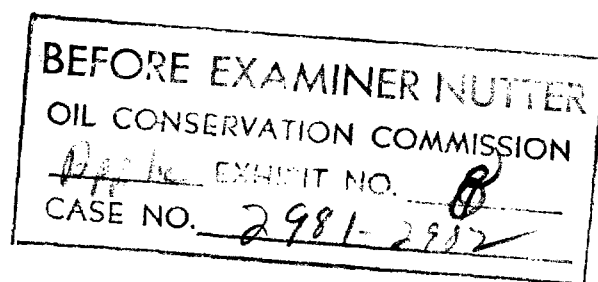


UNIT AGREEMENT
NORTHWEST EUMONT UNIT
LEA COUNTY, NEW MEXICO

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Exhibit "A" (Map of Unit Area)
Exhibit "B" (Schedule of Ownership)



UNIT AGREEMENT
NORTHWEST EUMONT UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the _____ day of _____, 19____, by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof;

W I T N E S S E T H :

WHEREAS, in the interest of the public welfare and to promote conservation and increase the ultimate recovery of oil, gas and associated hydrocarbons from the Unit Area as hereinafter defined in Lea County, State of New Mexico, and to protect the rights of the owners of interests therein, it is deemed necessary and desirable to enter into this agreement to unitize the oil and gas rights in and to the Unitized Formation in order to conduct a secondary recovery, pressure maintenance, or other recovery program as herein provided; 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, Chap. 162, Laws of 1951, by Sec. 1 and 2, Chap. 176, Laws of 1961) 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 belonging to 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 in Sec. 1, Chap. 162, Laws of 1951) 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 (Sec. 12, Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Sec. 13, Chap. 168, Laws of 1949, Sec. 1, Chap. 76, Laws of 1953, and Sec. 1, Chap. 65, Laws of 1961) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Northwest Eumont Unit covering the land hereinafter described to give reasonably effective control of operations therein; and

NOW, THEREFORE, in consideration of the premises and of the mutual agreements herein contained it is agreed as follows:

ARTICLE 1

DEFINITIONS

As used in this agreement, the terms herein contained shall have the following meaning:

1.1 Unit Area means the lands shown on Exhibit A and described by tracts in Exhibit B as to which this agreement becomes effective or to which it may be extended as herein provided.

1.2 Unitized Formation means that portion of the Eumont Gas Pool underlying the Unit Area which may be defined as being the stratigraphic interval between the top of the Queen formation and the top of the Grayburg formation insofar as said stratigraphic interval exists under the above described lands; provided, however, that wells which produce only from a completion interval entirely above a subsea datum of one hundred-fifty (150) feet and which are classified as Eumont Gas Pool gas wells by the New Mexico Oil Conservation Commission shall not be considered to be wells producing from the Unitized Formation and the production from such wells shall not be considered to be Unitized Substances as hereinafter defined. For the purposes of this agreement the top of the Queen formation and the top of the Grayburg formation are defined as being that formation which was encountered in Shell Oil Company's J. A. FOSTER Well No. 2 located 330 feet from the South line and 1,650 feet from the East line of Section 34, Township 19 South, Range 36 East, Lea County, New Mexico at depths of 3,525 feet and 3,886 feet respectively as measured from ten (10) feet above the casinghead flange on the Western Company Radioactivity log dated February 26, 1955 in said well.

Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Eumont Gas Pool, as above described and limited.

1.3 Unitized Substances means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

1.4 Working Interest means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing, and operating the Unitized Formation.

1.5 Royalty Interest means a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

1.6 Royalty Owner means a party hereto who owns a Royalty Interest.

1.7 Working Interest Owner means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths ($7/8$) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth ($1/8$) interest therein.

1.8 Tract means each parcel of land described as such and given a Tract number in Exhibit B.

1.9 Unit Operating Agreement means the agreement entitled "Unit Operating Agreement, Northwest Eumont Unit, Lea County, New Mexico", of the same effective date as the effective date of this agreement, and which is entered into by Working Interest Owners.

1.10 Unit Operator means the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to develop and operate the Unitized Formation, acting as operator and not as a Working Interest Owner.

1.11 Tract Participation means the percentage shown on Exhibit B for allocating Unitized Substances to a Tract under this agreement.

1.11.1 Primary Phase Participation as more fully explained in Article 5 hereof shall mean the Tract Participation in effect for allocating Unitized Substances from the effective date of this agreement until Secondary Phase Participation becomes effective.

1.11.2 Secondary Phase Participation as explained in Article 5 hereof means the percentage shown on Exhibit B for allocating Unitized Substances which becomes effective immediately upon the termination of Primary Phase Participation.

1.12 Unit Participation of each Working Interest Owner means the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

1.13 Outside Substances means all substances obtained from any source other than the Unitized Formation and which are injected into the Unitized Formation.

1.14 Oil and Gas Rights means the right to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

1.15 Unit Operations means all operations conducted by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of the development and operation of the Unitized Formation for the production of Unitized Substances.

1.16 Unit Equipment means all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

1.17 Unit Expense means all cost, expense, or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of Unit Operations.

1.18 Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural include the singular, and the neuter gender include the masculine and the feminine.

ARTICLE 2

EXHIBITS

2.1 Exhibits. Attached hereto are the following exhibits which are incorporated herein by reference:

2.1.1 Exhibit A, which is a map that shows the boundary lines of the Unit Area and the Tracts therein.

2.1.2 Exhibit B, which is a schedule that describes each Tract in the Unit Area and shows its Tract Participation.

2.2 Reference to Exhibits. When reference herein is made to an exhibit, the reference is to the Exhibit as originally attached or, if revised, to the latest revision.

2.3 Exhibits Considered Correct. An exhibit shall be considered to be correct until revised as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the effective date hereof, should be divided into more than one Tract, or that any mechanical miscalculation has been made, Unit Operator, with the approval of Working Interest Owners, may correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an exhibit shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit.

2.5 Filing Revised Exhibits. If an exhibit is revised pursuant to this agreement, Unit Operator shall certify and file the revised exhibit with the Commissioner of Public Lands for the State of New Mexico and for record in Lea County, New Mexico.

ARTICLE 3

CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. Subject to the provisions of this agreement, all Oil and Gas Rights of Royalty Owners in and to the lands described in Exhibit B, and all Oil and Gas Rights of Working Interest Owners in and to said lands, are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formation, so that operations may be conducted as if the Unitized Formation had been included in a single lease executed by all Royalty Owners, as lessors, in favor of all Working Interest Owners, as lessees, and as if the lease had been subject to all of the provisions of this agreement.

3.2 Personal Property Excepted. All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners. The rights and interests therein as among Working Interest Owners are covered by the Unit Operating Agreement.

3.3 Amendment of Leases and Other Agreements. The provisions of the various leases, agreements, division and transfer orders, or other instruments covering the respective Tracts or the production therefrom are amended to the extent necessary to make them conform to the provisions of this agreement, but otherwise shall remain in effect.

3.4 Continuation of Leases and Term Royalties. Unit Operations conducted on any part of the Unit Area shall be considered with respect to leases and term royalties as follows:

3.4.1 Operations Including Drilling Operations conducted with respect to the Unitized Formation on any part of the Unit Area or production from any part of the Unitized Formation, except for the purpose of determining payments to Royalty Owners, shall be considered as operations upon or production from each Tract, and such operations or production shall continue in effect each lease or term royalty interest as to all lands covered thereby the same as if such operations had been conducted and a well had been drilled on and

was producing from each Tract.

3.4.2 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.

3.4.3 Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and that portion not committed, and the terms of such lease shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease (whether within or without the Unit Area), (a) if, and for so long as Unitized Substances are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement, or (b) if, and for so long as some part of the lands embraced in such State lease are allocated Unitized Substances, or (c) if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease and for so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein as provided in (a) or (b) above.

3.5 Titles Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to the Oil and Gas Rights by any party hereto to any other party or to Unit Operator. The intention is to provide for the cooperative development and operation of the Tracts and for the sharing of Unitized Substances as herein provided.

3.6 Injection Rights. Royalty Owners hereby grant unto

Working Interest Owners the right to inject into the Unitized Formation any substances in whatever amounts Working Interest Owners deem expedient for Unit Operations, including the right to drill and maintain injection wells on the Unit Area and to use producing or abandoned oil or gas wells including wells which have never produced for such purposes.

3.7 Development Obligation. Nothing herein shall relieve Working Interest Owners from the obligation to develop reasonably as a whole the lands and leases committed hereto.

ARTICLE 4

UNIT OPERATOR AND PLAN OF OPERATIONS

4.1 Initial Unit Operator. Gulf Oil Corporation is hereby designated as Unit Operator.

4.2 Resignation or Removal. Unit Operator may resign at any time. Working Interest Owners may remove Unit Operator at any time by the affirmative vote of at least seventy-five percent (75%) of the voting interest remaining after excluding the voting interest of Unit Operator. A Unit Operator that resigns or is removed shall not be released from its obligations hereunder for a period of three (3) months after the resignation or discharge, unless a successor Unit Operator has taken over Unit Operations prior to the expiration of such period.

4.3 Selection of Successor. Upon the resignation or removal of a Unit Operator, a successor Unit Operator shall be selected by Working Interest Owners and approved by the Commissioner of Public Lands of the State of New Mexico. If the Unit Operator that is removed votes only to succeed itself or fails to vote, the successor Unit Operator may be selected by the affirmative vote of at least seventy-five percent (75%) of the voting interest remaining after excluding the voting interest of the Unit Operator that was removed.

4.4 Operating Methods. To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, Working Interest Owners shall, with diligence and in accordance with good engineering and production practices, engage in methods of operation of the Unit Area which from time to time will in their judgment be conducive to that end within practicable economic limits, including waterflooding operations and such other pressure maintenance, repressuring and secondary recovery operations as may be deemed by them to be necessary or proper to achieve that end.

4.5 Change of Operating Methods. Nothing herein shall prevent Working Interest Owners from discontinuing or changing in whole or in part any method of operation which, in their opinion, is no longer in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by Working Interest Owners from time to time if determined by them to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances.

(Revised at the request of the Commissioner of Public Lands on December 4, 1963)

ARTICLE 5

TRACT PARTICIPATION

5.1 Tract Participation. The Tract Participation of each Tract is shown in Exhibit B. Upon the effective date hereof, the Tract Participation of each Tract shall be the Primary Phase Participation shown in Exhibit B for each Tract, which shall continue to be the Tract Participation for each Tract until there has been produced subsequent to February 1, 1962 from the Unitized Formation a total volume of oil of seven hundred fifty two thousand five hundred and fifty one (752,551) barrels and until 7:00 a.m. on the first day of the calendar month next following the month in which such total oil production is reached. Thereafter the Tract Participation of each Tract shall be the Secondary Phase Participation for such tract shown in Exhibit B. The volume of oil to be produced from the Unitized Formation referred to in this paragraph 5.1 shall be determined from the New Mexico Oil Conservation Commission Form C-115 as required by and submitted to said Commission.

5.1.1 The Primary and Secondary Phase Participations shown in Exhibit B were determined in accordance with the following formulas:

(a) Primary Participation formula:

$$\frac{\text{Total Tract Remaining Primary Reserves Subsequent to February 1, 1962}}{\text{Total Unit Area Remaining Primary Reserves Subsequent to February 1, 1962}} \quad \times 50$$

Plus

$$\frac{\text{Total Tract Producing Revenue for the six (6) Months prior to February, 1962}}{\text{Total Unit Area Producing Revenue for the six (6) months prior to February, 1962}} \quad \times 50$$

= Tract Primary Phase Participation.

(b) Secondary Participation formula:

$$\frac{\text{Total Tract Ultimate Primary Reserves}}{\text{Total Unit Area Ultimate Primary Reserves}} \quad \times 100$$

= Tract Secondary Phase Participation.

5.2 Relative Tract Participations. If the Unit Area is enlarged or reduced, the revised Tract Participations of the Tracts remaining in the Unit Area and which were within the Unit Area prior to the enlargement or reduction shall remain in the same ratio one to

another.

ARTICLE 6

ALLOCATION OF UNITIZED SUBSTANCES

6.1 Allocation to Tracts. All unitized Substances produced and saved shall be allocated to the several Tracts in accordance with the respective Tract Participations effective during the period that the Unitized Substances were produced. The amount of Unitized Substances allocated to each Tract, regardless of whether it is more or less than the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such Tract.

6.2 Distribution Within Tracts. The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the parties 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 Tract, or in the proceeds thereof, had this agreement not been entered into, and with the same legal effect. If any Oil and Gas Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the owners of the divided interests, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract.

If the amount of production or the proceeds thereof accruing to any Royalty Owner in a Tract depends upon the average production per well or the average pipe line runs per well from such Tract during any period of time, then such production shall be determined from and after the effective date hereof by dividing the quantity of Unitized Substances allocated hereunder to such Tract during such period of time by the number of wells located thereon capable of producing as of the effective date hereof.

6.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such

parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided that they are so constructed, maintained and operated as not to interfere with Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the receiving party. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of the Unitized Substances.

6.4 Failure to Take in Kind. If any party fails to take in kind or separately dispose of its share of Unitized Substances, Unit Operator shall have the right but not the obligation, for the time being and subject to revocation at will by either the Unit Operator or the party owning the share, to purchase for its own account or sell to others such share; provided that, all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto. Notwithstanding the foregoing Unit Operator shall not make a sale into interstate commerce of any other Working Interest Owners' share of gas production without first giving such other party sixty (60) days notice of such intended sale.

6.5 Responsibility for Royalty Settlements. Any party receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract or receiving the proceeds therefrom shall be responsible for the payment thereof to the persons entitled thereto, and shall indemnify all parties hereto, including Unit Operator, against any liability for all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of such Unitized Substances or the proceeds therefrom.

6.6 Royalty on Outside Substances. If Unit Operator injects

gas obtained from any source other than the Unitized Formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of Unitized Substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas but not as to the products extracted therefrom; provided that such right of withdrawal shall terminate on the termination of this Unit Agreement. No other payments shall be due or payable to Royalty Owners on Outside Substances.

ARTICLE 7

PRODUCTION AS OF THE EFFECTIVE DATE

7.1 Oil in Lease Tanks. Unit Operator shall gauge all lease and other tanks within the Unit Area to ascertain the amount of merchantable oil produced from the Unitized Formation in such tanks, above the pipe line connections, as of 7:00 a.m. on the effective date hereof. The oil that is a part of the prior allowable of the wells from which it was produced shall remain the property of the parties entitled thereto the same as if the Unit had not been formed. Any such oil not promptly removed may be sold by the Unit Operator for the account of the parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the provisions of the applicable lease or other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after the effective date hereof.

7.2 Overproduction. If, as of the effective date hereof, any Tract is overproduced with respect to the allowable of the wells on that Tract and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the effective date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

ARTICLE 8

USE OR LOSS OF UNITIZED SUBSTANCES

8.1 Use of Unitized Substances. Working Interest Owners may use as much of the Unitized Substances as they deem necessary for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.

8.2 Royalty Payments. No royalty, overriding royalty, production, or other payments shall be payable upon, or with respect to, Unitized Substances used or consumed in Unit Operations, or which otherwise may be lost or consumed in the production, handling, treating, transportation, or storing of Unitized Substances.

ARTICLE 9

TRACTS TO BE INCLUDED IN UNIT

9.1 Qualification of Tracts. On and after the effective date hereof and until the enlargement or reduction thereof, the Unit Area shall be composed of the Tracts listed in Exhibit B that corner or have a common boundary, and that otherwise qualify as follows:

9.1.1 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement and as to which Royalty Owners owning seventy-five percent (75%) of the Royalty Interest have become parties to this agreement.

9.1.2 Each Tract as to which Working Interest Owners owning not less than eighty five percent (85%) of the Working Interest have become parties to this agreement, regardless of the percentage of Royalty Interest therein that is committed hereto, and as to 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 the Working Interest Owners qualified under Section 9.1.1 against any and all claims and demands that may be made by the non-joining Working Interest Owners, and or Royalty Owners on account of the inclusion of such Tract in the Unit Area and the operation of the Unit Area on the basis herein provided. In the event less than eighty five percent (85%) of the Working Interest Owners

qualified under Section 9.1.1 have approved the inclusion of of such Tract in the Unit Area, said Tract shall not be considered qualified to be included in the Unit. For the purpose of this Section 9.1.2, the voting interest of a Working Interest Owner shall be equal to the ratio that its Unit Secondary Phase Participation attributable to Tracts that qualify under Section 9.1.1 bears to the total Unit Secondary Phase Participation of all Working Interest Owners attributable to all Tracts that qualify under Section 9.1.1.

9.1.3 Each Tract embracing lands of the State of New Mexico in order to be qualified for inclusion in the Unit must be committed to the Unit Agreement by the Lessee of record as shown by the State Land Office Records, and in the event the Working Interest Owners in such Tract who have become parties to this Agreement own less than one hundred percent (100%) of the Working Interest it shall be necessary for such Tract to be qualified under Section 9.1.2 above prior to its inclusion in the Unit.

9.2 Subsequent Commitment of Interest to Unit. After the effective date of this agreement, the commitment of any interest in any Tract within the Unit Area shall be subject to the above qualifications and upon such further terms as may be negotiated by Working Interest Owners and the owner of such interest. Any subsequent commitment of interest to the Unit shall, for all purposes hereof, constitute an enlargement of the Unit Area, the same to be subject to the approval of the Commissioner of Public Lands of the State of New Mexico and the Oil Conservation Commission of the State of New Mexico as hereinafter provided in Article 12.

9.3 Revision of Exhibits. If any of the Tracts described in Exhibit B fail to qualify for inclusion in the Unit Area, Unit Operator shall recompute, using the original basis of computation, the Tract Participation of each of the qualifying Tracts, and shall revise Exhibits A and B accordingly. The revised Exhibits shall be effective as of the effective date hereof.

ARTICLE 10

TITLES

10.1 Removal of Tract from Unit Area. If a Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this Agreement to meet the conditions of Article 9 because of failure of title of any party hereto, such Tract shall be removed from the Unit

(Revised at the request of the Commissioner of Public Lands on December 4, 1963)

Area effective as of the first day of the calendar month in which the failure of title is finally determined; however, the Tract shall not be removed from the Unit Area if, within ninety (90) days of the date of final determination of the failure of title, the Tract requalifies under a Section of Article 9.

10.2 Revision of Exhibits. If a Tract is removed from the Unit Area because of the failure of title, Unit Operator, subject to Section 5.2, shall recompute the Tract Participation of each of the Tracts remaining in the Unit Area and shall revise Exhibits A and B accordingly. The revised exhibits shall be effective as of the first day of the calendar month in which such failure of title is finally determined.

10.3 Working Interest Titles. If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of the failure of title shall be governed by the Unit Operating Agreement.

10.4 Royalty Owner Titles. If title to a Royalty Interest fails, but the Tract to which it relates is not removed from the Unit Area, the party whose title failed shall not be entitled to share hereunder with respect to such interest.

10.5 Production Where Title is in Dispute. If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the discretion of Working Interest Owners shall either:

(a) require that the party to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid, furnish security for the proper accounting therefor to the rightful owner if the title or right of such party fails in whole or in part, or

(b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the

proceeds so impounded shall be paid to the party rightfully entitled thereto.

ARTICLE 11

EASEMENTS OR USE OF SURFACE

11.1 Grant of Easements. The parties hereto, to the extent of their rights and interests, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may reasonably be necessary for Unit Operations; provided that, nothing herein shall be construed as leasing or otherwise conveying to Working Interest Owners a site for a water, gas injection, processing or other plant, or camp site.

11.2 Use of Water. Working Interest Owners shall have free use of all water produced from and in conjunction with any oil or gas well situated on the Unit Area without regard to the formation from which such oil, gas and water are produced. Working Interest Owners shall in addition have the right, subject to the laws and the rules and regulations of the office of the State Engineer for the State of New Mexico, to prospect for, appropriate and produce water from any lands situated within the Unit Area without charge by any Royalty Owner; provided that, nothing herein shall be construed as leasing or conveying to Working Interest Owners a water lease or easement on State of New Mexico lands.

ARTICLE 12

ENLARGEMENTS OF UNIT AREA

12.1 Enlargements of Unit Area. The Unit Area may be enlarged to include acreage reasonably proved to be productive, upon such terms as may be determined by Working Interest Owners and upon approval by the Commissioner of Public Lands of the State of New Mexico and the Oil Conservation Commission of the State of New Mexico, including but not limited to, the following:

12.1.1 The acreage shall qualify under a Section of Article 9.

12.1.2 The participation to be allocated to the acreage shall be reasonable, fair, and based on all available information.

12.1.3 There shall be no retroactive allocation or adjustment of Unit Expense or of interests in the Unitized Substances produced, or proceeds thereof; however, this limitation shall not prevent an adjustment of investment by reason of the enlargement.

12.1.4 The execution or ratification of this agreement, by a person owning a Royalty Interest in any Tract being brought into the Unit Area by an enlargement, shall have the effect of committing to the Unit all his Royalty Interest in each Tract being added to the Unit as well as in each Tract previously included in the Unit Area.

12.2 Determination of Tract Participation. Unit Operator, subject to Section 5.2, shall determine the Tract Participation of each Tract within the Unit Area as enlarged, and shall revise Exhibits A and B accordingly.

12.3 Effective Date. The effective date of any enlargement of the Unit Area shall be 7:00 a.m. on the first day of the calendar month following compliance with conditions for enlargement as specified by Working Interest Owners, approval of the enlargement by the appropriate governmental authority, and the filing for record of revised Exhibits A and B in the records of the Commissioner of Public Lands for the State of New Mexico and in Lea County, New Mexico.

ARTICLE 13

CHANGE OF TITLE

13.1 Covenant Running With the Land. This agreement shall extend to, be binding upon, and inure to the benefit of, the respective heirs, devisees, legal representatives, successors, and assigns of the parties hereto, and shall constitute a covenant running with the lands, leases, and interests covered hereby.

13.2 Notice of Transfer. Any conveyance of all or any part of any interest owned by any party hereto with respect to any Tract shall be made expressly subject to this agreement. No change of title shall be binding on the Unit Operator, or upon any party hereto other than the party so transferring, until the first day of the calendar month next succeeding the date of receipt by Unit Operator of a

photocopy or a certified copy of the recorded instrument evidencing such change in ownership.

13.3 Waiver of Rights to Partition. Each party hereto covenants that, during the existence of this agreement, it will not resort to any action to partition the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

ARTICLE 14

RELATIONSHIP OF PARTIES

14.1 No Partnership. The duties, obligations, and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation, or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

14.2 No Sharing Of Market. This agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale, or marketing of Unitized Substances.

14.3 Royalty Owners Free of Costs. This agreement is not intended to impose, and shall not be construed to impose, upon any Royalty Owner any obligation to pay for Unit Expense unless such Royalty Owner is otherwise so obligated. (eg. a newly carved out Royalty Interest not shown on Exhibit B).

14.4 Information to Royalty Owners. Each Royalty Owner shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by an existing agreement with any Working Interest Owner.

ARTICLE 15

LAWS AND REGULATIONS

15.1 Laws and Regulations. This agreement is subject to all laws, rules and regulations and orders of any governmental agency having jurisdiction. In the event this agreement or any of its provisions or any of the operations contemplated hereby are found to be inconsistent with or contrary to any such law, rule, regulation or order the latter

shall be deemed to control and this Agreement shall be regarded as modified accordingly, and as so modified shall continue in full force and effect.

15.2 No Waiver of Certain Rights. Except as otherwise expressly stated nothing in this Agreement shall be construed as a waiver by any party hereto of its right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State of New Mexico or of the United States or any regulation or order issued thereunder which in any way affects such party's rights under this Agreement.

ARTICLE 16

FORCE MAJEURE

16.1 Force Majeure. All obligations imposed by this Agreement on each party, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a strike, fire, war, civil disturbance, act of God; by federal, state or municipal laws; by any rule, regulation, or order of a governmental agency; by inability to secure materials; or by any other cause or causes beyond reasonable control of the party. No party shall be required against its will to adjust or settle any labor dispute. Neither this Agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of Unit Operations due to any one or more of the causes set forth in this Article.

ARTICLE 17

EFFECTIVE DATE

17.1 Effective Date. This Agreement shall become binding upon each party as of the date such party signs the instrument by which it becomes a party hereto, and, unless sooner terminated as provided in Section 17.2, shall become effective as to qualified Tracts on the first day of the month following the final approval of the Commissioner of Public Lands. As soon as practicable, and in no event more than thirty (30) days after the execution and delivery of the final approval of the

(Revised at the request of the Commissioner of Public Lands on December 4, 1963)

Commissioner of Public Lands, one complete copy of this Unit Agreement together with Exhibits A and B (revised if necessary to show the Tracts committed to the Unit Area), supplemental pages evidencing the execution of all parties whose interests are committed hereto, a copy of the Oil Conservation Commission's Order of Approval and a copy of the final approval of the Commissioner of Public Lands shall be filed for record by Unit Operator with the office of the County Clerk of Lea County, New Mexico.

17.2 Ipsa Facto Termination. If the requirements of Section 17.1 including the filing for record are not accomplished on or before July 1, 1964, this Agreement shall ipso facto terminate on that date (hereinafter called "termination date") and thereafter be of no further effect, unless prior thereto Working Interest Owners owning a combined Unit Secondary Phase Participation of at least sixty-five percent (65%) have become parties to this Agreement and have decided to extend the termination date for a period not to exceed six (6) months. If the termination date is so extended and the requirements of Section 17.1 are not accomplished on or before the extended termination date, this Agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect.

ARTICLE 18

TERM

18.1 Term. The term of this Agreement shall be for the time that Unitized Substances are produced in paying quantities and as long thereafter as Unit Operations are conducted without a cessation of more than one hundred eighty (180) consecutive days, unless sooner terminated by Working Interest Owners in the manner herein provided.

18.2 Termination by Working Interest Owners. This agreement may be terminated by Working Interest Owners having a combined Unit Secondary Phase Participation of at least eighty-five percent (85%) whenever such Working Interest Owners determine that Unit Operations

(Revised at the request of the Commissioner of Public Lands on December 4, 1963)

are no longer profitable or feasible. Upon such termination a certificate shall be filed in the State Land Office and in the office of the County Clerk of Lea County, New Mexico to evidence such termination.

18.3 Effect of Termination. Upon termination of this agreement, the further development and operation of the Unitized Formation as a unit shall be abandoned, Unit Operations shall cease and thereafter the parties shall be governed by the provisions of the leases and other instruments affecting the separate Tracts.

18.4 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting each Tract unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after the date of termination of this agreement within which to salvage and remove Unit Equipment.

ARTICLE 19

EXECUTION

19.1 Original, Counterpart, or Other Instrument. A person may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument.

19.2 Joinder in Dual Capacity. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests that may be owned or controlled by such party.

ARTICLE 20

GENERAL

20.1 Amendments Affecting Working Interest Owners. Amendments hereto relating wholly to Working Interest Owners may be made if signed by all Working Interest Owners and duly recorded in the records of Lea County, New Mexico.

20.2 Action by Working Interest Owners. Any action or approval required by Working Interest Owners hereunder shall be in accordance with the provisions of the Unit Operating Agreement.

20.3 Lien of Unit Operator. Unit Operator shall have a lien upon the interests of Working Interest Owners in the Unit Area to the extent provided in the Unit Operating Agreement.

20.4 Creation of New Interests. If any Working Interest Owner shall, after executing this agreement, create any Overriding Royalty, Production Payment, or other similar interest, hereafter referred to as "new interest", out of its interest subject to this agreement, such new interest shall be subject to all the terms and provisions of this agreement and of Article 17 of the Unit Operating Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this agreement on the dates opposite their respective signatures.

GULF OIL CORPORATION

W.B.H.

By W.B. Hopkins
Attorney-in-Fact

ATTEST:
Assistant Secretary
Date: September 16, 1963

STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 16th day of September, 1963, by W. B. HOPKINS,
Attorney in Fact of GULF OIL CORPORATION,
a Pennsylvania corporation, on behalf of said corporation.

Ed Marie Cooper
Notary Public

My Commission Expires:
My Commission Expires August 15, 1966

EXHIBIT "B" TO UNIT AGREEMENT
NORTHWEST EUMONT UNIT
LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND LEASE DATE	BASIC ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST OWNER AND PERCENTAGE		PER CENT PARTICIPATION OF TRACT IN UNIT	
							PRIMARY	SECONDARY	PRIMARY	SECONDARY
1.	S/2 SE/4 Sec.22, T19S, R36E (State R)	80	A-1118 Sept. 15, 1928	1/8	Shell Oil Company	None	Shell Oil Company 100%		1.6623	2.3262
2.	E/2 NW/4 & NE/4 SW/4 Sec.23, T19S, R36E (NM State E NCT-2)	120	B-154-2 Aug. 14, 1931	1/8	Texaco Inc.	None	Texaco Inc. 100%		6.8195	4.8535
3.	NE/4 & E/2 SW/4 Sec.22, T19S, R36E (NM State C NCT-5)	240	B-159-1 Aug. 14, 1931	1/8	Texaco Inc.	None	Texaco Inc. 100%		3.7529	4.7945
4.	NW/4 SW/4 Sec.27, T19S, R36E	40	B-1040 July 11, 1932	1/8	Amerada Petroleum Corporation	None	Amerada Petroleum Corp. 100%		0.5362	0.5788
5.	W/2 NW/4 Sec.26, T19S R36E (State A-26)	80	B-2656 Sept. 23, 1933	1/8	Continental Oil Company	None	Continental Oil Co. 100%		2.2659	2.9637
6.	NE/4 Sec.27, T19S, R36E (State McGrail)	160	B-3654 Jan. 11, 1935	1/8	Ohio Oil Company (Now Marathon Oil Company)	None	Marathon Oil Co. 100%		4.9034	7.5875
7.	SW/4 NW/4 Sec.12, T19S, R36E (Monument)	40	B-10164 Mar. 10, 1943	1/8	Phillips Petroleum Company	None	Phillips Petroleum Co. 100%		0.9187	0.6159
8.	SW/4 & NW/4 SE/4 Sec.14, T19S, R36E (State Bern "A")	200	B-10268 May 10, 1943	1/8	Phillips Petroleum Company	None	Phillips Petroleum Co. 100%		8.2046	7.5852
9.	NE/4 NW/4 Sec.27, T19S, R36E (Hobbs "B" State)	40	E-1293 Apr. 10, 1947	1/8	Skelly Oil Company	None	Skelly Oil Co. 100%		0.2435	0.3414
10.	F/2 SE/4 Sec.15, T19S, R36E (State WM "D")	80	E-2603 Apr. 11, 1949	1/8	Amerada Petroleum Corporation	None	Amerada Petroleum Corp. 100%		0.9861	2.0701
11.	SW/4 NW/4 Sec.23, T19S, R36E (State E)	40	E-2553 May 10, 1949	1/8	Southern Petroleum Exploration Inc.	None	Southern Petroleum Exploration Inc. 100%		1.1919	1.5498
12.	N/2 SE/4 Sec.22, T19S, R36E (State WM "C")	80	E-3440 Apr. 10, 1950	1/8	Amerada Petroleum Corporation	None	Amerada Petroleum Corp. 100%		1.6238	2.2694
13.	SW/4 S/2 NW/4, NE/4 NW/4 S/2 SE/4, NE/4 Sec.14, T19S, R36E (State EA)	400	E-7419 Sept. 15, 1953	1/8	Gulf Oil Corporation	None	Gulf Oil Corp. 100%		7.1361	7.4337

EXHIBIT "B" TO UNIT AGREEMENT
NORTHWEST EUMONT UNIT

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND LEASE DATE	BASIC ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST OWNER AND PERCENTAGE		PER CENT PARTICIPATION OF TRACT IN UNIT	
									PRIMARY	SECONDARY
14.	NW/4 NW/4, W/2 SW/4 Sec.23, T19S, R36E (Lea State DK)	120	E-7572 Nov. 17, 1953	1/8	Gulf Oil Corporation	None		Gulf Oil Corp. 100%	3.2013	3.8086
15.	N/2 N/2, SW/4 NE/4 Sec.34, T19S, R36E (J. W. Smith)	200	May 13, 1926	1/8	Gulf Oil Corporation	None		Gulf Oil Corp. 100%	6.4842	7.3378
16.	S/2 SW/4, SW/4 SE/4 Sec.34, T19S, R36E (J. A. Foster)	120	July 21, 1928	1/8	Roxana Petroleum Corp. (Now Shell Oil Co.)	None		Shell Oil Company 100%	16.2183	14.4638
17.	SE/4 SE/4 Sec.27, T19S, R36E (Persons)	40	Feb. 1, 1930	1/8	F. J. Danglade	None		Cities Service Oil Company 100%	2.9948	3.7532
18.	N/2 SE/4 Sec.27, T19S, R36E (Persons)	80	Feb. 1, 1930	1/8	F. J. Danglade	None		Charm Oil Co. 50% Cities Service Oil Co. 50%	2.5619	2.6065
19.	SE/4 NW/4, NE/4 SW/4, S/2 SW/4 and SW/4 SE/4 Sec. 27, T19S, R36E (Persons)	200	Feb. 1, 1930	1/8	F. J. Danglade	1/16 of 8/8 on oil & gas if wells average 40 BOPD per well or less. 1/8 of 8/8 on oil & gas if wells average 40 BOPD per well or more. 1/16 of 8/8 on gas when wells average 500 000 CFPD per well or less. 1/8 of 8/8 on gas when wells average 500 000 CFPD per well or more.		Pearson-Sibert Oil Co. of Texas 50% Mortimer A. Kline 20% A. F. Gilmore and Co. 30%	6.9504	5.9181
20.	SE/4 NW/4, NE/4 SW/4 NW/4 SE/4 Sec.34, T19S, R36E (M.E. Galtner Farm)	120	June 15, 1932	1/8	Amerada Petroleum Corporation	None		Amerada Petroleum Corp. 100%	14.6170	10.2334

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND LEASE DATE	BASIC ROYALTY	LESSOR OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST OWNER AND PERCENTAGE		PERCENTAGE OF TRACT IN UNIT	
									UNITARY	NON-UNITARY
21.	N/2 SW/4 & SE/4 SE/4 Sec. 33, T19S, R36E (J. A. Foster)	120	Aug. 14, 1946	13.2634%	Roy G. Barton Frank W. Beer Harry Leonard Est. Haggard Brothers W.A. Chalk, Exec. of Est. of Tobe Foster Elliott Johnson W. G. Ross Mabel F. Leonard Francis J. Spellman Blair Steele Sunshine Royalty Co.	None	Roy G. Barton 2.499521	2.7661	2.7678	
							Frank W. Beer 9.697636			
							Harry Leonard Est. 1.801431			
							Haggard Brothers 9.697636			
							W.A. Chalk, Exec. of Est. of Tobe Foster 19.395273			
							Elliott Johnson 0.607933			
							W.G. Ross 5.319900			
							Mabel F. Leonard 1.801431			
							Francis J. Spellman 1.229469			
							Blair Steele 44.346908			
							Sunshine Royalty Co. 3.602862			
22.	SW/4 NW/4 & NW/4 SW/4 Sec. 34, T19S, R36E	80	May 1, 1954	20.2148%	Vilas P. Sheldon	None	L.W. Wickes Agent Corp. 1.959	0.0482	0.0598	
							Resler & Sheldon 96.572	2.3764	2.9467	
							J. Hiram Moore 1.469	0.0362	0.0449	
23.	E/2 NE/4 Sec. 33, T19S, R36E	80		.0064%	Ahtram Oil Co.	25.6810%	Ahtram Oil Co. 75.000	1.1253	0.8622	
							Roderic J. Tichenor 18.750	0.2813	0.2155	
							Roderic J. Tichenor, Trustee 6.250	0.0937	0.0720	

TOTAL	2,760								100.0000	100.0000
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STATE OF NEW MEXICO LEASES	1,720	Acres
FREE LEASES	1,040	Acres
TOTAL	2,760	Acres