public

**TRACTS 7 AND 8 OF
EXHIBIT "B" TO THE
HENSHAW DEEP UNIT
AGREEMENT**

**CONSENT AND RATIFICATION
HENSHAW DEEP UNIT AGREEMENT
EMBRACING LANDS IN EDDY COUNTY, NEW MEXICO**

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Henshaw Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said agreement is dated the 18th day of September, 1959, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Henshaw Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

STATE OF New Mexico
COUNTY OF Santa Fe

The foregoing instrument was acknowledged before me this 16th day of November, 1959, by Carl Folkner and Lilla Folkner, his wife.

My Commission Expires:
Sept. 16, 1963

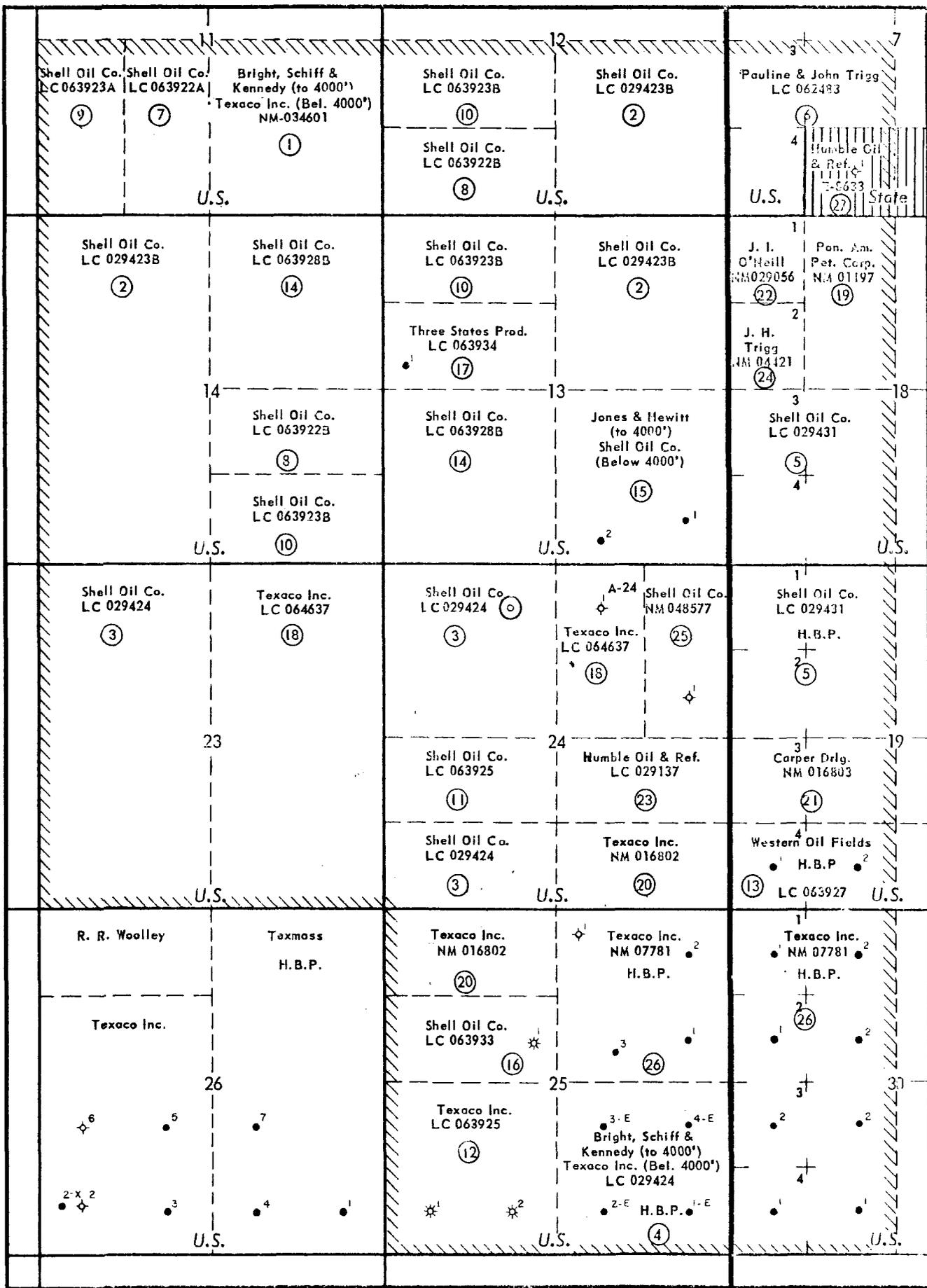
Patricia Ann Briones
Notary Public

STATE OF _____)
COUNTY OF _____)

The foregoing instrument was acknowledged before me this ___ day of _____, 19___, by _____

My Commission Expires: _____
Notary Public

APPROVED:
LEASEHOLD OWNER AND UNIT OPERATOR:
SHELL OIL COMPANY
BY: J. V. [Signature]



R 30 E

R 31 E

LEGEND



State of New Mexico Land
Federal Land

EXHIBIT "A"

OCT 27 1959

EXHIBIT "B"
HENSHAW DEEP UNIT AREA, EDDY COUNTY, NEW MEXICO
TWP. 16S, R3ES. 30 AND 31E
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP
OF OIL AND GAS INTERESTS IN ALL LAND IN UNIT AREA

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR SERIAL NO. AND EFFECTIVE DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|---------------------|--|--------------|--|----------------------------|--------------------------|--|-------------------------------|
| <u>FEDERAL LAND</u> | | | | | | | |
| 1. | T-16-S, R-30-E Sec. 11: SE-1/4 | 160 | NM-034601 12-13-38 | USA - All 5% | Bright, Schiff & Kennedy | Harry Leonard 1% Southern Petroleum Exploration, Inc. 1% H. W. Etz., Jr. 1.8334% A. N. Etz 1.8333% Olivia W. Etz 1.8333% Bob Franklin 1.25% Moreland T. Hartwell .625% Dora M. Johnson .625% Bright, Schiff & Kennedy 2.5% (1) | Texaco Inc. - All |
| 2. | T-16-S, R-30-E Sec. 12: SE-1/4 Sec. 13: NE-1/4 Sec. 14: W-1/2 | 640 | LC-029423-b 12-13-38 | USA - All 12.5% (2) | Shell Oil Company | Bob Franklin 1.25% Dora M. Johnson .625% Moreland T. Hartwell .625% Bright, Schiff & Kennedy 3.75% (3) | Shell Oil Co. - All |
| 3. | T-16-S, R-30-E Sec. 23: W-1/2 Sec. 24: NW-1/4 & S-1/2 SW-1/4 | 560 | LC-029424 1-1-40 | USA - All 12.5% (2) | Bright, Schiff & Kennedy | Olivia W. Etz .25% Bonnie R. Etz .32291% Southern Petroleum Exploration, Inc. .25% H. R. Sindorf Estate .25% George H. Etz, Jr. .29167% A. N. Etz .21875% H. W. Etz, Jr. .29167% Dora M. Johnson .625% Alma Walsh Mallison 1.875% Bright, Schiff & Kennedy 1.875% (3) | Shell Oil Co. - All |

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR | | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------|--|--------------|-------------------------------|------------------------|-----------------------------|--|---------------------------------|-------------------------------|
| | | | SERIAL NO. AND EFFECTIVE DATE | | | | | |
| 4. | T-16-S, R-30-E Sec. 25: SE-1/4 | 160 | LC-029424 1-1-40 | USA - All 12.5% (2) | Bright, Schiff & Kennedy | Olivia W. Etz .25% Bonnie R. Etz .32291% Southern Petroleum Exploration, Inc. .25% H. R. Sindorf Estate .25% George H. Etz, Jr. .29167% A. N. Etz .21875% H. W. Etz, Jr. .29167% Dora M. Johnson .625% Alma Walsh Mallison 1.875% Bright, Schiff & Kennedy 2.5% (1) | Texaco Inc. - All | |
| 5. | T-16-S, R-31-E Sec. 18: Lots 3 & 4 & E-1/2 SW-1/4 Sec. 19: Lots 1 & 2 & E-1/2 NW-1/4 | 280.62 | LC-029431 12-31-38 | USA - All 12.5% (2) | Shell Oil Company | Albuquerque National Bank, Trustee under The Last Will and Testament of F. A. Andrews, deceased, and Selma Andrews, a widow .25% Marshall & Winston, Inc. .25% Rose M. Cottingham, Independent Executrix of the Estate of V. E. Cottingham, deceased .25% J. S. Ward .0625% Higgins Trust, Inc. .25% U. Vera Cox (Haefs) .03125% Vera Lee Cox (Robinson) .09375% Argo Oil Corporation International Trust Company of Denver, Trustee under The Last Will and Testament of Josephine M. Smith, deceased .0625% | Shell Oil Co. | |

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR | | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|----------------|--|--------------|-------------------------------|----------------------------|-------------------|---|-------------------------------|
| | | | SERIAL NO. AND EFFECTIVE DATE | BASIC ROYALTY & PERCENTAGE | | | |
| 5. (Continued) | | | | | | | |
| 6. | T-16-S, R-31-E Sec. 7: Lots 3 & 4 & NE-1/4 SW-1/4 | 99.84 | LC-062483 | USA - All | Pauline B. Trigg | Made H. James .125% M. W. Coll .1875% Vickers Petroleum Corporation 2.5% Walker Oil Corporation 1.25% George Etz .41667% A. N. Etz .41666% H. W. Etz, Jr. .41667% | Pauline B. Trigg |
| 7. | T-16-S, R-30-E Sec. 11: E-1/2 SW-1/4 | 80.00 | LC-063922-a 12-13-38 | USA - All 5% | Shell Oil Company | Harry W. Leonard 1% Southern Petroleum Exploration, Inc. 1% A. N. Etz 1.8333% Olivia W. Etz 1.8333% H. W. Etz, Jr. 1.8334% Carl W. Folkner et ux, Lilla Folkner 2.5% (4) B. A. Bowers et ux, Helen M. Bowers 2.5% (4) | Shell Oil Co. - All |
| 8. | T-16-S, R-30-E Sec. 12: S-1/2 SW-1/4 Sec. 14: N-1/2 SE-1/4 | 160 | LC-063922-b 12-13-38 | USA - All 12.5% (2) | Shell Oil Company | Carl Folkner et ux, Lilla Folkner 2.5% B. A. Bowers et ux, Helen M. Bowers 2.5% | Whell Oil Co. - All |

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR | | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------|---|--------------|-------------------------------|------------------------|----------------------------|---|---|-------------------------------|
| | | | SERIAL NO. AND EFFECTIVE DATE | AND | | | | |
| 9. | T-16-S, R-30-E Sec. 11: W-1/2 SW-1/4 | 80 | LC-063923-a 12-13-38 | USA - All 5% | Shell Oil Company | Harry W. Leonard Southern Petroleum Exploration, Inc. A. N. Etz Olivia W. Etz H. W. Etz, Jr. W. C. Spain et ux S. Allyn Spain | 1% 1% 1.8333% 1.8333% 1.8334% 5% (4) | Shell Oil Co. - All |
| 10. | T-16-S, R-30-E Sec. 12: N-1/2 SW-1/4 Sec. 13: N-1/2 NW-1/4 Sec. 14: S-1/2 SE-1/4 | 240 | LC-063923-b 12-13-38 | USA - All 12.5% (2) | Shell Oil Company | W. C. Spain et ux S. Allyn Spain | 5% | Shell Oil Co. - All |
| 11. | T-16-S, R-30-E Sec. 24: N-1/2 SW-1/4 | 80 | LC-063925 1-1-40 | USA - All 12.5% (2) | Texaco Inc. | Ralph Nix Olivia W. Etz Bonnie R. Etz Southern Petroleum Exploration, Inc. H. W. Etz, Jr. A. N. Etz George H. Etz, Jr. J. B. Mulcock Harry L. Bigbee Tom Wilson | 1% .25% .32291% .25% .29167% .21875% .29167% .79166% .79167% .79167% | Shell Oil Co. - All |
| 12. | T-16-S, R-30-E Sec. 25: SW-1/4 | 160 | LC-063925 1-1-40 | USA - All 12.5% (2) | Texaco Inc. | Ralph Nix Olivia W. Etz Bonnie R. Etz Southern Petroleum Exploration, Inc. H. W. Etz, Jr. A. N. Etz George H. Etz, Jr. | 1% .25% .32291% .25% .29167% .21875% .29167% | Texaco Inc. - All |

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR SERIAL NO. AND EFFECTIVE DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------|--|--------------|--|----------------------------|--------------------------|--|--------------------------------|
| 12. | (Continued) | | | | | J. B. Mulcock .79167% Harry L. Bigbee .79167% Tom Wilson .79166% Pauline F. (Archer) Hewitt 5.46875% (5) J. W. Jones et ux, Zora Jones 5.46875% (5) | |
| 13. | T-16-S, R-31-E Sec. 19: Lot 4 & SE-1/4 SW-1/4 | 70.42 | LC-063927 12-31-38 | USA - All 12.5% (2) | Western Oil Fields, Inc. | Albuquerque National Bank, Trustee under The Last Will and Testament of F. A. Andrews, deceased, and Selma Andrews, a widow .25% Marshall & Winston, Inc. .25% Rose M. Cottingham, Independent Executor of the Estate of V. E. Cottingham, deceased .25% J. S. Ward .0625% Higgins Trust, Inc. .25% U. Vera Cox (Haefs) Vera Lee Cox (Robinson) .03125% Argo Oil Corporation International Trust Company of Denver, Trustee under The Last Will and Testament of Josephine M. Smith, deceased .0625% | Western Oil Fields, Inc. - All |

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR | | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------|--|--------------|-------------------------------|----------------------------|-------------------|---|---|
| | | | SERIAL NO. AND EFFECTIVE DATE | BASIC ROYALTY & PERCENTAGE | | | |
| 13. | (Continued) | | | | | | |
| | | | | | | Wade H. James .125% | |
| | | | | | | M. W. Coll .1875% | |
| | | | | | | Maggie S. Cockburn 2.05078% (6) | |
| | | | | | | Johnney Cockburn .68359% (6) | |
| | | | | | | Thelma Cockburn .68359% (6) | |
| | | | | | | Zula Cockburn 2.05078% (6) | |
| 14. | T-16-S, R-30-E Sec. 13: SW-1/4 Sec. 14: NE-1/4 | 320 | LC-063928-b 12-13-38 | USA - All 12.5% (2) | Shell Oil Company | Ruby English and Leroy English et ux, Frances English Ervin Schwartz et ux, Georgie Schwartz, and Luis Zork et ux, Ruth Zork Frank B. Hadlock et ux, Adah Hadlock Potash, Cameron, Potash & Bernat, A Partnership Evelyn Ann English, Individually and as Guardian of the Estate of Linda Sueann English, Minor, and Mrs. V. A. Peck, Guard- ian of the Estate of Patricia Eileen Peck, Minor, (Heirs of P. B. English, Jr.).19792% | Shell Oil Co. - All 98958% 2.5% 1.1875% 1.25% |

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR SERIAL NO. AND EFFECTIVE DATE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------|--|--------------|--|---|--|--|---|
| 15. | T-16-S, R-30-E Sec. 13: SE-1/4 | 160 | LC-063932 12-13-38 | USA - All 12.5% (2) | J. W. Jones et ux, Zora Jones, and Paul Archer Hewitt et vir, A. L. Hewitt | J. W. Jones and Zora Jones and Pauline A. Hewitt and A. L. Hewitt 5% (7) | Shell Oil Co. - All |
| 16. | T-16-S, R-30-E Sec. 25: S-1/2 NW-1/4 | 80 | LC-063933 1-1-40 | USA - All 12.5% (2) | Shell Oil Company | Bonnie R. Etz Olivia W. Etz Southern Petroleum Exploration, Inc. H. R. Sindorf Estate George H. Etz, Jr. A. N. Etz H. W. Etz, Jr. | Shell Oil Co. - All .32291% .25% .25% .25% .29167% .21875% .29167% |
| 17. | T-16-S, R-30-E Sec. 13: S-1/2 NW-1/4 | 80 | LC-063934 12-13-38 | USA - All 12.5% (2) | Three States Natural Gas Company | None | Three States Natural Gas Company - All |
| 18. | T-16-S, R-30-E Sec. 23: E-1/2 Sec. 24: N-1/2 NE-1/4 | 400 | LC-064637 2-1-51 | USA - All 12.5% | H. J. Loe | Alvie V. Tapp et vir, Ira. E. Tapp 3% | Three States Natural Gas Company - All |
| 19. | T-16-S, R-31-E Sec. 18: E-1/2 NW-1/4 | 80 | NM-01197 11-1-51 | USA - All 12.5% | Eugene E. Nearburg | George H. Hunker, Jr., & Margaret K. Hunker | Three States Natural Gas Company - All |
| 20. | T-16-S, R-30-E Sec. 24: S-1/2 SE-1/4 Sec. 25: N-1/2 NW-1/4 | 160 | NM-016802 2-1-55 | USA - All oil: 12 1/2 - 25% gas: 12 1/2 - 16 2/3% | Texaco Inc. | None | Three States Natural Gas Company - All |
| 21. | T-16-S, R-31-E Sec. 19: Lot 3 and NE-1/4 SW-1/4 | 70.33 | NM-016803 2-1-55 | USA - All oil: 12 1/2 - 25% gas: 12 1/2 - 16 2/3% | Carper Drilling Company, Inc. | None | Three States Natural Gas Company - All |

* Pan American Petroleum Corporation owns option only. Option will be exercised when unit finally approved.

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | APPLICATION OR | | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------|--|--------------|-------------------------------|---|-------------------------------|---------------------------------|------------------------------------|
| | | | SERIAL NO. AND EFFECTIVE DATE | BASIC ROYALTY & PERCENTAGE | | | |
| 22. | T-16-S, R-31-E Sec. 18: Lot 1 | 30.07 | NM-029056 6-1-57 | USA - All 12.5% | J. I. O'Neill, Jr. | Lamar Lunt Hoover H. Wright | J. I. O'Neill, Jr. - All 2% |
| 23. | T-16-S, R-30-E Sec. 24: N-1/2 SE-1/4 | 80 | NM-029137 12-1-56 | USA - All oil: 12½ - 25% gas: 12½ - 16 2/3% | Humble Oil & Refining Company | None | Humble Oil & Refining Co. - All |
| 24. | T-16-S, R-31-E Sec. 18: Lot 2 | 30.08 | NM-04421 | USA - All | J. H. Trigg | - - - - | J. H. Trigg |
| 25. | T-16-S, R-30-E Sec. 24: E-1/2 NE-1/4 | 80 | NM-048577 9-1-58 | USA - All oil: 12½ - 25% gas: 12½ - 16 2/3% | Shell Oil Company | None | Shell Oil Co. - All |
| 26. | T-16-S, R-30-E Sec. 25: NE-1/4 | 442.48 | NM-07781 6-1-52 | USA - All oil: 12½ - 25% gas: 12½ - 16 2/3% | Texaco Inc. | None | Texaco Inc. - All |
| | T-16-S, R-31-E Sec. 30: Lots 1, 2, 3 & 4, and E-1/2 W-1/2 | | | | | | |

26 Federal Tracts, containing 4,783.84 acres, or 99.17% (approx.) of Unit Area

| TRACT NO. | DESCRIPTION OF LAND | NO. OF ACRES | SERIAL NO. AND EXPIRATION DATE OF LEASE | BASIC ROYALTY & PERCENTAGE | LESSEE OF RECORD | OVERRIDING ROYALTY & PERCENTAGE | WORKING INTEREST & PERCENTAGE |
|-----------|---|--------------|---|------------------------------------|-------------------------------|---------------------------------|---------------------------------|
| 27. | T-16-S, R-31-E Sec. 7: SE-1/4 SW-1/4 | 40 | E-8633 11-16-64 | State of New Mexico - All 12.5% | Humble Oil & Refining Company | None | Humble Oil & Refining Co. - All |

STATE LAND

1 State Tract, containing 40 acres, or .83% (approx.) of Unit Area

- (1) This is production payment of \$720,000.00 payable out of production from this and other lands.
- (2) On the assumption that the royalty rate will be governed by Title 43-CFR Section 192.82 (3).
- (3) This is production payment of \$1,400,000.00 payable out of production from this and other lands.
- (4) This overriding royalty abates pro tanto as the base royalty to be paid the Federal government increases above 5%, terminating entirely if and when said base royalty increases to 10% or more.
- (5) This is production payment of \$4,000.00.
- (6) This is production payment of \$10,000.00; the percent figure shown doubles as to production from flowing wells.
- (7) Includes 3% overriding royalty owned equally by George Etz, Bonnie Etz, and H. W. Etz, Jr.
- (8) This is production payment limited to \$750.00 per acre.