

UNIT AGREEMENT

CAVE POOL UNIT  
EDDY COUNTY, NEW MEXICO

*Exhibit I*

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF THE  
CAVE POOL UNIT  
EDDY COUNTY, NEW MEXICO

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

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

WITNESSETH: That,

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943 as amended by Sec. 1 of Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 39, N.M.S. 1953 anno) to consent to or approve this Agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

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

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

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

WHEREAS, the parties hereto hold sufficient interests in the Cave Pool Unit Area covering the land hereinafter described to give reasonably effective control of operation therein; and

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

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

SECTION 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, theretofore issued thereunder and valid pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this Agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this Agreement; and as to non-Federal lands, the oil and gas

operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this Agreement.

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

(a) "Unit Area" is defined as that area comprised of those tracts of land, or parts thereof, described below and further depicted on Exhibit "A" and described in Exhibit "B", together with any enlargement thereof, as herein provided, but only as to the unitized formation underlying the same and those surface rights that are incident to ownership of oil and gas rights in such formation:

<u>T16S-R29E</u>		
Sec. 33:	S $\frac{1}{2}$ SE $\frac{1}{4}$	80.00
<u>T17S-R29E</u>		
Sec. 3:	SW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00
Sec. 4:	All	639.86
Sec. 5:	E $\frac{1}{2}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$	439.92
Sec. 7:	N $\frac{1}{2}$ NE $\frac{1}{4}$	80.00
Sec. 8:	N $\frac{1}{2}$ , N $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ , NW $\frac{1}{4}$ SE $\frac{1}{4}$	480.00
Sec. 9:	NW $\frac{1}{4}$ NW $\frac{1}{4}$ , N $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NE $\frac{1}{4}$ , NE $\frac{1}{4}$ SE $\frac{1}{4}$	200.00

and containing 1,959.78 acres, more or less.

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

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

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

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

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

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

(h) "Unitized Formation" is defined as the Premier Sand of the Grayburg formation in the Guadalupe Series, as found between the subsurface depths of 2,374 feet and 2,405 feet, measured from the Kelly Bushing, in Continental Oil Company Well State P-4 No. 1, located 1,980 feet from the north line and 660 feet from the west line of Section 4, T17S-R29E, N.M.P.M.

(i) "Unitized Substances" is defined as and shall mean all of the oil and gas contained in or produced from the Unitized Formation.

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

(k) "Tract Participation" is defined as that percentage of Unitized Substances produced from the Unitized Formation which is allocated to a Tract under this Agreement.

(l) "Unit Participation," of each Working Interest Owner, is defined as the sum of the percentages obtained by multiplying such Working Interest Owner's fractional Working Interest in each tract by the Tract Participation of such tract.

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

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

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

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

(q) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 9, infra, and shall be styled "Unit Operating Agreement, Cave Pool Unit, Eddy County, New Mexico."

(r) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the unitized land.

SECTION 3. EXHIBITS. Exhibit "A" attached hereto is a map showing, to the extent known to the Unit Operator, the Unit Area and the boundaries and identity of tracts and leases in said Unit Area. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each tract, percentage ownership of each Working

Interest Owner in each tract, and the percentage of participation each tract has in the Unit Area, together with the Royalty Interests in each tract and the ownership thereof. The Unit Area consists of thos 40-acre legal subdivisions lying within the Cave Pool (Grayburg) Field which Operator now believes to be reasonably capable of being waterflooded, or useful therefor, for the purposes hereof. Nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes render such revision necessary, and at least two copies of such revision shall be filed with the Commissioner, and not less than six copies thereof shall be filed with the Supervisor.

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

(a) The Working Interest Owner or owners of a tract or tracts desiring to commit such tract or tracts hereto, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the proposed participation to be assigned to each such tract, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if 90 percent of the Working Interest Owners (on the basis of unit participation) have agreed to such commitment of such tract or tracts, then Unit Operator shall:

- (1) After preliminary concurrence by the Director, prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the unit participation to be assigned each such tract and the proposed effective date thereof, preferably 7:00 a.m. of the first day of the month following final approval thereof as herein provided; and

- (2) Deliver copies of said notice to the Commissioner, the Supervisor, each Working Interest Owner, lessee, and lessor whose interests are affected (mailing copy of such notice to the last known address of each such Working Interest Owner), advising parties who are already committed that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion, and soliciting joinders from owners of interests in the lands to be admitted to the Unit; and
- (3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above and provided that objections of not more than 10 percent of the voting interests of the Owners have been filed thereto, with the Commissioner, Director and the Commission the following:
  - (a) Comprehensive statement as to mailing said notice of expansion;
  - (b) an application for such expansion in sufficient numbers for appropriate approval and distribution; and
  - (c) an instrument containing the appropriate joinders in compliance with the participation requirements of Section 13 and 30, infra. Provided, however, if a dissenting Working Interest Owner owns more than a 10 percent voting interest, it must be joined in such dissent by at least one other Working Interest Owner.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner, the Director and the Commission, become effective as of the date and hour prescribed above or on such other more appropriate date as set by the Commissioner, the Director and the Commission in the order or instrument approving such expansion. The revised Tract Participations of the respective tracts included within the Unit Area prior to such enlargement shall remain in the same ratio one to another.

SECTION 5. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil and gas within and producible from the Unitized Formation underlying the Unit Area or any approved enlargement thereof are herein called Unitized Substances, and together with the surface rights incident to the ownership thereof, are unitized under the terms of this Agreement. All land committed to this agreement as to the Unitized Formation shall constitute land referred to herein as Unitized Land or "land subject to this Agreement."

SECTION 6. UNIT OPERATOR. Continental Oil Company, a Delaware corporation, is hereby designated as Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

SECTION 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, the Commissioner and the Supervisor, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by 75 percent of the committed Working Interest Owners (on the basis of participation) exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner and the Supervisor.

In all such instances of effective resignation or removal, until a successor to Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners



shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books, and records, materials, appurtenances and any other assets, used in conducting the Unit operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Unit Area) to the new duly qualified successor Unit Operator or to the Unit Manager if no such new Unit Operator is elected, to be used for the purpose of conducting Unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns or is removed hereunder for any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator by a majority vote of the Working Interest Owners (on the basis of Unit participation), provided no Working Interest Owner who has been Unit Operator and who has been removed may vote for self-succession. Such selection shall not become effective until (a) a Unit Operator

so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been filed with the Commissioner and the Supervisor. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Commissioner and the Director, at their election, may declare this Agreement terminated.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. Costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Two true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Commissioner and three true copies thereof shall be filed with the Supervisor, prior to approval of this Agreement.

SECTION 10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of

possession and use vested in the parties hereto only for the purposes herein specified.

SECTION 11. PLAN OF OPERATIONS. It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this Agreement is to formulate and to put into effect a secondary recovery project in order to effect the greatest recovery of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor, and the Commissioner, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil and any one or more other substances whether produced from the Unit Area or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. After commencement of secondary operations, Unit Operator shall furnish the Commissioner and the Supervisor monthly injection and production reports for each well in the Unit. The Working Interest Owners, the Supervisor, and the Commissioner, shall be furnished periodical reports on the progress of the plan of operation and any revisions or changes thereto; provided, however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Supervisor, and the Commissioner.

The initial plan of operation shall be filed with the Supervisor and the Commissioner concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and

adequate as the Supervisor and the Commissioner may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation.

Notwithstanding anything to the contrary herein contained, the Unit Operator shall commence operations for the secondary recovery of Unitized Substances from the Unit Area within six (6) months after the effective date of this Agreement, or any extension thereof approved by the Commissioner and the Supervisor. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

SECTION 12. TRACT PARTICIPATION. In Exhibit "B" attached hereto, there are listed and numbered the various tracts within the Unit Area and set forth opposite each tract is the tract participation of each tract in the Unit Area calculated on 100 percent commitment. The tract participation of each tract was determined by weighing the proportion which each tract bore to the entire Unit Area in each of the following: (1) Ultimate Primary Recovery 60%, (2) Net Effective Pay Volume 30%, and (3) Production during the period from October 1, 1959, through March 31, 1960 10%. However, if the Unit Agreement is approved with less than 100 percent commitment of the tracts comprising the Unit Area, said participation percentages shall be revised as soon as practicable to fit the commitment status as of the effective date hereof, with the committed tracts remaining in the same ratios one to another.

Any tract within the Unit Area, not committed on the effective date hereof, may thereafter be committed hereto in the following manner: The owner or owners of the Working Interest in such tract shall initiate a request directed to Unit Operator for the commitment thereof hereto and such owner or

owners, committed Working Interest Owners, and Unit Operator shall thereupon seek to determine the basis therefor, including a Tract Participation for such tract and any appropriate adjustments of investments, and, when such matters have been agreed upon and execution hereof or ratification hereof sufficient to Unit Operator has been obtained by the owners of interests in such tract, and the Unit Operating Agreement has been executed by the Working Interest Owners thereof, then Unit Operator shall so inform the Commissioner and the Supervisor, filing with the Commissioner two copies and with the Supervisor six copies of each the instruments of joinder, revised Exhibit "B," and revised schedule of participation, and upon approval by the Commissioner and Supervisor, respectively, such commitment shall be effective at 7:00 a.m. on the first day of the month next following such approval. In any such event, the revised Tract Participations of the respective tracts entitled to participation prior to such subsequent commitment shall remain in the same ratio one to another.

SECTION 13. TRACTS QUALIFIED FOR UNIT PARTICIPATION.

On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participation in the production of Unitized Substances therefrom shall be those tracts that are committed hereto as follows:

(a) Each and all of those tracts as to which Working Interest Owners owning 100 percent of the Working Interest in said tract and Royalty Owners owning 100 percent of the Royalty interest in said tract have subscribed, ratified or consented to this Agreement; and

(b) Each and all of those tracts as to which Working Interest Owners owning not less than 95 percent of the Working Interest therein and Royalty Owners owning not less than 75 percent of the Royalty Interest therein have executed this Agreement, and in which the Working Interest Owners in said tract who have executed this Agreement have agreed to indemnify and hold harmless all other parties hereto, in a manner satisfactory to 85 percent of the Working Interest Owners qualified under (a) above, against any and all claims and demands that may be made by the nonjoining Working Interest Owners or Royalty Owners, or both, on account of the commitment and joinder of

such tract to the Unit Agreement, and operation thereof under such conditions on the basis herein provided, and as to which 85 percent of the Working Interest Owners qualified under (a) above, exclusive of the Working Interest Owner submitting such tract, have approved the commitment of such tract to this Unit Agreement.

If on the effective date of this Agreement, there is any tract or tracts which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such tract or tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement for final approval by the Commissioner and the Director, or as soon thereafter as practicable, file a schedule of those tracts which have been committed and made subject to this Agreement and are entitled to participate in Unitized Substances. Said schedule shall set forth opposite each such committed tract the lease number or assignment number, the owner of record of the lease, and the tract participation. This schedule of participation shall be a part of Exhibit "B" and upon approval thereof by the Commissioner and the Supervisor or the Director shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until the effective date of a new schedule so approved.

SECTION 14. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the Unit Area in accordance with the respective Tract Participation effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit "B". The amount of Unitized Substances

so allocated to each tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract), shall, for all intents, uses and purposes, be deemed to have been produced from such tract.

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

No tract committed to this Agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances, and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tract.

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

The Unitized Substances allocated to each tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein. Each Working Interest Owner and the

parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 15 (Royalty Settlement) hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the Unit Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

The Working Interest Owners of each tract shall be responsible for the payment of all Royalty on or affecting such tract, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such Royalty.

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) and Section 12 (Tract Participation) hereof, or if any tract is excluded from the Unit



Area as provided for in Section 29 (Loss of Title), the schedule of participation as shown in the current Exhibit "B," whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Commissioner, the Supervisor, and the Director to show the new percentage participation of all the then effectively committed tracts; and the revised schedule, upon approval by the Commissioner and the Supervisor or the Director, shall govern all the allocation of production from and after the effective date thereof until the effective date of a new schedule so approved. The Tract Participations of all tracts participating prior to any such revision shall remain in the same ratio one to the other.

SECTION 15. ROYALTY SETTLEMENT. The State of New Mexico and the United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the unitized substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands not subject to this Agreement is introduced into the Unitized Formation, for use in repressuring, stimulation of production or increasing ultimate

recovery in conformity with a plan approved pursuant to Section 11 (Plan of Operations), a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the Unitized Formation, Royalty free as to dry gas but not as to the products extracted therefrom; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and the Commissioner; and provided further that such right of withdrawal shall terminate as of the effective date of termination of the Unit Agreement.

All Royalty due the State of New Mexico and the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective tract or tracts committed hereto, in lieu of actual production from such tract or tracts. Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all unitized substances on the basis of the amounts thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rate or rates as may be authorized by law or regulation; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though the Unitized Land were a single consolidated lease.

Each Royalty Owner (other than the State of New Mexico and the United States of America) that executes this Agreement represents and warrants that it is the owner of a Royalty Interest in a tract or tracts within the Unit Area as its interest appears in Exhibit "B" attached hereto. If any Royalty Interest in a tract or tracts should be lost by title failure or otherwise in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to

be the owner thereof shall be reduced proportionately and the interest of all parties in the affected tract or tracts shall be adjusted accordingly.

SECTION 16. RENTAL SETTLEMENT. Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof, due under their leases. Rental for lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental or minimum royalty for lands of the United States of America subject to this Agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 17. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal and State laws and regulations.

SECTION 18. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from unitized land by wells on land not subject to this Agreement.

SECTION 19. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this Agreement are

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

Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this Agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this Agreement, regardless of whether there is any development of any particular part or tract of the Unit Area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

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

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

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

(e) Termination of this Agreement shall not affect any lease which, pursuant to the terms thereof or any applicable laws, shall continue in force and effect thereafter.

(f) Any lease embracing lands of the State of New Mexico, which is made subject to this Agreement, shall continue

in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(g) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to that portion committed and that not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Provided, however, that notwithstanding any of the provisions of this Agreement to the contrary, such lease shall continue in full force and effect beyond the terms provided therein as to all lands embraced in such lease if oil or gas is, or has heretofore been, discovered in paying quantities on some part of the lands embraced in such lease committed to this Agreement or, so long as a portion of the Unitized Substances produced from the Unit Area is, under the terms of this Agreement, allocated to the portion of the lands covered by such lease committed to this Agreement, or, at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or secondary recovery operations on any part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

(h) The segregation of any Federal lease committed to this Agreement is governed by the following provision in the fourth paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

SECTION 20. MATHEMATICAL ERRORS. It is hereby agreed by all parties to this Agreement that Unit Operator is empowered to correct any mathematical errors which might exist in the pertinent exhibits to this Agreement upon approval of the Commissioner and the Supervisor.

SECTION 21. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this Agreement terminates, and

any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

SECTION 22. EFFECTIVE DATE AND TERM. This Agreement shall become binding upon each party who executed or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 a.m. of the first day of the month next following:

(a) The execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners sufficiently to effectively commit under Section 13 (Tracts Qualified for Unit Participation) hereof 90% (measured by surface area) of the lands comprising the Unit Area; and

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

(c) The filing of at least one counterpart of this Agreement for record in the office of the county clerk of Eddy County, New Mexico, by the Unit Operator; and provided, further, that if (a) (b) and (c) above are not accomplished on or before July 1, 1963, this Agreement shall ipso facto expire on said date (hereinafter called "expiration date") and thereafter be of no further force or effect.

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

The term of this Agreement shall be for and during the time that Unitized Substances are produced in paying quantities from the Unitized Land and as long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner hereinafter provided.

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

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

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

SECTION 23. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or

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

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

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

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



SECTION 26. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 27. NO WAIVER OF CERTAIN RIGHTS. Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or rules or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

SECTION 28. UNAVOIDABLE DELAY. All obligations under this Agreement requiring the Unit Operator to commence or continue secondary recovery operations or to operate on or produce Unitized Substances from any of the lands covered by this Agreement shall be suspended while, but only so long as the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 29. LOSS OF TITLE. In the event title to the Working Interest in any tract of unitized land shall fail

so as to render the tract inoperable under this Agreement and the true owner cannot be induced to join this Unit Agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any Royalty, Working Interest or other interest subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld, but such funds shall be deposited as directed by the Commissioner or the Supervisor (as the case may be), to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

#### SECTION 30. NONJOINDER AND SUBSEQUENT JOINDER.

Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Unit Agreement.

Any oil or gas interest in the Unitized Formation underlying the Unit Area not committed hereto prior to submission of this Agreement to the Commissioner and the Director for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 13

(Tracts Qualified for Unit Participation) hereof, at any time up to the effective date hereof on the same basis of participation as provided in said Section 13, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after the effective date hereof the right of subsequent joinder by a Working Interest Owner as provided in this Section shall be governed by the provisions of Section 4 (Expansion) and of Section 12 (Tract Participation). Any joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement. Any joinder by a proposed Royalty Owner must be evidenced by his execution, ratification or consent of this Agreement. Except as may be otherwise herein provided, subsequent joinder by a Royalty Owner to this Agreement shall be effective at 7:00 a.m. as of the first day of the month following the filing with the Commissioner and the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of his interest to this Agreement.

SECTION 31. COUNTERPARTS. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described Unit Area; provided, if this agreement has not

been approved by the Commissioner and the Director prior to July 1, 1963, it shall thereupon terminate and be of no further force and effect.

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

SECTION 33. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the Working Interest Owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority

vested in the Commission in and by any provisions of this Agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

SECTION 34. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, express or implied, or any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

SECTION 35. BORDER AGREEMENTS. Subject to the approval of the Commissioner and the Supervisor, the Unit Operator, with concurrence of 75% of the voting interest of the Working Interest Owners, may enter into a border-protection agreement or agreements with the Working Interest Owners of adjacent lands along the exterior boundary of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

SECTION 36. LIMITATION OF APPROVALS. Notwithstanding anything herein contained to the contrary, if no Federal lands are committed to this Agreement, then no consents or approvals provided herein shall be required of the Department, the Secretary, the Director, or the Supervisor, and it shall not be necessary to file any instrument hereunder with said officers or agencies unless and until Federal lands are so committed to this Agreement; likewise, if no State lands are committed to this Agreement, then no consents or approvals provided herein shall be required of the Commissioner, and it shall not be necessary to file any instrument hereunder with said officer unless and until State lands are so committed to this Agreement;

likewise, if no fee lands are committed to this Agreement, then no consents or approvals provided herein shall be required of the Commission, and it shall not be necessary to file any instrument hereunder with said office unless and until fee lands are so committed to this Agreement.

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

ATTEST:

CONTINENTAL OIL COMPANY

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

By \_\_\_\_\_  
Attorney in Fact

UNIT OPERATOR  
AND WORKING INTEREST OWNER

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

\_\_\_\_\_  
R. L. BURROW

ATTEST:

DALEVCO OILS

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

By \_\_\_\_\_

ATTEST:

DURHAM DRILLING COMPANY

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

By \_\_\_\_\_

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

\_\_\_\_\_  
LONNIE KEMPER

ATTEST:

KINCAID & WATSON DRILLING COMPANY

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

By \_\_\_\_\_

ATTEST:

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

LEONARD OIL COMPANY

By \_\_\_\_\_

ATTEST:

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

BILL A. SHELTON OIL PROPERTIES

By \_\_\_\_\_

ATTEST:

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

SINCLAIR OIL & GAS COMPANY

By \_\_\_\_\_

ATTEST:

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

SKELLY OIL COMPANY

By \_\_\_\_\_

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

\_\_\_\_\_  
JESS L. WARREN

ATTEST:

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

WESTERN DEVELOPMENT COMPANY

By \_\_\_\_\_

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

\_\_\_\_\_  
FORREST E. LEVERS

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

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

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

OWNERS OF OVERRIDING ROYALTIES  
OR PRODUCTION PAYMENTS



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

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

My Commission Expires: \_\_\_\_\_

Notary Public  
County, \_\_\_\_\_

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

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

My Commission Expires: \_\_\_\_\_

Notary Public  
County, \_\_\_\_\_

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

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

My Commission Expires: \_\_\_\_\_

Notary Public  
County, \_\_\_\_\_

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

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

My Commission Expires: \_\_\_\_\_

Notary Public  
County, \_\_\_\_\_

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



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

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public  
County, \_\_\_\_\_

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



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

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public  
County, \_\_\_\_\_

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



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

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public  
County, \_\_\_\_\_

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



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

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public  
County, \_\_\_\_\_



EXHIBIT "B" - UNIT AGREEMENT  
CAVE POOL UNIT  
EDDY COUNTY, NEW MEXICO

SCHEDULE OF TRACTS

TRACT DESCRIPTION NO. OF ACRES	LEASE NO. AND EXPIRATION DATE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER AND PERCENTAGE	OVERRIDING ROYALTY OWNER & PERCENTAGE	TRACT PARTICIPATION
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FEDERAL LAND

T16S-R29E

Sec. 13:  
S/2 SE/4

50.00	LC-058594C-HBP	USA-12.5%	Oran C. Dale	Western Develop- ment Company 100.0%	Ralph A. Shugart, Emmett D. White & First National Bank of Roswell, N.M., Executors of the Est. of Harry Leonard, deceased 2.5% Maxine E. Ely 2.0% -Everett R. Taylor Ernest A. Hanson 1.0% Monnie Kemper 2.0% -Oran C. Dale & Frances Dale 1.0%	2.93673
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T17S-R29E

Sec. 8:  
SW/4 NW/4

40.00	LC-068960-HBP	USA-12.5%	Leonard Oil Company	Leonard Oil Company 100.0%	Isabelle V. Ely et vir 1.0%	1.37586
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T17S-R29E

Sec. 5:  
Lots 1 & 2

79.52	NH-041331-HBP	USA-12.5%	C. F. Hodges	Continental Oil Company 100.0%	Nora	2.21997
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Should production be in excess of 1000 bbl per well per day, Lonnie Kemper's interest and Oran C. Dale and  
Maxine E. Ely's interest are eliminated.

These Tracts containing 199.92 acres, 10.20% of the Unit Area.

## EXHIBIT "B" (continued)

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. AND EXPIRATION DATE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER AND PERCENTAGE	OVERRIDING ROYALTY OWNER & PERCENTAGE	TRACT PARTICIPATION
<u>STATE OF NEW MEXICO LAND</u>								
4	<u>T17S-R29E</u> Sec.4: SE/4 NW/4 SE/4 SW/4	80.00	B-7071 - HBP	State of N.M.-12.5%	Continental Oil Company	Continental Oil Co. 100.0%	El Paso National Bank, Trustee for the Estate of Cyrus H. Jones 6.25% Olen F. Featherstone et ux. 3.125% C. A. Sopp 3.125%	8.12974
5	<u>T17S-R29E</u> Sec.4: Lot 2 SW/4NE/4 SW/4NW/4 Sec.5: NE/4SE/4 SW/4SE/4	199.93	B-7596 - HBP	State of N.M.-12.5%	Continental Oil Company	Continental Oil Co. 100.0%	None	13.96585
6	<u>T17S-R29E</u> Sec.4: Lots 3&4 NE/4SW/4 SW/4SW/4 W/2SE/4	240.05	B-11662 - HBP	State of N.M.-12.5%	Gulf Oil Corp.	Continental Oil Co. 100.0%	Gulf Oil Corp. 12.5%	13.29479
7	<u>T17S-R29E</u> Sec.3: SW/4NW/4 Sec.4: Lot 1 E/2SE/4	159.88	B-11662 - HBP	State of N.M.-12.5%	Gulf Oil Corp.	Bill A. Shelton Oil Properties 96.875% Jess L. Warren 3.125%	Gulf Oil Corp. Primary Recovery 10.9375% Secondary Recovery 21.8750%	6.42054

## EXHIBIT "B" (continued)

TRACT NO.	DESCRIPTION	NO. OF ACRES	LEASE NO. AND EXPIRATION DATE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER AND PERCENTAGE	CARRYING ROYALTY OWNERS & PERCENTAGE	TRACT PARTICIPATION
8	T17S-R29E Sec. 3: SE/4SW/4	40.00	R-2569 - HRP	State of N.M. -12.5%	Continental Oil Company	Continental Oil Co. 100.0%	None	2.55718
9	T17S-R29E Sec. 4: NW/4SW/4	40.00	E-134 - HRP	State of N.M. -12.5%	Skelly Oil Company	Skelly Oil Company 100.0%	None	3.83233
10	T17S-R29E Sec. 7: N/2NE/4 Sec. 8: N/2NW/4 SE/4NW/4	200.00	F-741 - HRP	State of N.M. -12.5%	Humble Oil & Refg. Co. Refg. Co.	Humble Oil & Refg. Co. 50.0% R. L. Burrow 9.0% Daleco Oil 8.0% Kincaid & Patton 12.0%	6.25%	6.97282
11	T17S-R29E Sec. 9: NW/4NW/4	40.00	R-950 - HRP	State of N.M. -12.5%	Sinclair Oil & Gas Co.	Continental Oil Co. 100.0%	Sinclair Oil & Gas Co. 12.5%	4.98764
12	T17S-R29E Sec. 9: SE/4NE/4	40.00	R-950 - HRP	State of N.M. -12.5%	Sinclair Oil & Gas Co.	Sinclair Oil & Gas Co. 100.0%	None	2.79636
13	T17S-R29E Sec. 4: SW/4NW/4 Sec. 5: SE/4NE/4 NW/4SE/4 Sec. 5: SW/4NE/4 Sec. 9: NW/4SW/4 SE/4NW/4	320.00	R-4200 - HRP	State of N.M. -12.5%	Continental Oil Co. Oil Co.	Continental Oil Co. 100.0%	None	19.98429

## EXHIBIT "B" (continued)

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. AND EXPIRATION DATE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER AND PERCENTAGE	OVERRIDING ROYALTY OWNER & PERCENTAGE	TRACT PARTICIPATION
14	<u>T17S-R29E</u> Sec. 8: N/2SW/4 SE/4SW/4 NW/4SE/4	160.00	E-6353 - HBP	State of N.M.-12.5%	The Atlantic Rfg. Co.	Durham Drlg. Company 32.5% R. L. Burrow 10.0% Dalevco Oils 10.0% Lonnie Kemper 5.0% Kincaid & Watson Drlg. Co. 42.5%	The Atlantic Rfg. Co. 15.625%	3.21538
15	<u>T17S-R29E</u> Sec. 8: N/2NE/4	80.00	E-7639 - HBP	State of N.M.-12.5%	Continental Oil Co.	Continental Oil Co. 100.0%	None	4.69285
16	<u>T17S-R29E</u> Sec. 5: SW/4NE/4 SE/4NW/4 NE/4SW/4 SE/4SE/4	160.00	E-10163 - HBP	State of N.M.-12.5%	Continental Oil Co.	Continental Oil Co. 100.0%	None	9.14607
<hr/>								
13 State of New Mexico Tracts containing 1759.86 acres, 89.80% of the Unit Area.								
<hr/>								
Total Unit Area - 16 Tracts containing 1959.78 acres								





1964 JUL 31 AM 10 39

July 30, 1964

Continental Oil Company  
P. O. Box 460  
Hobbs, New Mexico

Re: Expansion to Cave Pool Unit Area  
Eddy County, New Mexico

Attention: Mr. Jack Marshall

Gentlemen:

The Commissioner of Public Lands approves as of July 30, 1964 the expansion to the Cave Pool Unit Area. This expansion will add 120 acres of Federal land described as the W/2 SW/4, Section 5 and SE/4 NE/4 Section 7, Township 17S, Range 29E, to the Cave Pool Unit Area. The land so added is productive in the unitized formation and the inclusion in the unit area should result in more efficient operation and increased recovery from the secondary recovery project.

Please furnish this office with a copy of the Director's approval to this expansion and the effective date.

Yours very truly,

E. S. JOHNNY WALKER  
COMMISSIONER OF PUBLIC LANDS

BY:  
(Mrs.) Marian M. Rhea, Supervisor  
Unit Division

ESJW/mmz/mia  
Enclosures

cc: United States Geological Survey - Roswell  
Oil Conservation Commission - Santa Fe

MAIN OFFICE OCC

APPLICATION  
FOR APPROVAL OF UNIT EXPANSION  
CAVE POOL UNIT

1964 JUL 1 AM 7 42

June 29, 1964

Director, (6)  
United States Geological Survey  
C/O Regional Oil and Gas Supervisor  
P. O. Box 1857  
Roswell, New Mexico

The Honorable E. S. Johnny Walker (2)  
Commissioner of Public Lands  
P. O. Box 791  
Santa Fe, New Mexico

✓ New Mexico Oil Conservation Commission (2)  
P. O. Box 2088  
Santa Fe, New Mexico  
Attention: Mr. A. L. Porter, Jr., Secretary-Director

Gentlemen:

Continental Oil Company, as operator of the Cave Pool Unit, hereby requests approval to expand the Cave Pool Unit by adding thereto tract No. 17, a portion of General American Oil Company of Texas' Green "B" Lease (serial no. LC-028480-b) consisting of W/2 SW/4 Section 5 and SE/4 NE/4 Section 7, T-17S, R-29E, Eddy County, New Mexico. Said expansion is proposed to be accomplished under the provisions of Section 4 of the Cave Pool Unit Agreement dated July 1, 1962. The procedures outlined by said Unit Agreement have been carried out as follows:

1. Upon application September 10, 1963, of General American Oil Company of Texas for admission as a working interest owner in the Cave Pool Unit, a letter ballot, dated October 3, 1963, was submitted to the then Working Interest Owners together with a tabulation of proposed participation factors.

2. Preliminary concurrence of the proposed expansion was given on October 22, 1963, by the Commissioner of Public Lands and on November 19, 1963, by the Director, United States Geological Survey.

3. Approval by 90% of the Working Interest Ownership was obtained February 12, 1964

4. A notice of intent to Expand Cave Pool Unit, dated April 22, 1964, was mailed to all Working Interest Owners, Lessees, Lessors, Royalty Owners, Overriding Royalty Owners, the Commissioner and the Director. The attached affidavit describes the mailing procedure. Said notice included (a) a list of Working Interest Owners and their participation percent who approved the expansion; (b) a plat showing the revised boundaries of the expanded unit; (c) a tabulation of revised participation factors by tracts, based on the established unitization parameters; (d) an inventory of the equipment and facilities on the Green "B" Lease and (e) a discussion of the basis upon which the expansion will be effected.

5. Since the mailing of the said notice of intent, more than 30 days have passed and no objection to the proposed expansion has been received.

6. Joinders of Working Interest Owners and Overriding Royalty Owners (U.S.A. is Royalty Owner) were received, and are attached hereto.

In addition to the attachments described above, there is furnished herewith (1) revised Exhibit A showing revised unit boundary and tract designation, (2) revised Exhibit B showing relevent data on all tracts within the expanded unit area and (3) revised allocation schedule showing for each tract in the expanded unit the parameter value and participation for each tract by virtue of the several participation parameters and the total participation in the expanded unit.

As stated in the aforementioned notice of intent to expand, the proposed effective date of expansion is the first day of the month immediately following final approval by the requisite regulatory agencies.

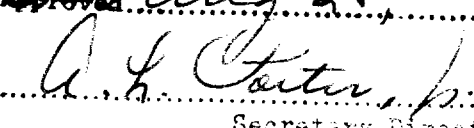
Wherefore, Continental Oil Company respectfully requests approval of the expansion of the Cave Pool Unit as outlined above.

Respectfully Submitted,

  
Assistant District Manager

GCJ-DFW

cc: RGP-6  
Working Interest Owners

Approved Aug 25, 1964  
  
Secretary-Director

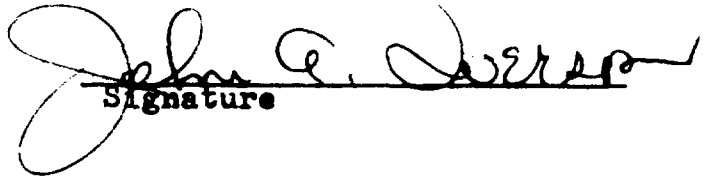
NEW MEXICO OIL CONSERVATION COMMISSION

A F F I D A V I T

STATE OF NEW MEXICO }

COUNTY OF LEA }

John A. Iverson, of lawful age, being first duly sworn, states that he is District Office Manager of Continental Oil Company, with offices at Hobbs, in the State of New Mexico, and that on the 24th day of April, 1964, he did mail to the persons shown on the Addressee List attached, copies of that document entitled Notice of Intent to Expand the Cave Pool Unit.

  
Signature

Subscribed and sworn to before me this 27<sup>th</sup> day of April,  
1964.



  
Notary Public

MY COMMISSION EXPIRES 7-29-67

MAILING LIST - CAVE POOL

International Oil & Gas Corp.  
Attn: Mr. R. J. Davenport  
P. O. Box 427  
Artesia, New Mexico

Leonard Oil Company  
Attn: Mr. Fowler Hix  
P. O. Box 708  
Roswell, New Mexico

Continental Oil Company  
Attn: Mr. Jack Marshall  
P. O. Box 460  
Hobbs, New Mexico

Minerals, Incorporated  
P. O. Box 2215  
Hobbs, New Mexico

Mr. Jess L. Warren  
El Paso, Texas

Skelly Oil Company  
Attn: Mr. Robert G. Hiltz  
P. O. Box 1650  
Tulsa, Oklahoma

Skelly Oil Company  
Attn: Mr. K. E. Jones  
P. O. Box 1650  
Tulsa, Oklahoma

Durham Drilling Company  
Attn: Mr. Lynn Durham  
P. O. Drawer 273  
Midland, Texas

Mr. R. L. Burrow  
P. O. Box 1536  
Roswell, New Mexico

Dalevco Oils  
Attn: Mr. O. C. Dale  
P. O. Box 2227  
Roswell, New Mexico

Kincaid & Watson  
Attn: Mr. J. C. Watson  
P. O. Box 498  
Artesia, New Mexico

Kincaid & Watson  
Attn: Mr. J. L. Kincaid  
Diamond "M" Building  
Snyder, Texas

Mr. R. F. Sawyer  
Sinclair Oil & Gas Company  
P. O. Box 1470  
Midland, Texas

Mr. R. A. Wright  
Sinclair Oil & Gas Company  
P. O. Box 521  
Tulsa, Oklahoma

Mr. W. F. Burns  
Sinclair Oil & Gas Company  
520 East Broadway  
Hobbs, New Mexico

General American Oil Corporation  
Meadows Building  
Dallas 6, Texas

U.S. Geological Survey (6)  
P. O. Box 1857  
Roswell, New Mexico

State Land Office (3)  
Santa Fe, New Mexico

New Mexico Oil Conservation Comm. (2)  
P. O. Box 2088  
Santa Fe, New Mexico

Mr. Ralph A. Shugart  
P. O. Box 1977  
Roswell, New Mexico

Mr. Emmett D. White  
P. O. Box 1977  
Roswell, New Mexico

First National Bank of Roswell  
Trustee of Estate of Harry Leonard  
P. O. Box 1977  
Roswell, New Mexico

Mrs. Mabel F. Leonard  
P. O. Box 872  
Roswell, New Mexico

Mailing List - Cave Pool  
Page 2

Mrs. Maxine E. Ely  
52 Riverside Drive  
Roswell, New Mexico

Mr. Everett E. Taylor  
P. O. Box 1325  
Roswell, New Mexico

Mr. Ernest A. Hanson  
P. O. Box 1515  
Roswell, New Mexico

Oran C. Dale & Frances Dale  
110 East Fourth Street  
Roswell, New Mexico

Mrs. Isabelle V. Bixler et vir  
212 West Greening Avenue  
Las Cruces, New Mexico

Mrs. Gloria Wolcott  
c/o Marvin J. Mizeur  
Suite 357, Spreckles Bldg.  
San Diego, California

Mr. David Jones  
c/o Marvin J. Mizeur  
Suite 357, Spreckles Bldg.  
San Diego 1, California

Olen F. Featherstone et ux  
Petroleum Building  
Roswell, New Mexico

Mr. C. A. Sopp  
218 21st Street  
Brandon, Manitoba, Canada

Gulf Oil Corporation  
P. O. Box 1938  
Roswell, New Mexico

Humble Oil & Refining Company  
P. O. Box 1597  
Roswell, New Mexico

Sinclair Oil & Gas Company  
P. O. Box 1677  
Roswell, New Mexico

The Atlantic Refining Company  
P. O. Box 1978  
Roswell, New Mexico

RATIFICATION OF UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE CAVE POOL UNIT  
EDDY COUNTY, NEW MEXICO

The undersigned is a Working Interest Owner, as that term is defined therein, in Tract No. 17, which will be admitted under provisions of Section 4 to the Unit Area as that term is defined therein, under that certain Unit Agreement for the Development and Operation of the Cave Pool Unit, Eddy County, New Mexico, dated the 1st day of July, 1962, wherein and whereunder 1959.78 acres more or less of land in Township 16 South and Township 17 South, Range 29 East, Eddy County, New Mexico, was unitized as to the Premier Sand of the Grayburg Formation as that formation was more fully defined in said Agreement, and the undersigned acknowledges receipt of a true copy of said Unit Agreement and ratifies and adopts the same and commits all of its interest within Tract 17 insofar as the unitized formation, defined therein, is concerned to said Unit Agreement as fully for every purpose as if the undersigned had executed the original Unit Agreement or a counterpart thereof.

WITNESS the execution hereof this 8th day of June, 1964.

ATTEST

Jane M. Hayes  
Date June 8, 1964 ASSISTANT SECRETARY

GENERAL AMERICAN OIL COMPANY  
OF TEXAS

BY W. P. Barnes  
Executive Vice-President

STATE OF TEXAS )  
COUNTY OF DALLAS )

The foregoing instrument was acknowledged before me this 8th day of June, 1964, by W. P. Barnes Executive Vice President of General American Oil Company, of Texas a Delaware corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1965

Llewellyn F. Goeden  
Notary Public  
County of Dallas



RATIFICATION OF UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE CAVE POOL UNIT  
EDDY COUNTY, NEW MEXICO

The undersigned is a Royalty Owner, as that term is defined therein, in Tract No. 17, which will be admitted under provisions of Section 4 to the Unit Area, as that term is defined therein, under that certain Unit Agreement for the Development and Operation of the Cave Pool Unit, Eddy County New Mexico, dated the 1st day of July, 1962, wherein and whereunder 1959.78 acres more or less of land in Township 16 South and Township 17 South, Range 29 East, Eddy County New Mexico, was unitized as to the Premier Sand of the Grayburg Formation as that formation was more fully defined in said Agreement, and the undersigned acknowledges receipt of a true copy of said Unit Agreement and ratifies and adopts the same and commits all of its interest within Tract 17 insofar as the unitized formation, defined therein, is concerned to said Unit Agreement as fully for every purpose as if the undersigned had executed the original Unit Agreement or a counterpart thereof.

WITNESS the execution hereof this 23<sup>rd</sup> day of

May 1964.

C. J. Dexter

C. J. DEXTER 525-05-1130

Guilla Dexter

556-70-7411

State of CALIFORNIA

County of Los Angeles

Y  
Y  
Y

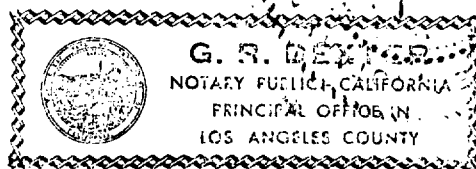
Be it remembered, that on this 23 day of May,  
A.D., 1964, before me, a Notary Public in and for said County and  
State, personally appeared C. J. Dexter and Quilla Dexter,  
to me known to be the identical persons  
described in and who executed the within and foregoing instrument  
and acknowledged to me that they  
executed the same as their free and  
voluntary act and deed for the uses and purposes therein set forth.

In witness whereof, I have hereunto set my official signature  
and affixed my notarial seal, the day and year first above written.

My Commission Expires:

Feb. 26, 1967

  
Notary Public



RATIFICATION OF UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE CAVE POOL UNIT  
EDDY COUNTY, NEW MEXICO

The undersigned is a Royalty Owner, as that term is defined therein, in Tract No. 17, which will be admitted under provisions of Section 4 to the Unit Area, as that term is defined therein, under that certain Unit Agreement for the Development and Operation of the Cave Pool Unit, Eddy County New Mexico, dated the 1st day of July, 1962, wherein and whereunder 1959.78 acres more or less of land in Township 16 South and Township 17 South, Range 29 East, Eddy County New Mexico, was unitized as to the Premier Sand of the Grayburg Formation as that formation was more fully defined in said Agreement, and the undersigned acknowledges receipt of a true copy of said Unit Agreement and ratifies and adopts the same and commits all of its interest within Tract 17 insofar as the unitized formation, defined therein, is concerned to said Unit Agreement as fully for every purpose as if the undersigned had executed the original Unit Agreement or a counterpart thereof.

WITNESS the execution hereof this 27 day of

May 1964.

J. W. Berry  
J. W. BERRY  
Willie Berry

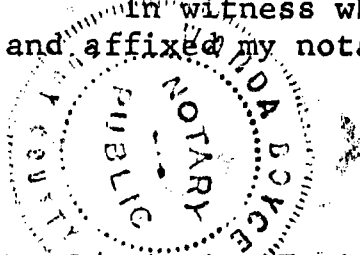
State of New Mexico

County of Eddy

Y  
Y  
Y

Be it remembered, that on this 27 day of May,  
A.D., 1964, before me, a Notary Public in and for said County and  
State, personally appeared J. W. Berry and Willie Berry,  
his wife, to me known to be the identical persons  
described in and who executed the within and foregoing instrument  
and acknowledged to me that they  
executed the same as their free and  
voluntary act and deed for the uses and purposes therein set forth.

In witness whereof, I have hereunto set my official signature  
and affixed my notarial seal, the day and year first above written,



My Commission Expires:  
February 25, 1967

*Nanda Loyce*  
Notary Public

CONTINENTAL OIL COMPANY  
P.O. BOX 460  
HOBBS, NEW MEXICO

General American Oil Company of Texas  
Meadows Building  
Dallas 6, Texas

Re: Unit Operating Agreement  
Cave Pool Unit  
Eddy County, New Mexico


Continental Oil Company, as Unit Operator, hereby agrees to waive the Lien of Unit Operator upon the leasehold and other mineral interests in the tract of General American Oil Company of Texas that is committed to the Cave Pool Unit.

As between Continental, as Operator, and you as Non-Operator, Continental agrees that its rights under paragraph 11.5 of the Unit Operating Agreement under which it is granted a lien will be enforceable only to the extent that it would be enforceable if Article 11.5 read as follows:

11.5 Lien of Unit Operator: Working Interest Owner grants to Unit Operator a lien upon such Working Interest Owners' (i) interest in all jointly-owned materials, equipment and other property and (ii) its interest in all Unitized Substances, as security for payment of the costs and expenses chargeable to it, together with interest thereon at the rate of six (6%) per cent per annum. Unit Operator shall have the right to bring any action at law or in equity to enforce collection of such costs and expenses, with or without foreclosure of such lien. In addition, upon default by Working Interest Owner in the payment of cost and expenses chargeable to it, Unit Operator shall have the right to collect and receive from the purchaser or purchasers all proceeds of such Working Interest Owners' share of Unitized Substances up to the amount owing by such Working Interest Owner, plus interest, as aforesaid, until paid. Each such purchaser shall be entitled to rely upon Unit Operator's statement concerning the existence and amount of any such default.

Please evidence your approval of this modification by signing one copy of this letter in the space provided below and returning said copy to this office.

Yours very truly,

  
Attorney in Fact

JWW-DFW

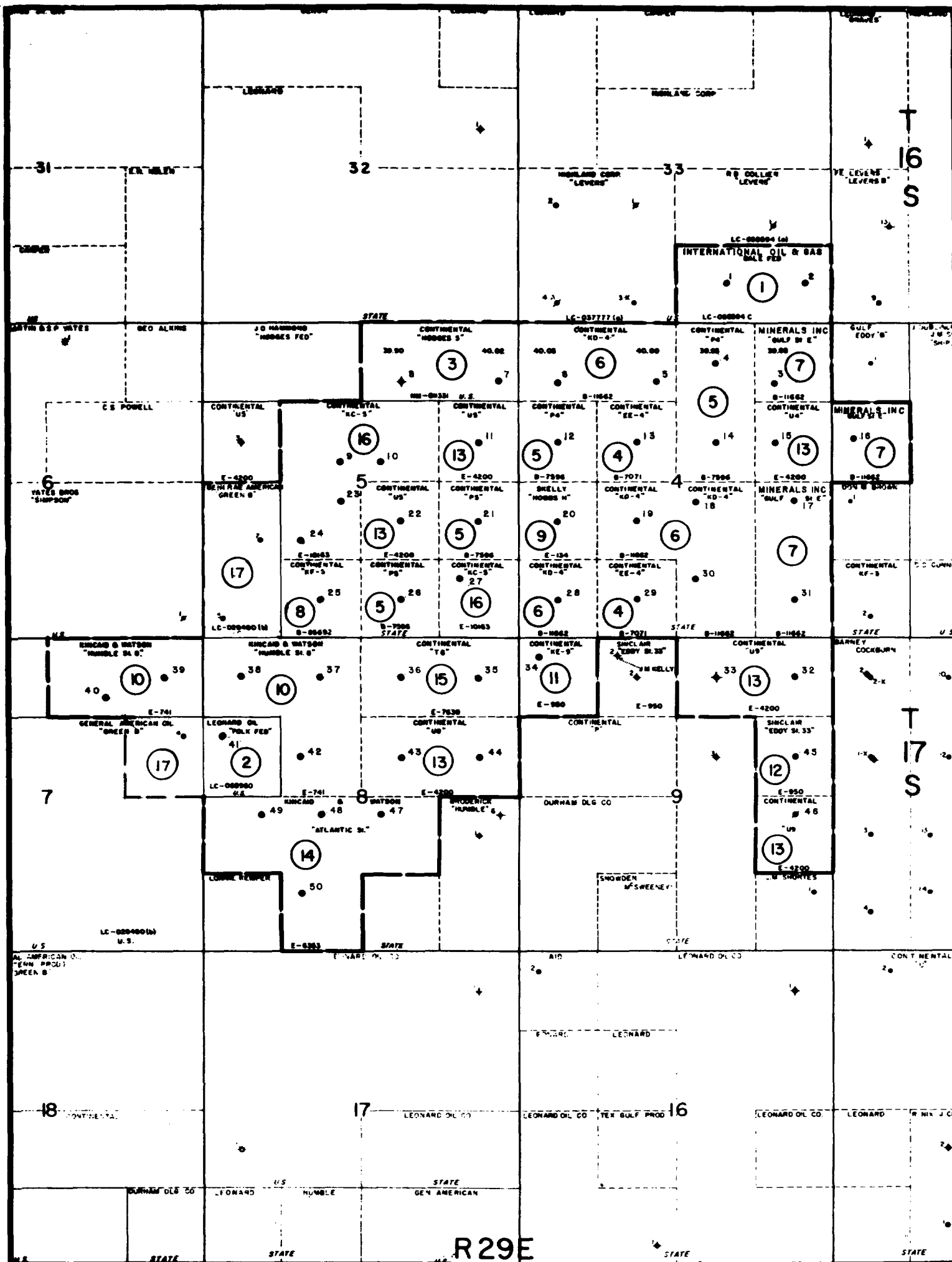
The undersigned approves the change made in the Cave Pool Unit Operating Agreement, as described above, and ratifies said Unit Operating Agreement as so revised.

Date June 8, 1964

GENERAL AMERICAN OIL COMPANY OF TEXAS

By 

Executive Vice-President



R 29 E

# CAVE POOL UNIT EDDY COUNTY, NEW MEXICO

## LEGEND

UNIT AREA —————

TRACT NUMBERS ————○———

SCALE: 1"=2000'  
7/20/61

EXHIBIT A

Revised 2-1-64 R.F.L.

EXHIBIT "B" - UNIT AGREEMENT  
CAVE POOL UNIT  
EDDY COUNTY, NEW MEXICO

SCHEDULE OF TRACTS

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. AND EXPIRATION DATE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER AND PERCENTAGE	OVERRIDING ROYALTY OWNER & PERCENTAGE	TRACT PARTICIPATION
FEDERAL LAND								
1	T16S-R29E Sec. 33: S/2 SE/4	80.00	LC-058594C-HBP	USA-12.5%	Oran C. Dale	International Oil & Gas Corp. 100.0%	Ralph A. Shugart, Emmett D. White & First National Bank of Roswell, N.M., Co-Trustees of the Est. of Harry Leonard, deceased 1.25% Mabel F. Leonard 1.25% Maxine E. Ely 2.0% Everett E. Taylor 1.0% Ernest A. Hanson 2.0% Oran C. Dale & Frances Dale 4.0%	2.79997
2	T17S-R29E Sec. 8: SW/4 NW/4	40.00	LC-068960-HBP	USA-12.5%	Leonard Oil Company	Leonard Oil Company 100.0%	Isabelle V. Bixler et vir 1.0%	1.78424
3	T17S-R29E Sec. 5: Lots 1 & 2	79.92	NM-011331-HBP	USA-12.5%	L. B. Hodges	Continental Oil Company 100.0%	None	2.10508
17	T17S-R29E Sec. 5: W/2 SW/4  Sec. 7: SE/4 NE/4	120.00	LC-028480(b)-HBP	USA-Sliding Scale	General American Oil Co. of Texas	General American Oil Co. of Texas 100.0%	J. W. Berry 2.5% C. J. Dexter 2.5%	4.67608

4 Federal Tracts containing 319.92 acres, 15.38% of the Unit Area.

## EXHIBIT "B" (continued)

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. AND EXPIRATION DATE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER AND PERCENTAGE	OVERRIDING ROYALTY OWNER & PERCENTAGE	TRACT PARTICIPATION
<u>STATE OF NEW MEXICO LAND</u>								
4	T17S-R29E Sec. 4: SE/4 NW/4 SE/4 SW/4	80.00	B-7071-HBP	State of N.M.-12.5%	Continental Oil Company	Continental Oil Company 100.0%	Gloria Wolcott 3.125% David Jones 3.125% Olen F. Featherstone et ux 3.125% C. A. Sopp 3.125%	7.76329
5	T17S-R29E Sec. 4: Lot 2 SW/4 NE/4 SW/4 NW/4 Sec. 5: NE/4 SE/4 SW/4 SE/4	199.93	B-7596-HBP	State of N.M.-12.5%	Continental Oil Company	Continental Oil Company 100.0%	None	13.29947
6	T17S-R29E Sec. 4: Lots 3 & 4 NE/4 SW/4 SW/4 SW/4 W/2 SE/4	240.05	B-11662-HBP	State of N.M.-12.5%	Gulf Oil Corp.	Continental Oil Company 100.0%	Gulf Oil Corp. 12.5%	12.68888
7	T17S-R29E Sec. 3: SW/4 NW/4 Sec. 4: Lot 1 E/2 SE/4	159.88	B-11662-HBP	State of N.M.-12.5%	Gulf Oil Corp.	Minerals, Inc. 96.875% Jess L. Warren 3.125%	Gulf Oil Corp. Primary Recovery 10.9375% Secondary Recovery 21.8750%	6.13934



EXHIBIT "B" (continued)

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. AND EXPIRATION DATE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER AND PERCENTAGE	OVERRIDING ROYALTY OWNER & PERCENTAGE	TRACT PARTICIPATION
8	T17S-R29E Sec. 5: SE/4 SW/4	40.00	B-8569-HBP	State of N.M.-12.5%	Continental Oil Company	Continental Oil Company 100.0%	None	2.42973
9	T17S-R29E Sec. 4: NW/4 SW/4	40.00	E-134-HBP	State of N.M.-12.5%	Skelly Oil Company	Skelly Oil Company 100.0%	None	3.66637
10	T17S-R29E Sec. 7: N/2 NE/4 Sec. 8: N/2 NW/4 SE/4 NW/4	200.00	E-741-HBP	State of N.M.-12.5%	Humble Oil & Rfg. Co.	Durham Drfg. Co. 50.0% R. L. Burrow 9.0% Dalevco Oils 8.0% Kincaid & Watson 33.0%	Humble Oil & Rfg. Co. 6.25%	6.62536
11	T17S-R29E Sec. 9: NW/4 NW/4	40.00	E-950-HBP	State of N.M.-12.5%	Sinclair Oil & Gas Company	Continental Oil Company 100.0%	Sinclair Oil & Gas Company 12.5%	1.90008
12	T17S-R29E Sec. 9: SE/4 NE/4	40.00	E-950-HBP	State of N.M.-12.5%	Sinclair Oil & Gas Company	Sinclair Oil & Gas Company 100.0%	None	2.66638
13	T17S-R29E Sec. 4: SE/4 NE/4 Sec. 5: SE/4 NE/4 NW/4 SE/4 Sec. 8: S/2 NE/4 Sec. 9: NE/4 SE/4 N/2 NE/4	320.00	E-4200-HBP	State of N.M.-12.5%	Continental Oil Company	Continental Oil Company 100.0%	None	15.21296

EXHIBIT "B" (continued)

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	LEASE NO. AND EXPIRATION DATE	BASIC ROYALTY	LESSEE OF RECORD	WORKING INT. OWNER AND PERCENTAGE	OVERRIDING ROYALTY OWNER & PERCENTAGE	TRACT PARTICIPATION
14	T17S-R29E Sec. 8: N/2 SW/4 SE/4 SW/4 NW/4 SE/4	160.00	E-6353-HBP	State of N.M.-12.5%	The Atlantic Rfg. Co.	Durham Drlg. Co. 32.5% R. L. Burrow 10.0% Dalevco Oils 10.0% Continental Oil Company 5.0% Kincaid & Watson Drlg. Co. 42.5%	The Atlantic Rfg. Co. 15.625%	3.06642
15	T17S-R29E Sec. 8: N/2 NE/4	80.00	E-7639-HBP	State of N.M.-12.5%	Continental Oil Company	Continental Oil Company 100.0%	None	4.46457
16	T17S-R29E Sec. 5: SW/4 NE/4 SE/4 NW/4 NE/4 SW/4 SE/4 SE/4	160.00	E-10163-HBP	State of N.M.-12.5%	Continental Oil Company	Continental Oil Company 100.0%	None	8.71178
13 State of New Mexico Tracts containing 1759.86 acres, 84.62% of the Unit Area.								

Total Unit Area - 17 Tracts containing 2079.78 acres.

EXHIBIT "C"  
UNIT OPERATING AGREEMENT  
CAVE POOL UNIT, EDDY COUNTY, NEW MEXICO

UNIT PARTICIPATION

TRACT NO.	WORKING INTEREST OWNER	WORKING INTEREST IN TRACT	UNIT PARTICIPATION
1	International Oil & Gas Corp.	100%	2.79997
2	Leonard Oil Company	100%	1.78424
3	Continental Oil Company	100%	2.10508
4	Continental Oil Company	100%	7.76329
5	Continental Oil Company	100%	13.29947
6	Continental Oil Company	100%	12.68888
7	Minerals, Incorporated Jess L. Warren	96.875% 3.125%	5.94749 0.19185
8	Continental Oil Company	100%	2.42973
9	Skelly Oil Company	100%	3.66637
10	Durham Drilling Company R. L. Burrow Dalevco Oils Kincaid & Watson Drilling Company	50% 9% 8% 33%	3.31268 0.59628 0.53003 2.18637
11	Continental Oil Company	100%	1.90008
12	Sinclair Oil & Gas Company	100%	2.66638
13	Continental Oil Company	100%	15.21296
14	Durham Drilling Company R. L. Burrow Dalevco Oils Continental Oil Company Kincaid & Watson Drilling Company	32.5% 10% 10% 5% 42.5%	0.99659 0.30664 0.30664 0.15332 1.30323
15	Continental Oil Company	100%	4.46457
16	Continental Oil Company	100%	8.71178
17	General American Oil Co. of Texas	100%	4.67608

SUMMARY

WORKING INTEREST OWNER	TRACT NO.	UNIT PARTICIPATION BY TRACTS	UNIT PARTICIPATION OF EACH WORKING INT. OWNER
R. L. BURROW	10	0.59628	
	14	0.30664	0.90292

## EXHIBIT "C" (continued)

## SUMMARY (continued)

WORKING INTEREST OWNER	TRACT NO.	UNIT PARTICIPATION BY TRACTS	UNIT PARTICIPATION OF EACH WORKING INT. OWNER
Continental Oil Company	3	2.10508	68.72916
	4	7.76329	
	5	13.29947	
	6	12.68888	
	8	2.42973	
	11	1.90008	
	13	15.21296	
	14	0.15332	
	15	4.46457	
	16	8.71178	
Dalevco Oils	10	0.53003	0.83667
	14	0.30664	
Durham Drilling Company	10	3.31268	4.30927
	14	0.99659	
International Oil & Gas Corp.	1	2.79997	2.79997
Kincaid & Watson Drilling Company	10	2.18637	3.48960
	14	1.30323	
Leonard Oil Company	2	1.78424	1.78424
Minerals, Incorporated	7	5.94749	5.94749
Sinclair Oil & Gas Company	12	2.66638	2.66638
Skelly Oil Company	9	3.66637	3.66637
Jess L. Warren	7	0.19185	0.19185
General American Oil Co. of Texas	17	4.67608	4.67608

operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this Agreement.

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

(a) "Unit Area" is defined as that area comprised of those tracts of land, or parts thereof, described below and further depicted on Exhibit "A" and described in Exhibit "B", together with any enlargement thereof, as herein provided, but only as to the unitized formation underlying the same and those surface rights that are incident to ownership of oil and gas rights in such formation:

<u>T16S-R29E</u>		
Sec. 33:	S/2 SE/4	80.00
<u>T17S-R29E</u>		
Sec. 3:	SW/4NW/4	40.00
Sec. 4:	All	639.86
Sec. 5:	E/2, SW/4, SE/4NW/4	519.92
Sec. 7:	N/2NE/4, SE/4NE/4	120.00
Sec. 8:	N/2, N/2SW/4, SE/4SW/4, NW/4SE/4	480.00
Sec. 9:	NW/4NW/4, N/2NE/4, SE/4NE/4, NE/4SE/4	200.00

and containing 2,079.78 acres, more or less.

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

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

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

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

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

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

(h) "Unitized Formation" is defined as the Premier Sand of the Grayburg formation in the Guadalupe Series, as found between the subsurface depths of 2,374 feet and 2,405 feet, measured from the Kelly Bushing, in Continental Oil Company Well State P-4 No. 1, located 1,980 feet from the north line and 660 feet from the west line of Section 4, T17S-R29E, N.M.P.M.

INITIALIZATION PARAMETERS  
CAVE POOL UNIT - EDDY COUNTY, NEW MEXICO

Tract No.	Operator and Lease	Net Effective Acre-Feet	NEP Part.	Ultimate Bbls.	Primary Production Ult. Prim. Part.	Prod. 10/1/59-3/31/60 Bbls.	Prod. Part.	Unit Participa- tion
<u>CONTINENTAL OIL COMPANY</u>								
3	Hodges 5	237.9	0.09684	12,009	0.89370	755	0.21454	2,10508
4	State KD-4	945.4	3.96139	92,880	6.91202	6,389	1.81547	12.68888
5	State P-4	504.4	2.11353	69,991	5.20865	1,557	0.44243	7.76461
6	State P-5	350.4	1.46824	48,425	3.60373	1,629	0.46289	5.53486
8	State EE-4	393.0	1.64674	67,582	5.02937	3,826	1.08718	7.76329
11	State KF-5	206.6	0.86569	20,444	1.52142	150	0.04262	2.42973
13	State KF-9	117.7	0.49318	14,285	1.06307	1,210	0.34383	1.90008
	State U-4	145.3	0.60883	21,167	1.57522	660	0.18754	2.37159
	State U-5	420.9	1.76365	42,177	3.13876	611	0.17362	5.07603
	State U-8	252.7	1.05886	29,623	2.20451	714	0.20289	3.46626
15	State U-9	264.0	1.10621	31,556	3.34836	2,972	0.84451	4.29908
16	State T-8	286.3	1.19965	41,543	3.09158	610	0.17334	4.46457
	State KC-5	613.8	2.57193	73,111	5.44083	2,460	0.69902	8.71178
	Company Total	4,738.4	19.85474	564,793	42.03122	23,543	6.68988	68.57584
<u>GENERAL AMERICAN OIL COMPANY OF TEXAS</u>								
17	Green B	387.9	1.62537	38,932	2.89727	540	0.15344	4.67608
<u>INTERNATIONAL OIL AND GAS CORPORATION</u>								
1	Dale Federal	260.9	1.09322	18,173	1.35241	1,247	0.35434	2.79997
<u>KINCAID AND WATSON DRILLING COMPANY</u>								
10	Humble State 8	655.0	2.74457	49,605	3.69154	666	0.18925	6.62536
14	Atlantic State	200.4	0.83971	25,286	1.88175	1,214	0.34496	3.06442
	Company Total	855.4	3.58428	74,891	5.57329	1,880	0.53421	9.69178
<u>LEONARD OIL COMPANY</u>								
2	Folk Federal	130.9	0.54849	15,647	1.16443	251	0.07132	1.78424
<u>MINERALS, INCORPORATED</u>								
7	Gulf State E	481.0	2.01548	38,793	2.88693	4,353	1.23693	6.13934
<u>SINCLAIR OIL AND GAS COMPANY</u>								
12	Eddy State 33	148.3	0.62140	23,894	1.77816	939	0.26682	2.66638
<u>SKELLY OIL COMPANY</u>								
9	Jobbs II	156.8	0.65702	31,125	2.31629	2,439	0.69306	3.66637
	CAVE POOL UNIT TOTAL	7,159.6	30.00000	806,248	60.00000	35,192	10.00000	100.00000

CERTIFICATE OF UNITIZATION

CAVE POOL UNIT AGREEMENT  
EDDY COUNTY, NEW MEXICO

EFFECTIVE DATE: MAY 1, 1963

WHEREAS, a Unit Agreement, dated July 1, 1962, covering proposed waterflood operations in the Cave Pool has been adopted by 100 per cent of the Working Interest Owners and ratified by 100 per cent of the owners of Royalty Interests; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico has approved said Unit Agreement by executing a Certificate of Approval dated January 25, 1963; and

WHEREAS, 100 per cent of the tracts of the Unit Area as described in Exhibit "B" attached to and made a part of said Unit Agreement have qualified and the approval of the Oil Conservation Commission of the State of New Mexico has been obtained as evidenced by its Order No. R-2384 (Case No. 2702) dated December 5, 1962; and

WHEREAS, The Acting Director of the United States Geological Survey has approved the said Unit Agreement by executing Certification-- Determination No. 14-08-0001 8511 dated April 16, 1963; and

WHEREAS, a fully executed counterpart of said Unit Agreement was on April 25, 1963 filed for record and is recorded in Book 133, Page 326, of the Oil and Gas Records of Eddy County, New Mexico, such recording having been made as expeditiously as possible after its approval and return by the United States Geological Survey with the consent of 100 per cent of the Working Interest Owners; and

WHEREAS, each and every prerequisite to the Unit's effectiveness has now been met as provided in Section 22 of the said Cave Pool Unit Agreement:

NOW, THEREFORE, Continental Oil Company as Unit Operator does hereby declare and certify to all of the foregoing, and that said Unit shall be and it is hereby effective as to all Tracts described in Exhibit "B" of said Unit Agreement as of 7:00 A.M. on the first day of May, 1963.

IN WITNESS WHEREOF, this certificate is executed this 6<sup>th</sup> day of May, 1963, by the undersigned, as Unit Operator, pursuant to Section 22 of said Unit Agreement.

CONTINENTAL OIL COMPANY

By R. L. Adams  
Attorney in Fact

ASSISTANT SECRETARY

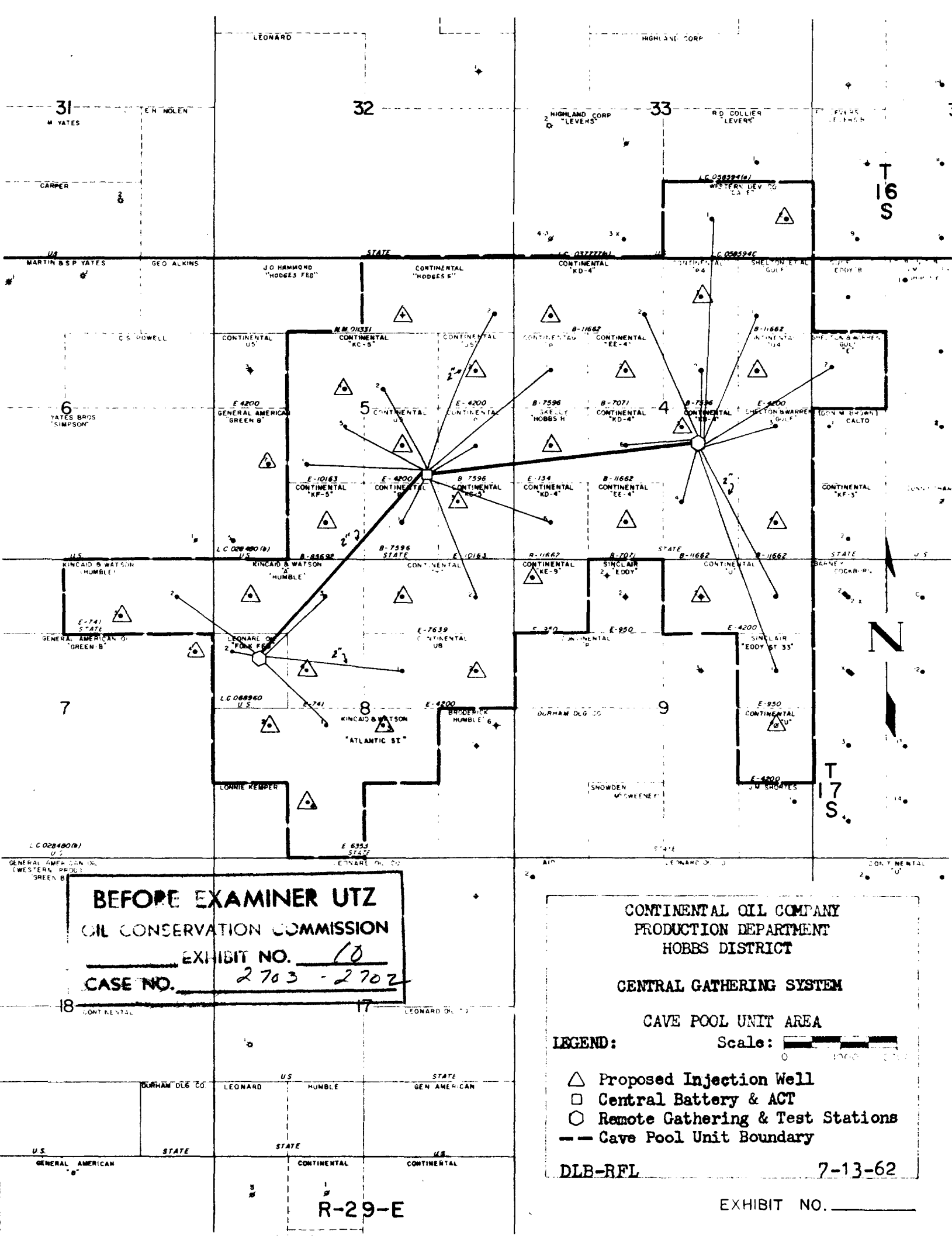
THE STATE OF TEXAS

COUNTY OF TARRANT

The foregoing instrument was acknowledged before me this 5<sup>th</sup> day of May, 1963 by R. L. ADAMS, Attorney in Fact of CONTINENTAL OIL COMPANY, a Delaware corporation on behalf of said corporation.

My Commission Expires:  
June 1, 1963

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 14 day of May, 1963 at 4:00 o'clock P. M. and duly recorded in the Book 134 page 120 of the Records of Eddy Co. New Mexico.  
Geraldine Mahaffey, County Clerk



BEFORE EXAMINER UTZ  
OIL CONSERVATION COMMISSION

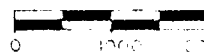
EXHIBIT NO. 10  
CASE NO. 2703 - 2702





CONTINENTAL OIL COMPANY  
PRODUCTION DEPARTMENT  
HOBBS DISTRICT

CENTRAL GATHERING SYSTEM

CAVE POOL UNIT AREA

LEGEND:

Scale: 

-  Proposed Injection Well
-  Central Battery & ACT
-  Remote Gathering & Test Stations
-  Cave Pool Unit Boundary

DLB-RFL

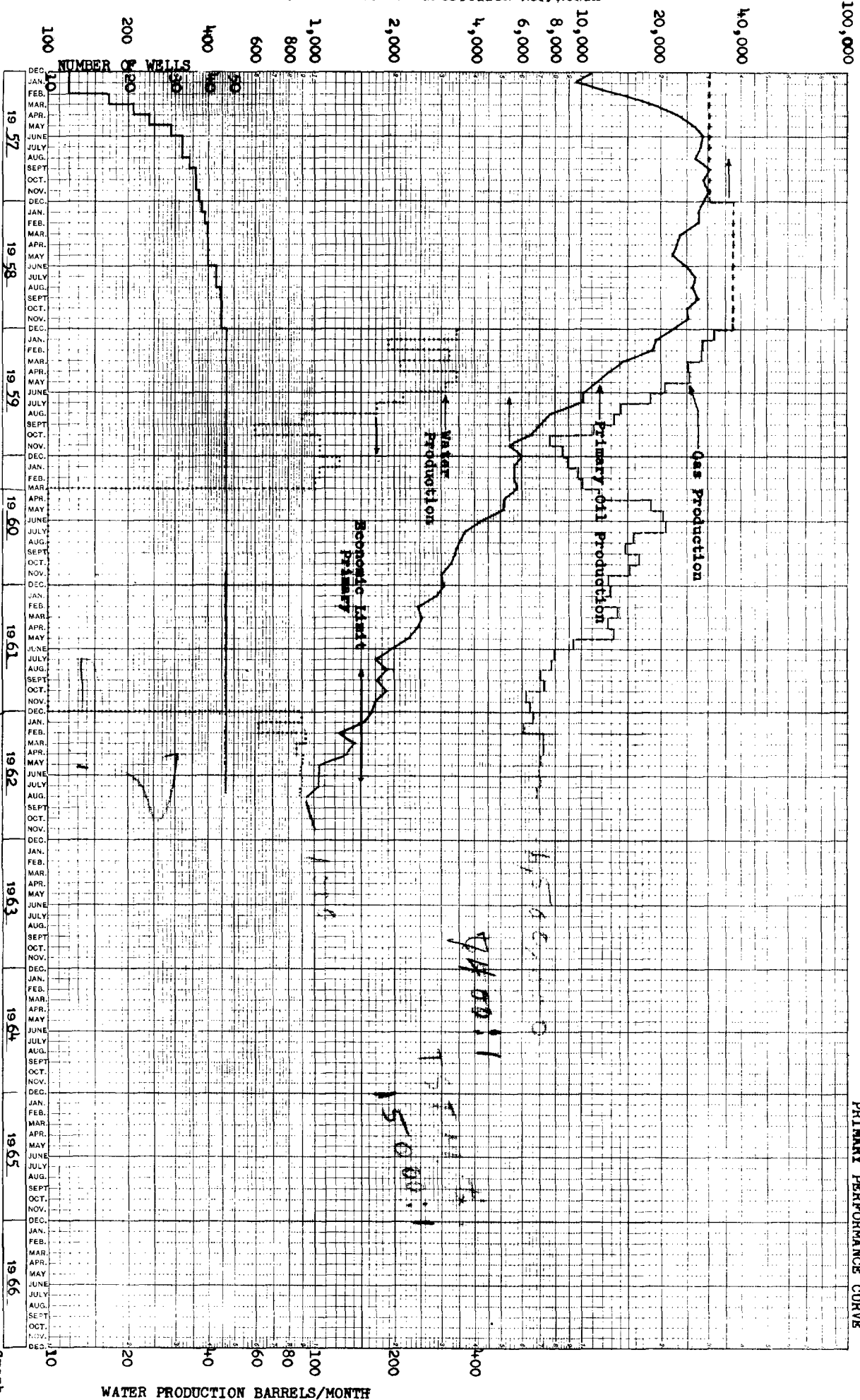
7-13-62

EXHIBIT NO. \_\_\_\_\_

R-29-E



# OIL PRODUCTION BARRELS/MONTH AND GAS PRODUCTION MCF/MONTH



CAVE POOL UNIT  
PRIMARY PERFORMANCE CURVE

WATER PRODUCTION BARRELS/MONTH

EXHIBIT No VII