

*Case 2514*

**UNIT AGREEMENT**

**FOR THE DEVELOPMENT AND OPERATION**

**OF THE**

**WEST DOLLARHIDE QUEEN SAND UNIT**

**COUNTY OF LEA**

**STATE OF NEW MEXICO**

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
WEST DOLLARHIDE QUEEN SAND UNIT  
COUNTY OF LEA  
STATE OF NEW MEXICO

Table of Contents

Index

Preamble

Agreement Proper

Map of Unit Area . . . . .	Exhibit "A"
Schedule of Ownership . . . . .	Exhibit "B"
Participation Percentage . . . . .	Exhibits "C-1" and "C-2"

Certification - Determination

Certificate of Approval

CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the 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, we do hereby:

A. Approve the attached agreement for the development and operation of the West Dollarhide Queen Sand Unit, 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,  
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION OF THE  
WEST DOLLARHIDE QUEEN SAND UNIT, COUNTY OF LEA, NEW MEXICO

There has been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the West Dollarhide Queen Sand Unit, Lea County, New Mexico, dated February 1, 1962, in which Skelly Oil Company is designated as Operator, and which has been executed by various parties owning and holding oil and gas leases embracing lands within the Unit Area, and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote conservation of oil and gas and the better utilization of reservoir energy in said field;
- (b) That under the operations proposed, the state will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the agreement is in other respects for the best interests of the state;
- (d) That the agreement provides for the unit operation of the field, for allocation of production and sharing of proceeds from the area covered by the agreement in accordance with a formula for participation as specified in the agreement regardless of the particular tract from which production is obtained or proceeds are derived and for repressuring or secondary recovery operations.

NOW, THEREFORE, by virtue of the authority conferred upon me by virtue of the Laws of the State of New Mexico, 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 above referred to West Dollarhide Queen Sand Unit Agreement as to the lands of the State of New Mexico committed hereto, and all oil and gas leases embracing lands of the State of New Mexico committed to said agreement shall be and the same are hereby amended so that the provisions thereof will conform to the provisions of said Unit Agreement and so that the length of the secondary term of each such lease as to the lands within the Unit Area will be extended, insofar as is necessary, to coincide with the term of said Unit Agreement and in the event the term of said Unit Agreement shall be extended as provided therein, such extension shall also be effective to extend the term of each oil and gas lease embracing lands of the State of New Mexico committed to said Unit Agreement which would otherwise expire, so as to coincide with the extended term of such Unit Agreement.

IN WITNESS WHEREOF, this Certificate of Approval is executed as of this \_\_\_\_\_ day of \_\_\_\_\_, 1962.

\_\_\_\_\_  
Commissioner of Public Lands of the  
State of New Mexico

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
WEST DOLLARHIDE QUEEN SAND UNIT  
LEA COUNTY, NEW MEXICO

<u>SECTION</u>	<u>INDEX</u>	<u>PAGE</u>
1	Enabling Act and Regulations	2
2	Unit Area and Definitions	2
3	Exhibits	4
4	Expansion	5
5	Contraction	6
6	Unitized Land and Unitized Substances	6
7	Unit Operator	7
8	Resignation or Removal of Unit Operator	7
9	Successor Unit Operator	8
10	Accounting Provisions and Unit Operating Agreement	9
11	Rights and Obligations of Unit Operator	10
12	Plan of Operations	10
13	Tract Participation	11
14	Tracts Qualified for Unit Participation	12
15	Allocation of Unitized Substances	14
16	Royalty Settlement	16
17	Rental Settlement	17
18	Conservation	18
19	Drainage	18
20	Leases and Contracts Conformed and Extended	18
21	Covenants Run With Land	20
22	Effective Date and Term	20
23	Rate of Prospecting, Development and Production	22
24	Nondiscrimination	23
25	Appearances	23
26	Notices	23
27	No Waiver of Certain Rights	24
28	Unavoidable Delay	24
29	Loss of Title	24
30	Nonjoinder and Subsequent Joinder	25
31	Counterparts	26
32	Taxes	26
33	Conflict of Supervision	27
34	Limitation of Approvals	27
35	Border Agreements	28

Exhibit "A" (Map of Unit Area)

Exhibit "B" (Schedule of Ownership)

Exhibit "C-1" (Participation Percentage)

Exhibit "C-2" (Participation Percentage)

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF THE  
WEST DOLLARHIDE QUEEN SAND UNIT  
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of February, 1962, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto",

WITNESSETH: That,

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943, as amended by Sec. 1 of Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 39, N.M.S. 1953 anno.) 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 Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws of 1943, as amended by Sec. 1, Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 41, N.M.S. 1953 anno.) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such unitized development and operation of State lands; and

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

WHEREAS, the Mineral Leasing Act of February 25, 1920 (41 Stat. 437, as amended, 30 U.S.C. Sections 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 parties hereto hold sufficient interests in the West Dollarhide Queen Sand Unit Area, as that term is hereinafter defined, to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto, to enable institution and consummation of secondary recovery operations, conserve natural resources, prevent waste and secure the 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 entire respective interests in the below defined Unit Area, and agree severally among themselves as follows:

SECTION 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 and valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

SECTION 2. UNIT AREA AND DEFINITIONS: For the purpose of this agreement, the following terms and expressions as used herein shall mean:

(a) "Unit Area" is defined as the land specified on Exhibit "A" hereof; such land is hereby designated and recognized as constituting the Unit Area, containing 2,562.52 acres, more or less, in Lea County, New Mexico.

(b) "Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.

(c) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(d) "Director" is defined as the Director of the United States Geological Survey.

(e) "Secretary" is defined as the Secretary of the Interior of the United States of America.

(f) "Department" is defined as the Department of the Interior of the United States of America.

(g) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey.

(h) "Unitized Formation" is defined as the Queen Sand Formation, same being that heretofore established underground reservoir encountered in the drilling by Skelly Oil Company of its Mexico "L" Well No. 24 between the sub-sea depths of minus 408 feet and minus 588 feet, as shown by the Schlumberger electric log of said well, which said well is located in the NW/4 of the NE/4 of Section 5, T-25-S, R-38-E, Lea County, New Mexico.

(i) "Unitized Substance" is defined as and shall mean all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

(j) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise.

(k) "Working Interest Owner" is defined as and shall mean any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and producing the Unitized Substances from the Unitized Formation and the operation thereof hereunder.

(l) "Royalty Interest" or "Royalty" is defined as an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved by the lessor by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

(m) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.

(n) "Tract" is defined as and shall mean each parcel of land described as such and given a Tract number in Exhibit "B".

(o) "Tract Participation" means the percentage shown on Exhibits "C-1" and "C-2" for allocating Unitized Substances to a Tract under this agreement.

(p) "Unit Participation" is defined and shall mean the sum of the percentages obtained by multiplying the Working Interest of each Working Interest Owner in each Tract within the Unit Area by the percentage of participation assigned to each such Tract.

(q) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 10, infra, and shall be styled "Unit Operating Agreement, West Dollarhide Queen Sand Unit, Lea County, New Mexico".

SECTION 3. EXHIBITS: Exhibit "A" attached hereto is a map showing, to the extent known to Unit Operator, the Unit Area and the boundaries and identity of Tracts and leases in said Unit Area. Exhibit "B" attached hereto is a schedule showing, to the extent known to Unit Operator, the acreage comprising each Tract and the percentage ownership of each Working Interest Owner in each Tract. 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 being owned by such party. Exhibit "C-1" is a schedule showing in Part I thereof the Tract Participation of each Tract included in the Unit Area and in Part II thereof the Unit Participation of each Working Interest Owner. Both of said schedules shall become effective at 7:00 a.m. on the effective date of this agreement and shall continue in effect until 7:00 a.m. on the first day of the month next following the month in which the cumulative oil production from the Unitized Formation underlying the Unit Area, as shown on the original Exhibit "A", equals 3,140,000 barrels, minus all oil produced from said Formation underlying said Area and run to the pipeline (as determined by the Commission's monthly reports, Form C-115) from inception of production to the effective date of this agreement. Exhibit "C-2" is a schedule showing in Part I thereof the Tract Participation of each Tract included in the Unit Area and in Part II thereof the Unit Participation of each Working Interest Owner. Both of said schedules shall become effective at 7:00 a.m. on the first day of the month next following the month in which the cumulative oil production from the Unitized Formation

underlying the Unit Area, as shown on the original Exhibit "A", equals 3,140,000 barrels, minus all oil produced from said Formation underlying said Area and run to the pipeline (as determined by the Commission's monthly reports, Form C-115) from inception of production to the effective date of this agreement.

It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical errors which may exist in the pertinent exhibits to this agreement upon first having obtained approval of the Commissioner and the Supervisor.

Exhibits "A", "B", "C-1" and "C-2" shall be revised by Unit Operator whenever changes render such revision necessary, and at least two copies of such revision shall be filed with the Commissioner and not less than six copies thereof shall be filed with the Supervisor.

SECTION 4. EXPANSION: The Unit Area may, when practicable, be expanded to include therein any additional Tract or Tracts regarded as reasonably necessary or advisable for the purposes of this agreement. Such expansion shall be effected in the following manner:

(a) The Working Interest Owner or Owners of a Tract or Tracts desiring to bring such Tract or Tracts into this Unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the Tract Participation to be assigned to such Tract or Tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise), if 90 percent of the Working Interest Owners (on the basis of Unit Participation as shown on Exhibit "C-2") have agreed to such Tract or Tracts being brought into the Unit, then Unit Operator shall:

(1) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional Tract or Tracts, the Tract Participation to be assigned thereto and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice; and

(2) Deliver copies of said notice to the Commissioner, the Director, each Working Interest Owner (mailing copy of such notice to the last known address of each such Working Interest Owner) and to the lessee and lessor whose interests are proposed to be committed, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above, with the Commissioner, Director and the Commission the following: (a) Comprehensive statement as to mailing such notice of expansion; (b) An application for such expansion; and (c) An instrument containing the appropriate joinders in compliance with the participation requirements of Section 14, infra.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner, the Director and the Commission, become effective as of the date prescribed in the notice thereof or on such other date as set by the Commissioner, the Director and the Commission in the order or instrument approving such expansion.

SECTION 5. CONTRACTION: When practicable, the Unit Area shall be contracted to exclude land not effectively committed to this Unit Agreement whenever such contraction is necessary or advisable to conform with the purposes of this agreement. Such contraction should be effected in the following manner:

(a) Unit Operator, with concurrence of at least 80 percent of the Working Interest Owners, on the basis of Unit Participation as shown on Exhibit "C-2", or on demand of the Director, or on demand of the Commissioner, after preliminary concurrence by the Director, shall prepare a notice of 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, Commission and to the Commissioner, and copies thereof mailed to the last known address of each Working Interest Owner, lessee, and royalty owner 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, Commission, and the Commissioner, a comprehensive statement as to mailing of the notice of 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 contraction.

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

SECTION 6. UNITIZED LAND AND UNITIZED SUBSTANCES: All oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons in and under the land effectively committed to this agreement (insofar

only as the same may be found in the Unitized Formation), together with the surface rights of ingress and egress, are unitized under the terms of this agreement and said land shall constitute land referred to herein as "Unitized Land" or "Land Subject to this Agreement".

Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation.

SECTION 7. UNIT OPERATOR: SKELLY OIL COMPANY, a Delaware corporation, is hereby designated as Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, 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.

SECTION 8. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time, 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 six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, the Commissioner and the Director, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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 80 percent of the committed Working Interest Owners (based upon the then current Unit Participation) exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner and the Director.

In all such instances of effective resignation or removal, until a successor to Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (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 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, books and records, materials, appurtenances and any other assets used in conducting the Unit operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Unit Area) to the new duly qualified successor Unit Operator or to the common agent 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. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns or is removed hereunder for any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 9. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall by affirmative

vote of at least two Working Interest Owners with a combined voting interest of at least 65 percent, based upon the then current Unit Participation assigned to the Tracts in the Unit Area, select a successor Unit Operator; provided, however, that should any Working Interest Owner own a voting interest of more than 35 percent, the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by 80 percent or more of the voting interests of the remaining Working Interest Owners; and provided further that Unit Operator shall not vote to succeed itself and its vote shall not be counted in a vote concerning its removal as the Unit 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 Commissioner and the Director. If no successor Unit Operator or common agent is selected and qualified as herein provided, the Commissioner and the Director, at their election, may declare this agreement terminated.

**SECTION 10. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT:**

Costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with 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 the 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 agreement, and in case of any inconsistency or conflict between this agreement and the Unit Operating Agreement, this agreement shall

prevail. Two true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Commissioner and three true copies thereof shall be filed with the Supervisor, prior to approval of this agreement.

SECTION 11. 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. Upon request therefor, 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.

SECTION 12. PLAN OF OPERATIONS: It is recognized and agreed by the parties hereto that all of the land subject to this agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect a greater recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor, and the Commissioner, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, and any other substance or a combination of any of said substances, whether produced from the Unitized Formation or not, and that the location of input wells and the rates of injection therein

and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. The parties hereto hereby grant Unit Operator the right to use brine or water (or both) from any formation underlying the Unit Area for injection purposes. After commencement of secondary operations, Unit Operator shall furnish the Commissioner and the Supervisor monthly injection and production reports for each well in the Unit Area. The Working Interest Owners, the Supervisor, and the Commissioner, shall be furnished periodic reports on the progress of the plan of operation and any revisions or changes thereto necessary to meet changed conditions or to protect the interests of all parties to this agreement; provided, however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Supervisor, and the Commissioner.

The initial plan of operation shall be filed with the Supervisor and the Commissioner concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

SECTION 13. TRACT PARTICIPATION. In Exhibits "C-1" and "C-2" attached hereto there are listed and numbered the various Tracts within the Unit Area. Set forth opposite each Tract is a figure which represents the Tract Participation allocated to each Tract in the Unit Area calculated on the basis of 100 percent Tract commitment. The Tract Participation of each such Tract was determined as follows:

(a) Phase I:

During the period from 7:00 a.m. on the effective date of this agreement and continuing in effect until 7:00 a.m. the first day of the month next following the month in which the cumulative oil production from the Unitized Formation underlying the Unit Area equals 3,140,000 barrels, minus all oil produced from said Formation underlying said Area and run to the pipeline (as determined by the Commission's monthly reports, Form C-115) from inception of production to the effective date of this agreement, the Tract Participation of each Tract shall be based upon the following formula:

$$\frac{\text{Total Oil Production from Unitized Formation Underlying Tract During Year 1959}}{\text{Total Oil Production from Unitized Formation Underlying Unit Area During Year 1959}} \times 100 \\ = \text{Tract Percentage Participation, Phase I}$$

Unitized Substances produced during the time interval in which Phase I participation is applicable shall be allocated on the basis of Phase I participation, regardless of the date of sale of such Unitized Substances.

(b) Phase II:

Beginning at 7:00 a.m. on the first day of the month next following the month in which the cumulative oil production from the Unitized Formation underlying the Unit Area equals 3,140,000 barrels, minus all oil produced from said Formation underlying said Area and run to the pipeline (as determined by the Commission's monthly reports, Form C-115) from inception of production to the effective date of this agreement, the Tract Participation of each Tract shall be based upon the following formula:

$$\frac{\text{Cumulative Oil Production from Unitized Formation Underlying Tract to January 1, 1960}}{\text{Cumulative Oil Production from Unitized Formation Underlying Unit Area to January 1, 1960}} \times 0.72 \times 100 \\ \text{Plus} \\ \frac{\text{Total Developed Acres in Tract}}{\text{Total Developed Acres in Unit Area}} \times 0.23 \times 100 \\ \text{Plus} \\ \frac{\text{Total Gross Pay in Unitized Formation Under Tract}}{\text{Total Gross Pay in Unitized Formation Under Unit Area}} \times 0.05 \times 100 \\ = \text{Tract Percentage Participation, Phase II}$$

SECTION 14. TRACTS QUALIFIED FOR UNIT PARTICIPATION: On the effective date hereof, and thereafter until it is enlarged or contracted, the Unit Area shall be composed of those Tracts depicted on Exhibit "A" and described in Exhibit "B" which are otherwise qualified as follows:

(a) Each Tract as to which Working Interest Owners owning 100% of the Working Interest therein have become parties hereto and as to which Royalty Owners owning 75% or more of the Royalty Interest therein have become parties hereto.

(b) Each Tract as to which Working Interest Owners owning 100% of the Working Interest therein have become parties hereto and as to which Royalty Owners owning less than 75% of the Royalty Interest therein have become parties hereto and, further, as to which:

(i) All Working Interest Owners in any such Tract have joined in a request for the inclusion of such Tract in the Unit Area, and

(ii) 80% of the combined voting interests of Working Interest Owners in all Tracts meeting the requirements of Section 14 (a) hereof have voted in favor of including such Tract.

For the purposes of this Section 14 (b), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in per cent) which its aggregate Unit Participation in all Tracts qualifying under Section 14 (a) bears to the total Unit Participation, as shown on Exhibit "C-1", of all Working Interest Owners in all Tracts qualifying under Section 14 (a).

(c) Each Tract as to which Working Interest Owners owning less than 100% of the Working Interest therein have become parties hereto, regardless of the percentage of Royalty Interest therein which is committed hereto and, further, as to which:

(i) The Working Interest Owner operating any such Tract and all of the other Working Interest Owners in such Tract who have become parties hereto have joined in a request for inclusion of such Tract in the Unit Area and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns, against all claims and demands which may be made by the owners of Working Interests in such Tract who are not parties hereto and which arise out of the inclusion of such Tract in the Unit Area, and

(ii) 80% of the combined voting interest of Working Interest Owners in all Tracts meeting the requirements of Section 14 (a) and 14 (b) have voted in favor of the inclusion of such Tract and acceptance of the indemnity agreement.

For the purpose of this Section 14 (c), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in per cent) which its aggregate Unit Participation in all Tracts qualifying under Section 14 (a) and 14 (b) bears to the total Unit Participation, as shown on Exhibit "C-1", of all Working Interest Owners in all Tracts qualifying under Section 14 (a) and 14 (b). Upon the inclusion of such a Tract in the Unit Area, the Unit Participation that would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, in proportion to their respective Working Interests in the Tract.

If, on the effective date of this agreement, there is any Tract or Tracts which have not been effectively committed to or made subject to this agreement by qualifying as above provided, then such Tract or Tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this agreement for final approval by the Commissioner and the Director, file therewith a schedule of those Tracts which have been committed and made subject to this agreement and are entitled to participate in the production from the Unit Area hereunder. Said schedule shall set forth opposite each such committed Tract the lease number or assignment number, the owner of record of the lease, and the Tract Participation of such Tract which shall be computed according to the participation formulae set out in Section 13 (Tract Participation) above. This schedule of participation shall be a part of Exhibits "C-1" and "C-2" and, upon approval thereof by the Commissioner and the Director, shall become a part of this agreement and shall govern the allocation of production of Unitized Substances until a new schedule is filed and approved by the Commissioner and the Supervisor.

SECTION 15. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed Tracts within the Unit Area in accordance with the respective Tract Participation effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibits "C-1" and "C-2". The amount of Unitized Substances so allocated to each Tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract), shall, for all intents, uses and purposes, be deemed to have been produced from such Tract.

The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to the parties executing, consenting to or ratifying this agreement entitled to share in the production from such Tracts in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such Tracts, or in the proceeds thereof, had this agreement not been entered into, and with the same legal force and effect.

No Tract committed to this agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances.

If the Working Interest and the Royalty Interest in any Tract are divided with respect to separate parcels or portions of such Tract and owned severally by different persons, the Tract Participation assigned to such Tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each Tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 16 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any

party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the Unit Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any Tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all Royalty on the lease or leases and Tracts contributed by it and received into the Unit, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such Royalty on the lease or leases and Tracts contributed by it and received into the unitized land.

SECTION 16. ROYALTY SETTLEMENT: The United States and the State of New Mexico and all Royalty Owners who, under existing contracts, are entitled to take in kind a share of the substances produced from any Tract unitized hereunder, shall hereafter be entitled to take in kind their share of the Unitized Substances allocated to such Tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interests 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 Royalty due under their leases, except

that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands not subject to this agreement is introduced into the Unitized Formation for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan approved pursuant to Section 12 (Plan of Operations), a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the Unitized Formation, royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be pursuant to such conditions and formulae as may be prescribed or approved by the Supervisor and the Commissioner; and, provided further, that such right of withdrawal shall terminate on the termination of this agreement. If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the Unitized Formation for the purpose of increasing ultimate recovery, which shall be in conformance with a plan first approved by the Supervisor and the Commissioner, part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formulae as may be prescribed or approved by the Supervisor and the Commissioner.

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 rate 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, such average production shall be determined in accordance with the operating regulations as though the unitized lands were one lease.

Royalty due on account of State lands shall be computed and paid on the basis of all Unitized Substances allocated to such lands.

SECTION 17. RENTAL SETTLEMENT: Rentals 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 for lands of the State of New Mexico subject to this agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental or minimum royalty for lands of the United States of America subject to this agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 18. 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 Federal and State laws and regulations.

SECTION 19. 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.

SECTION 20. 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 on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary and the Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement.

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, producing or secondary recovery operations performed hereunder upon any Tract of unitized lands shall 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 land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Commissioner and the Supervisor 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 lands.

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil and gas 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 committed land so long as such land remains committed hereto, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two (2) years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act (Revision of 1960).

(f) 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.

(g) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to that portion committed and that not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, that notwithstanding any of the provisions of this agreement to the contrary, such lease 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, or has heretofore been, discovered in paying quantities on some part of the lands embraced in such lease committed to this

agreement or, so long as a portion of the Unitized Substances produced from the Unit Area is, under the terms of this agreement, allocated to the portion of the lands covered by such lease committed to this agreement, or at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or secondary recovery operations on any part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are 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.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any [Federal] lease heretofore or 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."

SECTION 21. 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 subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

SECTION 22. EFFECTIVE DATE AND TERM: This agreement shall become binding upon each party who executes or ratifies it as of

the date of execution or ratification by such party and shall become effective as of 7:00 o'clock a.m. of the first day of the month next following:

(a) The execution or ratification of this agreement and the Unit Operating Agreement by Working Interest Owners owning a combined Unit Participation of at least 85 percent, and the execution or ratification of this agreement by Royalty Owners owning a combined interest of at least 70 percent of the Royalty Interest, in said Unit Area; and

(b) The approval of this agreement by the Commissioner, the Secretary or his duly authorized representative, and the Commission; and

(c) The filing of at least one counterpart of this agreement for record in the office of the County Clerk of Lea County, New Mexico, by the Unit Operator;

and provided, further, that if (a), (b) and (c) above are not accomplished on or before July 1, 1963, this agreement shall terminate ipso facto on said date (hereinafter called "termination date") and thereafter be of no further force or effect, unless prior thereto this agreement has been executed or ratified by Working Interest Owners owning a combined Unit Participation of at least eighty percent (80%), and the Working Interest Owners owning a combined Unit Participation of at least eighty percent (90%) committed to this agreement have decided to extend said termination date for a period not to exceed one (1) year (hereinafter called "extended termination date"). If said termination date is so extended and (a), (b) and (c) are not accomplished on or before said extended termination date, this agreement shall terminate ipso facto on said extended termination date and thereafter be of no further force or effect. For the purpose of this Section, ownership shall be computed on the basis of Unit Participation as determined from Exhibit "C-1" attached hereto.

Unit Operator shall, within thirty (30) days after the effective date of this agreement, file for record in the office where a counterpart of this agreement is recorded, a certificate to the effect that this agreement has become effective according to its terms and stating further the effective date.

The term of this agreement shall be for and during the time

that Unitized Substances are produced in paying quantities from the Unit Area and as long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner hereinafter provided.

This agreement may be terminated with the approval of the Commissioner and the Director by Working Interest Owners owning ninety percent (90%) Unit Participation, as shown on Exhibit "C-2", whenever such Working Interest Owners determine that Unit operations are no longer profitable, feasible or in the interest of conservation. Notice of any such termination shall be given by Unit Operator to all parties hereto.

Upon termination of this agreement, the further development and operation of the Unit Area as a Unit shall be abandoned, Unit operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts.

If not otherwise covered by the leases unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit operations.

**SECTION 23. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION:**

All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, at his discretion, the rate of prospecting and development and, within the limits made or fixed by the Commission, to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public

interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

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 fifteen days from notice.

SECTION 24. NONDISCRIMINATION. In the performance of work under this agreement, Unit Operator agrees to comply with the non-discrimination provisions of Executive Order 10925 (26 F.R. 1977).

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

SECTION 25. APPEARANCES: Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby before the Commissioner, the Department, and the Commission, and to appeal from any order issued under the rules and regulations of the Commissioner, the Department, or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Commissioner, the Department, or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceedings.

SECTION 26. NOTICES: All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid 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 or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 27. 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 rules 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.

SECTION 28. UNAVOIDABLE DELAY: All obligations under this agreement requiring the Unit Operator to commence or continue secondary recovery operations 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 agency, unavoidable accident, 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.

SECTION 29. LOSS OF TITLE: In the event any Tract of unitized land ceases to have sufficient Working Interest Owners or Royalty Owners committed to this agreement to meet the conditions of Section 14 because of failure of title of any party hereto, such Tract shall be removed from the Unit Area effective as of 7:00 a.m on the first day of the calendar month in which the failure of title is finally determined; provided, however, that no such Tract shall be so removed from the Unit Area if said Tract can be requalified for admission under said Section 14 within ninety (90) days after the date on which such title failure was finally determined. If any such Tract cannot

be so requalified, Unit Operator shall recompute the Tract Participation of each Tract of unitized land remaining in the Unit Area using the basis of computation prescribed in Section 13 of this agreement. Thereafter, Unit Operator shall revise Exhibit "A" so as to depict thereon only those Tracts which then qualify for inclusion within the Unit Area and shall, likewise, revise Exhibits "B", "C-1" and "C-2" conformably. Each such revised exhibit shall be effective at 7:00 a.m. on the first day of the calendar month in which such failure of title is finally determined.

If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of such failure shall be governed by the Unit Operating Agreement. If title to a Royalty Interest fails, but the Tract to which it relates is not removed from the Unit Area, the party whose title failed shall not be entitled to participate hereunder insofar as its participation is based on such lost Royalty Interest.

In the event of a dispute as to the title to any Working or Royalty Interest subject hereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld, but such funds shall be deposited as directed by the Commissioner or the Supervisor (as the case may be), 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.

SECTION 30. NONJOINDER AND SUBSEQUENT JOINDER: Any oil or gas interest in the lands in the Unit Area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto, upon compliance with the applicable provisions of this Section and Section 14 hereof, by the owner or owners thereof

subscribing or consenting to this agreement and, if the interest is a Working Interest, by the owner of such interest also subscribing to the Unit Operating Agreement. After operations are commenced hereunder, the right of subsequent joinder by a Working Interest Owner is subject to such requirements or approvals and upon such basis as may be agreed upon by 90 percent of the Working Interest Owners (based upon Unit Participation as shown on Exhibit "C-2") 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 which may accrue hereunder in behalf of such non-working interest.

SECTION 31. COUNTERPARTS: This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and 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 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.

SECTION 32. TAXES: Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the United States or to the State of New Mexico, nor to any lessor who has a contract with a lessee which

requires his lessee to pay such taxes.

SECTION 33. 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 provisions thereof to the extent that the said Unit Operator or the 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 things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority vested in the Commission in and by any provisions of this agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

SECTION 34. LIMITATION OF APPROVALS: Notwithstanding anything herein contained to the contrary, if no Federal lands are committed to this agreement, then no consents or approvals provided herein shall be required of the Department, the Secretary, the Director, or the Supervisor, and it shall not be necessary to file any instrument hereunder with said officers or agencies unless and until Federal lands are so committed to this agreement; likewise, if no State lands are committed to this agreement, then no consents or approvals provided herein shall be required of the Commissioner, and it shall not be necessary to file any instrument hereunder with said officer unless and until State lands are so committed to this agreement.

SECTION 35. BORDER AGREEMENTS: Subject to the approval of the Director and the Commissioner, the Unit Operator, with concurrence

of 65 percent of the voting interest of the Working Interest Owners, based upon Unit Participation as shown on Exhibit "C-2", may enter into a border protection agreement or agreements with the Working Interest Owners of adjacent lands along the exterior boundary of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the date first above written and have set opposite their respective names the date of execution and the address of each of the respective executing parties.

ATTEST:

\_\_\_\_\_  
Assistant Secretary

Date: \_\_\_\_\_

SKELLY OIL COMPANY

Appvd. as to  
form: *Kewin*

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

UNIT OPERATOR AND WORKING  
INTEREST OWNER

Date: \_\_\_\_\_

\_\_\_\_\_  
E. A. Culbertson

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

ELLIOTT, INC.

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

Date: \_\_\_\_\_

\_\_\_\_\_  
Frank O. Elliott

Date: \_\_\_\_\_

\_\_\_\_\_  
J. P. Gibbins

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

GULF OIL CORPORATION

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

\_\_\_\_\_  
Ora R. Hall, Jr.

\_\_\_\_\_  
Wallace W. Irwin

\_\_\_\_\_  
Joseph D. Kennedy

\_\_\_\_\_  
J. C. Maxwell

\_\_\_\_\_  
Joe D. Kennedy, Trustee for the  
MARILYN MAXWELL TRUST

\_\_\_\_\_  
Y. Q. McCammon, Trustee for the  
MARILYN MAXWELL TRUST

\_\_\_\_\_  
George Thompson, Jr., Trustee for  
the MARILYN MAXWELL TRUST

PAN AMERICAN PETROLEUM CORPORATION

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

SINCLAIR OIL & GAS COMPANY

By \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

SUNSHINE ROYALTY COMPANY

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

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

TEXACO INC.

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

ATTEST:

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

TEXACO SEABOARD, INC.

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

WORKING INTEREST OWNERS

Date: \_\_\_\_\_

\_\_\_\_\_

ROYALTY OWNERS

STATE OF OKLAHOMA )  
COUNTY OF TULSA ) SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_, Vice President of SKELLY OIL COMPANY, a Delaware 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 \_\_\_\_\_, 1962, by E. A. CULBERTSON.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_, President of ELLIOTT, INC., 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 \_\_\_\_\_, 1962, by FRANK O. ELLIOTT.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by J. P. GIBBINS.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_, President of GULF OIL CORPORATION, a Delaware 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 \_\_\_\_\_, 1962, by ORA R. HALL, JR.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by WALLACE W. IRWIN.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by JOSEPH D. KENNEDY.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by J. C. MAXWELL.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by JOE D. KENNEDY, Trustee for the MARILYN MAXWELL TRUST.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by Y. Q. McCAMMON, Trustee for the MARILYN MAXWELL TRUST.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by GEORGE THOMPSON, JR., Trustee for the MARILYN MAXWELL TRUST.

My commission expires: \_\_\_\_\_

\_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_, President of PAN AMERICAN PETROLEUM CORPORATION, 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 \_\_\_\_\_, 1962, by \_\_\_\_\_, President of SINCLAIR OIL & GAS COMPANY, 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 \_\_\_\_\_, 1962, by \_\_\_\_\_, President of SUNSHINE ROYALTY COMPANY, 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 \_\_\_\_\_, 1962, by \_\_\_\_\_, President of TEXACO INC., 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 \_\_\_\_\_, 1962, by \_\_\_\_\_, President of TEXACO SEABOARD, INC., 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 \_\_\_\_\_, 1962, by \_\_\_\_\_.

My commission expires: \_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 1962, by \_\_\_\_\_.

My commission expires: \_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 1962, by \_\_\_\_\_ and \_\_\_\_\_  
\_\_\_\_\_, his wife.

My commission expires: \_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

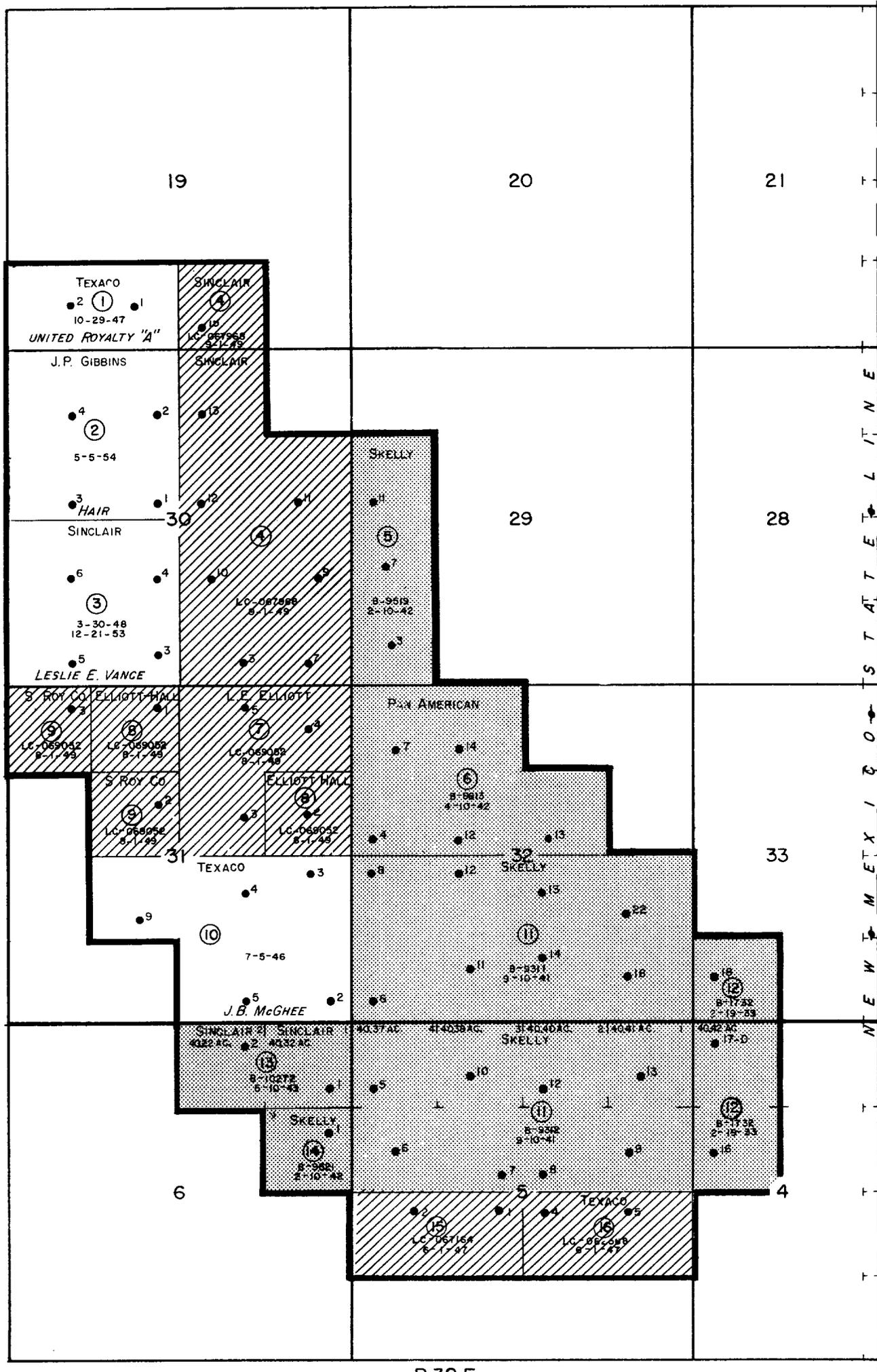
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 1962, by \_\_\_\_\_ and \_\_\_\_\_  
\_\_\_\_\_, his wife.

My commission expires: \_\_\_\_\_  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

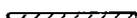
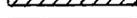
The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 1962, by \_\_\_\_\_,  
President of \_\_\_\_\_, a \_\_\_\_\_ corporation,  
on behalf of said corporation.

My commission expires: \_\_\_\_\_  
Notary Public



WEST DOLLARHIDE QUEEN SAND UNIT  
LEA COUNTY NEW MEXICO  
EXHIBIT "A"

LEGEND

-  UNIT AREA
-  FEE LANDS
-  FEDERAL LANDS
-  STATE LANDS
-  TRACT NO.

SCALE

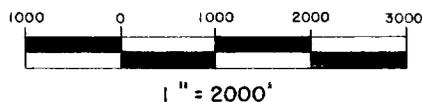


EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP  
OF ALL LANDS WITHIN THE WEST DOLLARHIDE QUEEN SAND UNIT  
TOWNSHIPS 24 AND 25 SOUTH, RANGE 38 EAST, LEA COUNTY, NEW MEXICO

<u>Tract Number</u>	<u>Description</u>	<u>No. of Acres</u>	<u>Serial No. &amp; Date of Lease or Application</u>	<u>Basic Royalty &amp; Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty and Percentage</u>	<u>Working Interest and Percentage</u>
<u>FEDERAL LANDS</u>							
<u>T24S-R38E</u>							
4	Sec. 30 SE/4, S/2 NE/4 NW/4 NE/4 Sec. 19 SW/4 SE/4	320	Las Cruces 067968 9-1-49 H.B.P.	USA 12½%	Sinclair Oil & Gas Co.	Mrs. Richard F. Nelson 1/4 of 1% of 8/8 Mursen Corporation 1/4 of 1% of 8/8	Sinclair Oil & Gas Company 100%
<u>T24S-R38E</u>							
7	Sec. 31 N/2 NE/4, SW/4 NE/4	120	Las Cruces 069052 8-1-49 H.B.P.	USA 12½%	L. E. Elliott	None	Elliott, Inc. 100%
<u>T24S-R38E</u>							
8	Sec. 31 SE/4 NE/4 & NE/4 NW/4	80	Las Cruces 069052 8-1-49 H.B.P.	USA 12½%	L. E. Elliott	Elliott, Inc. 12½% of 8/8	Frank C. Elliott 50% Ora R. Hall, Jr. 50%
<u>T24S-R38E</u>							
9	Sec. 31 SE/4 NW/4 & NW/4 NW/4	80	Las Cruces 069052 8-1-49 H.B.P.	USA 12½%	L. E. Elliott	Elliott, Inc. 12½% of 8/8	Sunshine Royalty Company 100%

<u>Tract Number</u>	<u>Description</u>	<u>No. of Acres</u>	<u>Serial No. &amp; Date of Lease or Application</u>	<u>Basic Royalty &amp; Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty and Percentage</u>	<u>Working Interest and Percentage</u>
<u>T25S-R38E</u>							
15	Sec. 5 N/2 SW/4	80	Las Cruces 067164 6-1-47 H.B.P.	USA 12 $\frac{1}{2}$ %	Texaco Inc.	Texaco Inc. 3.125% Skelly Oil Co. .625% Suspense .625% Estate of Frank A. Andrews .500% Oil Royalties Corp. .125%	E. A. Culbertson 50% Wallace W. Irwin 50%
<u>T25S-R38E</u>							
16	Sec. 5 N/2 SE/4	80	Las Cruces 062368 6-1-47 H.B.P.	USA 12 $\frac{1}{2}$ %	Texaco Inc.	John M. Loffland, Jr. 1/8 of 1% Skelly Oil Company 5/8 of 1% Selma E. Andrews .00268525 Albuquerque Nat'l Bank Testamentary Trustee of Frank A. Andrews, Dec'd .00231475 M. W. Coll 15/256 of 1% Roger B. Owing 32/256 of 1% Effie E. Valentine 2/256 of 1% T. A. Pedley, Jr. 4/256 of 1% Greecan M. Pedley 4/256 of 1%	Texaco Inc. 100%

Tract Number

Serial No. & Date of Lease or Application

No. of Acres

Description

Basic Royalty & Percentage

Lessee of Record

Overriding Royalty and Percentage

Working Interest and Percentage

First Nat'l Bank  
of Denver  
Successor Trustee  
under will of  
Josephine M. Smith, Dec'd.  
55/256 of 1/8  
First National Bank of  
Denver, Successor  
Trustee under will  
of Charles T. Lupton,  
Dec'd 16/256 of 1/8  
Neville G. Penrose  
32/256 of 1/8

Six (6) Federal Tracts Containing 760 Acres or 29.6583% of Unit Area

<u>Tract Number</u>	<u>Description</u>	<u>No. of Acres</u>	<u>Serial No. &amp; Date of Lease or Application</u>	<u>Basic Royalty &amp; Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty and Percentage</u>	<u>Working Interest and Percentage</u>
<u>STATE LANDS</u>							
24S-R38E 5	Sec. 29 W/2 SW/4, SW/4 NW/4	120	B-9519 2-10-42 H.B.P.	State of New Mexico 12½%	Skelly Oil Company	None	Skelly Oil Company 100%
24S-R38E 6	Sec. 32 NW/4 SW/4 NE/4	200	B-9613 4-10-42 H.B.P.	State of New Mexico 12½%	Pan American Petroleum Corporation	None	Pan American Petroleum Corporation 100%
25S-R38E 11	Sec. 5 Lots 1, 2, 3, & 4 and S/2 N/2, and	321.56	B-9312-4 9-10-41 H.B.P.	State of New Mexico 12½%	The Siosi Company & J. C. Maxwell, Inc.	None	Skelly Oil Company 50% Texaco Seaboard Inc. 25% J. C. Maxwell 70% of 25% Joe D. Kennedy, Y. Q. McCammon and George Thompson, Jr. Trustee of Marilyn Maxwell Trust 20% of 25% Joseph D. Kennedy 10% of 25%
24S-R38E 11	Sec. 32 S/2	320	B-9311-1 9-10-41 H.B.P.	State of New Mexico 12½%	Skelly Oil Company	None	

<u>Tract Number</u>	<u>Description</u>	<u>No. of Acres</u>	<u>Serial No. &amp; Date of Lease or Application</u>	<u>Basic Royalty &amp; Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty and Percentage</u>	<u>Working Interest and Percentage</u>
<u>T24S-R38E</u>							
12	Sec. 33 SW/4 SW/4, and;	120.42	B-1732 2-19-33 H.B.P.	State of New Mexico 12½%	Gypsy Oil Company	None	Gulf Oil Corporation 100%
<u>T25S-R38E</u>							
	Sec. 4 W/2 NW/4						
<u>T25S-R38E</u>							
13	Sec. 6 Lots 1 & 2	80.54	B-10272 5-10-43 H.B.P.	State of New Mexico 12½%	Repollo Oil Company	None	Sinclair Oil & Gas Company 100%
<u>T25S-R38E</u>							
14	Sec. 6 SE/4 NE/4	40	B-9521 2-10-42 H.B.P.	State of New Mexico 12½%	Skelly Oil Company	None	Skelly Oil Company 100%

Six (6) State of New Mexico Tracts Containing 1202.52 Acres or 46.9272% of Unit Area

<u>Tract Number</u>	<u>Description</u>	<u>No. of Acres</u>	<u>Date of Lease</u>	<u>Basic Royalty &amp; Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty and Percentage</u>	<u>Working Interest and Percentage</u>
---------------------	--------------------	---------------------	----------------------	---------------------------------------	-------------------------	--	--

FEE LANDS

T24S-R38E

1	Sec. 19 S/2 SW/4	80	10-29-47 H.B.P.	United Royalty "A" Trust Estate 64% Recket Oil & Gas Company 64%	Texaco Inc.	None	Texaco Inc. 100%
---	---------------------	----	--------------------	---	-------------	------	---------------------

T24S-R38E

2	Sec. 30 NW/4	160	5-5-54 H.B.P.	Fowler Hair 12 1/2%	J. P. Gibbins	Ralph Lowe 6.250000% Paul Davis 1.785714% Fred Turner 3.571429% W. B. Collins 1.785714%	J. P. Gibbins 100%
---	-----------------	-----	------------------	------------------------	---------------	--	-----------------------

T24S-R38E

3	Sec. 30 SW/4	160	3-30-48	Neva Vance 3.57142% of 1/8 Leslie E. Vance 23.21428% of 1/8 Rex B. Vance 21.42857% of 1/8 Fern Vance 17.26191% of 1/8 Hugh Corrigan III 6.25000% of 1/8 J. Patrick Corrigan 6.25000% of 1/8 Sinclair Oil & Gas Co. 22.02382% of 1/8	J. W. Goddard J. W. Goddard J. W. Goddard J. W. Goddard Hugh Corrigan III Sinclair Oil & Gas Co.	Hugh Corrigan III .78125% of 8/8 J. Patrick Corrigan .78125% of 8/8	Sinclair Oil & Gas Co. 100%
---	-----------------	-----	---------	--	---	--	--------------------------------

<u>Tract Number</u>	<u>Description</u>	<u>No. of Acres</u>	<u>Date of Lease</u>	<u>Basic Royalty &amp; Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty and Percentage</u>	<u>Working Interest and Percentage</u>
T24S-R38E							
10	Sec. 31 SE/4, NE/4 SW/4	200	7-5-46 H.B.P.	J. B. McGhee 1/6 Kate G. Gilbert 14/192 Hattie C. Williams 1/32 Vashti Fuller 11/360 Erwin J. Levers 1/64 Ford Bradish 1/32 Eugenia H. Maxwell 3/64 J. E. Simmons 1/24 Jean S. Felte 1/32 Lester Alston 1/96 H. Dillard Schenck 1/16 June D. Speight 1/16 F. J. Dangler 1/16 H. M. Dow 1/18 Robert F. Imbt 1/40 T. L. Gardner, Jr. Adm. CTA of Est. of Mary C. Beeson, Dec'd. 1/64	Texaco Inc.	Hattie Cone Williams \$7,000 out of 1/1024 of 7/8	Texaco Inc. 100%

<u>Tract Number</u>	<u>Description</u>	<u>No. of Acres</u>	<u>Date of Lease</u>	<u>Basic Royalty &amp; Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty and Percentage</u>	<u>Working Interest and Percentage</u>
	Elizabeth B. Lane						
	1/64						
	R. W. Hamilton						
	1/64						
	Addie L. Augustine						
	1/128						
	Tom A. Peay						
	1/128						
	Edd Cowden and Jeff Cowden, Jointly						
	19/576						
	Jett Cowden						
	1/32						
	Forest E. Levers						
	1/16						
	Powhatam Carter, Jr. - Trustee						
	1/32						
	Powhatam Carter						
	1/32						
	Fred E. Bell & Dan Dacy						
	19/576						

Four (4) Fee Tracts Containing 600 Acres or 23.4145% of Unit Area

Dollarhide Queen Unit Area Total:

6 Federal Tracts	760.00 Acres	29.6583%
6 State of New Mexico Tracts	1202.52 Acres	46.9272%
4 Fee Tracts	600.00 Acres	23.4145%
Total	2562.52	100.0000%

EXHIBIT "C-1" PART I  
 SCHEDULE OF TRACT PERCENTAGE PARTICIPATION  
 WEST DOLLARIDE QUEEN SAWD UNIT  
 LEA COUNTY, NEW MEXICO

<u>Tract Number</u>	<u>Description</u>	<u>Serial No. and Date of Lease or Application</u>	<u>Phase I Percent. Tract Participation in Unit</u>
<u>FEDERAL LANDS</u>			
4	T24S-R38E: Sec. 30; SE/4, S/2 NE/4, NW/4 NE/4 Sec. 19; SW/4 SE/4	LC-067968 9-1-49 H.B.P.	21.600307
7	T24S-R38E: Sec. 31; N/2 NE/4, SW/4 NE/4	LC-069052 8-1-49 H.B.P.	5.920499
8	T24S-R38E: Sec. 31; SE/4 NE/4 & NE/4 NW/4	LC-069052 8-1-49 H.B.P.	5.760820
9	T24S-R38E: Sec. 31; NW/4 NW/4 & SE/4 NW/4	LC-069052 8-1-49	3.720191
15	T25S-R38E: Sec. 5; N/2 SW/4	LC-067164 6-1-47 H.B.P.	0.854445
16	T25S-R38E: Sec. 5; N/2 SE/4	LC-062368 6-1-47 H.B.P.	2.636982
<u>STATE LANDS</u>			
5	T24S-R38E: Sec. 29; W/2 SW/4, SW/4 NW/4	B-9519 2-10-42 H.B.P.	6.316112
6	T24S-R38E: Sec. 32; NW/4, SW/4 NE/4	B-9613 4-10-42 H.B.P.	6.725411
11	T25S-R38E: Sec. 5; Lots 1, 2, 3 & 4 and S/2 N/2 and,  T24S-R38E: Sec. 32; S/2	B-9312-4 9-10-41 H.B.P.  B-9311-1 9-10-41 H.B.P.	25.554477

<u>Tract Number</u>	<u>Description</u>	<u>Serial No. and Date of Lease or Application</u>	<u>Phase I Percent. Tract Participation in Unit</u>
12	T24S-R38E: Sec. 33; SW/4 SW/4, and	B-1732 2-19-33 H.B.P.	0.000000
	T25S-R38E: Sec. 4 W/2 NW/4		
13	T25S-R38E: Sec. 6; Lots 1 & 2	B-10272 5-10-43 H.B.P.	1.222032
14	T25S-R38E: Sec. 6; SE/4 NE/4	B-9521 2-10-42 H.B.P.	0.606780
<u>FEE LANDS</u>			
1	T24S-R38E: Sec. 19; S/2 SW/4	10-29-47 H.B.P.	4.454061
2	T24S-R38E: Sec. 30; NW/4	5-5-54 H.B.P.	3.647846
3	T24S-R38E: Sec. 30; SW/4	3-30-48 3-30-48 3-30-48 3-30-48 12-21-53 H.B.P.	5.843593
10	T24S-R38E: Sec. 31; SE/4, NE/4 SW/4	7-5-46 H.B.P. 1-18-52 H.B.P.	5.136444
		Total	100.000000

EXHIBIT "C-1" PART II  
 SCHEDULE OF TRACT PERCENTAGE PARTICIPATION  
 WEST DOLLARHIDE QUEEN SAND UNIT  
 LEA COUNTY, NEW MEXICO

<u>Working Interest Owner</u>	<u>Unit Tract No.</u>	<u>Phase I Percent. Participation in Unit</u>	<u>Phase I Percent. Participation-Total</u>
E. A. Culbertson	15	0.427223	0.427223
Elliott, Inc.	7	5.920499	5.920499
Frank O. Elliott	8	2.880410	2.880410
J. P. Gibbins	2	3.647846	3.647846
Gulf Oil Corporation	12	0.000000	0.000000
Ora R. Hall, Jr.	8	2.880410	2.880410
Wallace W. Irwin	15	0.427222	0.427222
Joseph D. Kennedy	11	0.638862	0.638862
J. C. Maxwell	11	4.472033	4.472033
Marilyn Maxwell Trust	11	1.277724	1.277724
Pan American Petroleum Corporation	6	6.725411	6.725411
Sinclair Oil & Gas Company	3	5.843593	28.665932
	4	21.600307	
	13	1.222032	
Skelly Oil Company	5	6.316112	19.700131
	11	12.777239	
	14	0.606780	
Sunshine Royalty Company	9	3.720191	3.720191
Texaco, Inc.	1	4.454061	12.227487
	10	5.136444	
	16	2.636982	
Texaco Seaboard, Inc.	11	6.388619	6.388619
		<u>100.000000</u>	<u>100.000000</u>

EXHIBIT "C-2" Part I  
 SCHEDULE OF TRACT PERCENTAGE PARTICIPATION  
 WEST DOLLARHIDE QUEEN SAND UNIT  
 LEA COUNTY, NEW MEXICO

<u>Tract Number</u>	<u>Description</u>	<u>Serial No. and Date of Lease or Application</u>	<u>Phase II Percent. Tract Participation In Unit</u>
<u>FEDERAL LANDS</u>			
4	<u>T24S-R38E:</u> Sec. 30; SE/4, S/2 NE/4, NW/4 NE/4 Sec. 19; SW/4 SE/4	LC-067968 9-1-49 H.B.P.	14.114237
7	<u>T24S-R38E:</u> Sec. 31; N/2 NE/4, SW/4 NE/4	LC-069052 8-1-49 H.B.P.	6.684052
8	<u>T24S-R38E:</u> Sec. 31; SE/4 NE/4 & NE/4 NW/4	LC-069052 8-1-49 H.B.P.	4.642078
9	<u>T24S-R38E:</u> Sec. 31; NW/4 NW/4 & SE/4 NW/4	LC-069052 8-1-49	3.056062
15	<u>T25S-R38E:</u> Sec. 5; N/2 SW/4	LC-067164 6-1-47 H.B.P.	2.493371
16	<u>T25S-R38E:</u> Sec. 5; N/2 SE/4	LC-062368 6-1-47 H.B.P.	2.201302
<u>STATE LANDS</u>			
5	<u>T24S-R38E:</u> Sec. 29; W/2 SW/4, SW/4 NW/4	B-9519 2-10-42 H.B.P.	6.307331
6	<u>T24S-R38E:</u> Sec. 32; NW/4, SW/4 NE/4	B-9613 4-10-42 H.B.P.	9.761334
11	<u>T25S-R38E:</u> Sec. 5; Lots 1, 2, 3 & 4 and S/2 N/2 and,  <u>T24S-R38E:</u> Sec. 32; S/2	B-9312-4 9-10-41 H.B.P.  B-9311-1 9-10-41 H.B.P.	26.196942

EXHIBIT "C-2" Part I  
 SCHEDULE OF TRACT PERCENTAGE PARTICIPATION  
 WEST DOLLARHIDE QUEEN SAND UNIT  
 LEA COUNTY, NEW MEXICO

<u>Tract Number</u>	<u>Description</u>	<u>Serial No. and Date of Lease or Application</u>	<u>Phase II Percent. Tract Participation In Unit</u>
<u>FEDERAL LANDS</u>			
4	<u>T24S-R38E:</u> Sec. 30; SE/4, S/2 NE/4, NW/4 NE/4 Sec. 19; SW/4 SE/4	LC-067968 9-1-49 H.B.P.	14.114237
7	<u>T24S-R38E:</u> Sec. 31; N/2 NE/4, SW/4 NE/4	LC-069052 8-1-49 H.B.P.	6.684052
8	<u>T24S-R38E:</u> Sec. 31; SE/4 NE/4 & NE/4 NW/4	LC-069052 8-1-49 H.B.P.	4.642078
9	<u>T24S-R38E:</u> Sec. 31; NW/4 NW/4 & SE/4 NW/4	LC-069052 8-1-49	3.056062
15	<u>T25S-R38E:</u> Sec. 5; N/2 SW/4	LC-067164 6-1-47 H.B.P.	2.493371
16	<u>T25S-R38E:</u> Sec. 5; N/2 SE/4	LC-062368 6-1-47 H.B.P.	2.201302
<u>STATE LANDS</u>			
5	<u>T24S-R38E:</u> Sec. 29; W/2 SW/4, SW/4 NW/4	B-9519 2-10-42 H.B.P.	6.307331
6	<u>T24S-R38E:</u> Sec. 32; NW/4, SW/4 NE/4	B-9613 4-10-42 H.B.P.	9.761334
11	<u>T25S-R38E:</u> Sec. 5; Lots 1, 2, 3 & 4 and S/2 N/2 and,  <u>T24S-R38E:</u> Sec. 32; S/2	B-9312-4 9-10-41 H.B.P.  B-9311-1 9-10-41 H.B.P.	26.196942

<u>Tract Number</u>	<u>Description</u>	<u>Serial No. and Date of Lease or Application</u>	<u>Phase II Percent. Tract Participation in Unit</u>
12	T24S-R38E: Sec. 33; SW/4 SW/4, and	B-1732 2-19-33 H.B.P.	1.804675
	T25S-R38E: Sec. 4 W/2 NW/4		
13	T25S-R38E: Sec. 6; Lots 1 & 2	B-10272 5-10-43 H.B.P.	2.451198
14	T25S-R38E: Sec. 6; SE/4 NE/4	B-9521 2-10-42 H.B.P.	1.156695
<u>FEE LANDS</u>			
1	T24S-R38E: Sec. 19; S/2 SW/4	10-29-47 H.B.P.	1.846998
2	T24S-R38E: Sec. 30; NW/4	5-5-54 H.B.P.	3.544613
3	T24S-R38E: Sec. 30; SW/4	3-30-48 3-30-48 3-30-48 3-30-48 12-21-53 H.B.P.	6.210228
10	T24S-R38E: Sec. 31; SE/4, NE/4 SW/4	7-5-46 H.B.P. 1-18-52 H.B.P.	7.528884
		Total	100.000000

EXHIBIT "C-2" PART II  
 SCHEDULE OF TRACT PERCENTAGE PARTICIPATION  
 WEST DOLLARHIDE QUEEN SAND UNIT  
 LEA COUNTY, NEW MEXICO

<u>Working Interest Owner</u>	<u>Unit Tract No.</u>	<u>Phase II Percent. Participation in Unit</u>	<u>Phase II Percent. Participation-Total</u>
E. A. Culbertson	15	1.246686	1.246686
Elliott, Inc.	7	6.684052	6.684052
Frank O. Elliott	8	2.321039	2.321039
J. P. Gibbins	2	3.544613	3.544613
Gulf Oil Corporation	12	1.804675	1.804675
Ora R. Hall, Jr.	8	2.321039	2.321039
Wallace W. Irwin	15	1.246685	1.246685
Joseph D. Kennedy	11	0.654924	0.654924
J. C. Maxwell	11	4.584464	4.584464
Marilyn Maxwell Trust	11	1.309848	1.309848
Pan American Petroleum Corporation	6	9.761334	9.761334
Sinclair Oil & Gas Company	3	6.210228	22.775663
	4	14.114237	
	13	2.451198	
Skelly Oil Company	5	6.307331	20.562496
	11	13.098470	
	14	1.156695	
Sunshine Royalty Company	9	3.056062	3.056062
Texaco, Inc.	1	1.846998	11.577184
	10	7.528884	
	16	2.201302	
Texaco Seaboard, Inc.	11	<u>6.549236</u>	<u>6.549236</u>
		100.000000	100.000000