

(Reproduced Copy with Ratifications, Certificates
and Order of N.M.O.C.C. attached)

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE

LEA UNIT AREA

LEA COUNTY, NEW MEXICO

NO. 14-08-001-6455

THIS AGREEMENT, entered into as of the 10th day of November, 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 amend-
ed, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and their representatives
to unite with each other, or jointly or separately with others, in collectively adopt-
ing and operating a cooperative or unit plan of development or operation of any oil or
gas pool, field, or like area, or any part thereof for the purpose of more properly
conserving the natural resources thereof whenever determined and certified by the
Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated)
to consent to or approve this agreement on behalf of the State of New Mexico, insofar
as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is
authorized by an act of the Legislature (Chapter 72, Laws of 1935, as amended by Chap-
ter 193, Laws of 1937, Chapter 166, Laws of 1941, and Chapter 168, Laws of 1949) to
approve this agreement and the conservation provisions hereof; and

WHEREAS the parties hereto hold sufficient interests in the Lea 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 re-
sources, prevent waste, and secure other benefits obtainable through development and
operation of the area subject to this agreement under the terms, conditions and
limitations herein set forth;

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

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to State of New Mexico and privately owned 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 of New Mexico are hereby accepted and made a part of this agreement.

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

T-20-S, R-34-E, NMPM

Sec. 11; E/2
Sec. 12; All
Sec. 13; All
Sec. 14; NE/4
Sec. 24; N/2

T-20-S, R-35-E, NMPM

Sec. 18; Lots 1, 2 3 & 4 and E/2 W/2
Sec. 19; Lots 1 & 2 and E/2 NW/4

Containing 2,559.68 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 when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "State Commissioner," and not less than seven copies of the revised exhibits shall be filed with the Supervisor, and one (1) copy thereof shall be filed with the State Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

The above-described unit area shall when practicable be expanded to include therein any additional 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," or on demand of the State Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

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

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

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director, the State Commissioner and the State Commission, 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 the State 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 the State 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), on a total-nonparticipating-acreage basis, respectively, with approval of the Director, and the State Commissioner provided such extension application is submitted to the State Commissioner and the Director 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 shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

4. UNIT OPERATOR. The Ohio Oil Company is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of 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 and the Director, the State Commissioner and State Commission 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 by the State Commission as to State and privately owned 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 the State 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 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until:

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

(b) the selection shall have been approved by the Director and State Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and State 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 (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Commissioner, prior to approval of this unit agreement by the Director.

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 on Federal land or by the State Commissioner if on State Land, or by the State Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Devonian formations have been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, 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, of the State Commissioner if on State land, or of the State Commission if on privately owned 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 15,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the

next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the State Commissioner if on State land or the State Commission if on privately owned 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 State Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and State 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 and the State Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the State Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the State Commissioner a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the State Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

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

resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the State Commissioner. 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 State 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 the State 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, the Unit Operator shall, within the month of such completion, if practicable, or as soon thereafter as required by the Supervisor or the State Commissioner submit for approval by the Director and the State Commissioner 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 and the State Commissioner 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 and the State Commissioner. 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 and the State Commissioner. 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 and the State Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby 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 for Federal lands and the State Commissioner for State lands and the State Commission as to privately owned lands and the amount thereof deposited, as directed by the Supervisor and the State Commissioner respectively, 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 drilled on Federal land and of the State Commissioner as to wells drilled on State land and the State Commission as to wells on privately owned lands, 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, and State Commissioner and the State 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 or parties hereto owning or controlling the working interests in any unitized land having thereon a regular well location may with the approval of the

Supervisor as to Federal land, the State Commissioner as to State land, and the State Commission as to privately owned land, and subject to the provisions of the Unit Operating Agreement, at such party's or parties' sole risk, costs, and expense drill a well at such location on such land 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, or drill any well not mutually agreed to by all interested parties, 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 any State 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 State Commissioner, and the State 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 State Commissioner and the State 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.

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty 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.

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

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations 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 thereafter 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. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulation.

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

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas 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 as to Federal leases and the State Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms 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 the State Commissioner, or their duly authorized representatives, 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 and State of New Mexico, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such 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. 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) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(h) 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."

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

at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the Lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance, 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.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Director and the State Commissioner or their duly authorized representatives as of the date of approval by the Director and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and the State 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 State 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 State Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

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

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

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

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

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 of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the State Commission or State Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the State Commissioner, or State 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 or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

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 Unit 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 Unit 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 non-discrimination clause.

The Unit 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 of the United States shall be deposited as directed by

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

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

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 State 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 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 State Commissioner and the State Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, State Commissioner, or State 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.

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

ATTEST:

R. G. Edelman
Assistant Secretary

Date: 11/20/59

THE OHIO OIL COMPANY

By: *William F. Budy*
Vice-President
Address: P. O. Box 552

Midland, Texas

UNIT OPERATOR & WORKING INTEREST OWNER

WORKING INTEREST OWNERS

ATTEST:

R. T. Speal
Assistant Secretary

Date: NOV 18 1959

SINCLAIR OIL & GAS COMPANY

By: *D. L. Eason*
Vice-President

Address: P. O. BOX 1470
MIDLAND, TEXAS

APPROVED	
FORM	<i>cat</i>
DATE	<i>Nov</i>
DESCRIPTION	<i>gas</i>

ATTEST:

Paul Agan
Asst. Secretary

Date: NOV 20 1959

DRILLING AND EXPLORATION COMPANY, INC.

By: *H. B. Brannan*
VICE President

Address: DRILLING AND EXPLORATION CO., INC.
BOX 35366
DALLAS 35, TEXAS

THE PURE OIL COMPANY

By: *J. L. Morris*
J. L. Morris, Manager, Texas
Producing Division
Address: P.O. Box 2107

Fort Worth 1, Texas

APPROVED	
TRADE	<i>G. H. ...</i>
FORM	<i>Oil</i>
DESCRIPTION	

Law	<i>W. Ross</i>
Compl.	
Exp.	
Prod.	

GULF OIL CORPORATION

By: *W. H. Sullivan*
Attorney-in-Fact

Address: GULF OIL CORPORATION
P. O. BOX 669
ROSWELL, NEW MEXICO,

Edwin B. Cox
Address: *2100 Adolphus Drive*
Dallas, Texas

Elizabeth Lochridge Cox
Elizabeth Lochridge Cox
Address: *2100 Adolphus Drive*
Dallas, Texas

Jake L. Hamon
Jake L. Hamon
Address: *Fifth Floor Vaughn Bldg.*
1712 Commerce Street
Dallas 1, Texas

Nancy B. Hamon
Nancy B. Hamon
Address: *Fifth Floor Vaughn Bldg.*
1712 Commerce Street
Dallas 1, Texas

Roy Guffey
Roy Guffey
Address: *5543 Yale Blvd.*
Dallas 6, Texas

Josephine Guffey
Josephine Guffey
Address: *5543 Yale Blvd.*
Dallas 6, Texas

W. G. Ross
W. G. Ross
Address: *Box 1094*
Midland, Texas

Vee K. Ross
Vee K. Ross
Address: *Box 1094*
Midland, Texas

ATTEST:

H. M. Craig
H. M. CRAIG Assistant Secretary
Date: *9-15-59*

11/20/59
Date: *11/20/59*

Date: *11/20/59*

Date: *11/20/59*

Date: *11/20/59*

Date: *11/20/59*

Date: *11/20/59*

Date: *11-11-59*

Date: *11-11-59*

Date: Nov. 12, 1959

Edith M. Kasper
Edith M. Kasper
Address: Box 1094
Midland, Texas

Date: Nov. 12, 1959

Paul Kasper
Paul Kasper
Address: Box 1094
Midland, Texas

OVERRIDING ROYALTY INTEREST OWNERS

Date: 11-11-59

W. G. Ross
W. G. Ross

Date: 11-11-59

Vee K. Ross
Vee K. Ross

Date: Nov. 13, 1959

Thomas Joseph Sullivan
Address: 112 W. FAIRVIEW BLVD.
INGLEWOOD, CALIF.

Date: Nov. 13, 1959

LS Reese Skeehare
Address: 112 W. FAIRVIEW BLVD.
INGLEWOOD, CALIF.

Date: 11-16-59

FFH E. F. Howe
Address: NEW MEX. BANK & TRUST
HOBBS, NEW MEXICO

Date: 11-16-59

FEH James E. Hance
Address: N.M. BANK & TRUST
HOBBS, NEW MEXICO

Date: 11-15-59

DECH Dorothy E. Coy Mc Carmick
Address: 3- BUJAC BLDG.
CARLSBAD, NEW MEXICO

Date: 11-15-59

DGM Don J. McCornell
Address: 3- BUJAC BLDG.
CARLSBAD, NEW MEXICO

Date: 11-15-59

Mrs. W. H. Milnes
Address: 609 S. Lea
Roswell, N. Mexico

11-15-59

Mrs. W. H. Milnes
609 S. Lea
Roswell, N. Mex.

OVERRIDING ROYALTY INTEREST OWNERS

Date: _____

Address: _____

Date: NOV. 16 - 1959

John Henderson ✓

Address: 236 Petroleum Building
Roswell, New Mexico

Date: Nov. 16 59

Don F. Henderson ✓

Address: 236 Petroleum Building
Roswell, New Mexico

STATE OF OHIO)
) ss
COUNTY OF HANCOCK)

The foregoing instrument was acknowledged before me this 24th day of November, 1959, by Glenn F. Bish, Vice-President of THE OHIO OIL COMPANY, an Ohio corporation, on behalf of said Corporation.

My Commission Expires: _____

R. C. REDMAN

R C Redman

Notary Public

NOTARY PUBLIC, HANCOCK COUNTY, OHIO
MY COMMISSION EXPIRES NOV. 6, 1960

STATE OF Idaho)
) ss
COUNTY OF Blaine)

The foregoing instrument was acknowledged before me this 18th day of November, 1959, by R. L. ELSTON, Vice-President of SINCLAIR OIL & GAS COMPANY, a Maine Corporation, on behalf of said Corporation.

My Commission Expires: _____

Robert C. Richardson
Notary Public

STATE OF TEXAS)
) ss
COUNTY OF DALLAS)

The foregoing instrument was acknowledged before me this 20th day of November, 1959, by D. R. Brainerd, Jr., Vice-President of DRILLING AND EXPLORATION COMPANY, INC., a Delaware Corporation, on behalf of said Corporation.

My Commission Expires: _____

Anyta R. Folley
Notary Public

ANYTA R. FOLLEY
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1961

STATE OF TEXAS)
) ss
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 19 day of November, 1959, by J. L. Morris, Manager, Texas Producing Division of THE PURE OIL COMPANY, an Ohio Corporation, on behalf of said Corporation.

My Commission Expires: _____
June 1, 1961

Rufus M. Perdue RUFUS M. PERDUE
Notary Public

STATE OF NEW MEXICO)
) ss
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 15th day of November, 1959, by W. A. SHELLSHEAR, Attorney-in-Fact of GULF OIL CORPORATION, a Pennsylvania Corporation, on behalf of said Corporation.

My Commission Expires: _____
August 15, 1962

W. A. Shellshear
Notary Public

STATE OF TEXAS)
COUNTY OF DALLAS) ss

The foregoing instrument was acknowledged before me this 20th day of November, 1959, by EDWIN B. COX and ELIZABETH LOCHRIDGE COX, his wife.

My Commission Expires:
6-1-61

Josephine Gore
Notary Public

JOSEPHINE GORE, NOTARY PUBLIC, IN AND FOR DALLAS COUNTY, TEXAS

STATE OF TEXAS)
COUNTY OF DALLAS) ss

The foregoing instrument was acknowledged before me this 20th day of November, 1959, by JAKE L. HAMON and NANCY B. HAMON, his wife.

My Commission Expires:
June 1, 1961

Gene Walls
Notary Public

GENE WALLS, Notary Public
in and for Dallas County, Texas

STATE OF TEXAS)
COUNTY OF DALLAS) ss

The foregoing instrument was acknowledged before me this 20th day of November, 1959, by ROY GUFFEY and JOSEPHINE GUFFEY, his wife.

My Commission Expires:
June 1, 1961

Gene Walls
Notary Public

GENE WALLS, Notary Public
in and for Dallas County, Texas

STATE OF TEXAS)
COUNTY OF MIDLAND) ss

The foregoing instrument was acknowledged before me this 17th day of NOVEMBER, 1959, by W. G. ROSS and VEE K. ROSS, his wife.

My Commission Expires:
6-1-61

Geneva L. Turner
Notary Public

Geneva L. Turner

STATE OF CALIFORNIA)
COUNTY OF LOS ANGELES) ss

The foregoing instrument was acknowledged before me this 12th day of CALIFORNIA, 1959, by EDITH M. KASPER and PAUL KASPER, her husband.

My Commission Expires:
My commission expires Dec. 22, 1961

Dale E. Bowen
Notary Public

STATE OF California)
COUNTY OF Los Angeles) ss

The foregoing instrument was acknowledged before me this 13th day of November, 1959, by Thomas Joseph Stearns & Marie Stearns

My Commission Expires:
My Commission Expires August 22, 1961

Geneva L. Turner
Notary Public

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss

The foregoing instrument was acknowledged before me this 15 day of November, 1959, by Don G. McCormick and Dorothy E. Cox McCormick, husband and wife.
My Commission Expires: 24 February 1963

Virginia K. Morgan
Notary Public

STATE OF NEW MEXICO)
COUNTY OF CHAVES) ss

The foregoing instrument was acknowledged before me this 15TH day of November, 1959, by Mr. and Mrs. W. H. Milner

My Commission Expires:
My Commission Expires February 28, 1962

Benjamin B. Indurter
Notary Public

STATE OF NEW MEXICO)
COUNTY OF LEA) ss

The foregoing instrument was acknowledged before me this 16TH day of November, 1959, by E. F. Howe and Frances E. Howe, husband and wife.

My Commission Expires:
4-29-61

Benjamin B. Indurter
Notary Public

STATE OF NEW MEXICO)
COUNTY OF CHAVES) ss

The foregoing instrument was acknowledged before me this 16th day of November, 1959, by Martha Featherstone and Olen F. Featherstone, husband and wife.

My Commission Expires:
October 26-1963

Dorothy E. Christian
Notary Public

STATE OF _____)
COUNTY OF _____) ss

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

My Commission Expires:

Notary Public

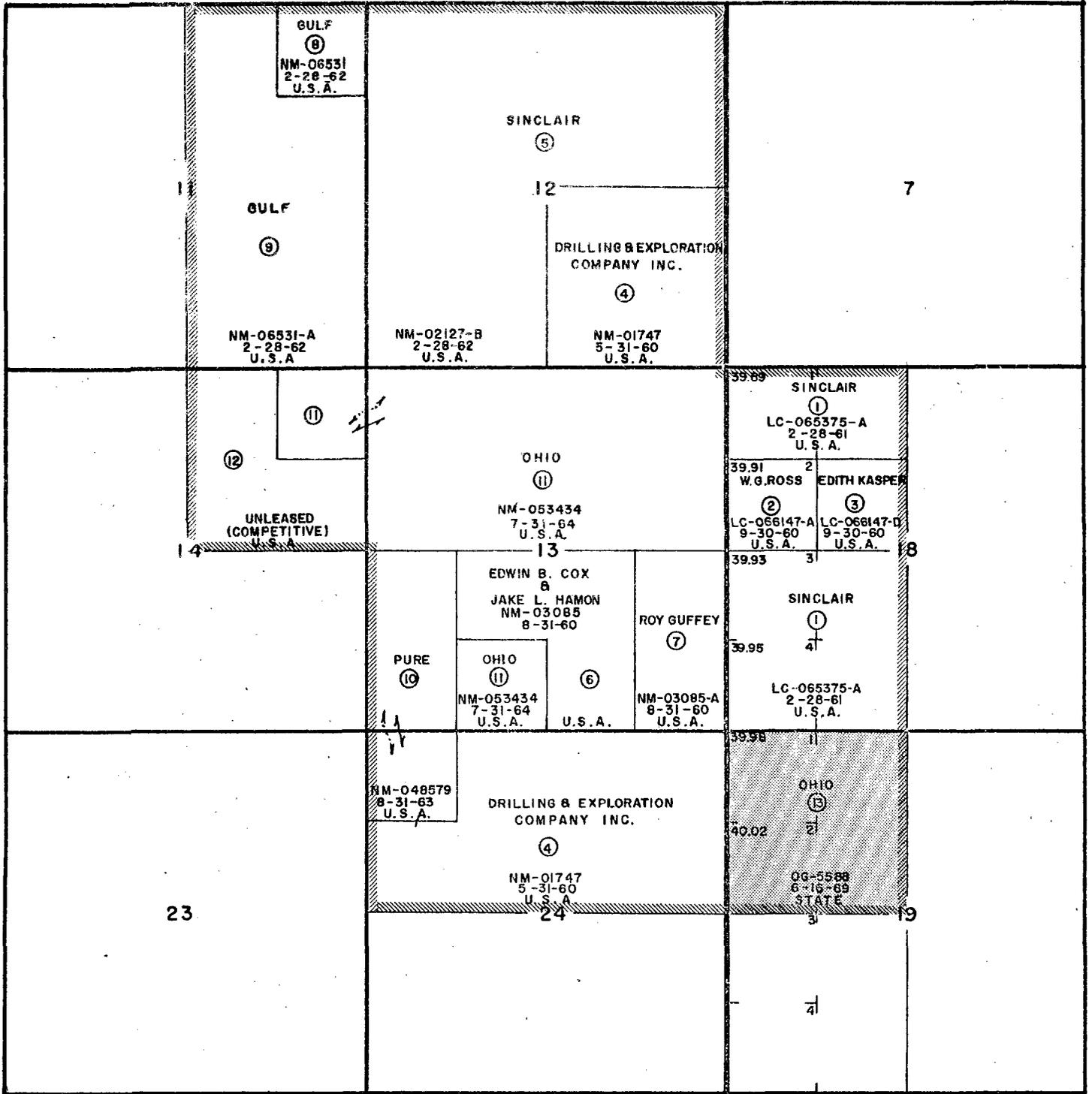
STATE OF _____)
COUNTY OF _____) ss

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

My Commission Expires:

Notary Public

T
20
S



R-34-E

R-35-E

— LEGEND —

	Unit Outline	③ Tract Number	
	Federal Land		2,399.68 Acres
	State of New Mexico Land		160.00 Acres
	Total		2,559.68 Acres

Federal Serial Numbers Involved in Unit	
①	LC - 065375 - A
②	LC - 066147 - A
③	LC - 066147 - D
④	NM - 01747
⑤	NM - 02127 - B
⑥	NM - 03085
⑦	NM - 03085 - A
⑧	NM - 06531
⑨	NM - 06531 - A
⑩	NM - 048579
⑪	NM - 053434

LEA UNIT AREA

Lea County, New Mexico

EXHIBIT "A"

Tract Number	Description of Land	No. of Acres	Serial No. & Eff. date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and percentage	Working Interest and percentage
<u>FEDERAL LANDS - CONTINUED</u>							
<u>T-20-S, R-34-E, NPM</u>							
7	Sec. 13: E/2 SE/4	80.00	NM-03085-A 10-1-48	USA-12 $\frac{1}{2}$ %	Roy Guffey	Dorothy E. Cox McCormick et ux, Don G. McCormick	5% Roy Guffey, All
8	Sec. 11: NE/4 NE/4	40.00	NM-06531 3-1-52	USA-12 $\frac{1}{2}$ %	Gulf Oil Corporation	Thomas Joseph Sheehan et ux, Louise Sheehan	5% Gulf Oil Corp., All
9	Sec. 11: NW/4 NE/4, S/2 NE/4 & SE/4	280.00	NM-06531-A 3-1-52	USA-12 $\frac{1}{2}$ %	Gulf Oil Corporation	Martha Featherstone Harvey E. Roelofs, Trustee for Olen F. Featherstone, II	2 $\frac{1}{2}$ % Gulf Oil Corp., All
10	Sec. 13: W/2 SW/4 Sec. 24: NW/4 NW/4	120.00	NM-048579 9-1-58	USA-12 $\frac{1}{2}$ % or more	The Pure Oil Co.	None	The Pure Oil Co., All
11	Sec. 13: N/2 & SE/4 SW/4 Sec. 14: NE/4 NE/4	400.00	NM-053434 8-1-59	USA-12 $\frac{1}{2}$ %	The Ohio Oil Co.	E. F. Howe et ux, Frances E. Howe	6 $\frac{1}{4}$ % The Ohio Oil Co., All
12	Sec. 14: NW/4 NE/4 & S/2 NE/4	120.00	--	--	--	--	Unleased Federal Land (Competitive)

11 Federal Tracts (Leased) comprising 2,279.68 acres or 89.061 % of Unit Area
1 Federal Tract (Unleased) comprising 120.00 acres or 4.688 % of Unit Area

Tract Number	Description of Land	No. of Acres	Serial No. & Eff. date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and percentage	Working Interest and percentage
<u>STATE LANDS</u>							
<u>T-20-S, R-35-E, NMPM</u>							
13	Sec. 19: Lots 1, 2 & E/2 NW/4	160.00	00-5588 6-16-59	State 12 $\frac{1}{2}$ %	The Ohio Oil Co.	None	The Ohio Oil Co., All
<u>1 State Tract (Leased) comprising 160 acres or 6.251 % of Unit Area</u>							

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

11	Federal Tracts (Leased)	2,279.68 Acres	89.061 % of Unit Area
1	Federal Tract (Unleased)	120.00 Acres	4.688 % of Unit Area
1	State Tract (Leased)	160.00 Acres	6.251 % of Unit Area
Total:		<u>2,559.68 Acres</u>	<u>100.000 % of Unit Area</u>

EXHIBIT "B"
 SCHEDULE SHOWING THE PERCENTAGE AND KIND
 OF OWNERSHIP OF ALL LANDS IN THE
 IEA UNIT AREA, IEA COUNTY, NEW MEXICO

Tract Number	Description of Land	No. of Acres	Serial No. & Eff. date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and percentage	Working Interest and percentage	
<u>FEDERAL LANDS</u>								
<u>T-20-S, R-35-E, NMPM</u>								
1	Sec. 18: Lots 1, 3 & 4, NE/4 NW/4 & E/2 SW/4	239.77	IC-065375-A 3-1-51	USA-12 $\frac{1}{2}$ %	Sinclair Oil & Gas Co.	L. N. Hagood et ux, Mary C. Hagood W. G. Ross et ux, Vee K. Ross	3% 1%	Sinclair Oil & Gas Co., All
2	Sec. 18: Lot 2	39.91	IC-066147-A 12-1-48	USA-12 $\frac{1}{2}$ %	W. G. Ross	Dwight Allison et ux, Lillian M. Allison	5%	W. G. Ross, All
3	Sec. 18: SE/4 NW/4	40.00	IC-066147-D 12-1-48	USA-12 $\frac{1}{2}$ %	Edith M. Kasper	Dwight Allison et ux, Lillian M. Allison	5%	Edith M. Kasper, All
<u>T-20-S, R-34-E, NMPM</u>								
4	Sec. 12: SE/4 Sec. 24: NE/4, E/2 NW/4 & SW/4 NW/4	440.00	NM-01747 6-1-50	USA-12 $\frac{1}{2}$ %	Drilling and Exploration Co., Inc.	None	--	Drilling and Exploration Company, Inc., All
5	Sec. 12: N/2 & SW/4	480.00	NM-02127-B 3-1-52	USA-12 $\frac{1}{2}$ %	Sinclair Oil & Gas Co.	Mrs. & Mr. W. H. Milner W. G. Ross et ux, Vee K. Ross	3% 1%	Sinclair Oil & Gas Co., All
6	Sec. 13: NE/4 SW/4 & W/2 SE/4	120.00	NM-03085 10-1-48	USA-12 $\frac{1}{2}$ %	Edwin B. Cox & Jake L. Hamon	Dorothy E. Cox McCormick et vlr, Don G. McCormick	5% 5%	Edwin B. Cox Jake L. Hamon

CONSENT AND RATIFICATION OF
LEA UNIT AGREEMENT
EMBRACING LANDS IN LEA 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 Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 10th day of November, 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 overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their said interests to the Lea Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

LNH L. N. Hagood
MCH Mary C. Hagood

STATE OF WYOMING }
COUNTY OF NATRONA } ss

The foregoing instrument was acknowledged before me this 18 day of November, 1959, by L. N. Hagood and Mary C. Hagood, husband and wife, of Casper, Wyoming, ~~Companions, on behalf of the said Corporation.~~

My Commission Expires: 11/10/62

[Signature]
Notary Public



CONSENT AND RATIFICATION OF
LEA UNIT AGREEMENT
EMBRACING LANDS IN LEA 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 Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 10th day of November, 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 overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their said interests to the Lea Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

Harvey E. Roelofs, Trustee
 Harvey E. Roelofs, Trustee for
 Olen E. Featherstone II

STATE OF _____ }
 COUNTY OF _____ } ss

The foregoing instrument was acknowledged before me this ___ day of _____, 1959, by _____, of _____, a Corporation, on behalf of said Corporation.

My Commission Expires: _____

 Notary Public

STATE OF _____ }
COUNTY OF _____ } ss

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

My Commission Expires: _____

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss

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

My Commission Expires: _____

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss

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

My Commission Expires: _____

Notary Public

STATE OF _____ }
COUNTY OF _____ } ss

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

My Commission Expires: _____

Notary Public

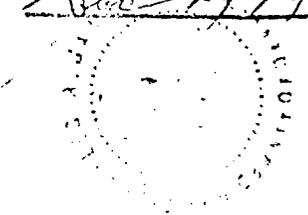
STATE OF COLORADO }
COUNTY OF DENVER } ss

The foregoing instrument was acknowledged before me this 19/11 day of November , 1959, by Harvey E. Roelofs, Trustee for
 Olen F. Featherstone II

My Commission Expires: _____

 Dec 19 1962

 Charles R. James
Notary Public



CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

THE OHIO OIL COMPANY- LEA UNIT AGREEMENT

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 November 10, 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:

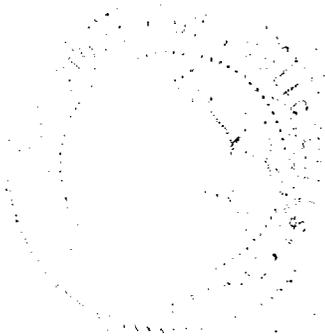
- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (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.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 30th day of November 19 59.



Commissioner of Public Lands
of the State of New Mexico



BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 1823
Order No. R-1540

THE APPLICATION OF THE OHIO OIL
COMPANY FOR APPROVAL OF THE LEA
UNIT AGREEMENT EMBRACING 2560
ACRES, MORE OR LESS, LOCATED IN
TOWNSHIP 20 SOUTH, RANGES 34 AND
35 EAST, NMPM, LEA COUNTY, NEW
MEXICO

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 30, 1959, at Santa Fe, New Mexico, before A. L. Porter, Jr., Secretary-Director, who served as Examiner in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 30th day of November, 1959, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, A. L. Porter, Jr., and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the proposed unit plan will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

1. That this order shall be known as the LEA UNIT AGREEMENT ORDER.

2. (a) That the project herein referred to shall be known as the Lea Unit Agreement and shall hereinafter be referred to as the "Project."

(b) That the Plan by which the project shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Lea Unit Area, referred to in the Petitioner's petition and filed with said petition, and such plan shall be known as the Lea Unit Agreement Plan.

3. That the Lea Unit Agreement Plan shall be, and hereby is, approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing in any manner any right, duties, or obligations which are now, or may hereafter be, vested in the New Mexico Oil Conservation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said Lea Unit Agreement, or relative to the production of oil and gas therefrom.

4. (a) That the Unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 20 SOUTH, RANGE 34 EAST

Section 11: E/2
Section 12: All
Section 13: All
Section 14: NE/4
Section 24: N/2

TOWNSHIP 20 SOUTH, RANGE 35 EAST

Section 18: Lots 1, 2, 3, and 4 and E/2 W/2
Section 19: Lots 1 and 2 and E/2 NW/4

containing 2560 acres more or less.

(b) The unit area may be enlarged or contracted as provided in said Plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Oil Conservation Commission.

5. That the unit operator shall file with the Commission an executed original or executed counterpart of the Lea Unit Agreement within 30 days after the effective date thereof.

6. That any party owning rights in the unitized substances who does not commit such rights to said unit agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof, or by ratifying the same. The unit operator shall file with the Commission within 30 days an original of any such counterpart or ratification.

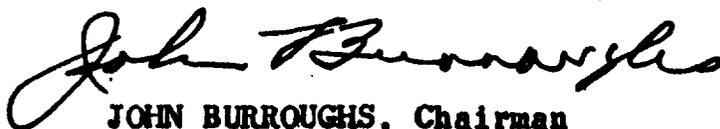
7. That this order shall become effective upon the approval of said unit agreement by the Director of the United States Geological Survey and the Commissioner of Public Lands for the State of New Mexico and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator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

-3-

Case No. 1823
Order No. R-1540

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


JOHN BURROUGHS, Chairman


MURRAY E. MORGAN, Member


A. L. PORTER, Jr., Member & Secretary

S E A L

vem/

CERTIFICATION - DETERMINATION

14-08-001-6455

Pursuant to the authority vested in the Secretary of Interior as to Federal Lands, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. Sec. 4.611, 12 F.R. 6784, I do hereby:

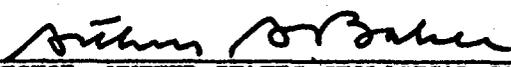
A. Approve the attached agreement for the development and operation of the Lea Unit Area, Lea County, State of New Mexico.

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

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

DEC 9 - 1959

Dated



Acting DIRECTOR, UNITED STATES GEOLOGICAL SURVEY

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

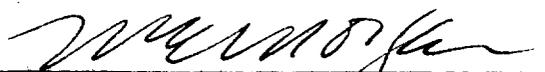
THE OHIO OIL COMPANY- LEA UNIT AGREEMENT

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 November 10, 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.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 30th. day of November 19 59.



Commissioner of Public Lands
of the State of New Mexico

Porter

STATE OF NEW MEXICO
CLERK OF COURTS
<i>Ohio</i>
<i>1823</i>
UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF THE

LEA UNIT AREA

LEA COUNTY, NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 10th day of November, 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 representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

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

WHEREAS the parties hereto hold sufficient interests in the Lea 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 development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth;

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

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to State of New Mexico and privately owned 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 of New Mexico are hereby accepted and made a part of this agreement.

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

T-20-S, R-34-E, NMPM

Sec. 11; E/2
Sec. 12; All
Sec. 13; All
Sec. 14; NE/4
Sec. 24; N/2

T-20-S, R-35-E, NMPM

Sec. 18; Lots 1, 2 3 & 4 and E/2 W/2
Sec. 19; Lots 1 & 2 and E/2 NW/4

Containing 2,559.68 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 when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "State Commissioner," and not less than seven copies of the revised exhibits shall be filed with the Supervisor, and one (1) copy thereof shall be filed with the State Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

The above-described unit area shall when practicable be expanded to include therein any additional 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," or on demand of the State Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

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

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

(d) After due consideration of all pertinent information, the expansion or contraction shall, upon approval by the Director, the State Commissioner and the State Commission, 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 the State 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 the State 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), on a total-nonparticipating-acreage basis, respectively, with approval of the Director, and the State Commissioner provided such extension application is submitted to the State Commissioner and the Director 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 shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances".

4. UNIT OPERATOR. The Ohio Oil Company is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of 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 and the Director, the State Commissioner and State Commission 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 by the State Commission as to State and privately owned 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 the State 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 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until:

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

(b) the selection shall have been approved by the Director and State Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and State 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 (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Commissioner, prior to approval of this unit agreement by the Director.

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 on Federal land or by the State Commissioner if on State Land, or by the State Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Devonian formations have been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, 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, of the State Commissioner if on State land, or of the State Commission if on privately owned 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 15,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the

next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the State Commissioner if on State land or the State Commission if on privately owned 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 State Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

Upon failure to comply with the drilling provisions of this section, the Director and State 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 and the State Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the State Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the State Commissioner a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the State Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

- (a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and
- (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural

resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the State Commissioner. 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 State 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 the State 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, the Unit Operator shall, within the month of such completion, if practicable, or as soon thereafter as required by the Supervisor or the State Commissioner submit for approval by the Director and the State Commissioner 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 and the State Commissioner 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 and the State Commissioner. 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 and the State Commissioner. 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 and the State Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby 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 for Federal lands and the State Commissioner for State lands and the State Commission as to privately owned lands and the amount thereof deposited, as directed by the Supervisor and the State Commissioner respectively, 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 drilled on Federal land and of the State Commissioner as to wells drilled on State land and the State Commission as to wells on privately owned lands, 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, and State Commissioner and the State 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 or parties hereto owning or controlling the working interests in any unitized land having thereon a regular well location may with the approval of the

Supervisor as to Federal land, the State Commissioner as to State land, and the State Commission as to privately owned land, and subject to the provisions of the Unit Operating Agreement, at such party's or parties' sole risk, costs, and expense drill a well at such location on such land 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, or drill any well not mutually agreed to by all interested parties, 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 any State 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 State Commissioner, and the State 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 State Commissioner and the State 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.

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty 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.

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

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations 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 thereafter 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. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulation.

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

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas 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 as to Federal leases and the State Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms 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 the State Commissioner, or their duly authorized representatives, 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 and State of New Mexico, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such 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. 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) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(h) 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."

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

at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the Lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance, 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.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Director and the State Commissioner or their duly authorized representatives as of the date of approval by the Director and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and the State 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 State 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 State Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

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

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

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

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

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 of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the State Commission or State Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the State Commissioner, or State 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 or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

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 Unit 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 Unit 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 non-discrimination clause.

The Unit 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 of the United States shall be deposited as directed by

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

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

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 State 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 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 State Commissioner and the State Commission of duly executed counterparts of all or any papers necessary to establish effective execution of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, State Commissioner, or State 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.

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

ATTEST:

R. B. Delman
Assistant Secretary

Date

11/24/59

THE OHIO OIL COMPANY

By: *William T. Pile*
Vice-President

Address: P. O. Box 552

Midland, Texas

UNIT OPERATOR & WORKING INTEREST OWNER

WORKING INTEREST OWNERS

ATTEST:

R. S. Speck
Assistant Secretary

Date:

NOV 28 1959

SINCLAIR OIL & GAS COMPANY

By: *D. L. Eaton*
Vice-President

Address: P. O. BOX 1470

MIDLAND, TEXAS

APPROVED

TRADE
FORM
DESCRIPTION

all
R60
900

ATTEST:

Paul Cogan
Assistant Secretary

Date:

NOV 20 1959

DRILLING AND EXPLORATION COMPANY, INC.

By: *G. M. Brainerd Jr.*
VICE - President

Address: DRILLING AND EXPLORATION CO., INC.

BOX 35366

DALLAS 35, TEXAS

THE PURE OIL COMPANY

By: *J. L. Morris*
J. L. Morris, Manager, Texas
Producing Division

Address: P. O. Box 2107

Fort Worth 1, Texas

APPROVED

TRADE
FORM
DESCRIPTION

all
all

ILLEGIBLE

Secretary
11-25-59

Date: 11/20/59

Date: 11/20/59

Date: 11/20/59

Date: 11/20/59

Date: 11/20/59

Date: 11/20/59

Date: 11-11-59

Date: 11-11-59

GULF OIL CORPORATION

By: *W. G. Ross*
Attorney-in-Charge

Address: GULF OIL CORPORATION
P. O. BOX 669
ROSSELL, NEW MEXICO

Edwin B. Cox
Edwin B. Cox
Address: 2100 *Adolphus Turner*
Dallas, Texas

Elizabeth Lochridge Cox
Elizabeth Lochridge Cox
Address: 2100 *Adolphus Turner*
Dallas, Texas

Jake L. Hamon
Jake L. Hamon
Address: _____

Fifth Floor Vaughn Bldg.
1712 Commerce Street
Dallas 1, Texas

Nancy B. Hamon
Nancy B. Hamon
Address: _____
Fifth Floor Vaughn Bldg.
1712 Commerce Street
Dallas 1, Texas

Roy Guffey
Roy Guffey
Address: 5543 *Zulu Blvd*
Dallas 6, Texas

Josephine Guffey
Josephine Guffey
Address: 5543 *Zulu Blvd*
Dallas 6, Texas

W. G. Ross
W. G. Ross
Address: *Box 1094*
Midland, Texas

Vee K. Ross
Vee K. Ross
Address: *Box 1094*
Midland, Texas

ILLEGIBLE

Nov. 12, 1959

Edith M. Kasper
Edith M. Kasper

Address: Bay 1004

Midland, Texas

Nov. 12, 1959

Paul Kasper

Address: Bay 1004

Midland, Texas

OVERLAPED, SOLELY INTEREST OWNERS

11-11-59

J. K. [unclear]
J. K. [unclear]

11-11-59

J. K. [unclear]
J. K. [unclear]

Nov. 13, 1959

Thom [unclear]
Thom [unclear]

Address: 112 W. [unclear]
INGLEWOOD, CALIF.

Nov. 13, 1959

Russ [unclear]
Russ [unclear]

Address: 112 W. [unclear]
INGLEWOOD, CALIF.

11-16-59

G. F. [unclear]
G. F. [unclear]

Address: N.M. [unclear]
HOOB, NEW MEXICO

11-16-59

G. F. [unclear]
G. F. [unclear]

Address: N.M. [unclear]
HOOB, NEW MEXICO

11-15-59

Gentle [unclear]
Gentle [unclear]

Address: [unclear]
CARLEBAD, NEW MEXICO

11-15-59

Don [unclear]
Don [unclear]

Address: BULL [unclear]
CARLEBAD, NEW MEXICO

11-15-59

Mrs. W. H. [unclear]
Mrs. W. H. [unclear]

Address: 609 S. Lea
Roswell, N. Mex.

11-15-59

Mrs. W. H. [unclear]
Mrs. W. H. [unclear]

Address: 609 S. Lea
Roswell, N. Mex.

ILLEGIBLE

OVERRIDING ROYALTY

Date: _____

Address: _____

Date: Nov. 16-1959

[Signature]

Address: 236 Federal Building
Roswell, New Mexico

Date: Nov. 16-59

[Signature]

Address: 236 Federal Building
Roswell, New Mexico

ILLEGIBLE

MISSOURI } ss

...going instrument was acknowledged before me this 24th day of
1959, by Gene F. Ash, Vice-President of
... COMPANY, an Ohio corporation, on behalf of said Corporation.

Expires: R. C. Redman
NOTARY PUBLIC, HANCOCK COUNTY, OHIO
MY COMMISSION EXPIRES NOV. 6, 1960

R. C. Redman
Notary Public

MISSOURI } ss

...going instrument was acknowledged before me this 11th day of
1959, by [illegible], Vice-President of
... GAS COMPANY, a Maine corporation, on behalf of said Corporation.

Expires: [illegible]

[illegible]
Notary Public

MISSOURI } ss

...going instrument was acknowledged before me this 20th day of
1959, by [illegible], Vice-President of
... CORPORATION COMPANY, INC., a Delaware Corporation, on behalf of
said Corporation.

Expires: [illegible]

[illegible]
Notary Public

ANYTA R. FOLLEY
Notary Public, Dallas County, Texas
My Commission Expires June 1, 1961

MISSOURI } ss

...going instrument was acknowledged before me this 19th day of
1959, by J. D. [illegible], Texas Production Division
... COMPANY, an Ohio Corporation, on behalf of said Corporation.

Expires: [illegible]
1961

[illegible]
Notary Public

MEXICO } ss

...going instrument was acknowledged before me this 15th day of
1959, by W. A. SHELLSHEAR, Attorney-in-Fact of
... CORPORATION, a Pennsylvania Corporation, on behalf of said Corporation.

Expires: [illegible]
April 15, 1962

[illegible]
Notary Public

ILLEGIBLE

STATE OF TEXAS }
COUNTY OF DALLAS } ss

The foregoing instrument was acknowledged before me this 20th day of November, 1959, by EDWIN B. COX and ELIZABETH LOCHRIDGE COX, his wife.

My Commission Expires: June 1, 1961

Gene Walls
Notary Public

GENE WALLS, Notary Public
in and for Dallas County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS } ss

The foregoing instrument was acknowledged before me this 20th day of November, 1959, by JAKE L. HAMON and NANCY B. HAMON, his wife.

My Commission Expires: June 1, 1961

Gene Walls
Notary Public

GENE WALLS, Notary Public
in and for Dallas County, Texas

STATE OF TEXAS }
COUNTY OF DALLAS } ss

The foregoing instrument was acknowledged before me this 20th day of November, 1959, by ROY GUFFEY and JOSEPHINE GUFFEY, his wife.

My Commission Expires: June 1, 1961

Gene Walls
Notary Public

GENE WALLS, Notary Public
in and for ~~ANY COUNTY IN THE STATE OF TEXAS~~
My Commission Expires June 1, 1961

STATE OF TEXAS }
COUNTY OF MIDLAND } ss

The foregoing instrument was acknowledged before me this 11th day of NOVEMBER, 1959, by W. G. ROSS and VEE K. ROSS, his wife.

My Commission Expires: 6-1-61

Geneva L. Turner
Notary Public
Geneva L. Turner

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss

The foregoing instrument was acknowledged before me this 12th day of NOVEMBER, 1959, by EDITH M. KASPER and PAUL KASPER, her husband.

My Commission Expires: My commission expires Dec. 22, 1961

Dale C. Bowen
Notary Public

STATE OF CALIFORNIA }
COUNTY OF LOS ANGELES } ss

The foregoing instrument was acknowledged before me this 13 day of NOVEMBER, 1959, by THOMAS JOSEPH SHEEHAN AND WIFE LOUISE SHEEHAN

My Commission Expires: My Commission Expires August 22, 1961

Ganna M. Clavis
Notary Public

ILLEGIBLE

STATE OF NEW MEXICO

COUNTY OF DOY

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

My Commission Expires: 26 February 1963

Virginia [Signature]

STATE OF NEW MEXICO

COUNTY OF GRANT

The foregoing instrument was acknowledged before me this 15 day of _____, 1959, by _____

My Commission Expires: February 26-1962

[Signature]

STATE OF NEW MEXICO

COUNTY OF DOY

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

My Commission Expires: 4-61

[Signature]

STATE OF NEW MEXICO

COUNTY OF GRANT

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

My Commission Expires: 26-1963

[Signature]

STATE OF _____

COUNTY OF _____

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

My Commission Expires: _____

Notary Public

STATE OF _____

COUNTY OF _____

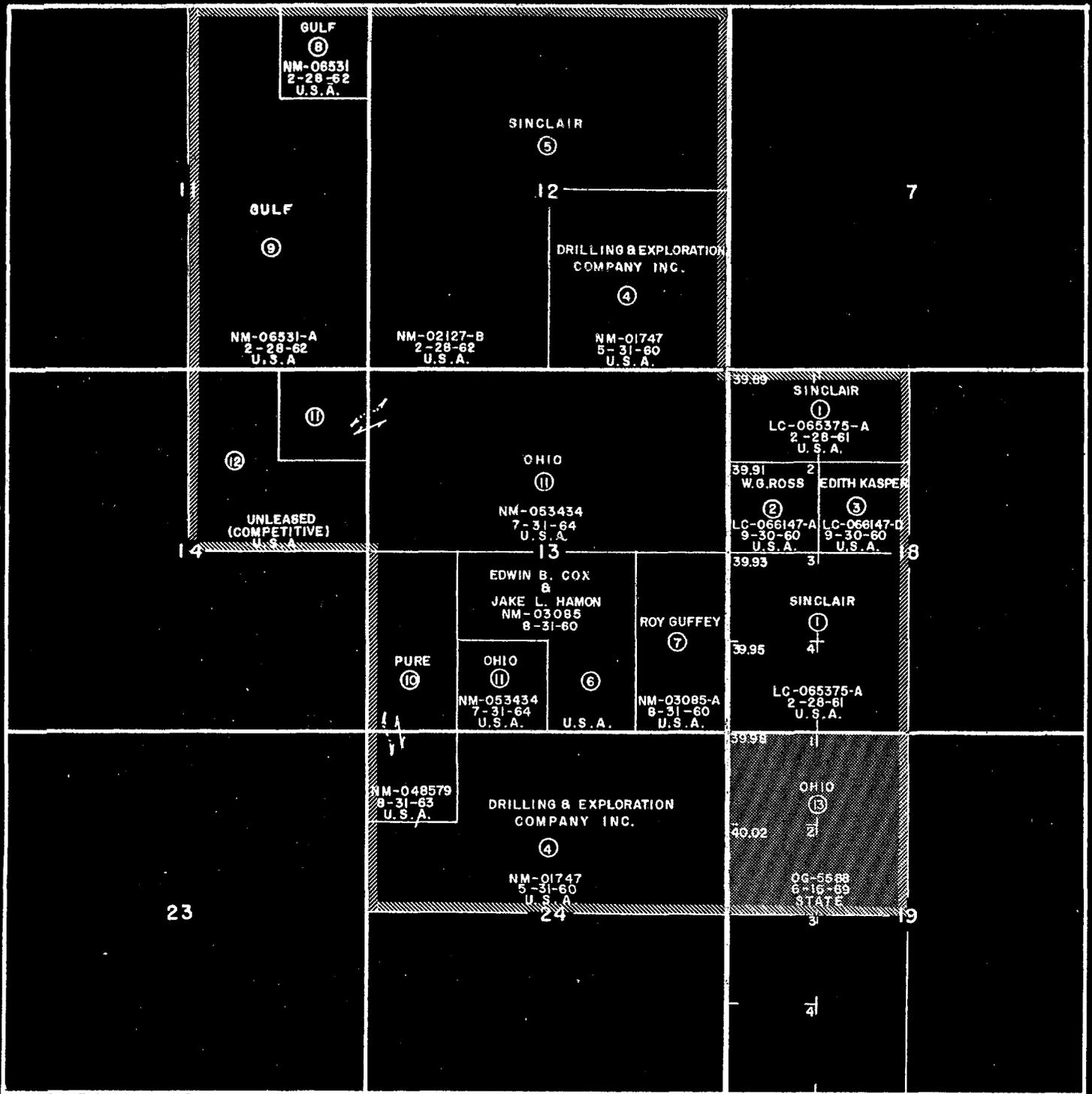
The foregoing instrument was acknowledged before me this _____ day of _____, 1959, by _____

My Commission Expires: _____

Notary Public

ILLEGIBLE

T
20
S



R-34-E

R-35-E

— LEGEND —

	Unit Outline	③ Tract Number	
	Federal Land		2,399.68 Acres
	State of New Mexico Land		160.00 Acres
	Total		2,559.68 Acres

Federal Serial Numbers Involved in Unit	
①	LC - 065375 - A
②	LC - 066147 - A
③	LC - 066147 - D
④	NM - 01747
⑤	NM - 02127 - B
⑥	NM - 03085
⑦	NM - 03085 - A
⑧	NM - 06531
⑨	NM - 06531 - A
⑩	NM - 048579
⑪	NM - 053434

LEA UNIT AREA

Lea County, New Mexico

EXHIBIT "B"
 SCHEDULE SHOWING THE PERCENTAGE AND KIND
 OF OWNERSHIP OF ALL LANDS IN THE
 LEA UNIT AREA, LEA COUNTY, NEW MEXICO

Tract Number	Description of Land	No. of Acres	Serial No. & Eff. date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and percentage	Working Interest and percentage	
<u>FEDERAL LANDS</u>								
<u>T-20-S, R-35-E, NMPM</u>								
1	Sec. 18: Lots 1, 3 & 4, NE/4 NW/4 & E/2 SW/4	239.77	LC-065375-A 3-1-51	USA-12 $\frac{1}{2}$ %	Sinclair Oil & Gas Co.	L. N. Hagood et ux, Mary C. Hagood W. G. Ross et ux, Vee K. Ross	3% 1%	Sinclair Oil & Gas Co., All
2	Sec. 18: Lot 2	39.91	LC-066147-A 12-1-48	USA-12 $\frac{1}{2}$ %	W. G. Ross	Dwight Allison et ux, Lillian M. Allison	5%	W. G. Ross, All
3	Sec. 18: SE/4 NW/4	40.00	LC-066147-D 12-1-48	USA-12 $\frac{1}{2}$ %	Edith M. Kasper	Dwight Allison et ux, Lillian M. Allison	5%	Edith M. Kasper, All
<u>T-20-S, R-34-E, NMPM</u>								
4	Sec. 12: SE/4 Sec. 24: NE/4, E/2 NW/4 & SW/4 NW/4	440.00	NM-01747 6-1-50	USA-12 $\frac{1}{2}$ %	Drilling and Exploration Co., Inc.	None	--	Drilling and Exploration Company, Inc., All
5	Sec. 12: N/2 & SW/4	480.00	NM-02127-B 3-1-52	USA-12 $\frac{1}{2}$ %	Sinclair Oil & Gas Co.	Mrs. & Mr. W. H. Milner W. G. Ross et ux, Vee K. Ross	3% 1%	Sinclair Oil & Gas Co., All
6	Sec. 13: NE/4 SW/4 & W/2 SE/4	120.00	NM-03085 10-1-48	USA-12 $\frac{1}{2}$ %	Edwin B. Cox & Jake L. Hamon	Dorothy E. Cox McCormick et vlr, Don G. McCormick	5% 5%	Edwin B. Cox Jake L. Hamon

Tract Number	Description of Land	No. of Acres	Serial No. & Eff. date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and percentage	Working Interest and percentage
<u>FEDERAL LANDS - CONTINUED</u>							
<u>T-20-S, R-34-E, NMPM</u>							
7	Sec. 13: E/2 SE/4	80.00	NM-03085-A 10-1-48	USA-12 $\frac{1}{2}$ %	Roy Gurfey	Dorothy E. Cox McCormick et vir, Don G. McCormick	5% Roy Gurfey, All
8	Sec. 11: NE/4 NE/4	40.00	NM-06531 3-1-52	USA-12 $\frac{1}{2}$ %	Gulf Oil Corporation	Thomas Joseph Sheehan et ux, Louise Sheehan	5% Gulf Oil Corp., All
9	Sec. 11: NW/4 NE/4, S/2 NE/4 & SE/4	280.00	NM-06531-A 3-1-52	USA-12 $\frac{1}{2}$ %	Gulf Oil Corporation	Martha Featherstone Harvey E. Roelofs, Trustee for Olen F. Featherstone, II	2 $\frac{1}{2}$ % 2 $\frac{1}{2}$ % Gulf Oil Corp., All
10	Sec. 13: W/2 SW/4 Sec. 24: NW/4 NW/4	120.00	NM-048579 9-1-58	USA-12 $\frac{1}{2}$ % or more	The Pure Oil Co.	None	-- The Pure Oil Co., All
11	Sec. 13: N/2 & SE/4 SW/4 Sec. 14: NE/4 NE/4	400.00	NM-053434 8-1-59	USA-12 $\frac{1}{2}$ %	The Ohio Oil Co.	E. F. Howe et ux, Frances E. Howe	6 $\frac{1}{4}$ % The Ohio Oil Co., All
12	Sec. 14: NW/4 NE/4 & S/2 NE/4	120.00	--	--	--	--	-- Unleased Federal Land (Competitive)

11 Federal Tracts (Leased) comprising 2,279.68 acres or 89.061 % of Unit Area
 1 Federal Tract (Unleased) comprising 120.00 acres or 4.688 % of Unit Area

Tract Number	Description of Land	No. of Acres	Serial No. & Eff. date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and percentage	Working Interest and percentage
<u>STATE LANDS</u>							
<u>T-20-S, R-35-E, NMPM</u>							
13	Sec. 19: Lots 1, 2 & E/2 NW/4	160.00	OG-5588 6-16-59	State 12 $\frac{1}{2}$ %	The Ohio Oil Co.	None	The Ohio Oil Co., All

1 State Tract (Leased) comprising 160 acres or 6.251 % of Unit Area

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

11	Federal Tracts (Leased)	2,279.68 Acres	89.061 % of Unit Area
1	Federal Tract (Unleased)	120.00 Acres	4.688 % of Unit Area
1	State Tract (Leased)	160.00 Acres	6.251 % of Unit Area
Total:		<u>2,559.68 Acres</u>	<u>100.000 % of Unit Area</u>

CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of Interior as to Federal Lands, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. Sec. 4.611, 12 F.R. 6784, I do hereby:

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

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

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

Dated

DIRECTOR, UNITED STATES GEOLOGICAL SURVEY

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

LEA UNIT AREA, LEA 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 _____, 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.

IN WITNESS WHEREOF, this Certificate of Approval is executed with seal affixed this _____ day of _____, A. D. 19_____.

Commissioner of Public Lands of
State of New Mexico

RECEIVED
1960 AUG 15 AM 11:31

The Ohio Oil Co.

P. O. BOX 3128
HOUSTON 1, TEXAS

Case # 1823

August 24, 1960

Re: Lea Unit Agreement No. 14-08-001-6455
Our Lease NM-1566 - State of New Mexico Lease No. OG-5588

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr.

Gentlemen:

For your file we are enclosing an executed copy of instrument committing U. S. Lease NM-080262, covering the NW/4 NE/4 and S/2 NE/4 of Section 14, Township 20 South, Range 34 East, NMPM, Lea County, New Mexico, containing 120 acres, to the Unit Agreement for the Development and Operation of the Lea Unit Area No. 14-08-001-6455 and to the Unit Operating Agreement.

Yours very truly,

THE OHIO OIL COMPANY
Land Department

By *C. W. Krouse*
C. W. Krouse

CWK:ec

Encl.

cc: Mr. Ed L. Smith
Mr. D. J. Sorenson
Mr. W. O. Yokom

THE STATE OF NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF LEA

WHEREAS, THE OHIO OIL COMPANY, an Ohio corporation, is lessee of record of that certain oil and gas lease described as follows:

Federal Lease NM-080262 dated April 1, 1960, covering NW/4 NE/4 and S/2 NE/4 Section 14, Township 20 South, Range 34 East, N.M.P.M., Lea County, New Mexico, containing 120 acres;

AND, WHEREAS, the land covered by the lease is within the Lea Unit Area, as more fully described in Unit Agreement for the Development and Operation of the Lea Unit Area heretofore approved by the Acting Director, United States Geological Survey, designated Unit Agreement No. 14-08-001-6455, dated November 10, 1959;

AND WHEREAS, THE OHIO OIL COMPANY, as shown by statement accompanying its bid for said lease, acquired said lease subject to said Unit Agreement and to the Unit Operating Agreement for the Lea Unit Area, for and on behalf of itself and four other parties, in the respective percentages stated below:

The Ohio Oil Company, an Ohio corporation	-	68.8299%
Gulf Oil Corporation, a Pennsylvania corporation	-	20.7820%
The Pure Oil Company, an Ohio corporation	-	7.7933%
W. G. Ross	-	1.2959%
Edith M. Kasper	-	1.2989%

AND WHEREAS, all other parties to said Operating Agreement elected not to participate in the bid or in the lease if issued, but all parties to said Operating Agreement understood and agreed that the lease if acquired would be subject to said Unit Agreement and Unit Operating Agreement, with the resulting revision of participation percentages among the parties to the Unit Operating Agreement on an acreage basis effective as between said parties as of the commencement of the test well provided for in said Unit Agreement:

NOW, THEREFORE, WITNESSETH: That THE OHIO OIL COMPANY, in recognition of and pursuant to the understanding set out above, does hereby commit the above identified lease to said Unit Agreement and to said Operating Agreement and does hereby consent to and ratify each of said agreements as applied to the above identified lease in the manner stated above.

EXECUTED this 24th day of August, 1960.

THE OHIO OIL COMPANY

By J. D. Wheeler
J. D. Wheeler, Division Manager

O.K.
L.H.E.
JDC

THE STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged, subscribed and sworn to before me, the undersigned authority, by J. D. WHEELER, Division Manager of THE OHIO OIL COMPANY, a corporation, individually and on behalf of said corporation, on this 24th day of August, 1960, to certify which witness my hand and seal of office.

Janeace Williams
Notary Public in and for Harris
County, Texas

JANEACE WILLIAMS
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1961

CONSENT AND RATIFICATION OF
LEA UNIT AGREEMENT
EMBRACING LANDS IN LEA 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 Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 10th day of November, 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 overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their said interests to the Lea Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

Harvey E. Roelofs, Trustee
Harvey E. Roelofs, Trustee for
Olen F. Featherstone II

ILLEGIBLE

STATE OF _____ }
COUNTY OF _____ } ss

The foregoing instrument was acknowledged before me this ___ day of _____, 1959, by _____ of _____ Corporation, on behalf of said Corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss

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

My Commission Expires:

Notary Public

STATE OF _____)
COUNTY OF _____) ss

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

My Commission Expires:

Notary Public

STATE OF _____)
COUNTY OF _____) ss

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

My Commission Expires:

Notary Public

STATE OF _____)
COUNTY OF _____) ss

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

My Commission Expires:

Notary Public

STATE OF COLORADO)
COUNTY OF DENVER) ss

ILLEGIBLE

The foregoing instrument was acknowledged before me this 19th day of November, 1959, by Harvey E. Roelofs, Trustee for Olen F. Featherstone II.

My Commission Expires:

Dec 29, 1962

Charles A. James
Notary Public

CONSENT AND RATIFICATION OF
LEA UNIT AGREEMENT
EMBRACING LANDS IN LEA 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 Lea Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 10th day of November, 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 overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their said interests to the Lea Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

LNH L. N. Hagood
MCH Mary C. Hagood

STATE OF WYOMING)
COUNTY OF NATRONA)

ss

ILLEGIBLE

The foregoing instrument was acknowledged before me this 18 day of November, 1959, by L. N. Hagood and Mary C. Hagood, husband and wife, of Casper, Wyoming, ~~Corporation, or on behalf of or as to Corporation.~~

My Commission Expires: 9/10/62

[Signature]
Notary Public