

UNIT AGREEMENT FOR THE DEVELOPMENT  
AND OPERATION OF THE PLAINS UNIT AREA  
COUNTY OF LEA, STATE OF NEW MEXICO

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1 UNIT AGREEMENT 1

2 FOR THE DEVELOPMENT AND OPERATION 2

3 OF THE 3

4 PLAINS UNIT AREA 4

5 COUNTY OF LEA 5

6 STATE OF NEW MEXICO 6

7 NO. \_\_\_\_\_ 7

8 THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 8  
9 1962, by and between the parties subscribing, ratifying, or consenting here- 9  
10 to, and herein referred to as the "parties hereto", 10

11 WITNESSETH: 11

12 WHEREAS, the parties hereto are the owners of working, royalty, or other 12  
13 oil and gas interests in the unit area subject to this agreement; and 13

14 WHEREAS, the term "Working Interest" as used herein shall mean the in- 14  
15 terest held in unitized substances or in lands containing unitized sub- 15  
16 stances by virtue of a lease, operating agreement, fee title, or otherwise, 16  
17 which is chargeable with and obligated to pay or bear all or a portion of 17  
18 the cost of drilling, developing, producing, and operating the land under 18  
19 the unit or cooperative agreement. The right delegated to Unit Operator as 19  
20 such by this agreement is not to be regarded as a working interest; and 20

21 WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as 21  
22 amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their 22  
23 representatives to unite with each other, or jointly or separately with 23  
24 others, in collectively adopting and operating a cooperative or unit plan 24  
25 of development or operation of any oil or gas pool, field, or like area, 25  
26 or any part thereof for the purpose of more properly conserving the natural 26  
27 resources thereof whenever determined and certified by the Secretary of the 27  
28 Interior to be necessary or advisable in the public interest; and 28

29 WHEREAS, the parties hereto hold sufficient interests in the Plains 29  
30 Unit Area covering the land hereinafter described to give reasonably effec- 30  
31 tive control of operations therein; and 31

32 WHEREAS, it is the purpose of the parties hereto to conserve natural re- 32  
33 sources, prevent waste, and secure other benefits obtainable through develop- 33  
34 ment and operation of the area subject to this agreement under the terms, 34

1 conditions, and limitations herein set forth; 1

2 NOW, THEREFORE, in consideration of the premises and the promises herein 2

3 contained, the parties hereto commit to this agreement their respective in- 3

4 terests in the below-defined unit area, and agree severally among themselves 4

5 as follows: 5

6 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 6

7 1920, as amended, supra, and all valid pertinent regulations, including opera- 7

8 ting and unit plan regulations, heretofore issued thereunder or valid, perti- 8

9 nent, and reasonable regulations hereafter issued thereunder are accepted and 9

10 made a part of this agreement as to Federal lands, provided such regulations 10

11 are not inconsistent with the terms of this agreement; and as to non-Federal 11

12 lands, the oil and gas operating regulations in effect as of the effective date 12

13 hereof governing drilling and producing operations, not inconsistent with the 13

14 terms hereof or the laws of the State in which the non-Federal land is located, 14

15 are hereby accepted and made a part of this agreement. 15

16 2. UNIT AREA. The area specified on the map attached hereto marked Ex- 16

17 hibit A is hereby designated and recognized as constituting the unit area, con- 17

18 taining 7198.01 acres, more or less. 18

19 Exhibit A shows, in addition to the boundary of the unit area, the 19

20 boundaries and identity of tracts and leases in said area to the extent known 20

21 to the Unit Operator. Exhibit B attached hereto is a schedule showing to the 21

22 extent known to the Unit Operator the acreage, percentage, and kind of owner- 22

23 ship of oil and gas interests in all land in the unit area. However, nothing 23

24 herein or in said schedule or map shall be construed as a representation by 24

25 any party hereto as to the ownership of any interest other than such interest 25

26 or interests as are shown in said map or schedule as owned by such party. 26

27 Exhibits A and B shall be revised by the Unit Operator whenever changes in 27

28 the unit area render such revision necessary, or when requested by the Oil 28

29 and Gas Supervisor, hereinafter referred to as "Supervisor" and not less 29

30 than six copies of the revised exhibits shall be filed with the Supervisor. 30

31 The above-described unit area shall when practicable be expanded to in- 31

32 clude therein any additional tract or tracts regarded as reasonably necessary 32

1 or advisable for the purposes of this agreement, or shall be contracted to 1  
2 exclude lands not within any participating area whenever such expansion or 2  
3 contraction is necessary or advisable to conform with the purposes of this 3  
4 agreement. Such expansion or contraction shall be effected in the following 4  
5 manner: 5

6 (a) Unit Operator, on its own motion or on demand of the Director of the 6  
7 Geological Survey, hereinafter referred to as "Director", after preliminary 7  
8 concurrence by the Director, shall prepare a notice of proposed expansion or 8  
9 contraction describing the contemplated changes in the boundaries of the unit 9  
10 area, the reasons therefor, and the proposed effective date thereof, prefer- 10  
11 ably the first day of a month subsequent to the date of notice. 11

12 (b) Said notice shall be delivered to the Supervisor, and copies there- 12  
13 of mailed to the last known address of each working interest owner, lessee, 13  
14 and lessor whose interests are affected, advising that 30 days will be allowed 14  
15 for submission to the Unit Operator of any objections. 15

16 (c) Upon expiration of the 30-day period provided in the preceding item 16  
17 (b) hereof, Unit Operator shall file with the Supervisor evidence of mailing of 17  
18 the notice of expansion or contraction and a copy of any objections thereto 18  
19 which have been filed with the Unit Operator, together with an application in 19  
20 sufficient number, for approval of such expansion or contraction and with ap- 20  
21 propriate joinders. 21

22 (d) After due consideration of all pertinent information, the expansion 22  
23 or contraction shall, upon approval by the Director, become effective as of 23  
24 the date prescribed in the notice thereof. 24

25 (e) All legal subdivisions of unitized lands (i.e., 40 acres by Govern- 25  
26 ment survey or its nearest lot or tract equivalent in instances of irregular 26  
27 surveys, however, unusually large lots or tracts shall be considered in 27  
28 multiples of 40 acres, or the nearest aliquot equivalent thereof, for the pur- 28  
29 pose of elimination under this subsection), no parts of which are entitled 29  
30 to be in a participating area within 5 years after the first day of the month 30  
31 following the effective date of the first initial participating area estab- 31  
32 lished under this unit agreement, shall be eliminated automatically from 32

1 this agreement, effective as of the first day thereafter, and such lands shall no 1  
2 longer be a part of the unit area and shall no longer be subject to this agree- 2  
3 ment, unless at the expiration of said 5-year period diligent drilling opera- 3  
4 tions are in progress on unitized lands not entitled to participation, in which 4  
5 event all such lands shall remain subject hereto for so long as such drilling 5  
6 operations are continued diligently, with not more than 90 days' time elapsing 6  
7 between the completion of one such well and the commencement of the next such 7  
8 well, except that the time allowed between such wells shall not expire earlier 8  
9 than 30 days after the expiration of any period of time during which drilling 9  
10 operations are prevented by a matter beyond the reasonable control of unit op- 10  
11 erator as set forth in the section hereof entitled "Unavoidable Delay"; pro- 11  
12 vided that all legal subdivisions of lands not in a participating area and not 12  
13 entitled to become participating under the applicable provisions of this agree- 13  
14 ment within 10 years after said first day of the month following the effective 14  
15 date of said first initial participating area shall be eliminated as above speci- 15  
16 fied. Determination of creditable "Unavoidable Delay" time shall be made by unit 16  
17 operator and subject to approval of the Director. The unit operator shall, with- 17  
18 in 90 days after the effective date of any elimination hereunder, describe the 18  
19 area so eliminated to the satisfaction of the Director and promptly notify all 19  
20 parties in interest. 20

21 If conditions warrant extension of the 10-year period specified in this 21  
22 subsection 2(e), a single extension of not to exceed 2 years may be accomplished 22  
23 by consent of the owners of 90% of the current unitized working interests and 23  
24 60% of the current unitized basic royalty interests (exclusive of the basic 24  
25 royalty interests of the United States), on a total-nonparticipating-acreage 25  
26 basis, respectively, with approval of the Director, provided such extension ap- 26  
27 plication is submitted to the Director not later than 60 days prior to the ex- 27  
28 piration of said 10-year period. 28

29 Any expansion of the unit area pursuant to this section which embraces 29  
30 lands theretofore eliminated pursuant to this subsection 2(e) shall not be con- 30  
31 sidered automatic commitment or recommitment of such lands. 31

1           3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this     1  
2 agreement shall constitute land referred to herein as "unitized land" or "land     2  
3 subject to this agreement". All oil and gas in any and all formations of the     3  
4 unitized land are unitized under the terms of this agreement and herein are     4  
5 called "unitized substances".     5

6           4. UNIT OPERATOR. Perry R. Bass is hereby designated as Unit Operator and     6  
7 by signature hereto as Unit Operator agrees and consents to accept the duties     7  
8 and obligations of Unit Operator for the discovery, development, and production     8  
9 of unitized substances as herein provided. Whenever reference is made herein to     9  
10 the Unit Operator, such reference means the Unit Operator acting in that capacity     10  
11 and not as an owner of interest in unitized substances, and the term "working in-     11  
12 terest owner" when used herein shall include or refer to Unit Operator as the     12  
13 owner of a working interest when such an interest is owned by it.     13

14           5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the     14  
15 right to resign at any time prior to the establishment of a participating area     15  
16 or areas hereunder, but such resignation shall not become effective so as to re-     16  
17 lease Unit Operator from the duties and obligations of Unit Operator and ter-     17  
18 minate Unit Operator's rights as such for a period of 6 months after notice of     18  
19 intention to resign has been served by Unit Operator on all working interest     19  
20 owners and the Director, and until all wells then drilled hereunder are placed     20  
21 in a satisfactory condition for suspension or abandonment whichever is required     21  
22 by the Supervisor, unless a new Unit Operator shall have been selected and ap-     22  
23 proved and shall have taken over and assumed the duties and obligations of Unit     23  
24 Operator prior to the expiration of said period.     24

25           Unit Operator shall have the right to resign in like manner and subject to     25  
26 like limitations as above provided at any time a participating area established     26  
27 hereunder is in existence, but, in all instances of resignation or removal, un-     27  
28 til a successor unit operator is selected and approved as hereinafter provided,     28  
29 the working interest owners shall be jointly responsible for performance of the     29  
30 duties of unit operator, and shall not later than 30 days before such resigna-     30  
31 tion or removal becomes effective appoint a common agent to represent them in     31  
32 any action to be taken hereunder.     32

1           The resignation of Unit Operator shall not release Unit Operator from any   1  
2   liability for any default by it hereunder occurring prior to the effective   2  
3   date of its resignation.   3

4           The Unit Operator may, upon default or failure in the performance of its   4  
5   duties or obligations hereunder, be subject to removal by the same percentage   5  
6   vote of the owners of working interests determined in like manner as herein pro-   6  
7   vided for the selection of a new Unit Operator. Such removal shall be effective   7  
8   upon notice thereof to the Director.   8

9           The resignation or removal of Unit Operator under this agreement shall not   9  
10   terminate its right, title, or interest as the owner of a working interest or   10  
11   other interest in unitized substances, but upon the resignation or removal of   11  
12   Unit Operator becoming effective, such Unit Operator shall deliver possession of   12  
13   all equipment, materials, and appurtenances used in conducting the unit opera-   13  
14   tions and owned by the working interest owners to the new duly qualified succes-   14  
15   sor Unit Operator or to the owners thereof if no such new Unit Operator is   15  
16   elected, to be used for the purpose of conducting unit operations hereunder.   16  
17   Nothing herein shall be construed as authorizing removal of any material, equip-   17  
18   ment and appurtenances needed for the preservation of any wells.   18

19           6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his   19  
20   or its resignation as Unit Operator or shall be removed as hereinabove pro-   20  
21   vided, or a change of Unit Operator is negotiated by working interest owners,   21  
22   the owners of the working interests in the participating area or areas accord-   22  
23   ing to their respective acreage interests in such participating area or areas,   23  
24   or, until a participating area shall have been established, the owners of the   24  
25   working interests according to their respective acreage interests in all uni-   25  
26   tized land, shall by majority vote select a successor Unit Operator: Provided,   26  
27   that, if a majority but less than 75 per cent of the working interests quali-   27  
28   fied to vote are owned by one party to this agreement, a concurring vote of   28  
29   one or more additional working interest owners shall be required to select a   29  
30   new operator. Such selection shall not become effective until   30

31           (a) a Unit Operator so selected shall accept in writing the duties and   31  
32   responsibilities of Unit Operator, and   32

1 (b) the selection shall have been approved by the Director. If no suc- 1  
2 cessor Unit Operator is selected and qualified as herein provided, the Direc- 2  
3 tor at his election may declare this unit agreement terminated. 3

4 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Opera- 4  
5 tor is not the sole owner of working interests, costs and expenses incurred by 5  
6 Unit Operator in conducting unit operations hereunder shall be paid and appor- 6  
7 tioned among and borne by the owners of working interests, all in accordance with 7  
8 the agreement or agreements entered into by and between the Unit Operator and 8  
9 the owners or working interests, whether one or more, separately or collective- 9  
10 ly. Any agreement or agreements entered into between the working interest 10  
11 owners and the Unit Operator as provided in this section, whether one or more, 11  
12 are herein referred to as the "unit operating agreement". Such unit operating 12  
13 agreement shall also provide the manner in which the working interest owners 13  
14 shall be entitled to receive their respective proportionate and allocated share 14  
15 of the benefits accruing hereto in conformity with their underlying operating 15  
16 agreements, leases, or other independent contracts, and such other rights and 16  
17 obligations as between Unit Operator and the working interest owners as may be 17  
18 agreed upon by Unit Operator and the working interest owners; however, no such 18  
19 unit operating agreement shall be deemed either to modify any of the terms and 19  
20 conditions of this unit agreement or to relieve the Unit Operator of any right 20  
21 or obligation established under this unit agreement, and in case of any in- 21  
22 consistency or conflict between the unit agreement and the unit operating 22  
23 agreement, this unit agreement shall prevail. Three true copies of any unit 23  
24 operating agreement executed pursuant to this section should be filed with the 24  
25 Supervisor, prior to approval of this unit agreement. 25

26 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise speci- 26  
27 fically provided herein, the exclusive right, privilege, and duty of exercis- 27  
28 ing any and all rights of the parties hereto which are necessary or conven- 28  
29 ient for prospecting for, producing, storing, allocating, and distributing the 29  
30 unitized substances are hereby delegated to and shall be exercised by the Unit 30  
31 Operator as herein provided. Acceptable evidence of title to said rights shall 31  
32 be deposited with said Unit Operator and, together with this agreement, shall 32

1 constitute and define the rights, privileges, and obligations of Unit Op- 1  
2 erator. Nothing herein, however, shall be construed to transfer title to any 2  
3 land or to any lease or operating agreement, it being understood that under 3  
4 this agreement the Unit Operator, in its capacity as Unit Operator, shall 4  
5 exercise the rights of possession and use vested in the parties hereto only 5  
6 for the purposes herein specified. 6

7 9. DRILLING TO DISCOVERY. Within 6 months after the effective date here- 7  
8 of, the Unit Operator shall begin to drill an adequate test well at a location 8  
9 approved by the Supervisor, unless on such effective date a well is being 9  
10 drilled conformably with the terms hereof, and thereafter continue such drill- 10  
11 ing diligently until the Mississippian formation has been tested or until at 11  
12 a lesser depth unitized substances shall be discovered which can be produced 12  
13 in paying quantities (to wit: quantities sufficient to repay the costs of drill- 13  
14 ing, and producing operations, with a reasonable profit) or the Unit Operator 14  
15 shall at any time establish to the satisfaction of the Supervisor that further 15  
16 drilling of said well would be unwarranted or impracticable, provided, however, 16  
17 that Unit Operator shall not in any event be required to drill said well to a 17  
18 depth in excess of 13,000 feet. Until the discovery of a deposit of unitized 18  
19 substances capable of being produced in paying quantities, the Unit Operator 19  
20 shall continue drilling diligently one well at a time, allowing not more than 20  
21 6 months between the completion of one well and the beginning of the next well, 21  
22 until a well capable of producing unitized substances in paying quantities is 22  
23 completed to the satisfaction of said Supervisor or until it is reasonably 23  
24 proved that the unitized land is incapable of producing unitized substances 24  
25 in paying quantities in the formations drilled hereunder. Nothing in this 25  
26 section shall be deemed to limit the right of the Unit Operator to resign as 26  
27 provided in Section 5 hereof, or as requiring Unit Operator to commence or 27  
28 continue any drilling during the period pending such resignation becoming 28  
29 effective in order to comply with the requirements of this section. The 29  
30 Director may modify the drilling requirements of this section by granting 30  
31 reasonable extensions of time when, in his opinion, such action is warranted. 31

1           Upon failure to comply with the drilling provisions of this section, the 1  
2 Director may, after reasonable notice to the Unit Operator, and each working 2  
3 interest owner, lessee, and lessor at their last known addresses, declare this 3  
4 Unit Agreement terminated. 4

5           10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after 5  
6 completion of a well capable of producing unitized substances in paying quan- 6  
7 tities, the Unit Operator shall submit for the approval of the Supervisor an 7  
8 acceptable plan of development and operation for the unitized land which, when 8  
9 approved by the Supervisor, shall constitute the further drilling and operat- 9  
10 ing obligations of the Unit Operator under this agreement for the period speci- 10  
11 fied therein. Thereafter, from time to time before the expiration of any ex- 11  
12 isting plan, the Unit Operator shall submit for the approval of the Supervisor 12  
13 a plan for an additional specified period for the development and operation of 13  
14 the unitized land. 14

15           Any plan submitted pursuant to this section shall provide for the explor- 15  
16 ation of the unitized area and for the diligent drilling necessary for deter- 16  
17 mination of the area or areas thereof capable of producing unitized substances 17  
18 in paying quantities in each and every productive formation and shall be as com- 18  
19 plete and adequate as the Supervisor may determine to be necessary for timely 19  
20 development and proper conservation of the oil and gas resources of the uni- 20  
21 tized area and shall 21

22           (a) specify the number and locations of any wells to be drilled 22  
23 and the proposed order and time for such drilling; and 23

24           (b) to the extent practicable specify the operating practices 24  
25 regarded as necessary and advisable for proper conservation of natural 25  
26 resources. 26

27 Separate plans may be submitted for separate productive zones, subject to the 27  
28 approval of the Supervisor. 28

29           Plans shall be modified or supplemented when necessary to meet changed 29  
30 conditions or to protect the interests of all parties to this agreement. 30  
31 Reasonable diligence shall be exercised in complying with the obligations of 31  
32 the approved plan of development. The Supervisor is authorized to grant a 32

1 reasonable extension of the 6-month period herein prescribed for submission 1  
2 of an initial plan of development where such action is justified because of 2  
3 unusual conditions or circumstances. After completion hereunder of a well 3  
4 capable of producing any unitized substance in paying quantities, no further 4  
5 wells, except such as may be necessary to afford protection against operations 5  
6 not under this agreement or such as may be specifically approved by the Super- 6  
7 visor, shall be drilled except in accordance with a plan of development ap- 7  
8 proved as herein provided. 8

9 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of 9  
10 producing unitized substances in paying quantities or as soon thereafter as re- 10  
11 quired by the Supervisor, the Unit Operator shall submit for approval by the 11  
12 Director a schedule, based on subdivisions of the public-land survey or aliquot 12  
13 parts thereof, of all unitized land then regarded as reasonably proved to be 13  
14 productive of unitized substances in paying quantities; all lands in said sched- 14  
15 ule on approval of the Director to constitute a participating area, effective 15  
16 as of the date of completion of such well or the effective date of the unit 16  
17 agreement, whichever is later. The acreages of both Federal and non-Federal 17  
18 lands shall be based upon appropriate computations from the courses and dis- 18  
19 tances shown on the last approved public-land survey as of the effective date 19  
20 of the initial participating area. Said schedule also shall set forth the 20  
21 percentage of unitized substances to be allocated as herein provided to each 21  
22 unitized tract in the participating area so established, and shall govern the 22  
23 allocation of production from and after the date the participating area be- 23  
24 comes effective. A separate participating area shall be established in like 24  
25 manner for each separate pool or deposit of unitized substances or for any 25  
26 group thereof produced as a single pool or zone, and any two or more parti- 26  
27 cipating areas so established may be combined into one with the consent of 27  
28 the owners of all working interests in the lands within the participating 28  
29 areas so to be combined, on approval of the Director. The participating 29  
30 area or areas so established shall be revised from time to time, subject to 30  
31 like approval, whenever such action appears proper as a result of further 31  
32 drilling operations or otherwise to include additional land then regarded as 32

1 reasonably proved to be productive in paying quantities, or to exclude land 1  
2 then regarded as reasonably proved not to be productive in paying quantities 2  
3 and the percentage of allocation shall also be revised accordingly. The ef- 3  
4 fective date of any revision shall be the first of the month in which is ob- 4  
5 tained the knowledge or information on which such revision is predicated, pro- 5  
6 vided, however, that a more appropriate effective date may be used if justified 6  
7 by the Unit Operator and approved by the Director. No land shall be excluded 7  
8 from a participating area on account of depletion of the unitized substances. 8

9 It is the intent of this section that a participating area shall represent 9  
10 the area known or reasonably estimated to be productive in paying quantities; 10  
11 but, regardless of any revision of the participating area, nothing herein con- 11  
12 tained shall be construed as requiring any retroactive adjustment for produc- 12  
13 tion obtained prior to the effective date of the revision of the participating 13  
14 area. 14

15 In the absence of agreement at any time between the Unit Operator and the 15  
16 Director as to the proper definition or redefinition of a participating area, 16  
17 or until a participating area has, or areas have, been established as provided 17  
18 herein, the portion of all payments affected thereby may be impounded in a 18  
19 manner mutually acceptable to the owners of working interests, except royalties 19  
20 due the United States, which shall be determined by the Supervisor and the 20  
21 amount thereof deposited, as directed by the Supervisor, to be held as un- 21  
22 earned money until a participating area is finally approved and then applied 23  
24 as earned or returned in accordance with a determination of the sum due as 24  
25 Federal royalty on the basis of such approved participating area. 25

26 Whenever it is determined, subject to the approval of the Supervisor, 26  
27 that a well drilled under this agreement is not capable of production in pay- 27  
28 ing quantities and inclusion of the land on which it is situated in a parti- 28  
29 cipating area is unwarranted, production from such well shall, for the pur- 29  
30 poses of settlement among all parties other than working interest owners, 30  
31 be allocated to the land on which the well is located so long as such land is 31  
32 not within a participating area established for the pool or deposit from which 32  
33 such production is obtained. Settlement for working interest benefits from 33

1 such a well shall be made as provided in the unit operating agreement. 1

2 12. ALLOCATION OF PRODUCTION. All unitized substances produced from each 2  
3 participating area established under this agreement, except any part thereof 3  
4 used in conformity with good operating practices within the unitized area for 4  
5 drilling, operating, camp and other production or development purposes, for 5  
6 repressuring or recycling in accordance with a plan of development approved by 6  
7 the Supervisor, or unavoidably lost, shall be deemed to be produced equally on 7  
8 an acreage basis from the several tracts of unitized land of the participating 8  
9 area established for such production and, for the purpose of determining any 9  
10 benefits accruing under this agreement, each such tract of unitized land shall 10  
11 have allocated to it such percentage of said production as the number of acres 11  
12 of such tract included in said participating area bears to the total acres of 12  
13 unitized land in said participating area, except that allocation of production 13  
14 hereunder for purposes other than for settlement of the royalty, overriding 14  
15 royalty, or payment out of production obligations of the respective working 15  
16 interest owners, shall be on the basis prescribed in the unit operating agree- 16  
17 ment whether in conformity with the basis of allocation herein set forth or 17  
18 otherwise. It is hereby agreed that production of unitized substances from a 18  
19 participating area shall be allocated as provided herein regardless of whether 19  
20 any wells are drilled on any particular part or tract of said participating 20  
21 area. If any gas produced from one participating area is used for repressur- 21  
22 ing or recycling purposes in another participating area, the first gas with- 22  
23 drawn from such last-mentioned participating area for sale during the life of 23  
24 this agreement shall be considered to be the gas so transferred until an amount 24  
25 equal to that transferred shall be so produced for sale and such gas shall be 25  
26 allocated to the participating area from which initially produced as consti- 26  
27 tuted at the time of such final production. 27

28 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 28  
29 Any party hereto owning or controlling the working interest in any unitized 29  
30 land having thereon a regular well location may with the approval of the 30  
31 Supervisor, at such party's sole risk, costs, and expense, drill a well to 31  
32 test any formation for which a participating area has not been established or 32

1 to test any formation for which a participating area has been established if 1  
2 such location is not within said participating area, unless within 90 days of 2  
3 receipt of notice from said party of his intention to drill the well the Unit 3  
4 Operator elects and commences to drill such a well in like manner as other 4  
5 wells are drilled by the Unit Operator under this agreement. 5

6 If any well drilled as aforesaid by a working interest owner results in 6  
7 production such that the land upon which it is situated may properly be in- 7  
8 cluded in a participating area, such participating area shall be established 8  
9 or enlarged as provided in this agreement and the well shall thereafter be 9  
10 operated by the Unit Operator in accordance with the terms of this agreement 10  
11 and the unit operating agreement. 11

12 If any well drilled as aforesaid by a working interest owner obtains pro- 12  
13 duction in quantities insufficient to justify the inclusion in a participating 13  
14 area of the land upon which such well is situated, such well may be operated 14  
15 and produced by the party drilling the same subject to the conservation re- 15  
16 quirements of this agreement. The royalties in amount or value of production 16  
17 from any such well shall be paid as specified in the underlying lease and agree-17  
18 ments affected. 18

19 14. ROYALTY SETTLEMENT. The United States and any State and all royalty 19  
20 owners who, under existing contract, are entitled to take in kind a share of 20  
21 the substances now unitized hereunder produced from any tract, shall hereafter 21  
22 be entitled to the right to take in kind their share of the unitized sub- 22  
23 stances allocated to such tract, and Unit Operator, or in case of the opera- 23  
24 tion of a well by a working interest owner as herein in special cases pro- 24  
25 vided for, such working interest owner, shall make deliveries of such royalty 25  
26 share taken in kind in conformity with the applicable contracts, laws, and 26  
27 regulations. Settlement for royalty interest not taken in kind shall be made 27  
28 by working interest owners responsible therefor under existing contracts, 28  
29 laws and regulations on or before the last day of each month for unitized 29  
30 substances produced during the preceding calendar month; provided, however, 30  
31 that nothing herein contained shall operate to relieve the lessees of any land 31  
32 from their respective lease obligations for the payment of any royalties due 32

1 under their leases. 1

2 If gas obtained from lands not subject to this agreement is introduced in- 2  
3 to any participating area hereunder, for use in repressuring, stimulation of 3  
4 production, or increasing ultimate recovery, which shall be in conformity with 4  
5 a plan first approved by the Supervisor, a like amount of gas, after settle- 5  
6 ment as herein provided for any gas transferred from any other participating 6  
7 area and with due allowance for loss or depletion from any cause, may be with- 7  
8 drawn from the formation into which the gas was introduced, royalty free as to 8  
9 dry gas, but not as to the products extracted therefrom; provided that such with- 9  
10 drawal shall be at such time as may be provided in the plan of operations or 10  
11 as may otherwise be consented to by the Supervisor as conforming to good petro- 11  
12 leum engineering practice; and provided further, that such right of withdrawal 12  
13 shall terminate on the termination of this unit agreement. 13

14 Royalty due the United States shall be computed as provided in the opera- 14  
15 ting regulations and paid in value or delivered in kind as to all unitized sub- 15  
16 stances on the basis of the amounts thereof allocated to unitized Federal land 16  
17 as provided herein at the rates specified in the respective Federal leases, 17  
18 or at such lower rate or rates as may be authorized by law or regulation; pro- 18  
19 vided, that for leases on which the royalty rate depends on the daily average 19  
20 production per well, said average production shall be determined in accordance 20  
21 with the operating regulations as though each participating area were a single 21  
22 consolidated lease. 22

23 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases com- 23  
24 mitted hereto shall be paid by working interest owners responsible therefor 24  
25 under existing contracts, laws, and regulations, provided that nothing herein 25  
26 contained shall operate to relieve the lessees of any land from their respec- 26  
27 tive lease obligations for the payment of any rental or minimum royalty in 27  
28 lieu thereof due under their leases. Rental or minimum royalty for lands of 28  
29 the United States subject to this agreement shall be paid at the rate speci- 29  
30 fied in the respective leases from the United States unless such rental or 30  
31 minimum royalty is waived, suspended, or reduced by law or by approval of the 31  
32 Secretary or his duly authorized representative. 32

1 With respect to any lease on non-Federal land containing provisions which 1  
2 would terminate such lease unless drilling operations were within the time 2  
3 therein specified commenced upon the land covered thereby or rentals paid for 3  
4 the privilege of deferring such drilling operations, the rentals required 4  
5 thereby shall, notwithstanding any other provision of this agreement, be deemed 5  
6 to accrue and become payable during the term thereof as extended by this agree- 6  
7 ment and until the required drilling operations are commenced upon the land 7  
8 covered thereby or some portion of such land is included within a participating 8  
9 area. 9

10 16. CONSERVATION. Operations hereunder and production of unitized sub- 10  
11 stances shall be conducted to provide for the most economical and efficient 11  
12 recovery of said substances without waste, as defined by or pursuant to State 12  
13 or Federal law or regulation. 13

14 17. DRAINAGE. The Unit Operator shall take appropriate and adequate 14  
15 measures to prevent drainage of unitized substances from unitized land by wells 15  
16 on land not subject to this agreement, or, with prior consent of the Director, 16  
17 pursuant to applicable regulations pay a fair and reasonable compensatory royal- 17  
18 ty as determined by the Supervisor. 18

19 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, 19  
20 and provisions of all leases, subleases, and other contracts relating to ex- 20  
21 ploration, drilling, development, or operation for oil or gas of lands com- 21  
22 mitted to this agreement are hereby expressly modified and amended to the ex- 22  
23 tent necessary to make the same conform to the provisions hereof, but other- 23  
24 wise to remain in full force and effect; and the parties hereto hereby consent 24  
25 that the Secretary shall and by his approval hereof, or by the approval hereof 25  
26 by his duly authorized representative, does hereby establish, alter, change, or 26  
27 revoke the drilling, producing, rental, minimum royalty, and royalty require- 27  
28 ments of Federal leases committed hereto and the regulations in respect thereto 28  
29 to conform said requirements to the provisions of this agreement, and, with- 29  
30 out limiting the generality of the foregoing, all leases, subleases, and con- 30  
31 tracts are particularly modified in accordance with the following: 31

32 (a) The development and operation of lands subject to this agree- 32  
33 ment under the terms hereof shall be deemed full performance of all 33

1 obligations for development and operation with respect to each and 1  
2 every part or separately owned tract subject to this agreement, re- 2  
3 gardless of whether there is any development of any particular part 3  
4 or tract of the unit area, notwithstanding anything to the contrary 4  
5 in any lease, operating agreement or other contract by and between 5  
6 the parties hereto, or their respective predecessors in interest, or 6  
7 any of them. 7

8 (b) Drilling and producing operations performed hereunder upon any 8  
9 tract of unitized lands will be accepted and deemed to be performed upon 9  
10 and for the benefit of each and every tract of unitized land, and no 10  
11 lease shall be deemed to expire by reason of failure to drill or pro- 11  
12 duce wells situated on the land therein embraced. 12

13 (c) Suspension of drilling or producing operations on all unitized 13  
14 lands pursuant to direction or consent of the Secretary or his duly 14  
15 authorized representative shall be deemed to constitute such suspension 15  
16 pursuant to such direction or consent as to each and every tract of 16  
17 unitized land. 17

18 (d) Each lease, sublease or contract relating to the exploration, 18  
19 drilling, development or operation for oil or gas of lands other than 19  
20 those of the United States committed to this agreement, which, by its 20  
21 terms might expire prior to the termination of this agreement, is hereby 21  
22 extended beyond any such term so provided therein so that it shall be 22  
23 continued in full force and effect for and during the term of this 23  
24 agreement. 24

25 (e) Any Federal lease for a fixed term of twenty (20) years or any 25  
26 renewal thereof or any part of such lease which is made subject to this 26  
27 agreement shall continue in force beyond the term provided therein until 27  
28 the termination hereof. Any other Federal lease committed hereto shall 28  
29 continue in force beyond the term so provided therein or by law as to 29  
30 the land committed so long as such lease remains subject hereto, pro- 30  
31 vided that production is had in paying quantities under this unit agree- 31  
32 ment prior to the expiration date of the term of such lease, or in the 32

1 event actual drilling operations are commenced on unitized land, in 1  
2 accordance with the provisions of this agreement, prior to the end of 2  
3 the primary term of such lease and are being diligently prosecuted at 3  
4 that time, such lease shall be extended for two years and so long there- 4  
5 after as oil or gas is produced in paying quantities in accordance with 5  
6 the provisions of the Mineral Leasing Act Revision of 1960. 6

7 (f) Each sublease or contract relating to the operation and 7  
8 development of unitized substances from lands of the United States com- 8  
9 mitted to this agreement, which by its terms would expire prior to the 9  
10 time at which the underlying lease, as extended by the immediately pre- 10  
11 ceding paragraph, will expire, is hereby extended beyond any such term 11  
12 so provided therein so that it shall be continued in full force and 12  
13 effect for and during the term of the underlying lease as such term 13  
14 is herein extended. 14

15 (g) The segregation of any Federal lease committed to this agreement 15  
16 is governed by the following provision in the fourth paragraph of Sec. 16  
17 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 17  
18 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter 18  
19 committed to any such (unit) plan embracing lands that are in part with- 19  
20 in and in part outside of the area covered by any such plan shall be 20  
21 segregated into separate leases as to the lands committed and the lands 21  
22 not committed as of the effective date of unitization: Provided, how- 22  
23 ever, That any such lease as to the nonunitized portion shall continue 23  
24 in force and effect for the term thereof but for not less than two years 24  
25 from the date of such segregation and so long thereafter as oil or gas 25  
26 is produced in paying quantities." 26

27 (h) Any lease, other than a Federal lease, having only a portion of 27  
28 its lands committed hereto shall be segregated as to the portion committed 28  
29 and the portion not committed, and the provisions of such lease shall ap- 29  
30 ply separately to such segregated portions commencing as of the effective 30  
31 date hereof. In the event any such lease provides for a lump-sum rental 31  
32 payment, such payment shall be prorated between the portions so segregated 32

1 in proportion to the acreage of the respective tracts. 1

2 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to 2

3 be covenants running with the land with respect to the interest of the parties 3

4 hereto and their successors in interest until this agreement terminates, and 4

5 any grant, transfer, or conveyance, of interest in land or leases subject here- 5

6 to shall be and hereby is conditioned upon the assumption of all privileges and 6

7 obligations hereunder by the grantee, transferee, or other successor in in- 7

8 terest. No assignment or transfer of any working interest, royalty, or other 8

9 interest subject hereto shall be binding upon Unit Operator until the first day 9

10 of the calendar month after Unit Operator is furnished with the original, pho- 10

11 tostatic, or certified copy of the instrument of transfer. 11

12 20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon 12

13 approval by the Secretary or his duly authorized representative and shall 13

14 terminate five (5) years from said effective date unless 14

15 (a) such date of expiration is extended by the Director, or 15

16 (b) it is reasonably determined prior to the expiration of the fixed 16

17 term of any extension thereof that the unitized land is incapable of 17

18 production of unitized substances in paying quantities in the formations 18

19 tested hereunder and after notice of intention to terminate the agreement 19

20 on such ground is given by the Unit Operator to all parties in interest 20

21 at their last known addresses, the agreement is terminated with the 21

22 approval of the Director, or 22

23 (c) a valuable discovery of unitized substances has been made or 23

24 accepted on unitized land during said initial term or any extension 24

25 thereof, in which event the agreement shall remain in effect for such 25

26 term and so long as unitized substances can be produced in quantities 26

27 sufficient to pay for the cost of producing same from wells on unitized 27

28 land within any participating area established hereunder and, should 28

29 production cease, so long thereafter as diligent operations are in 29

30 progress for the restoration of production or discovery of new produc- 30

31 tion and so long thereafter as the unitized substances so discovered 31

32 can be produced as aforesaid, or 32

33 (d) it is terminated as heretofore provided in this agreement. 33

1 This agreement may be terminated at any time by not less than 75 per centum, 1  
2 on an acreage basis, of the owners of working interests signatory hereto, 2  
3 with the approval of the Director; notice of any such approval to be given 3  
4 by the Unit Operator to all parties hereto. 4

5 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is 5  
6 hereby vested with authority to alter or modify from time to time in his 6  
7 discretion the quantity and rate of production under this agreement when such 7  
8 quantity and rate is not fixed pursuant to Federal or State law or does not 8  
9 conform to any state-wide voluntary conservation or allocation program, which 9  
10 is established, recognized, and generally adhered to by the majority of opera- 10  
11 tors in such State, such authority being hereby limited to alteration or 11  
12 modification in the public interest, the purpose thereof and public interest 12  
13 to be served thereby to be stated in the order of alteration or modification. 13  
14 Without regard to the foregoing, the Director is also hereby vested with auth- 14  
15 ority to alter or modify from time to time in his discretion the rate of pros- 15  
16 pecting and development and the quantity and rate of production under this 16  
17 agreement when such alteration or modification is in the interest of attain- 17  
18 ing the conservation objectives stated in this agreement and is not in viola- 18  
19 tion of any applicable Federal or State law. 19

20 Powers in this section vested in the Director shall only be exercised af- 20  
21 ter notice to Unit Operator and opportunity for hearing to be held not less 21  
22 than 15 days from notice. 22

23 22. APPEARANCES. Unit Operator shall, after notice to other parties 23  
24 affected, have the right to appear for and on behalf of any and all interests 24  
25 affected hereby before the Department of the Interior and to appeal from or- 25  
26 ders issued under the regulations of said Department or to apply for relief 26  
27 from any of said regulations or in any proceedings relative to operations be- 27  
28 fore the Department of the Interior or any other legally constituted author- 28  
29 ity; provided, however, that any other interested party shall also have the 29  
30 right at his own expense to be heard in any such proceeding. 30

31 23. NOTICES. All notices, demands or statements required hereunder to 31  
32 be given or rendered to the parties hereto shall be deemed fully given if 32

1 given in writing and personally delivered to the party or sent by postpaid 1  
2 registered mail, addressed to such party or parties at their respective ad- 2  
3 dresses set forth in connection with the signatures hereto or to the ratifi- 3  
4 cation or consent hereof or to such other address as any such party may have 4  
5 furnished in writing to party sending the notice, demand or statement. 5

6 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 6  
7 shall be construed as a waiver by any party hereto of the right to assert any 7  
8 legal or constitutional right or defense as to the validity or invalidity of 8  
9 any law of the State wherein said unitized lands are located, or of the United 9  
10 States, or regulations issued thereunder in any way affecting such party, or 10  
11 as a waiver by any such party of any right beyond his or its authority to waive. 11

12 25. UNAVOIDABLE DELAY. All obligations under this agreement requiring 12  
12 the Unit Operator to commence or continue drilling or to operate on or produce 13  
14 unitized substances from any of the lands covered by this agreement shall be 14  
15 suspended while, but only so long as, the Unit Operator despite the exercise 15  
16 of due care and diligence is prevented from complying with such obligations, in 16  
17 whole or in part, by strikes, acts of God, Federal, State, or municipal law 17  
18 or agencies, unavoidable accidents, uncontrollable delays in transportation, 18  
19 inability to obtain necessary materials in open market, or other matters be- 19  
20 yond the reasonable control of the Unit Operator whether similar to matters 20  
21 herein enumerated or not. 21

22 26. NONDISCRIMINATION. In connection with the performance of work under 22  
23 this agreement, the operator agrees to comply with all of the provisions of 23  
24 Section 301(1) to (7), inclusive, of Executive Order 10925 (26 F.R. 1977), 24  
25 which are hereby incorporated by reference in this agreement. 25

26 27. LOSS OF TITLE. In the event title to any tract of unitized land 26  
27 shall fail and the true owner cannot be induced to join in this unit agreement, 27  
28 such tract shall be automatically regarded as not committed hereto and there 28  
29 shall be such readjustment of future costs and benefits as may be required on 29  
30 account of the loss of such title. In the event of a dispute as to title as 30  
31 to any royalty, working interest, or other interests subject thereto, payment 31  
32 or delivery on account thereof may be withheld without liability for interest 32

1 until the dispute is finally settled; provided, that, as to Federal land or 1  
2 leases, no payments of funds due the United States should be withheld, but 2  
3 such funds shall be deposited as directed by the Supervisor to be held as 3  
4 unearned money pending final settlement of the title dispute, and then applied 4  
5 as earned or returned in accordance with such final settlement. 5  
6 Unit Operator as such is relieved from any responsibility for any de- 6  
7 fect or failure of any title hereunder. 7  
8 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial 8  
9 interest in a tract within the unit area fails or refuses to subscribe or con- 9  
10 sent to this agreement, the owner of the working interest in that tract may 10  
11 withdraw said tract from this agreement by written notice to the Director and 11  
12 the Unit Operator prior to the approval of this agreement by the Director. 12  
13 Any oil or gas interests in lands within the unit area not committed hereto 13  
14 prior to submission of this agreement for final approval may thereafter be 14  
15 committed hereto by the owner or owners thereof subscribing or consenting to 15  
16 this agreement, and, if the interest is a working interest, by the owner of 16  
17 such interest also subscribing to the unit operating agreement. After opera- 17  
18 tions are commenced hereunder, the right of subsequent joinder, as provided 18  
19 in this section, by a working interest owner is subject to such requirements 19  
20 or approvals, if any, pertaining to such joinder, as may be provided for in 20  
21 the unit operating agreement. After final approval hereof joinder by a non- 21  
22 working interest owner must be consented to in writing by the working interest 22  
23 owner committed hereto and responsible for the payment of any benefits that 23  
24 may accrue hereunder in behalf of such non-working interest. Joinder by any 24  
25 owner of a non-working interest, at any time, must be accompanied by appro- 25  
26 priate joinder by the owner of the corresponding working interest in order 26  
27 for the interest to be regarded as committed hereto. Joinder to the unit 27  
28 agreement by a working-interest owner, at any time, must be accompanied by 28  
29 appropriate joinder to the unit operating agreement, if more than one com- 29  
30 mitted working-interest owner is involved, in order for the interest to be 30  
31 regarded as committed to this unit agreement. Except as may otherwise here- 31  
32 in be provided subsequent joinders to this agreement shall be effective as 32

1 of the first day of the month following the filing with the Supervisor of 1  
2 duly executed counterparts of all or any papers necessary to establish ef- 2  
3 fective commitment of any tract to this agreement unless objection to such 3  
4 joinder is duly made within 60 days by the Director. 4

5 29. COUNTERPARTS. This agreement may be executed in any number of 5  
6 counterparts no one of which needs to be executed by all parties or may be 6  
7 ratified or consented to by separate instrument in writing specifically re- 7  
8 ferring hereto and shall be binding upon all those parties who have executed 8  
9 such a counterpart, ratification, or consent hereto with the same force and 9  
10 effect as if all such parties had signed the same document and regardless of 10  
11 whether or not it is executed by all other parties owning or claiming an 11  
12 interest in the lands within the above-described unit area. 12

13 30. SURRENDER. Nothing in this agreement shall prohibit the exercise 13  
14 by any working interest owner of the right to surrender vested in such party 14  
15 in any lease, sub-lease, or operating agreement as to all or any part of the 15  
16 lands covered thereby, provided that each party who will or might acquire such 16  
17 working interest by such surrender or by forfeiture as hereafter set forth, 17  
18 is bound by the terms of this agreement. 18

19 If as a result of any such surrender, the working interest rights as to 19  
20 such lands become vested in any party other than the fee owner of the uni- 20  
21 tized substances, said party shall forfeit such rights and no further bene- 21  
22 fits from operation hereunder as to said land shall accrue to such party, 22  
23 unless within ninety (90) days thereafter said party shall execute this 23  
24 agreement and the unit operating agreement as to the working interest ac- 24  
25 quired through such surrender, effective as though such land had remained 25  
26 continuously subject to this agreement and the unit operating agreement. 26  
27 And in the event such agreements are not so executed, the party next in the 27  
28 chain of title shall be and become the owner of such working interest at 28  
29 the end of such ninety (90) day period, with the same force and effect as 29  
30 though such working interest had been surrendered to such party. 30

31 If as the result of any such surrender or forfeiture the working in- 31  
32 terest rights as to such lands become vested in the fee owner of the unitized 32

1 substances, such owner may: 1

2 (1) Execute this agreement and the unit operating agreement as a 2  
3 working interest owner, effective as though such land had remained 3  
4 continuously subject to this agreement and the unit operating agreee- 4  
5 ment. 5

6 (2) Again lease such lands but only under the condition that the 6  
7 holder of such lease shall within thirty (30) days after such lands 7  
8 are so leased execute this agreement and the unit operating agreee- 8  
9 ment as to each participating area theretofore established hereunder, 9  
10 effective as though such land had remained continuously subject to 10  
11 this agreement and the unit operating agreement. 11

12 (3) Operate or provide for the operation of such land independent- 12  
13 ly of this agreement as to any part thereof or any oil or gas deposits 13  
14 therein not then included within a participating area. 14

15 If the fee owner of the unitized substances does not execute this agree- 15  
16 ment and the unit operating agreement as a working interest owner or again 16  
17 lease such lands as above provided with respect to each existing participa- 17  
18 ting area, within six (6) months after any such surrender or forfeiture, 18  
19 such fee owner shall be deemed to have waived the right to execute the unit 19  
20 operating agreement or lease such lands as to each such participating area, 20  
21 and to have agreed, in consideration for the compensation hereinafter pro- 21  
22 vided, that operations hereunder as to any such participating area or areas 22  
23 shall not be affected by such surrender. 23

24 For any period the working interest in any lands are not expressly com- 24  
25 mitted to the unit operating agreement as the result of any such surrender 25  
26 or forfeiture, the benefits and obligations of operations accruing to such 26  
27 lands under this agreement and the unit operating agreement shall be shared 27  
28 by the remaining owners of unitized working interests in accordance with 28  
29 their respective participating working interest ownerships in any such par- 29  
30 ticipating area or areas, and such owners of working interests shall com- 30  
31 pensate the fee owner of unitized substances in such lands by paying sums 31  
32 equal to the rentals, minimum royalties, and royalties applicable to such 32  
33 lands under the lease in effect when the lands were unitized, as to such 33

1 participating area or areas. 1

2 Upon commitment of a working interest to this agreement and the unit 2  
3 operating agreement as provided in this section, an appropriate accounting 3  
4 and settlement shall be made, to reflect the retroactive effect of the com- 4  
5 mitment, for all benefits accruing to or payments and expenditures made or 5  
6 incurred on behalf of such surrendered working interest during the period 6  
7 between the date of surrender and the date of recommitment, and payment of 7  
8 any moneys found to be owing by such an accounting shall be made as between 8  
9 the parties then signatory to the unit operating agreement and this agree- 9  
10 ment within thirty (30) days after the recommitment. The right to become a 10  
11 party to this agreement and the unit operating agreement as a working in- 11  
12 terest owner by reason of a surrender or forfeiture as provided in this sec- 12  
13 tion shall not be defeated by the nonexistence of a unit operating agreement 13  
14 and in the event no unit operating agreement is in existence and a mutually 14  
15 acceptable agreement between the proper parties thereto cannot be consum- 15  
16 mated, the Supervisor may prescribe such reasonable and equitable agreement 16  
17 as he deems warranted under the circumstances. 17

18 Nothing in this section shall be deemed to limit the right of joinder 18  
19 or subsequent joinder to this agreement as provided elsewhere in this agree- 19  
20 ment. The exercise of any right vested in a working interest owner to re- 20  
21 assign such working interest to the party from whom obtained shall be sub- 21  
22 ject to the same conditions as set forth in this section in regard to the 22  
23 exercise of a right to surrender. 23

24 31. TAXES. The working interest owners shall render and pay for their 24  
25 account and the account of the royalty owners all valid taxes on or measured 25  
26 by the unitized substances in and under or that may be produced, gathered 26  
27 and sold from the land subject to this contract after the effective date of 27  
28 this agreement, or upon the proceeds or net proceeds derived therefrom. The 28  
29 working interest owners on each tract shall and may charge the proper pro- 29  
30 portion of said taxes to the royalty owners having interests in said tract, 30  
31 and may currently retain and deduct sufficient of the unitized substances 31  
32 or derivative products, or net proceeds thereof from the allocated share of 32

each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

32. POTASH PROTECTION. No wells will be drilled for oil or gas at a location which, in the opinion of the Oil and Gas Supervisor of the Geological Survey, would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits.

The drilling or the abandonment of any well on said lease shall be done in accordance with applicable oil and gas operating regulations including such requirements as the Oil and Gas Supervisor of the Geological Survey may prescribe as necessary to prevent the infiltration of oil, gas, or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.

Well records and survey plats that an oil and gas lessee or a unit operator must file, pursuant to applicable operating regulations, shall be available for inspection at the Office of the Oil and Gas Supervisor to any party holding a potash permit or lease on the land on which the well is situated insofar as the records are pertinent to the mining and protection of potash deposits.

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

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

ADDRESS:	DATE:	<u>UNIT OPERATOR</u>
_____	_____	_____
ADDRESS:	DATE:	PERRY R. BASS
_____	_____	_____
		NANCY LEE BASS
		_____
		<u>WORKING INTEREST OWNERS</u>
ATTEST:	DATE:	LEONARD OIL CO.
_____	_____	_____
Secretary		By _____
Address: _____		President

ATTEST: DATE: RICHARDSON OILS, INC.  
\_\_\_\_\_  
Secretary By \_\_\_\_\_  
President

Address: \_\_\_\_\_

ATTEST: DATE: DELBASIN CORPORATION  
\_\_\_\_\_  
Secretary By \_\_\_\_\_  
President

Address: \_\_\_\_\_

ATTEST: DATE: BASS BROTHERS ENTERPRISES, INC.  
\_\_\_\_\_  
Secretary By \_\_\_\_\_  
President

Address: \_\_\_\_\_

ATTEST: DATE: SOCONY MOBIL OIL COMPANY, INC.  
\_\_\_\_\_  
Secretary By \_\_\_\_\_  
President

Address: \_\_\_\_\_

ATTEST: DATE:  
\_\_\_\_\_  
Secretary By \_\_\_\_\_  
President

Address: \_\_\_\_\_

ADDRESS: DATE:  
\_\_\_\_\_  
FOWLER HIX

ADDRESS: DATE:  
\_\_\_\_\_  
JEWELL HIX

ADDRESS: DATE:  
\_\_\_\_\_

ADDRESS: DATE:  
\_\_\_\_\_

ADDRESS: DATE:  
\_\_\_\_\_

ADDRESS: DATE:  
\_\_\_\_\_

THE STATE OF TEXAS :  
:  
COUNTY OF TARRANT :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me personally appeared PERRY R. BASS and wife, NANCY LEE BASS, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

My Commission expires:

\_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_ :  
:  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn did say that he is the \_\_\_\_\_ President of LEONARD OIL CO., a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires:

\_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_ :  
:  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn did say that he is the \_\_\_\_\_ President of RICHARDSON OILS, INC., a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission expires:

\_\_\_\_\_

Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_ :  
 :  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn did say that he is the \_\_\_\_\_ President of DELBASIN CORPORATION, a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_ :  
 :  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn did say that he is the \_\_\_\_\_ President of BASS BROTHERS ENTERPRISES, INC., a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_ :  
 :  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn did say that he is the \_\_\_\_\_ President of SOCONY MOBIL OIL COMPANY, INC., a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_ :  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn did say that he is the \_\_\_\_\_ President of \_\_\_\_\_, a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_ :  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me personally appeared FOWLER HIX and wife, JEWELL HIX, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_ :  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me personally appeared \_\_\_\_\_, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

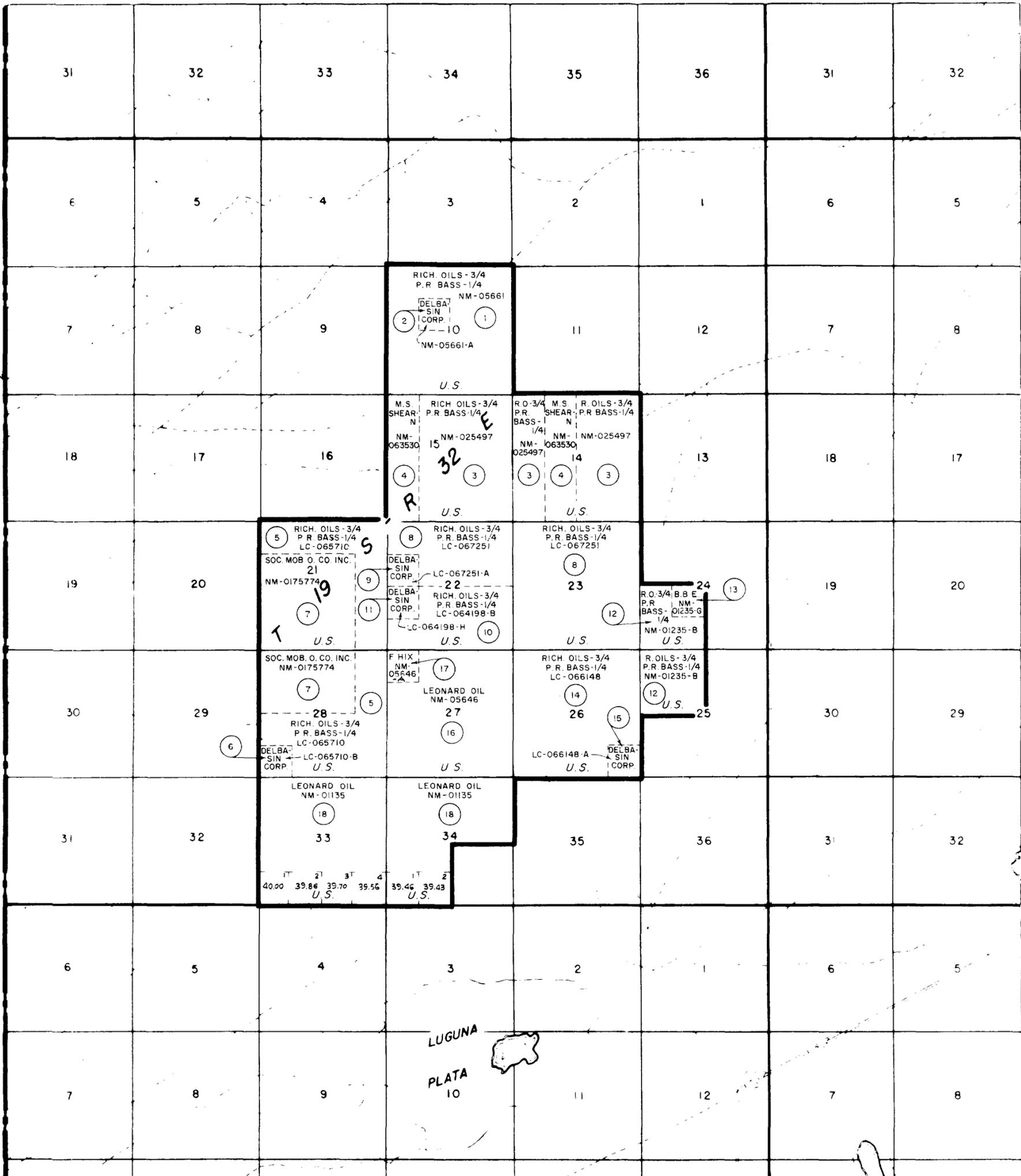
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my seal on this, the day and year first above written.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_





**FEDERAL LEASES**

- |            |             |
|------------|-------------|
| NM-01135   | LC-064198-B |
| NM-01235-B | LC-064198-H |
| NM-01235-G | LC-065710   |
| NM-05646   | LC-065710-B |
| NM-05646-A | LC-066148   |
| NM-05661   | LC-066148-A |
| NM-05661-A | LC-067251   |
| NM-025497  | LC-067251-A |
| NM-063530  |             |
| NM-0175774 |             |

NOTE: All Sections contain 640.00 Acres except as indicated.  
 Entire Unit is Federal Acreage  
 TOTAL ACRES IN UNIT : 7198.01

**EXHIBIT A**  
**THE PLAINS UNIT AREA**  
 19 S — 32 E  
 LEA COUNTY, NEW MEXICO

PREPARED BY  
 EXPLORATION DEPARTMENT, PERRY R. BASS  
 FORT WORTH, TEXAS

SCALE: 1" = 4000'

DATE: 1-31-62

**LEGEND**

- ① TRACT NUMBER AS LISTED ON EXHIBIT B
- OUTLINE OF UNIT AREA

EXHIBIT "B"  
 THE PLAINS UNIT AREA, IEA COUNTY, NEW MEXICO  
 Township 19 South, Range 32 East, N.M.P.M.  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS  
 IN ALL LANDS IN THE UNIT AREA

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Landowner and Percent of Royalty	Lessee of Record	Overriding Royalty and Percentage	Working Interest Owner
<u>FEDERAL LAND</u>							
1.	T-19-S, R-32-E Sec. 10: S $\frac{1}{2}$ , NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$	600	NM-05661 7-31-63	USA ALL	W. D. Blaydes	W. D. Blaydes .5% Jo Anna Light, Obligation \$500 per acre out of 5% of production	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
2.	T-19-S, R-32-E Sec. 10: SE $\frac{1}{4}$ NW $\frac{1}{4}$	40	NM-05661-A 7-31-63	USA ALL	Delbasin Corporation	W. D. Blaydes .5% Jo Anna Light, Obligation \$500 per acre out of 5% of production	Delbasin Corporation-ALL
3.	T-19-S, R-32-E Sec. 14: E $\frac{1}{2}$ , W $\frac{1}{2}$ Sec. 15: E $\frac{1}{2}$ , E $\frac{1}{2}$ W $\frac{1}{2}$	960	NM-025497 8-31-66	USA ALL	Howard W. Jennings, Inc.	O. H. Randel 2 $\frac{1}{2}$ % Howard W. Jennings 1%	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
4.	T-19-S, R-32-E Sec. 14: E $\frac{1}{2}$ W $\frac{1}{2}$ Sec. 15: W $\frac{1}{2}$ W $\frac{1}{2}$	320	NM-063530 1-31-65	USA ALL	Michael S. Shearn*	None	Michael S. Shearn* - ALL
*Statement of Interest filed with this lease reflecting the following ownership of Lease #NM-063530: Edward C. Donohue-37 $\frac{1}{2}$ % interest, Wilma Elliott Donohue-37 $\frac{1}{2}$ % interest, and Michael S. Shearn-25% interest by oral agreement.							
5.	T-19-S, R-32-E Sec. 21: N $\frac{1}{2}$ N $\frac{1}{2}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 28: NW $\frac{1}{4}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ E $\frac{1}{2}$	640	LC-065710 8-31-63	USA ALL	Ewell H. Muse, Jr.	Martha Featherstone 3% Ewell H. Muse, Jr. .5%	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
6.	T-19-S, R-32-E Sec. 28: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40	LC-065710-B 8-31-63	USA ALL	Delbasin Corporation	Martha Featherstone 3% Ewell H. Muse, Jr. .5%	Delbasin Corporation-ALL
7.	T-19-S, R-32-E Sec. 21: SW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 28: NW $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$	600	NM-0175774 6-30-66	USA ALL	Socony Mobil Oil Company, Inc.	None	Socony Mobil Oil Company, Inc. - ALL

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Landowner and Percent of Royalty	Lessee of Record	Overriding Royalty and Percentage	Working Interest Owner
8.	T-19-S, R-32-E Sec. 22: $N\frac{1}{2}N\frac{1}{2}$ , $SE\frac{1}{4}NW\frac{1}{4}$ , $S\frac{1}{2}NE\frac{1}{4}$ Sec. 23: All	920	LC-067251 6-30-63	USA All	Ewell H. Muse, Jr.	Ewell H. Muse, Jr. .5% \$500 per acre out of 3% of production owned: Dorothy Golden 1/6 Neil H. Wills 5/6	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
9.	T-19-S, R-32-E Sec. 22: $SW\frac{1}{4}NW\frac{1}{4}$	40	LC-067251-A 6-30-63	USA All	Delbasin Corporation	Ewell H. Muse, Jr. .5% \$500 per acre out of 3% of production owned: Dorothy Golden 1/6 Neil H. Wills 5/6	Delbasin Corporation-All
10.	T-19-S, R-32-E Sec. 22: $SE\frac{1}{4}$ , $E\frac{1}{2}SW\frac{1}{4}$ , $SW\frac{1}{4}SW\frac{1}{4}$	280	LC-064198-B 6-30-63	USA All	Ewell H. Muse, Jr.*	Ewell H. Muse, Jr. .5% \$500 per acre out of 3% of production owned as follows: W. R. Middleton 9/54 Sue Saunders Graham 5/54 Elyse Saunders Patterson 5/54 Sally Saunders Toles 5/54 Neil H. Wills 10/18	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
11.	T-19-S, R-32-E Sec. 22: $NW\frac{1}{4}SW\frac{1}{4}$	40	LC-064198-H 6-30-63	USA All	Delbasin Corporation*	Ewell H. Muse, Jr. .5% \$500 per acre out of 3% of production owned as follows: W. R. Middleton 9/54 Sue Saunders Graham 5/54 Elyse Saunders Patterson 5/54 Sally Saunders Toles 5/54 Neil H. Wills 10/18	Delbasin Corporation-All

\*Designation of Operator naming C. M. Lineham and H. W. Stoltenberg, Box 969, Midland, Texas, as Operator on  $W\frac{1}{2}SE\frac{1}{4}$  and  $W\frac{1}{2}SW\frac{1}{4}$  Sec. 22, filed 5-2-60.

EXHIBIT "B" - LEASE SCHEDULE - THE PLAINS UNIT AREA - Page 3

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Landowner and Percent of Royalty	Lessee of Record	Overriding Royalty and Percentage	Working Interest Owner
12.	T-19-S, R-32-E Sec. 24: NW $\frac{1}{4}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 25: NW $\frac{1}{4}$	280	NM-01235-B 11-30-63	USA All	W. D. Blaydes	W. D. Blaydes .5% W. E. Bondurant, Jr., Obligation \$500 per acre out of 3% of production	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
13.	T-19-S, R-32-E Sec. 24: NE $\frac{1}{4}$ SW $\frac{1}{4}$	40	NM-01235-G 11-30-63	USA All	Bass Brothers Enterprises, Inc.	W. D. Blaydes .5% W. E. Bondurant, Jr., Obligation \$500 per acre out of 3% of production	Bass Brothers Enterprises, Inc. -All
14.	T-19-S, R-32-E Sec. 26: N $\frac{1}{2}$ ; SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$	600	LC-066148 7-31-63	USA All	Ewell H. Muse, Jr.	Ewell H. Muse, Jr. .5% Mary E. Willis, Obliga- tion \$500 per acre out of 3% of production	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
15.	T-19-S, R-32-E Sec. 26: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40	LC-066148-A 7-31-63	USA All	Delbasin Corporation	Ewell H. Muse, Jr. .5% Mary E. Willis, Obliga- tion \$500 per acre out of 3% of production	Delbasin Corporation -All
16.	T-19-S, R-32-E Sec. 27: E $\frac{1}{2}$ ; SW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$	600	NM-05646 8-31-63	USA All	Leonard Oil Co.	None	Leonard Oil Co. -All
17.	T-19-S, R-32-E Sec. 27: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40	NM-05646-A 8-31-63	USA All	Fowler Hix	Leonard Oil Co. 5%	Fowler Hix -All
18.	T-19-S, R-32-E Sec. 33: Lots 1,2,3,4, N $\frac{1}{2}$ , N $\frac{1}{2}$ S $\frac{1}{2}$ (All) Sec. 34: Lots 1,2, N $\frac{1}{2}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$	1118.01	NM-01135 1-31-64	USA All	Leonard Oil Co.	Higgins Trust, Inc. -1/4 of 1% Nordon Oil Company-5/8 of 1% Hazel D. Boellner, Individually and as Administratrix of the Estate of Arden R. Boellner-2%	Leonard Oil Co. -All

18 FEDERAL TRACTS CONTAINING 7198.01 ACRES, OR 100% OF THE UNIT AREA

CERTIFICATION - DETERMINATION

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

A. Approve the attached agreement for the development and operation of the Plains Unit Area, 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

*200*  
*2594*

UNIT AGREEMENT FOR THE DEVELOPMENT  
AND OPERATION OF THE PLAINS UNIT AREA  
COUNTY OF LEA, STATE OF NEW MEXICO

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1 UNIT AGREEMENT 1

2 FOR THE DEVELOPMENT AND OPERATION 2

3 OF THE 3

4 PLAINS UNIT AREA 4

5 COUNTY OF LEA 5

6 STATE OF NEW MEXICO 6

7 NO. \_\_\_\_\_ 7

8 THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 8  
9 1962, by and between the parties subscribing, ratifying, or consenting here- 9  
10 to, and herein referred to as the "parties hereto", 10

11 WITNESSETH: 11

12 WHEREAS, the parties hereto are the owners of working, royalty, or other 12  
13 oil and gas interests in the unit area subject to this agreement; and 13

14 WHEREAS, the term "Working Interest" as used herein shall mean the in- 14  
15 terest held in unitized substances or in lands containing unitized sub- 15  
16 stances by virtue of a lease, operating agreement, fee title, or otherwise, 16  
17 which is chargeable with and obligated to pay or bear all or a portion of 17  
18 the cost of drilling, developing, producing, and operating the land under 18  
19 the unit or cooperative agreement. The right delegated to Unit Operator as 19  
20 such by this agreement is not to be regarded as a working interest; and 20

21 WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as 21  
22 amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their 22  
23 representatives to unite with each other, or jointly or separately with 23  
24 others, in collectively adopting and operating a cooperative or unit plan 24  
25 of development or operation of any oil or gas pool, field, or like area, 25  
26 or any part thereof for the purpose of more properly conserving the natural 26  
27 resources thereof whenever determined and certified by the Secretary of the 27  
28 Interior to be necessary or advisable in the public interest; and 28

29 WHEREAS, the parties hereto hold sufficient interests in the Plains 29  
30 Unit Area covering the land hereinafter described to give reasonably effec- 30  
31 tive control of operations therein; and 31

32 WHEREAS, it is the purpose of the parties hereto to conserve natural re- 32  
33 sources, prevent waste, and secure other benefits obtainable through develop- 33  
34 ment and operation of the area subject to this agreement under the terms, 34

1 conditions, and limitations herein set forth; 1

2 NOW, THEREFORE, in consideration of the premises and the promises herein 2

3 contained, the parties hereto commit to this agreement their respective in- 3

4 terests in the below-defined unit area, and agree severally among themselves 4

5 as follows: 5

6 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 6

7 1920, as amended, supra, and all valid pertinent regulations, including opera- 7

8 ting and unit plan regulations, heretofore issued thereunder or valid, perti- 8

9 nent, and reasonable regulations hereafter issued thereunder are accepted and 9

10 made a part of this agreement as to Federal lands, provided such regulations 10

11 are not inconsistent with the terms of this agreement; and as to non-Federal 11

12 lands, the oil and gas operating regulations in effect as of the effective date 12

13 hereof governing drilling and producing operations, not inconsistent with the 13

14 terms hereof or the laws of the State in which the non-Federal land is located, 14

15 are hereby accepted and made a part of this agreement. 15

16 2. UNIT AREA. The area specified on the map attached hereto marked Ex- 16

17 hibit A is hereby designated and recognized as constituting the unit area, con- 17

18 taining 7198.01 acres, more or less. 18

19 Exhibit A shows, in addition to the boundary of the unit area, the 19

20 boundaries and identity of tracts and leases in said area to the extent known 20

21 to the Unit Operator. Exhibit B attached hereto is a schedule showing to the 21

22 extent known to the Unit Operator the acreage, percentage, and kind of owner- 22

23 ship of oil and gas interests in all land in the unit area. However, nothing 23

24 herein or in said schedule or map shall be construed as a representation by 24

25 any party hereto as to the ownership of any interest other than such interest 25

26 or interests as are shown in said map or schedule as owned by such party. 26

27 Exhibits A and B shall be revised by the Unit Operator whenever changes in 27

28 the unit area render such revision necessary, or when requested by the Oil 28

29 and Gas Supervisor, hereinafter referred to as "Supervisor" and not less 29

30 than six copies of the revised exhibits shall be filed with the Supervisor. 30

31 The above-described unit area shall when practicable be expanded to in- 31

32 clude therein any additional tract or tracts regarded as reasonably necessary 32

1 or advisable for the purposes of this agreement, or shall be contracted to 1  
2 exclude lands not within any participating area whenever such expansion or 2  
3 contraction is necessary or advisable to conform with the purposes of this 3  
4 agreement. Such expansion or contraction shall be effected in the following 4  
5 manner: 5

6 (a) Unit Operator, on its own motion or on demand of the Director of the 6  
7 Geological Survey, hereinafter referred to as "Director", after preliminary 7  
8 concurrence by the Director, shall prepare a notice of proposed expansion or 8  
9 contraction describing the contemplated changes in the boundaries of the unit 9  
10 area, the reasons therefor, and the proposed effective date thereof, prefer- 10  
11 ably the first day of a month subsequent to the date of notice. 11

12 (b) Said notice shall be delivered to the Supervisor, and copies there- 12  
13 of mailed to the last known address of each working interest owner, lessee, 13  
14 and lessor whose interests are affected, advising that 30 days will be allowed 14  
15 for submission to the Unit Operator of any objections. 15

16 (c) Upon expiration of the 30-day period provided in the preceding item 16  
17 (b) hereof, Unit Operator shall file with the Supervisor evidence of mailing of 17  
18 the notice of expansion or contraction and a copy of any objections thereto 18  
19 which have been filed with the Unit Operator, together with an application in 19  
20 sufficient number, for approval of such expansion or contraction and with ap- 20  
21 propriate joinders. 21

22 (d) After due consideration of all pertinent information, the expansion 22  
23 or contraction shall, upon approval by the Director, become effective as of 23  
24 the date prescribed in the notice thereof. 24

25 (e) All legal subdivisions of unitized lands (i.e., 40 acres by Govern- 25  
26 ment survey or its nearest lot or tract equivalent in instances of irregular 26  
27 surveys, however, unusually large lots or tracts shall be considered in 27  
28 multiples of 40 acres, or the nearest aliquot equivalent thereof, for the pur- 28  
29 pose of elimination under this subsection), no parts of which are entitled 29  
30 to be in a participating area within 5 years after the first day of the month 30  
31 following the effective date of the first initial participating area estab- 31  
32 lished under this unit agreement, shall be eliminated automatically from 32

1 this agreement, effective as of the first day thereafter, and such lands shall no 1  
2 longer be a part of the unit area and shall no longer be subject to this agree- 2  
3 ment, unless at the expiration of said 5-year period diligent drilling opera- 3  
4 tions are in progress on unitized lands not entitled to participation, in which 4  
5 event all such lands shall remain subject hereto for so long as such drilling 5  
6 operations are continued diligently, with not more than 90 days' time elapsing 6  
7 between the completion of one such well and the commencement of the next such 7  
8 well, except that the time allowed between such wells shall not expire earlier 8  
9 than 30 days after the expiration of any period of time during which drilling 9  
10 operations are prevented by a matter beyond the reasonable control of unit op- 10  
11 erator as set forth in the section hereof entitled "Unavoidable Delay"; pro- 11  
12 vided that all legal subdivisions of lands not in a participating area and not 12  
13 entitled to become participating under the applicable provisions of this agree- 13  
14 ment within 10 years after said first day of the month following the effective 14  
15 date of said first initial participating area shall be eliminated as above speci- 15  
16 fied. Determination of creditable "Unavoidable Delay" time shall be made by unit 16  
17 operator and subject to approval of the Director. The unit operator shall, with- 17  
18 in 90 days after the effective date of any elimination hereunder, describe the 18  
19 area so eliminated to the satisfaction of the Director and promptly notify all 19  
20 parties in interest. 20

21 If conditions warrant extension of the 10-year period specified in this 21  
22 subsection 2(e), a single extension of not to exceed 2 years may be accomplished 22  
23 by consent of the owners of 90% of the current unitized working interests and 23  
24 60% of the current unitized basic royalty interests (exclusive of the basic 24  
25 royalty interests of the United States), on a total-nonparticipating-acreage 25  
26 basis, respectively, with approval of the Director, provided such extension ap- 26  
27 plication is submitted to the Director not later than 60 days prior to the ex- 27  
28 piration of said 10-year period. 28

29 Any expansion of the unit area pursuant to this section which embraces 29  
30 lands theretofore eliminated pursuant to this subsection 2(e) shall not be con- 30  
31 sidered automatic commitment or recommitment of such lands. 31

1           3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this           1  
2 agreement shall constitute land referred to herein as "unitized land" or "land           2  
3 subject to this agreement". All oil and gas in any and all formations of the           3  
4 unitized land are unitized under the terms of this agreement and herein are           4  
5 called "unitized substances".           5

6           4. UNIT OPERATOR. Perry R. Bass is hereby designated as Unit Operator and           6  
7 by signature hereto as Unit Operator agrees and consents to accept the duties           7  
8 and obligations of Unit Operator for the discovery, development, and production           8  
9 of unitized substances as herein provided. Whenever reference is made herein to           9  
10 the Unit Operator, such reference means the Unit Operator acting in that capacity           10  
11 and not as an owner of interest in unitized substances, and the term "working in-           11  
12 terest owner" when used herein shall include or refer to Unit Operator as the           12  
13 owner of a working interest when such an interest is owned by it.           13

14           5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the           14  
15 right to resign at any time prior to the establishment of a participating area           15  
16 or areas hereunder, but such resignation shall not become effective so as to re-           16  
17 lease Unit Operator from the duties and obligations of Unit Operator and ter-           17  
18 minate Unit Operator's rights as such for a period of 6 months after notice of           18  
19 intention to resign has been served by Unit Operator on all working interest           19  
20 owners and the Director, and until all wells then drilled hereunder are placed           20  
21 in a satisfactory condition for suspension or abandonment whichever is required           21  
22 by the Supervisor, unless a new Unit Operator shall have been selected and ap-           22  
23 proved and shall have taken over and assumed the duties and obligations of Unit           23  
24 Operator prior to the expiration of said period.           24

25           Unit Operator shall have the right to resign in like manner and subject to           25  
26 like limitations as above provided at any time a participating area established           26  
27 hereunder is in existence, but, in all instances of resignation or removal, un-           27  
28 til a successor unit operator is selected and approved as hereinafter provided,           28  
29 the working interest owners shall be jointly responsible for performance of the           29  
30 duties of unit operator, and shall not later than 30 days before such resigna-           30  
31 tion or removal becomes effective appoint a common agent to represent them in           31  
32 any action to be taken hereunder.           32

1           The resignation of Unit Operator shall not release Unit Operator from any   1  
2   liability for any default by it hereunder occurring prior to the effective   2  
3   date of its resignation.   3

4           The Unit Operator may, upon default or failure in the performance of its   4  
5   duties or obligations hereunder, be subject to removal by the same percentage   5  
6   vote of the owners of working interests determined in like manner as herein pro-   6  
7   vided for the selection of a new Unit Operator. Such removal shall be effective   7  
8   upon notice thereof to the Director.   8

9           The resignation or removal of Unit Operator under this agreement shall not   9  
10   terminate its right, title, or interest as the owner of a working interest or   10  
11   other interest in unitized substances, but upon the resignation or removal of   11  
12   Unit Operator becoming effective, such Unit Operator shall deliver possession of   12  
13   all equipment, materials, and appurtenances used in conducting the unit opera-   13  
14   tions and owned by the working interest owners to the new duly qualified succes-   14  
15   sor Unit Operator or to the owners thereof if no such new Unit Operator is   15  
16   elected, to be used for the purpose of conducting unit operations hereunder.   16  
17   Nothing herein shall be construed as authorizing removal of any material, equip-   17  
18   ment and appurtenances needed for the preservation of any wells.   18

19           6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his   19  
20   or its resignation as Unit Operator or shall be removed as hereinabove pro-   20  
21   vided, or a change of Unit Operator is negotiated by working interest owners,   21  
22   the owners of the working interests in the participating area or areas accord-   22  
23   ing to their respective acreage interests in such participating area or areas,   23  
24   or, until a participating area shall have been established, the owners of the   24  
25   working interests according to their respective acreage interests in all uni-   25  
26   tized land, shall by majority vote select a successor Unit Operator: Provided,   26  
27   that, if a majority but less than 75 per cent of the working interests quali-   27  
28   fied to vote are owned by one party to this agreement, a concurring vote of   28  
29   one or more additional working interest owners shall be required to select a   29  
30   new operator. Such selection shall not become effective until   30

31           (a) a Unit Operator so selected shall accept in writing the duties and   31  
32   responsibilities of Unit Operator, and   32

1 (b) the selection shall have been approved by the Director. If no suc- 1  
2 cessor Unit Operator is selected and qualified as herein provided, the Direc- 2  
3 tor at his election may declare this unit agreement terminated. 3

4 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Opera- 4  
5 tor is not the sole owner of working interests, costs and expenses incurred by 5  
6 Unit Operator in conducting unit operations hereunder shall be paid and appor- 6  
7 tioned among and borne by the owners of working interests, all in accordance with 7  
8 the agreement or agreements entered into by and between the Unit Operator and 8  
9 the owners or working interests, whether one or more, separately or collective- 9  
10 ly. Any agreement or agreements entered into between the working interest 10  
11 owners and the Unit Operator as provided in this section, whether one or more, 11  
12 are herein referred to as the "unit operating agreement". Such unit operating 12  
13 agreement shall also provide the manner in which the working interest owners 13  
14 shall be entitled to receive their respective proportionate and allocated share 14  
15 of the benefits accruing hereto in conformity with their underlying operating 15  
16 agreements, leases, or other independent contracts, and such other rights and 16  
17 obligations as between Unit Operator and the working interest owners as may be 17  
18 agreed upon by Unit Operator and the working interest owners; however, no such 18  
19 unit operating agreement shall be deemed either to modify any of the terms and 19  
20 conditions of this unit agreement or to relieve the Unit Operator of any right 20  
21 or obligation established under this unit agreement, and in case of any in- 21  
22 consistency or conflict between the unit agreement and the unit operating 22  
23 agreement, this unit agreement shall prevail. Three true copies of any unit 23  
24 operating agreement executed pursuant to this section should be filed with the 24  
25 Supervisor, prior to approval of this unit agreement. 25

26 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise speci- 26  
27 fically provided herein, the exclusive right, privilege, and duty of exercis- 27  
28 ing any and all rights of the parties hereto which are necessary or conven- 28  
29 ient for prospecting for, producing, storing, allocating, and distributing the 29  
30 unitized substances are hereby delegated to and shall be exercised by the Unit 30  
31 Operator as herein provided. Acceptable evidence of title to said rights shall 31  
32 be deposited with said Unit Operator and, together with this agreement, shall 32

1 constitute and define the rights, privileges, and obligations of Unit Op- 1  
2 erator. Nothing herein, however, shall be construed to transfer title to any 2  
3 land or to any lease or operating agreement, it being understood that under 3  
4 this agreement the Unit Operator, in its capacity as Unit Operator, shall 4  
5 exercise the rights of possession and use vested in the parties hereto only 5  
6 for the purposes herein specified. 6

7 9. DRILLING TO DISCOVERY. Within 6 months after the effective date here- 7  
8 of, the Unit Operator shall begin to drill an adequate test well at a location 8  
9 approved by the Supervisor, unless on such effective date a well is being 9  
10 drilled conformably with the terms hereof, and thereafter continue such drill- 10  
11 ing diligently until the Mississippian formation has been tested or until at 11  
12 a lesser depth unitized substances shall be discovered which can be produced 12  
13 in paying quantities (to wit: quantities sufficient to repay the costs of drill- 13  
14 ing, and producing operations, with a reasonable profit) or the Unit Operator 14  
15 shall at any time establish to the satisfaction of the Supervisor that further 15  
16 drilling of said well would be unwarranted or impracticable, provided, however, 16  
17 that Unit Operator shall not in any event be required to drill said well to a 17  
18 depth in excess of 13,000 feet. Until the discovery of a deposit of unitized 18  
19 substances capable of being produced in paying quantities, the Unit Operator 19  
20 shall continue drilling diligently one well at a time, allowing not more than 20  
21 6 months between the completion of one well and the beginning of the next well, 21  
22 until a well capable of producing unitized substances in paying quantities is 22  
23 completed to the satisfaction of said Supervisor or until it is reasonably 23  
24 proved that the unitized land is incapable of producing unitized substances 24  
25 in paying quantities in the formations drilled hereunder. Nothing in this 25  
26 section shall be deemed to limit the right of the Unit Operator to resign as 26  
27 provided in Section 5 hereof, or as requiring Unit Operator to commence or 27  
28 continue any drilling during the period pending such resignation becoming 28  
29 effective in order to comply with the requirements of this section. The 29  
30 Director may modify the drilling requirements of this section by granting 30  
31 reasonable extensions of time when, in his opinion, such action is warranted. 31

1           Upon failure to comply with the drilling provisions of this section, the     1  
2 Director may, after reasonable notice to the Unit Operator, and each working     2  
3 interest owner, lessee, and lessor at their last known addresses, declare this     3  
4 Unit Agreement terminated.     4

5           10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after     5  
6 completion of a well capable of producing unitized substances in paying quan-     6  
7 tities, the Unit Operator shall submit for the approval of the Supervisor an     7  
8 acceptable plan of development and operation for the unitized land which, when     8  
9 approved by the Supervisor, shall constitute the further drilling and operat-     9  
10 ing obligations of the Unit Operator under this agreement for the period speci-   10  
11 fied therein. Thereafter, from time to time before the expiration of any ex-   11  
12 isting plan, the Unit Operator shall submit for the approval of the Supervisor   12  
13 a plan for an additional specified period for the development and operation of   13  
14 the unitized land.     14

15           Any plan submitted pursuant to this section shall provide for the explor-   15  
16 ation of the unitized area and for the diligent drilling necessary for deter-   16  
17 mination of the area or areas thereof capable of producing unitized substances   17  
18 in paying quantities in each and every productive formation and shall be as com-   18  
19 plete and adequate as the Supervisor may determine to be necessary for timely   19  
20 development and proper conservation of the oil and gas resources of the uni-   20  
21 tized area and shall     21

22           (a) specify the number and locations of any wells to be drilled     22  
23           and the proposed order and time for such drilling; and     23  
24           (b) to the extent practicable specify the operating practices     24  
25           regarded as necessary and advisable for proper conservation of natural   25  
26           resources.     26

27           Separate plans may be submitted for separate productive zones, subject to the   27  
28 approval of the Supervisor.     28

29           Plans shall be modified or supplemented when necessary to meet changed   29  
30 conditions or to protect the interests of all parties to this agreement.     30  
31 Reasonable diligence shall be exercised in complying with the obligations of   31  
32 the approved plan of development. The Supervisor is authorized to grant a     32

1 reasonable extension of the 6-month period herein prescribed for submission 1  
2 of an initial plan of development where such action is justified because of 2  
3 unusual conditions or circumstances. After completion hereunder of a well 3  
4 capable of producing any unitized substance in paying quantities, no further 4  
5 wells, except such as may be necessary to afford protection against operations 5  
6 not under this agreement or such as may be specifically approved by the Super- 6  
7 visor, shall be drilled except in accordance with a plan of development ap- 7  
8 proved as herein provided. 8

9 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of 9  
10 producing unitized substances in paying quantities or as soon thereafter as re- 10  
11 quired by the Supervisor, the Unit Operator shall submit for approval by the 11  
12 Director a schedule, based on subdivisions of the public-land survey or aliquot 12  
13 parts thereof, of all unitized land then regarded as reasonably proved to be 13  
14 productive of unitized substances in paying quantities; all lands in said sched- 14  
15 ule on approval of the Director to constitute a participating area, effective 15  
16 as of the date of completion of such well or the effective date of the unit 16  
17 agreement, whichever is later. The acreages of both Federal and non-Federal 17  
18 lands shall be based upon appropriate computations from the courses and dis- 18  
19 tances shown on the last approved public-land survey as of the effective date 19  
20 of the initial participating area. Said schedule also shall set forth the 20  
21 percentage of unitized substances to be allocated as herein provided to each 21  
22 unitized tract in the participating area so established, and shall govern the 22  
23 allocation of production from and after the date the participating area be- 23  
24 comes effective. A separate participating area shall be established in like 24  
25 manner for each separate pool or deposit of unitized substances or for any 25  
26 group thereof produced as a single pool or zone, and any two or more parti- 26  
27 cipating areas so established may be combined into one with the consent of 27  
28 the owners of all working interests in the lands within the participating 28  
29 areas so to be combined, on approval of the Director. The participating 29  
30 area or areas so established shall be revised from time to time, subject to 30  
31 like approval, whenever such action appears proper as a result of further 31  
32 drilling operations or otherwise to include additional land then regarded as 32

1 reasonably proved to be productive in paying quantities, or to exclude land 1  
2 then regarded as reasonably proved not to be productive in paying quantities 2  
3 and the percentage of allocation shall also be revised accordingly. The ef- 3  
4 fective date of any revision shall be the first of the month in which is ob- 4  
5 tained the knowledge or information on which such revision is predicated, pro- 5  
6 vided, however, that a more appropriate effective date may be used if justified 6  
7 by the Unit Operator and approved by the Director. No land shall be excluded 7  
8 from a participating area on account of depletion of the unitized substances. 8

9 It is the intent of this section that a participating area shall represent 9  
10 the area known or reasonably estimated to be productive in paying quantities; 10  
11 but, regardless of any revision of the participating area, nothing herein con- 11  
12 tained shall be construed as requiring any retroactive adjustment for produc- 12  
13 tion obtained prior to the effective date of the revision of the participating 13  
14 area. 14

15 In the absence of agreement at any time between the Unit Operator and the 15  
16 Director as to the proper definition or redefinition of a participating area, 16  
17 or until a participating area has, or areas have, been established as provided 17  
18 herein, the portion of all payments affected thereby may be impounded in a 18  
19 manner mutually acceptable to the owners of working interests, except royalties 19  
20 due the United States, which shall be determined by the Supervisor and the 20  
21 amount thereof deposited, as directed by the Supervisor, to be held as un- 21  
22 earned money until a participating area is finally approved and then applied 23  
24 as earned or returned in accordance with a determination of the sum due as 24  
25 Federal royalty on the basis of such approved participating area. 25

26 Whenever it is determined, subject to the approval of the Supervisor, 26  
27 that a well drilled under this agreement is not capable of production in pay- 27  
28 ing quantities and inclusion of the land on which it is situated in a parti- 28  
29 cipating area is unwarranted, production from such well shall, for the pur- 29  
30 poses of settlement among all parties other than working interest owners, 30  
31 be allocated to the land on which the well is located so long as such land is 31  
32 not within a participating area established for the pool or deposit from which 32  
33 such production is obtained. Settlement for working interest benefits from 33

1 such a well shall be made as provided in the unit operating agreement. 1

2 12. ALLOCATION OF PRODUCTION. All unitized substances produced from each 2  
3 participating area established under this agreement, except any part thereof 3  
4 used in conformity with good operating practices within the unitized area for 4  
5 drilling, operating, camp and other production or development purposes, for 5  
6 repressuring or recycling in accordance with a plan of development approved by 6  
7 the Supervisor, or unavoidably lost, shall be deemed to be produced equally on 7  
8 an acreage basis from the several tracts of unitized land of the participating 8  
9 area established for such production and, for the purpose of determining any 9  
10 benefits accruing under this agreement, each such tract of unitized land shall 10  
11 have allocated to it such percentage of said production as the number of acres 11  
12 of such tract included in said participating area bears to the total acres of 12  
13 unitized land in said participating area, except that allocation of production 13  
14 hereunder for purposes other than for settlement of the royalty, overriding 14  
15 royalty, or payment out of production obligations of the respective working 15  
16 interest owners, shall be on the basis prescribed in the unit operating agree- 16  
17 ment whether in conformity with the basis of allocation herein set forth or 17  
18 otherwise. It is hereby agreed that production of unitized substances from a 18  
19 participating area shall be allocated as provided herein regardless of whether 19  
20 any wells are drilled on any particular part or tract of said participating 20  
21 area. If any gas produced from one participating area is used for repressur- 21  
22 ing or recycling purposes in another participating area, the first gas with- 22  
23 drawn from such last-mentioned participating area for sale during the life of 23  
24 this agreement shall be considered to be the gas so transferred until an amount 24  
25 equal to that transferred shall be so produced for sale and such gas shall be 25  
26 allocated to the participating area from which initially produced as consti- 26  
27 tuted at the time of such final production. 27

28 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 28  
29 Any party hereto owning or controlling the working interest in any unitized 29  
30 land having thereon a regular well location may with the approval of the 30  
31 Supervisor, at such party's sole risk, costs, and expense, drill a well to 31  
32 test any formation for which a participating area has not been established or 32

1 to test any formation for which a participating area has been established if 1  
2 such location is not within said participating area, unless within 90 days of 2  
3 receipt of notice from said party of his intention to drill the well the Unit 3  
4 Operator elects and commences to drill such a well in like manner as other 4  
5 wells are drilled by the Unit Operator under this agreement. 5

6 If any well drilled as aforesaid by a working interest owner results in 6  
7 production such that the land upon which it is situated may properly be in- 7  
8 cluded in a participating area, such participating area shall be established 8  
9 or enlarged as provided in this agreement and the well shall thereafter be 9  
10 operated by the Unit Operator in accordance with the terms of this agreement 10  
11 and the unit operating agreement. 11

12 If any well drilled as aforesaid by a working interest owner obtains pro- 12  
13 duction in quantities insufficient to justify the inclusion in a participating 13  
14 area of the land upon which such well is situated, such well may be operated 14  
15 and produced by the party drilling the same subject to the conservation re- 15  
16 quirements of this agreement. The royalties in amount or value of production 16  
17 from any such well shall be paid as specified in the underlying lease and agree-17  
18 ments affected. 18

19 14. ROYALTY SETTLEMENT. The United States and any State and all royalty 19  
20 owners who, under existing contract, are entitled to take in kind a share of 20  
21 the substances now unitized hereunder produced from any tract, shall hereafter 21  
22 be entitled to the right to take in kind their share of the unitized sub- 22  
23 stances allocated to such tract, and Unit Operator, or in case of the opera- 23  
24 tion of a well by a working interest owner as herein in special cases pro- 24  
25 vided for, such working interest owner, shall make deliveries of such royalty 25  
26 share taken in kind in conformity with the applicable contracts, laws, and 26  
27 regulations. Settlement for royalty interest not taken in kind shall be made 27  
28 by working interest owners responsible therefor under existing contracts, 28  
29 laws and regulations on or before the last day of each month for unitized 29  
30 substances produced during the preceding calendar month; provided, however, 30  
31 that nothing herein contained shall operate to relieve the lessees of any land 31  
32 from their respective lease obligations for the payment of any royalties due 32

1 under their leases. 1

2 If gas obtained from lands not subject to this agreement is introduced in- 2  
3 to any participating area hereunder, for use in repressuring, stimulation of 3  
4 production, or increasing ultimate recovery, which shall be in conformity with 4  
5 a plan first approved by the Supervisor, a like amount of gas, after settle- 5  
6 ment as herein provided for any gas transferred from any other participating 6  
7 area and with due allowance for loss or depletion from any cause, may be with- 7  
8 drawn from the formation into which the gas was introduced, royalty free as to 8  
9 dry gas, but not as to the products extracted therefrom; provided that such with- 9  
10 drawal shall be at such time as may be provided in the plan of operations or 10  
11 as may otherwise be consented to by the Supervisor as conforming to good petro- 11  
12 leum engineering practice; and provided further, that such right of withdrawal 12  
13 shall terminate on the termination of this unit agreement. 13

14 Royalty due the United States shall be computed as provided in the opera- 14  
15 ting regulations and paid in value or delivered in kind as to all unitized sub- 15  
16 stances on the basis of the amounts thereof allocated to unitized Federal land 16  
17 as provided herein at the rates specified in the respective Federal leases, 17  
18 or at such lower rate or rates as may be authorized by law or regulation; pro- 18  
19 vided, that for leases on which the royalty rate depends on the daily average 19  
20 production per well, said average production shall be determined in accordance 20  
21 with the operating regulations as though each participating area were a single 21  
22 consolidated lease. 22

23 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases com- 23  
24 mitted hereto shall be paid by working interest owners responsible therefor 24  
25 under existing contracts, laws, and regulations, provided that nothing herein 25  
26 contained shall operate to relieve the lessees of any land from their respec- 26  
27 tive lease obligations for the payment of any rental or minimum royalty in 27  
28 lieu thereof due under their leases. Rental or minimum royalty for lands of 28  
29 the United States subject to this agreement shall be paid at the rate speci- 29  
30 fied in the respective leases from the United States unless such rental or 30  
31 minimum royalty is waived, suspended, or reduced by law or by approval of the 31  
32 Secretary or his duly authorized representative. 32

1 With respect to any lease on non-Federal land containing provisions which 1  
2 would terminate such lease unless drilling operations were within the time 2  
3 therein specified commenced upon the land covered thereby or rentals paid for 3  
4 the privilege of deferring such drilling operations, the rentals required 4  
5 thereby shall, notwithstanding any other provision of this agreement, be deemed 5  
6 to accrue and become payable during the term thereof as extended by this agree- 6  
7 ment and until the required drilling operations are commenced upon the land 7  
8 covered thereby or some portion of such land is included within a participating 8  
9 area. 9

10 16. CONSERVATION. Operations hereunder and production of unitized sub- 10  
11 stances shall be conducted to provide for the most economical and efficient 11  
12 recovery of said substances without waste, as defined by or pursuant to State 12  
13 or Federal law or regulation. 13

14 17. DRAINAGE. The Unit Operator shall take appropriate and adequate 14  
15 measures to prevent drainage of unitized substances from unitized land by wells 15  
16 on land not subject to this agreement, or, with prior consent of the Director, 16  
17 pursuant to applicable regulations pay a fair and reasonable compensatory royal- 17  
18 ty as determined by the Supervisor. 18

19 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, 19  
20 and provisions of all leases, subleases, and other contracts relating to ex- 20  
21 ploration, drilling, development, or operation for oil or gas of lands com- 21  
22 mitted to this agreement are hereby expressly modified and amended to the ex- 22  
23 tent necessary to make the same conform to the provisions hereof, but other- 23  
24 wise to remain in full force and effect; and the parties hereto hereby consent 24  
25 that the Secretary shall and by his approval hereof, or by the approval hereof 25  
26 by his duly authorized representative, does hereby establish, alter, change, or 26  
27 revoke the drilling, producing, rental, minimum royalty, and royalty require- 27  
28 ments of Federal leases committed hereto and the regulations in respect thereto 28  
29 to conform said requirements to the provisions of this agreement, and, with- 29  
30 out limiting the generality of the foregoing, all leases, subleases, and con- 30  
31 tracts are particularly modified in accordance with the following: 31

32 (a) The development and operation of lands subject to this agree- 32  
33 ment under the terms hereof shall be deemed full performance of all 33

1 obligations for development and operation with respect to each and 1  
2 every part or separately owned tract subject to this agreement, re- 2  
3 gardless of whether there is any development of any particular part 3  
4 or tract of the unit area, notwithstanding anything to the contrary 4  
5 in any lease, operating agreement or other contract by and between 5  
6 the parties hereto, or their respective predecessors in interest, or 6  
7 any of them. 7

8 (b) Drilling and producing operations performed hereunder upon any 8  
9 tract of unitized lands will be accepted and deemed to be performed upon 9  
10 and for the benefit of each and every tract of unitized land, and no 10  
11 lease shall be deemed to expire by reason of failure to drill or pro- 11  
12 duce wells situated on the land therein embraced. 12

13 (c) Suspension of drilling or producing operations on all unitized 13  
14 lands pursuant to direction or consent of the Secretary or his duly 14  
15 authorized representative shall be deemed to constitute such suspension 15  
16 pursuant to such direction or consent as to each and every tract of 16  
17 unitized land. 17

18 (d) Each lease, sublease or contract relating to the exploration, 18  
19 drilling, development or operation for oil or gas of lands other than 19  
20 those of the United States committed to this agreement, which, by its 20  
21 terms might expire prior to the termination of this agreement, is hereby 21  
22 extended beyond any such term so provided therein so that it shall be 22  
23 continued in full force and effect for and during the term of this 23  
24 agreement. 24

25 (e) Any Federal lease for a fixed term of twenty (20) years or any 25  
26 renewal thereof or any part of such lease which is made subject to this 26  
27 agreement shall continue in force beyond the term provided therein until 27  
28 the termination hereof. Any other Federal lease committed hereto shall 28  
29 continue in force beyond the term so provided therein or by law as to 29  
30 the land committed so long as such lease remains subject hereto, pro- 30  
31 vided that production is had in paying quantities under this unit agree- 31  
32 ment prior to the expiration date of the term of such lease, or in the 32

1 event actual drilling operations are commenced on unitized land, in 1  
2 accordance with the provisions of this agreement, prior to the end of 2  
3 the primary term of such lease and are being diligently prosecuted at 3  
4 that time, such lease shall be extended for two years and so long there- 4  
5 after as oil or gas is produced in paying quantities in accordance with 5  
6 the provisions of the Mineral Leasing Act Revision of 1960. 6

7 (f) Each sublease or contract relating to the operation and 7  
8 development of unitized substances from lands of the United States com- 8  
9 mitted to this agreement, which by its terms would expire prior to the 9  
10 time at which the underlying lease, as extended by the immediately pre- 10  
11 ceding paragraph, will expire, is hereby extended beyond any such term 11  
12 so provided therein so that it shall be continued in full force and 12  
13 effect for and during the term of the underlying lease as such term 13  
14 is herein extended. 14

15 (g) The segregation of any Federal lease committed to this agreement 15  
16 is governed by the following provision in the fourth paragraph of Sec. 16  
17 17(j) of the Mineral Leasing Act, as amended by the Act of September 2, 17  
18 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter 18  
19 committed to any such (unit) plan embracing lands that are in part with- 19  
20 in and in part outside of the area covered by any such plan shall be 20  
21 segregated into separate leases as to the lands committed and the lands 21  
22 not committed as of the effective date of unitization: Provided, how- 22  
23 ever, That any such lease as to the nonunitized portion shall continue 23  
24 in force and effect for the term thereof but for not less than two years 24  
25 from the date of such segregation and so long thereafter as oil or gas 25  
26 is produced in paying quantities." 26

27 (h) Any lease, other than a Federal lease, having only a portion of 27  
28 its lands committed hereto shall be segregated as to the portion committed 28  
29 and the portion not committed, and the provisions of such lease shall ap- 29  
30 ply separately to such segregated portions commencing as of the effective 30  
31 date hereof. In the event any such lease provides for a lump-sum rental 31  
32 payment, such payment shall be prorated between the portions so segregated 32

1 in proportion to the acreage of the respective tracts. 1

2 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to 2

3 be covenants running with the land with respect to the interest of the parties 3

4 hereto and their successors in interest until this agreement terminates, and 4

5 any grant, transfer, or conveyance, of interest in land or leases subject here- 5

6 to shall be and hereby is conditioned upon the assumption of all privileges and 6

7 obligations hereunder by the grantee, transferee, or other successor in in- 7

8 terest. No assignment or transfer of any working interest, royalty, or other 8

9 interest subject hereto shall be binding upon Unit Operator until the first day 9

10 of the calendar month after Unit Operator is furnished with the original, pho- 10

11 tostatic, or certified copy of the instrument of transfer. 11

12 20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon 12

13 approval by the Secretary or his duly authorized representative and shall 13

14 terminate five (5) years from said effective date unless 14

15 (a) such date of expiration is extended by the Director, or 15

16 (b) it is reasonably determined prior to the expiration of the fixed 16

17 term of any extension thereof that the unitized land is incapable of 17

18 production of unitized substances in paying quantities in the formations 18

19 tested hereunder and after notice of intention to terminate the agreement 19

20 on such ground is given by the Unit Operator to all parties in interest 20

21 at their last known addresses, the agreement is terminated with the 21

22 approval of the Director, or 22

23 (c) a valuable discovery of unitized substances has been made or 23

24 accepted on unitized land during said initial term or any extension 24

25 thereof, in which event the agreement shall remain in effect for such 25

26 term and so long as unitized substances can be produced in quantities 26

27 sufficient to pay for the cost of producing same from wells on unitized 27

28 land within any participating area established hereunder and, should 28

29 production cease, so long thereafter as diligent operations are in 29

30 progress for the restoration of production or discovery of new produc- 30

31 tion and so long thereafter as the unitized substances so discovered 31

32 can be produced as aforesaid, or 32

33 (d) it is terminated as heretofore provided in this agreement. 33

1 This agreement may be terminated at any time by not less than 75 per centum, 1  
2 on an acreage basis, of the owners of working interests signatory hereto, 2  
3 with the approval of the Director; notice of any such approval to be given 3  
4 by the Unit Operator to all parties hereto. 4

5 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is 5  
6 hereby vested with authority to alter or modify from time to time in his 6  
7 discretion the quantity and rate of production under this agreement when such 7  
8 quantity and rate is not fixed pursuant to Federal or State law or does not 8  
9 conform to any state-wide voluntary conservation or allocation program, which 9  
10 is established, recognized, and generally adhered to by the majority of opera- 10  
11 tors in such State, such authority being hereby limited to alteration or 11  
12 modification in the public interest, the purpose thereof and public interest 12  
13 to be served thereby to be stated in the order of alteration or modification. 13  
14 Without regard to the foregoing, the Director is also hereby vested with auth- 14  
15 ority to alter or modify from time to time in his discretion the rate of pros- 15  
16 pecting and development and the quantity and rate of production under this 16  
17 agreement when such alteration or modification is in the interest of attain- 17  
18 ing the conservation objectives stated in this agreement and is not in viola- 18  
19 tion of any applicable Federal or State law. 19

20 Powers in this section vested in the Director shall only be exercised af- 20  
21 ter notice to Unit Operator and opportunity for hearing to be held not less 21  
22 than 15 days from notice. 22

23 22. APPEARANCES. Unit Operator shall, after notice to other parties 23  
24 affected, have the right to appear for and on behalf of any and all interests 24  
25 affected hereby before the Department of the Interior and to appeal from or- 25  
26 ders issued under the regulations of said Department or to apply for relief 26  
27 from any of said regulations or in any proceedings relative to operations be- 27  
28 fore the Department of the Interior or any other legally constituted author- 28  
29 ity; provided, however, that any other interested party shall also have the 29  
30 right at his own expense to be heard in any such proceeding. 30

31 23, NOTICES. All notices, demands or statements required hereunder to 31  
32 be given or rendered to the parties hereto shall be deemed fully given if 32

1 given in writing and personally delivered to the party or sent by postpaid 1  
2 registered mail, addressed to such party or parties at their respective ad- 2  
3 dresses set forth in connection with the signatures hereto or to the ratifi- 3  
4 cation or consent hereof or to such other address as any such party may have 4  
5 furnished in writing to party sending the notice, demand or statement. 5

6 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 6  
7 shall be construed as a waiver by any party hereto of the right to assert any 7  
8 legal or constitutional right or defense as to the validity or invalidity of 8  
9 any law of the State wherein said unitized lands are located, or of the United 9  
10 States, or regulations issued thereunder in any way affecting such party, or 10  
11 as a waiver by any such party of any right beyond his or its authority to waive. 11

12 25. UNAVOIDABLE DELAY. All obligations under this agreement requiring 12  
13 the Unit Operator to commence or continue drilling or to operate on or produce 13  
14 unitized substances from any of the lands covered by this agreement shall be 14  
15 suspended while, but only so long as, the Unit Operator despite the exercise 15  
16 of due care and diligence is prevented from complying with such obligations, in 16  
17 whole or in part, by strikes, acts of God, Federal, State, or municipal law 17  
18 or agencies, unavoidable accidents, uncontrollable delays in transportation, 18  
19 inability to obtain necessary materials in open market, or other matters be- 19  
20 yond the reasonable control of the Unit Operator whether similar to matters 20  
21 herein enumerated or not. 21

22 26. NONDISCRIMINATION. In connection with the performance of work under 22  
23 this agreement, the operator agrees to comply with all of the provisions of 23  
24 Section 301(1) to (7), inclusive, of Executive Order 10925 (26 F.R. 1977), 24  
25 which are hereby incorporated by reference in this agreement. 25

26 27. LOSS OF TITLE. In the event title to any tract of unitized land 26  
27 shall fail and the true owner cannot be induced to join in this unit agreement, 27  
28 such tract shall be automatically regarded as not committed hereto and there 28  
29 shall be such readjustment of future costs and benefits as may be required on 29  
30 account of the loss of such title. In the event of a dispute as to title as 30  
31 to any royalty, working interest, or other interests subject thereto, payment 31  
32 or delivery on account thereof may be withheld without liability for interest 32

1 until the dispute is finally settled; provided, that, as to Federal land or 1  
2 leases, no payments of funds due the United States should be withheld, but 2  
3 such funds shall be deposited as directed by the Supervisor to be held as 3  
4 unearned money pending final settlement of the title dispute, and then applied 4  
5 as earned or returned in accordance with such final settlement. 5  
6 Unit Operator as such is relieved from any responsibility for any de- 6  
7 fect or failure of any title hereunder. 7  
8 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial 8  
9 interest in a tract within the unit area fails or refuses to subscribe or con- 9  
10 sent to this agreement, the owner of the working interest in that tract may 10  
11 withdraw said tract from this agreement by written notice to the Director and 11  
12 the Unit Operator prior to the approval of this agreement by the Director. 12  
13 Any oil or gas interests in lands within the unit area not committed hereto 13  
14 prior to submission of this agreement for final approval may thereafter be 14  
15 committed hereto by the owner or owners thereof subscribing or consenting to 15  
16 this agreement, and, if the interest is a working interest, by the owner of 16  
17 such interest also subscribing to the unit operating agreement. After opera- 17  
18 tions are commenced hereunder, the right of subsequent joinder, as provided 18  
19 in this section, by a working interest owner is subject to such requirements 19  
20 or approvals, if any, pertaining to such joinder, as may be provided for in 20  
21 the unit operating agreement. After final approval hereof joinder by a non- 21  
22 working interest owner must be consented to in writing by the working interest 22  
23 owner committed hereto and responsible for the payment of any benefits that 23  
24 may accrue hereunder in behalf of such non-working interest. Joinder by any 24  
25 owner of a non-working interest, at any time, must be accompanied by appro- 25  
26 priate joinder by the owner of the corresponding working interest in order 26  
27 for the interest to be regarded as committed hereto. Joinder to the unit 27  
28 agreement by a working-interest owner, at any time, must be accompanied by 28  
29 appropriate joinder to the unit operating agreement, if more than one com- 29  
30 mitted working-interest owner is involved, in order for the interest to be 30  
31 regarded as committed to this unit agreement. Except as may otherwise here- 31  
32 in be provided subsequent joinders to this agreement shall be effective as 32

1 of the first day of the month following the filing with the Supervisor of 1  
2 duly executed counterparts of all or any papers necessary to establish ef- 2  
3 fective commitment of any tract to this agreement unless objection to such 3  
4 joinder is duly made within 60 days by the Director. 4

5 29. COUNTERPARTS. This agreement may be executed in any number of 5  
6 counterparts no one of which needs to be executed by all parties or may be 6  
7 ratified or consented to by separate instrument in writing specifically re- 7  
8 ferring hereto and shall be binding upon all those parties who have executed 8  
9 such a counterpart, ratification, or consent hereto with the same force and 9  
10 effect as if all such parties had signed the same document and regardless of 10  
11 whether or not it is executed by all other parties owning or claiming an 11  
12 interest in the lands within the above-described unit area. 12

13 30. SURRENDER. Nothing in this agreement shall prohibit the exercise 13  
14 by any working interest owner of the right to surrender vested in such party 14  
15 in any lease, sub-lease, or operating agreement as to all or any part of the 15  
16 lands covered thereby, provided that each party who will or might acquire such 16  
17 working interest by such surrender or by forfeiture as hereafter set forth, 17  
18 is bound by the terms of this agreement. 18

19 If as a result of any such surrender, the working interest rights as to 19  
20 such lands become vested in any party other than the fee owner of the uni- 20  
21 tized substances, said party shall forfeit such rights and no further bene- 21  
22 fits from operation hereunder as to said land shall accrue to such party, 22  
23 unless within ninety (90) days thereafter said party shall execute this 23  
24 agreement and the unit operating agreement as to the working interest ac- 24  
25 quired through such surrender, effective as though such land had remained 25  
26 continuously subject to this agreement and the unit operating agreement. 26  
27 And in the event such agreements are not so executed, the party next in the 27  
28 chain of title shall be and become the owner of such working interest at 28  
29 the end of such ninety (90) day period, with the same force and effect as 29  
30 though such working interest had been surrendered to such party. 30

31 If as the result of any such surrender or forfeiture the working in- 31  
32 terest rights as to such lands become vested in the fee owner of the unitized 32

1 substances, such owner may: 1

2 (1) Execute this agreement and the unit operating agreement as a 2

3 working interest owner, effective as though such land had remained 3

4 continuously subject to this agreement and the unit operating agreee- 4

5 ment. 5

6 (2) Again lease such lands but only under the condition that the 6

7 holder of such lease shall within thirty (30) days after such lands 7

8 are so leased execute this agreement and the unit operating agreee- 8

9 ment as to each participating area theretofore established hereunder, 9

10 effective as though such land had remained continuously subject to 10

11 this agreement and the unit operating agreement. 11

12 (3) Operate or provide for the operation of such land independent- 12

13 ly of this agreement as to any part thereof or any oil or gas deposits 13

14 therein not then included within a participating area. 14

15 If the fee owner of the unitized substances does not execute this agree- 15

16 ment and the unit operating agreement as a working interest owner or again 16

17 lease such lands as above provided with respect to each existing participa- 17

18 ting area, within six (6) months after any such surrender or forfeiture, 18

19 such fee owner shall be deemed to have waived the right to execute the unit 19

20 operating agreement or lease such lands as to each such participating area, 20

21 and to have agreed, in consideration for the compensation hereinafter pro- 21

22 vided, that operations hereunder as to any such participating area or areas 22

23 shall not be affected by such surrender. 23

24 For any period the working interest in any lands are not expressly com- 24

25 mitted to the unit operating agreement as the result of any such surrender 25

26 or forfeiture, the benefits and obligations of operations accruing to such 26

27 lands under this agreement and the unit operating agreement shall be shared 27

28 by the remaining owners of unitized working interests in accordance with 28

29 their respective participating working interest ownerships in any such par- 29

30 ticipating area or areas, and such owners of working interests shall com- 30

31 pensate the fee owner of unitized substances in such lands by paying sums 31

32 equal to the rentals, minimum royalties, and royalties applicable to such 32

33 lands under the lease in effect when the lands were unitized, as to such 33

1 participating area or areas. 1

2 Upon commitment of a working interest to this agreement and the unit 2  
3 operating agreement as provided in this section, an appropriate accounting 3  
4 and settlement shall be made, to reflect the retroactive effect of the com- 4  
5 mitment, for all benefits accruing to or payments and expenditures made or 5  
6 incurred on behalf of such surrendered working interest during the period 6  
7 between the date of surrender and the date of recommitment, and payment of 7  
8 any moneys found to be owing by such an accounting shall be made as between 8  
9 the parties then signatory to the unit operating agreement and this agree- 9  
10 ment within thirty (30) days after the recommitment. The right to become a 10  
11 party to this agreement and the unit operating agreement as a working in- 11  
12 terest owner by reason of a surrender or forfeiture as provided in this sec- 12  
13 tion shall not be defeated by the nonexistence of a unit operating agreement 13  
14 and in the event no unit operating agreement is in existence and a mutually 14  
15 acceptable agreement between the proper parties thereto cannot be consum- 15  
16 mated, the Supervisor may prescribe such reasonable and equitable agreement 16  
17 as he deems warranted under the circumstances. 17

18 Nothing in this section shall be deemed to limit the right of joinder 18  
19 or subsequent joinder to this agreement as provided elsewhere in this agree- 19  
20 ment. The exercise of any right vested in a working interest owner to re- 20  
21 assign such working interest to the party from whom obtained shall be sub- 21  
22 ject to the same conditions as set forth in this section in regard to the 22  
23 exercise of a right to surrender. 23

24 31. TAXES. The working interest owners shall render and pay for their 24  
25 account and the account of the royalty owners all valid taxes on or measured 25  
26 by the unitized substances in and under or that may be produced, gathered 26  
27 and sold from the land subject to this contract after the effective date of 27  
28 this agreement, or upon the proceeds or net proceeds derived therefrom. The 28  
29 working interest owners on each tract shall and may charge the proper pro- 29  
30 portion of said taxes to the royalty owners having interests in said tract, 30  
31 and may currently retain and deduct sufficient of the unitized substances 31  
32 or derivative products, or net proceeds thereof from the allocated share of 32

each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

32. POTASH PROTECTION. No wells will be drilled for oil or gas at a location which, in the opinion of the Oil and Gas Supervisor of the Geological Survey, would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits.

The drilling or the abandonment of any well on said lease shall be done in accordance with applicable oil and gas operating regulations including such requirements as the Oil and Gas Supervisor of the Geological Survey may prescribe as necessary to prevent the infiltration of oil, gas, or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.

Well records and survey plats that an oil and gas lessee or a unit operator must file, pursuant to applicable operating regulations, shall be available for inspection at the Office of the Oil and Gas Supervisor to any party holding a potash permit or lease on the land on which the well is situated insofar as the records are pertinent to the mining and protection of potash deposits.

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

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

ADDRESS:	DATE:	<u>UNIT OPERATOR</u>
_____	_____	_____
		PERRY R. BASS

ADDRESS:	DATE:	_____
_____	_____	_____
		NANCY LEE BASS

	<u>WORKING INTEREST OWNERS</u>	
ATTEST:	DATE:	LEONARD OIL CO.

_____	_____	By _____
Secretary		President
Address: _____		

ATTEST: DATE: RICHARDSON OILS, INC.  
\_\_\_\_\_  
Secretary \_\_\_\_\_ By \_\_\_\_\_  
President

Address: \_\_\_\_\_

ATTEST: DATE: DELBASIN CORPORATION  
\_\_\_\_\_  
Secretary \_\_\_\_\_ By \_\_\_\_\_  
President

Address: \_\_\_\_\_

ATTEST: DATE: BASS BROTHERS ENTERPRISES, INC.  
\_\_\_\_\_  
Secretary \_\_\_\_\_ By \_\_\_\_\_  
President

Address: \_\_\_\_\_

ATTEST: DATE: SOCONY MOBIL OIL COMPANY, INC.  
\_\_\_\_\_  
Secretary \_\_\_\_\_ By: \_\_\_\_\_  
President

Address: \_\_\_\_\_

ATTEST: DATE:  
\_\_\_\_\_  
Secretary \_\_\_\_\_ By \_\_\_\_\_  
President

Address: \_\_\_\_\_

ADDRESS: DATE:  
\_\_\_\_\_  
FOWLER HIX

ADDRESS: DATE:  
\_\_\_\_\_  
JEWELL HIX

ADDRESS: DATE:  
\_\_\_\_\_

ADDRESS: DATE:  
\_\_\_\_\_

ADDRESS: DATE:  
\_\_\_\_\_

ADDRESS: DATE:  
\_\_\_\_\_

THE STATE OF TEXAS :  
:  
COUNTY OF TARRANT :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me personally appeared PERRY R. BASS and wife, NANCY LEE BASS, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

My Commission expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_ :  
:  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn did say that he is the \_\_\_\_\_ President of LEONARD OIL CO., a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_ :  
:  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn did say that he is the \_\_\_\_\_ President of RICHARDSON OILS, INC., a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_ :  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn did say that he is the \_\_\_\_\_ President of DELBASIN CORPORATION, a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_ :  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn did say that he is the \_\_\_\_\_ President of BASS BROTHERS ENTERPRISES, INC., a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_ :  
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn did say that he is the \_\_\_\_\_ President of SOCONY MOBIL OIL COMPANY, INC., a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission expires:

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_



THE STATE OF \_\_\_\_\_ :  
:   
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me personally appeared \_\_\_\_\_, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

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

MY COMMISSION EXPIRES:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_ :  
:   
COUNTY OF \_\_\_\_\_ :

On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me personally appeared \_\_\_\_\_, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

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

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_

THE STATE OF \_\_\_\_\_ :  
:   
COUNTY OF \_\_\_\_\_ :

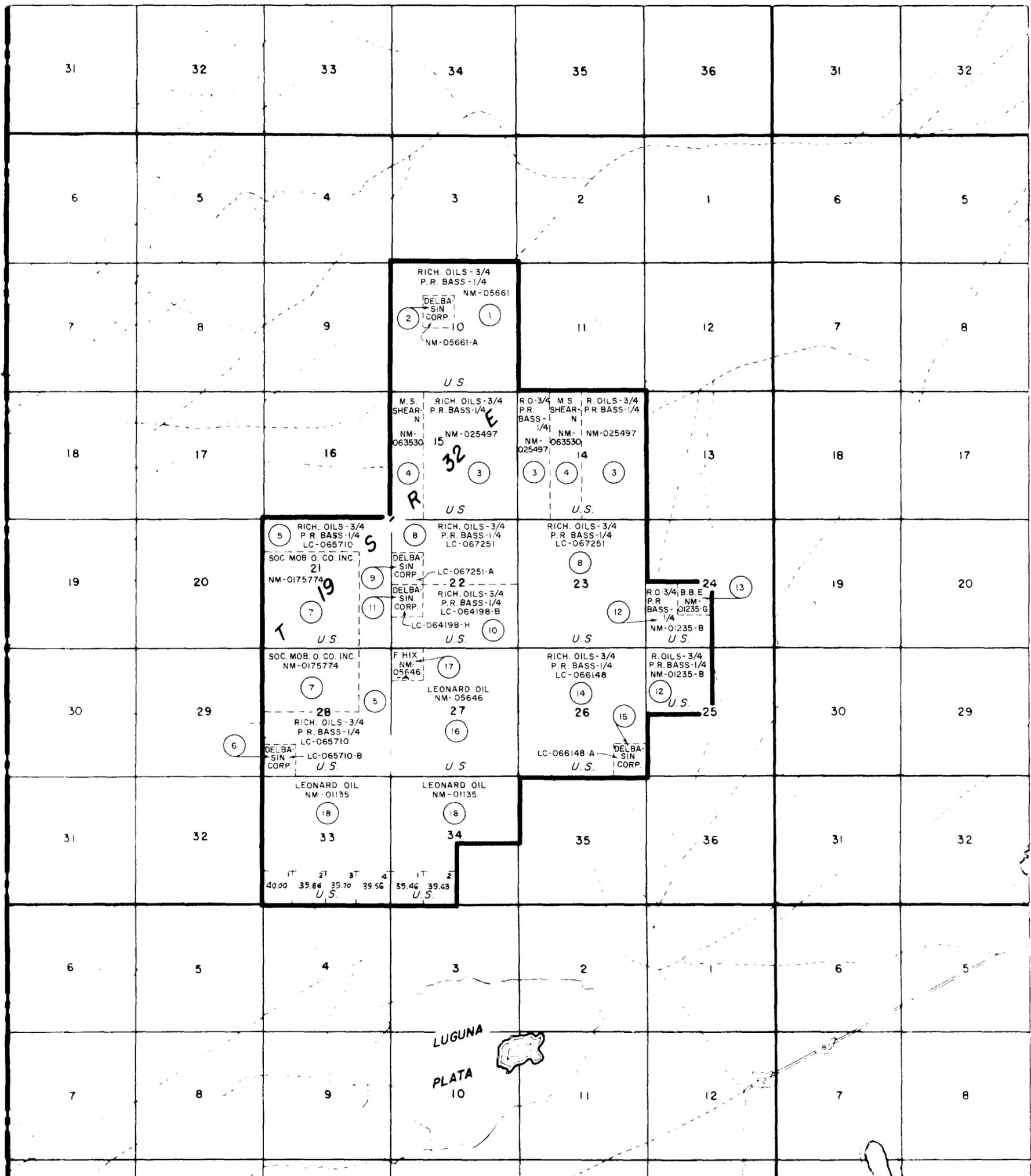
On this \_\_\_\_\_ day of \_\_\_\_\_, 1962, before me personally appeared \_\_\_\_\_, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

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

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for \_\_\_\_\_  
County, \_\_\_\_\_



**FEDERAL LEASES**

NM-01135	LC-064198-B
NM-01235-B	LC-064198-H
NM-01235-G	LC-065710
NM-05646	LC-065710-B
NM-05646-A	LC-066148
NM-05661	LC-066148-A
NM-05661-A	LC-067251
NM-025497	LC-067251-A
NM-063530	
NM-0175774	

NOTE: All Sections contain 640.00 Acres  
except as indicated.  
Entire Unit is Federal Acreage  
TOTAL ACRES IN UNIT: 7198.01

**EXHIBIT A**

**THE PLAINS UNIT AREA**

19 S — 32 E  
LEA COUNTY, NEW MEXICO

PREPARED BY  
EXPLORATION DEPARTMENT, PERRY R. BASS  
FORT WORTH, TEXAS

SCALE: 1" = 4000'

DATE: 1-31-62

**LEGEND**

- ① TRACT NUMBER AS LISTED ON EXHIBIT B
- OUTLINE OF UNIT AREA

EXHIBIT "B"  
 THE PLAINS UNIT AREA, IEA COUNTY, NEW MEXICO  
 Township 19 South, Range 32 East, N.M.P.M.  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS  
 IN ALL LANDS IN THE UNIT AREA

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Landowner and Royalty	Lessee of Record	Overriding Royalty and Percentage	Working Interest Owner
<u>FEDERAL LAND</u>							
1.	T-19-S, R-32-E Sec. 10: S $\frac{1}{2}$ , NE $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$	600	NM-05661 7-31-63	USA All	W. D. Blaydes	W. D. Blaydes .5% Jo Anna Light, Obligation \$500 per acre out of 5% of production	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
2.	T-19-S, R-32-E Sec. 10: SE $\frac{1}{4}$ NW $\frac{1}{4}$	40	NM-05661-A 7-31-63	USA All	Delbasin Corporation	W. D. Blaydes .5% Jo Anna Light, Obligation \$500 per acre out of 5% of production	Delbasin Corporation-All
3.	T-19-S, R-32-E Sec. 14: E $\frac{1}{2}$ , W $\frac{1}{2}$ Sec. 15: E $\frac{1}{2}$ , E $\frac{1}{2}$ W $\frac{1}{2}$	960	NM-025497 8-31-66	USA All	Howard W. Jennings, Inc.	O. H. Randel 2 $\frac{1}{4}$ % Howard W. Jennings 1%	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
4.	T-19-S, R-32-E Sec. 14: E $\frac{1}{2}$ W $\frac{1}{2}$ Sec. 15: W $\frac{1}{2}$ W $\frac{1}{2}$	320	NM-063530 1-31-65	USA All	Michael S. Shearn*	None	Michael S. Shearn* - All
*Statement of Interest filed with this lease reflecting the following ownership of Lease #NM-063530: Edward C. Donohue-37 $\frac{1}{2}$ % interest, Wilma Elliott Donohue-37 $\frac{1}{2}$ % interest, and Michael S. Shearn-25% interest by oral agreement.							
5.	T-19-S, R-32-E Sec. 21: N $\frac{1}{2}$ N $\frac{1}{2}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 28: NW $\frac{1}{4}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ W $\frac{1}{2}$	640	LC-065710 8-31-63	USA All	Ewell H. Muse, Jr.	Martha Featherstone 3% Ewell H. Muse, Jr. .5%	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
6.	T-19-S, R-32-E Sec. 28: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40	LC-065710-B 8-31-63	USA All	Delbasin Corporation	Martha Featherstone 3% Ewell H. Muse, Jr. .5%	Delbasin Corporation-All
7.	T-19-S, R-32-E Sec. 21: SW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 28: NW $\frac{1}{4}$ , W $\frac{1}{2}$ NE $\frac{1}{4}$	600	NM-0175774 6-30-66	USA All	Socony Mobil Oil Company, Inc.	None	Socony Mobil Oil Company, Inc. - All

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Landowner and Royalty	Lessee of Record	Overriding Royalty and Percentage	Working Interest Owner
8.	T-19-S, R-32-E Sec. 22: $N\frac{1}{2}N\frac{1}{2}$ , $SE\frac{1}{4}NW\frac{1}{4}$ , $S\frac{1}{2}NE\frac{1}{4}$ Sec. 23: All	920	LC-067251 6-30-63	USA All	Ewell H. Muse, Jr.	Ewell H. Muse, Jr. .5% \$500 per acre out of 3% of production owned: Dorothy Golden 1/6 Neil H. Wills 5/6	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
9.	T-19-S, R-32-E Sec. 22: $SW\frac{1}{4}NW\frac{1}{4}$	40	LC-067251-A 6-30-63	USA All	Delbasin Corporation	Ewell H. Muse, Jr. .5% \$500 per acre out of 3% of production owned: Dorothy Golden 1/6 Neil H. Wills 5/6	Delbasin Corporation-All
10.	T-19-S, R-32-E Sec. 22: $SE\frac{1}{4}$ , $E\frac{1}{2}SW\frac{1}{4}$ , $SW\frac{1}{4}SW\frac{1}{4}$	280	LC-064198-B 6-30-63	USA All	Ewell H. Muse, Jr.*	Ewell H. Muse, Jr. .5% \$500 per acre out of 3% of production owned as follows: W. R. Middleton 9/54 Sue Saunders Graham 5/54 Elyse Saunders Patterson 5/54 Sally Saunders Toles 5/54 Neil H. Wills 10/18	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
11.	T-19-S, R-32-E Sec. 22: $NW\frac{1}{4}SW\frac{1}{4}$	40	LC-064198-H 6-30-63	USA All	Delbasin Corporation*	Ewell H. Muse, Jr. .5% \$500 per acre out of 3% of production owned as follows: W. R. Middleton 9/54 Sue Saunders Graham 5/54 Elyse Saunders Patterson 5/54 Sally Saunders Toles 5/54 Neil H. Wills 10/18	Delbasin Corporation-All

\*Designation of Operator naming C. M. Lineham and H. W. Stoltenberg, Box 969, Midland, Texas, as Operator on  $W\frac{1}{2}SE\frac{1}{4}$  and  $W\frac{1}{2}SW\frac{1}{4}$  Sec. 22, filed 5-2-60.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Landowner and Percent of Royalty	Lessee of Record	Overriding Royalty and Percentage	Working Interest Owner
12.	T-19-S, R-32-E Sec. 24: NW $\frac{1}{4}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 25: NW $\frac{1}{4}$	280	NW-01235-B 11-30-63	USA All	W. D. Blaydes	W. D. Blaydes .5% W. E. Bondurant, Jr., Obligation \$500 per acre out of 3% of production	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
13.	T-19-S, R-32-E Sec. 24: NE $\frac{1}{4}$ SW $\frac{1}{4}$	40	NW-01235-G 11-30-63	USA All	Bass Brothers Enterprises, Inc.	W. D. Blaydes .5% W. E. Bondurant, Jr., Obligation \$500 per acre out of 3% of production	Bass Brothers Enterprises, Inc. -All
14.	T-19-S, R-32-E Sec. 26: N $\frac{1}{2}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$	600	LC-066148 7-31-63	USA All	Ewell H. Muse, Jr.	Ewell H. Muse, Jr. .5% Marry E. Willis, Obliga- tion \$500 per acre out of 3% of production	Richardson Oils, Inc. 3/4 Perry R. Bass 1/4
15.	T-19-S, R-32-E Sec. 26: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40	LC-066148-A 7-31-63	USA All	Delbasin Corporation	Ewell H. Muse, Jr. .5% Marry E. Willis, Obliga- tion \$500 per acre out of 3% of production	Delbasin Corporation -All
16.	T-19-S, R-32-E Sec. 27: E $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$	600	NW-05646 8-31-63	USA All	Leonard Oil Co.	None	Leonard Oil Co. -All
17.	T-19-S, R-32-E Sec. 27: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40	NW-05646-A 8-31-63	USA All	Fowler Hix	Leonard Oil Co. 5%	Fowler Hix -All
18.	T-19-S, R-32-E Sec. 33: Lots 1,2,3,4, N $\frac{1}{2}$ , N $\frac{1}{2}$ S $\frac{1}{2}$ (All) Sec. 34: Lots 1,2, N $\frac{1}{2}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$	1118.01	NW-01135 1-31-64	USA All	Leonard Oil Co.	Higgins Trust, Inc.-1/4 of 1% Nordon Oil Company-5/8 of 1% Hazel D. Boellner, Individually and as Administratrix of the Estate of Arden R. Boellner-2%	Leonard Oil Co. -All

18 FEDERAL TRACTS CONTAINING 7198.01 ACRES, OR 100% OF THE UNIT AREA

CERTIFICATION - DETERMINATION

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

A. Approve the attached agreement for the development and operation of the Plains Unit Area, 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