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NEIL B. WATSON
FRED A. WATSON

LAW OFFICES
WATSON & WATSON
CARPER BUILDING - P. O. DRAWER E
ARTESIA, NEW MEXICO

MAIN OFFICE TELEPHONE
SHEPHERD WOOD 6-4151

June 26, 1964

364 JUN 29 AM 7 36

Mr. Daniel S. Nutter,
New Mexico Oil Conservation Commission,
State Land Office Building,
Santa Fe, New Mexico.

Dear Mr. Nutter:

Re: Application of R. C. Davoust Company for a Unit Agreement, Case No. 3063, and Application of R. C. Davoust Company for expansion of the Turkey Track flood to include the Grayburg Formation, Case No. 3064.

I herewith enclose a copy of the new Unit Agreement R. C. Davoust is submitting to Mrs. Rhea of the Commissioner's Office, together with a copy of our transmittal letter to Mrs. Rhea.

Pursuant to my telephone conversation with you of this date, we will not plan to attend Commission hearings on July 1. We have received a carbon copy of a letter of June 22 wherein Mr. Frank E. Irby advises that the Office of the State Engineer offers no objection to the granting of the Application, provided equipment and completions are as set forth in his letter. We realize that we must obtain the approval of the Commissioner's Office for the unit, but feel certain that this can be worked out by mail.

Yours very truly,

Fred A. Watson
Fred A. Watson

FAW:rjb
Enc.

cc: Mr. Richard C. Davoust
Mr. William E. Fickert

LAW OFFICES

WATSON & WATSON

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FRED A. WATSON

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ARTESIA, NEW MEXICO

TELEPHONE
SHERWOOD 6-4151

June 26, 1964

1964 JUN 26 AM 7 36

Mrs. Marian M. Rhea, Supervisor,
Unit Division,
Office of the Commissioner of Public Lands,
P. O. Box 791,
Santa Fe, New Mexico.

Dear Mrs. Rhea:

Re: Application for Turkey Track Section Three Unit,
Eddy County, New Mexico, R. C. Davoust Company,
operator.

I herewith enclose Unit Agreement revised in accordance with the conversation Mr. Fickert, Mr. Hennesey and I had with you in your office on June 10.

Very briefly, the changes between the enclosed Unit Agreement and the Unit Agreement previously left with you are as follows:

1. We have added a sixth paragraph on the first page of recitals to the effect that R. C. Davoust Company, an Illinois corporation qualified to do business in the State of New Mexico, is appointed as the initial Unit Operator and executes the Agreement to reflect acceptance of said appointment.
2. In connection with the appointment of the R. C. Davoust Company corporation as Unit Operator, we have also added Paragraph No. 7 on Page 3 particularly providing that appointment of any successor operator must be approved in writing by the Commissioner of Public Lands.
3. We had previously provided that the Agreement should become effective as to the interests of the State of New Mexico as of 7:00 A.M. on the first day of the month following approval in writing of the Agreement by the Commissioner of Public Lands and the Oil Conservation Commission. You indicated that this phrasing might not be acceptable since the scope of the Commission authority over Unit Agreements is beyond mere approval to commit the State's royalty interest. I agree that the former wording was too limited and, accordingly, in Paragraph 6 I have changed the wording to read that the Agreement shall become

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effective on behalf of the State of New Mexico only after execution by the Commissioner of Public Lands and the Oil Conservation Commission. I trust that this wording will be more satisfactory.

4. We have added a Paragraph 15 to provide for expansion of the unit area, subject to the approval of the Commissioner of Public Lands. As we previously advised you, the unit will probably not be expanded, but I think that a provision for expansion is wise, and I appreciate your suggesting it.

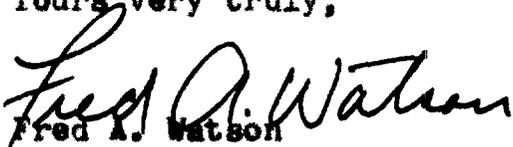
5. In the exhibits, we have added an Exhibit A-1 which is a tabular exhibit patterned after the exhibit form you furnished us and showing the various items of information which are necessary and helpful for both your office and the purchasers of production.

6. Also in the exhibits, Exhibit "B" has been changed so that the tract numbers set forth in the Exhibit A-1 are shown on the Exhibit "B" plat of the unit.

The enclosed Unit Agreement is not executed because we felt it would be well to send it to you for approval or suggestions before duplicating counterparts thereof. If there are further changes, please let me know.

Thanking you in advance, I remain,

Yours very truly,


Fred A. Watson

FAW:rjb
Encs.

cc: Mr. Richard C. Davoust,
P. O. Box 266,
Evansville, Indiana.

Mr. William E. Fickert,
Ryder Scott Company,
306 Wilkinson-Foster Building,
Midland, Texas.

✓ Mr. Daniel S. Nutter,
New Mexico Oil Conservation Commission,
State Land Office Building,
Santa Fe, New Mexico.

MAIN OFFICE OCC

1964 JUN 29 AM 7:36
UNIT AGREEMENT
THE TURKEY TRACK SECTION THREE UNIT
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, entered into under date of May 5, 1964, by and between the parties subscribing, ratifying or consenting hereto and herein referred to as "parties hereto",

W I T N E S S E T H

WHEREAS, Richard C. Davoust (hereinafter referred to as "Davoust") is, on the date of his execution hereof, owner of all of the working interest in and under each of the oil and gas leaseholds (hereinafter referred to as "drilling units") which are separately described on Exhibit "A" hereto (which is hereby incorporated as a part of this instrument for all purposes); and,

WHEREAS, the State of New Mexico is the owner of all of the minerals underlying all of the lands which are described in said Exhibit "A", and the owner of the royalties reserved in the leases covering all of the lands described in said Exhibit "A"; and,

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 3, Chapter 88, Laws of 1943, as amended by Section 1 of Chapter 162, Laws of 1951) to consent to or approve this Agreement on behalf of the State of New Mexico, insofar as this Agreement covers and includes the 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 (Section 1, Chapter 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 (Chapter 72, Laws of 1935, as amended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1951, and Chapter 168, Laws of 1949) to approve this Agreement, and the Conservation provisions hereof; and,

WHEREAS, R. C. Davoust Company, an Illinois corporation qualified to do business within the State of New Mexico, is appointed the initial Unit Operator hereunder, and executes this Agreement to reflect its acceptance of appointment as Unit Operator; and,

WHEREAS, the parties other than Richard C. Davoust, the State of New Mexico (acting by its authorized officers) and R. C. Davoust Company (initial Unit Operator) who shall or may execute any counterpart of this instrument, or a ratification thereof, are, on the dates of their respective executions hereof, the "Owners" of overriding royalty interests, production payments, security interests, or other interests (in the unitized formations) not sharing in the costs of development and operation of the unit hereinafter defined (said parties will be referred to hereinafter collectively as "Owners" and singularly as "Owner"); and, in the case where a party executing any counterpart of this instrument, or a ratification thereof, is lessee of record under one or more of the oil and gas leases and lands described on said Exhibit "A", such execution shall be deemed an approval of the unit by the lessee of record, as well as an execution as to any interest which said party may have in the unitized formations; and,

WHEREAS, the operation of the hereinafter described "premises" as a single unit, and the allocation of the proceeds from such operation as hereinafter provided, will facilitate the development of said unit and the recovery of oil therefrom, and will prevent waste and conserve natural resources.

NOW, THEREFORE, in consideration of the anticipated benefits to be derived by Richard C. Davoust, the State of New Mexico, and the other "Owners" of interest in the proposed unitized premises, the sufficiency of which consideration is hereby acknowledged, it is hereby agreed and understood as follows, to wit:

1. Definition of "Premises" - Unit Area and Unitized Formations. It is hereby stipulated and agreed that the term "premises", as herein used, shall refer to and include all surface rights and all mineral, royalty and leasehold interests in all formations (hereinafter referred to as "unitized formations") lying between the surface and the top of the San Andres Formation (which is a fairly well defined and typical formation throughout the area of the subject leases and lands, and, by way of example but not of limitation, the top of the San Andres Formation has been encountered at a depth of 2,908 feet subsurface in the Spencer No. 5 Well, located in NW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 3, Township 19 South, Range 29 East, N.M.P.M., Eddy County, New Mexico), in and under the following described lands, comprising the unit area, to wit:

Township 19 South, Range 29 East, N.M.P.M.
Section 3: NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ and NE $\frac{1}{4}$ SW $\frac{1}{4}$
Containing 480 acres, more or less, but excluding those formations lying below the base of the Queen Sand Formation under Lot 4, being the NW $\frac{1}{4}$ of the NW $\frac{1}{4}$ of said Section 3.

2. Authorization of Unitized Operation. Authority is hereby granted to Davoust, and his successors in title, and to the Unit Operator to operate the "premises" for the production of oil, gas, casinghead gas and other hydrocarbons (hereinafter referred to as "unitized oils") from the "premises", including but not limited to the production of "unitized oils" by the injection of water, gas or other substances into any and all of the "unitized formations" through any well heretofore or hereafter drilled on the "premises", and to operate the "premises" in all respects as if the "premises" were covered by a single oil and gas lease. Operations on any part of the "premises" shall be considered as conducted for the benefit of all parts thereof; and neither Davoust or his successors in title nor the Unit Operator shall have any liability to any "Owner" by reason of the migration of "unitized oils" resulting from such unitized operation, whether from one portion of the "premises" to another, or to points outside the "premises". The Unit Operator is granted and shall be authorized to execute such easements, rights-of-way and powers as may be deemed advisable for the purpose of such unitized operations. It is hereby stipulated that this Agreement does not obligate Davoust or the Unit Operator to operate the "premises" by secondary recovery procedures; and in the event that such operation does not prove feasible, this Agreement shall nevertheless remain in full force and effect until terminated, as hereinafter provided.

3. Allocation of Proceeds. Effective as of 7:00 A.M. on the first day of the month following the approval in writing of this Agreement by the Commissioner of Public Lands of the State of New Mexico and the Oil Conservation Commission of the State of New Mexico, and whether or not this Agreement shall have been executed and ratified by all "Owners", Davoust and the Unit Operator are and shall be authorized to commingle all "unitized oils", from whatever part of the "premises" produced; and that portion (or "participation factor") of the "unitized oils" (excluding any portion thereof which is used in the production of additional "unitized oils" or in treating

"unitized oils" to make same acceptable to the purchaser of same) which is specified in Exhibit "A" hereto shall be allocated to each "drilling unit", and shall be considered to be the total amount of oil, gas, casinghead gas and other hydrocarbons produced from those "unitized formations" included in such "drilling unit" for all purposes connected with the payment to any "Owner" by reason of such production. Each "Owner" agrees to accept the payment so computed in full satisfaction of all rights to such payments accruing to such "Owner" under the terms of any lease or agreement relating to any part of the "premises".

4. Relationship of Parties. Neither the allocation of production set forth in Paragraph 3 nor any other provision of this Agreement shall be construed to result in the transfer or exchange of title to any leasehold interest in or any part of the "premises" between the parties hereto, except as to "unitized oils" after severance.

Nothing herein shall be construed to create an association, trust or partnership between or including the parties hereto, or to provide for any joint or cooperative sale or marketing of the "unitized oils".

5. Modification of Division and Transfer Orders. The parties hereto hereby modify and amend all existing Division Orders and Transfer Orders covering any "drilling unit" described in Exhibit "A" which are in force, to the extent necessary to provide for the purchase thereunder of the portion of "unitized oils" allocated to each such "drilling unit" in lieu of the purchase of that portion of "unitized oils" actually produced therefrom.

6. Effective Date and Term. This Agreement shall become effective on behalf of the State of New Mexico as of 7:00 A.M. of the first day of the month next following the approval in writing of this Agreement by the Commissioner of Public Lands of the State of New Mexico and the Oil Conservation Commission of the State of New Mexico, and no commingling of production from leases with different serial numbers shall be permitted or authorized prior to such approvals. This Agreement shall become effective as to Davoust and to each "Owner" on the date of his execution or ratification hereof, for all purposes except those specified in Paragraph No. 3, whether or not this Agreement shall have been executed or ratified by any other person and whether or not the terms of any agreement concerning the unitization of the "premises" with any other "Owner" shall vary from those of this Agreement; provided, however, that there has been no commingling across lease lines until approval has been obtained from the State of New Mexico, as heretofore provided. This Agreement shall become effective as to any interest in the "premises" acquired by "Owner" subsequent to his execution of this Agreement, effective as of the date of such acquisition. If any "Owner" shall execute or ratify this Agreement subsequent to the effective date specified in Paragraph No. 3, such "Owner" shall be entitled to payment for his share of "unitized oils" retroactively to such effective date. This Agreement shall remain in effect for so long as "unitized oils" shall be produced from any part of the "premises"; provided, however, that Davoust shall have the right, with the written approval of the Commissioner of Public Lands of the State of New Mexico, to terminate the unitized operation by filing a written Notice of such termination in the official records of Eddy County, New Mexico, in which case all rights and obligations existing by reason of this instrument shall cease as of the first day of the next ensuing month.

7. Appointment of Unit Operator--Conditions for Substitution of Unit Operator. R. C. Davoust Company, an Illinois corporation qualified to do business in the State of New Mexico, is hereby appointed Unit Operator. Each owner executing this Agreement (except for the State of New Mexico) agrees that Richard C. Davoust shall have the

right to appoint a successor Unit Operator by filing a written appointment of such successor operator executed by Richard C. Davoust and containing an executed withdrawal by R. C. Davoust Company in the records of Eddy County, New Mexico; provided, however, that such appointment shall not become effective until the successor operator has been approved in writing by the Commissioner of Public Lands for the State of New Mexico.

8. Execution in Counterpart and Recording. This instrument may be executed in any number of counterparts, each of which shall be considered as an original instrument for all purposes, or may be ratified by a separate instrument. Each signer hereof and each party ratifying and confirming this instrument acknowledges that he is familiar with all of the terms hereof, that no representation not incorporated herein has been made to him, and that this instrument has been executed and delivered or ratified and confirmed unconditionally. If counterpart copies of this instrument or ratifications hereof are executed, Davoust is authorized to file in the official records of Eddy County, New Mexico, in lieu of such copies or instruments of ratification, an Affidavit or Affidavits executed by Davoust setting forth the names of the parties who have executed or have ratified any exact counterparts hereof, and the date of the execution of such counterpart or instrument of ratification, to which shall be appended a copy of this Agreement or in which shall be set out the book and page at which a copy of this instrument has theretofore been recorded in Eddy County, New Mexico; and the filing of such an Affidavit or Affidavits is agreed to constitute, for all purposes, the filing of record of each counterpart hereof or instrument of ratification hereof signed by the parties named in any such Affidavit.

9. Exhibits. Exhibit "A" hereto is a Schedule describing "drilling units" by lease number and other lease details, lands and formations and setting forth the portion of "participation factor" of the "unitized oils" allocated to each such "drilling unit". Exhibit "A-1" is a tabulation containing tract numbers, land descriptions of tracts (including amount of acreage), lease and assignment numbers, royalty rates, lessees of record, overriding royalty owners and amounts, working interest owners and amounts, and participation percentages. Exhibit "B" hereto is a map showing the unit area and the boundaries of the "premises" and the identity of "drilling units" within said unit area.

10. Reports. The Unit Operator shall furnish the Commissioner, monthly, injection and production reports for each well in the unit, as well as periodical reports of the development and operation of the "premises".

11. Rental Settlement. Annual rentals for the lands contained in the unit herein created shall continue to be paid to the State at the rate specified in the respective leases from the State, and nothing herein contained shall operate to relieve any of said leases from the payment of such annual rentals.

12. Conservation. Operations hereunder and production of "unitized oils" shall be conducted to provide for the most economical and efficient recovery of said "unitized oils" without waste, and the Operator shall take appropriate and adequate measures to prevent drainage of "unitized oils" from the "premises" by wells on land not subject to this Agreement.

13. Rate of Production. All production from the "premises" and the disposal thereof shall be in conformity with the allocations, allotments and quotas made or fixed by the Oil Conservation Commission of the State of New Mexico, and in conformity with all applicable laws and lawful regulations.

14. Leases Extended. All leases made subject to this Agreement shall continue in force beyond the term provided therein as to the lands committed hereto until the termination of this Agreement. 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.

15. Expansion of Unit Area. Additional tracts of land may be added to the unit with the participation factor for each such added tract to be upon a negotiated basis between Davoust and the owners of said tract, and with such added tracts and the participation factors thereof to be approved in writing by the Commissioner of Public Lands; provided, however, that unitized formations within additional tracts must be within the depths between the surface of the lands and the top of the San Andres Formation, and provided further that any tract to be added shall adjoin the existing unit at the time the same is to be added to the unit.

16. All parties executing this Agreement or a counterpart or ratification thereof hereby agree that the provisions hereof shall constitute covenants running with the leasehold estates and interests described in Exhibit "A" and Exhibit "A-1" hereto, and this Agreement shall be binding upon the heirs and/or successors and assigns of all parties executing the same or executing a ratification hereof.

IN WITNESS WHEREOF, this instrument has been executed under the date first set out above, and on those dates indicated in the acknowledgments of the signatures of the parties executing the same.

Richard C. Davoust

Consented to and approved on behalf of the State of New Mexico this _____ day of _____, 1964.

COMMISSIONER OF PUBLIC LANDS OF THE STATE OF NEW MEXICO

By

Approved this _____ day of _____, 1964.

OIL CONSERVATION COMMISSION OF THE STATE OF NEW MEXICO

By

UNITIZATION EXHIBIT A

The following described oil and gas leases, insofar as they cover the lands and formations specified herein, are those which comprise the TURKEY TRACK SECTION THREE UNIT for the production of "unitized oils" from all formations lying above the top of the San Andres formation by primary and secondary recovery techniques, under the terms of that agreement to which this exhibit is appended, and of which it forms a part.

There is allocated to each "drilling unit" which is separately described in this exhibit that percentage of "unitized oils" which is herein specified.

All lands described in this exhibit lie in Section 3, Township 19 South, Range 29 East (3-19S-29E), Eddy County, New Mexico; and all leases or other instruments described herein are recorded in the oil and gas lease records of said county and state, unless otherwise noted. The leases hereinafter described shall be construed to include all amendments, ratifications, extension or other modifications thereof; and each "drilling unit" hereinafter described shall be construed to include each operative oil and gas lease covering the lands and formations described in connection therewith at any time during the term of unitized operation.

THE SPENCER #1 LEASE, to which is allocated 9.5170% of "unitized oils", is that lease issued as Serial Number B-8949 under date of January 10, 1941, by the State of New Mexico, as lessor, to B. E. Spencer, as lessee, and filed in the New Mexico State Land Office, and which is subject to that Operating Agreement, covering one half of the leasehold rights, entered into under date of May 1, 1960, between Bassett-Birney Oil Corporation and Stanton Oil Company, Ltd., and recorded in Book 110 at page 551, insofar as it covers:

All formations from the surface through the base of the Queen Sand Formation under Lot Four, being the northwest quarter of the northwest quarter (NW/4 NW/4) of said Section 3.

THE SPENCER #2 LEASE, to which is allocated 21.1278% of "unitized oils", is that lease issued as Serial Number B-8949 under date of January 10, 1941, by the State of New Mexico, as lessor, to B. E. Spencer, as lessee, and filed in the New Mexico State Land Office, and which is subject to that Operating Agreement, covering one half of the leasehold rights, entered into under date of May 1, 1960, between Bassett-Birney Oil Corporation and Stanton Oil Company, Ltd., and recorded in Book 110 at page 551, insofar as it covers:

All formations from the surface through the base of the Queen Sand Formation under Lot Three, being the northeast quarter of the northwest quarter (NE/4 NW/4) of said Section 3.

THE SPENCER #G-2 LEASE, to which is allocated 2.3792% of "unitized oils", is that lease issued as Serial Number B-8949 under date of January 10, 1941, by the State of New Mexico, as lessor, to B. E. Spencer, as lessee, and filed in the New Mexico State Land Office, insofar as it covers:

All formations lying below the base of the Queen Sand formation and above the top of the San Andres Formation under Lot Three, being the northeast quarter of the northwest quarter (NE/4 NW/4) of said Section 3.

THE SPENCER #3-5-6 LEASE, to which is allocated 11.7773% of "unitized oils", is that lease issued as Serial Number B-8876 under date of November 12, 1940 by the State of New Mexico, as lessor, to B. E. Spencer, as lessee, and filed in the New Mexico State Land Office, insofar as it covers:

All formations from the surface through the base of the Queen Sand Formation under the northwest quarter of the northeast quarter (NW/4 NE/4) and the south half of the northeast quarter (S/2 NE/4) of said Section 3.

THE SPENCER #G-3-5-6 LEASE, to which is allocated 8.8984% of "unitized oils", is that lease issued as Serial Number B-8876 under date of November 12, 1940 by the State of New Mexico, as lessor, to B. E. Spencer, as lessee, and filed in the New Mexico State Land Office, insofar as it covers:

UNITIZATION EXHIBIT A (Spencer G-3-5-6 Lease) Continued

All formations lying below the base of the Queen Sand Formation and above the top of the San Andres Formation under the northwest quarter of the northeast quarter (NW/4 NE/4) and the south half of the northeast quarter (S/2 NE/4) of said Section 3.

THE DAVID-STATE #1-2 LEASE, to which is allocated 3.5689% of "unitized oils", is that lease issued as Serial Number B-9739 under date of July 10, 1942 by the State of New Mexico, as lessor, to Harry Leonard as lessee, and filed in the New Mexico State Land Office, insofar as it covers:

All formations from the surface to the top of the San Andres Formation under the southeast quarter of the southeast quarter (SE/4 SE/4) of said Section 3.

THE STATE #3-4-5-15 LEASE, to which is allocated 9.2077% of "unitized oils" is that lease issued as Serial Number B-8876 under date of November 12, 1940 by the State of New Mexico, as lessor, to B. E. Spencer, as lessee, and filed in the New Mexico State Land Office, insofar as it covers:

All formations from the surface through the base of the Queen Sand Formation under the west half of the southeast quarter (W/2 SE/4) and the northeast quarter of the southeast quarter (NE/4 SE/4) of said Section 3.

THE STATE #G-3-4-5-15 LEASE, to which is allocated 8.4463% of "unitized oils", is that lease issued as Serial Number B-8876 under date of November 12, 1940 by the State of New Mexico, as lessor, to B. E. Spencer, as lessee, and filed in the New Mexico State Land Office, insofar as it covers:

All formations lying below the base of the Queen Sand Formation and above the top of the San Andres Formation under the west half of the southeast quarter (W/2 SE/4) and the northeast quarter of the southeast quarter (NE/4 SE/4) of said Section 3.

THE STATE #10 LEASE, to which is allocated 8.3750% of "unitized oils", is that lease issued as Serial Number B-7950 under date of January 10, 1939 by the State of New Mexico, as lessor, to Rolph Gallinger, as lessee, and filed in the New Mexico State Land Office, insofar as it covers:

All formations from the surface through the base of the Queen Sand Formation under the northeast quarter of the southwest quarter (NE/4 SW/4) of said Section 3.

THE STATE #G-10 LEASE, to which is allocated 2.6172% of "unitized oils", is that lease issued as Serial Number B-7950 under date of January 10, 1939 by the State of New Mexico, as lessor, to Rolph Gallinger, as lessee, and filed in the New Mexico State Land Office, insofar as it covers:

All formations lying below the base of the Queen Sand Formation and above the top of the San Andres Formation under the northeast quarter of the southwest quarter (NE/4 SW/4) of said Section 3.

THE STATE #16 LEASE, to which is allocated 9.8025% of "unitized oils", is that lease issued as Serial Number B-8949 under date of January 10, 1941 by the State of New Mexico, as lessor, to B. E. Spencer, as lessee, and filed in the New Mexico State Land Office, insofar as it covers:

All formations from the surface through the base of the Queen Sand Formation under the southeast quarter of the northwest quarter (SE/4 NW/4) of said Section 3.

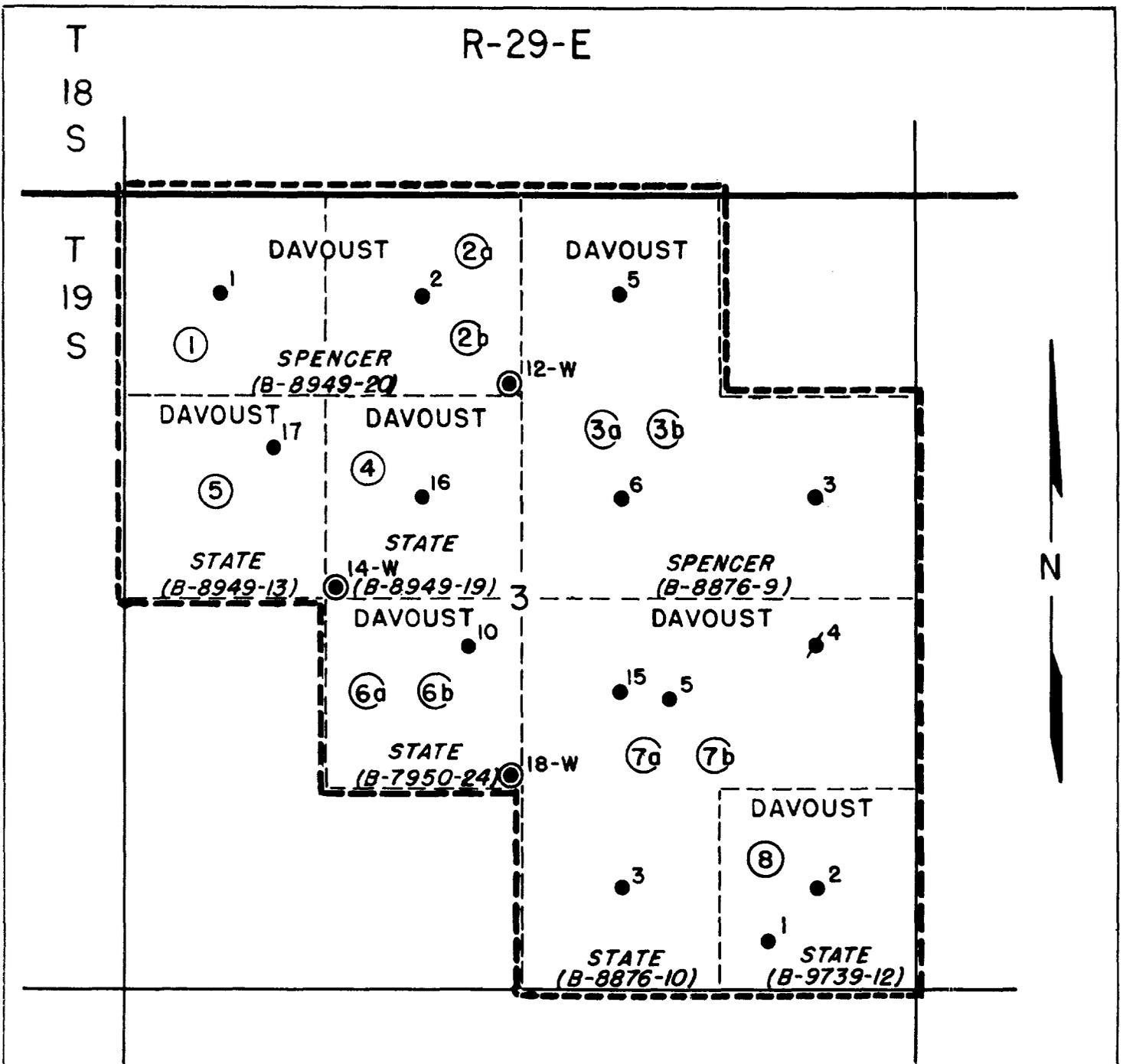
THE STATE #17 LEASE, to which is allocated 4.2827% of "unitized oils", is that lease issued as Serial Number B-8949 under date of January 10, 1941, by the State of New Mexico, as lessor, to B. E. Spencer, as lessee, and filed in the New Mexico State Land Office, and which is subject to that Operating Agreement entered into under date of March 28, 1955 between Bassett-Birney Oil Corporation and Robert E. McKee General Contractor, Inc., and recorded in Book 70 at page 493, insofar as it covers:

All formations from the surface through either the base of the Queen Sand Formation or 2.185 feet below the surface, whichever is less, under the southwest quarter of the northwest quarter (SW/4 NW/4) of said Section 3.

Tract No.	Description	Number of Acres	Lease and/or Assignment No. State	Basic Royalty	Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Percent Participation of Tract in Unit
3 (b)	T-19-S, R-29-E, Sec. 3: NW/4 NE/4 and S/2 NE/4. From the base of the Queen formation to the top of the San Andres formation.	120.15	B-8876-9	12.5%	Carper Drilling Company, Inc. & Bassett-Birney Oil Corporation	None	Richard C. Davoust - All	(8.8984)
4	T-19-S, R-29-E, Sec. 3: SE/4 NW/4. From the surface through the base of the Queen formation.	40.00	B-8949-19	12.5%	Carper Drilling Company, Inc.	5.536% as follows: Ballard E. Spencer Trust, Inc. 4.0% Joe L. Stanton * 1.44% James Noel * 0.096%	Richard C. Davoust - All	(9.8025) 9.8025
5	T-19-S, R-29-E, Sec. 3: SW/4 NW/4. From the surface through the base of the Queen formation or 2, 185'.	40.00	B-8949-13	12.5%	Bassett-Birney Oil Corporation	11.68600% as follows: Ballard E. Spencer Trust, Inc. 4.0% Joe L. Stanton * 1.34625% James Noel * 0.08975% Bassett-Birney Oil Corporation 6.25%	Richard C. Davoust - All	(4.2827) 4.2827
6 (a)	T-19-S, R-29-E, Sec. 3: NE/4 SW/4. From the surface through the base of the Queen formation.	40.00	B-7950-24	12.5%	Carper Drilling Company, Inc.	1.60% as follows: J. L. Stanton * 1.50% James Noel * 0.10%	Richard C. Davoust - All	(8.3750) 8.3750

Tract No.	Description	Number of Acres	Lease and/or Assignment No. <u>State</u>	Basic Royalty	Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Percent Participation of Tract in Unit
6 (b)	T-19-S, R-29-E, Sec. 3: NE/4 SW/4. From the base of the Queen formation to the top of the San Andres formation.	40.00	B-7950-24	12.5%	Carper Drilling Company, Inc.	None	Richard C. Davoust - All	(2.6172) 2.6172
7 (a)	T-19-S, R-29-E, Sec. 3: W/2 SE/4 and NE/4 SE/4. From the surface through the base of the Queen formation.	120.00	B-8876-10	12.5%	Carper Drilling Company, Inc.	1.60% as follows: J. L. Stanton * 1.50% James Noel * 0.10%	Richard C. Davoust - All	(9.2077) 9.2077
7 (b)	T-19-S, R-29-E, Sec. 3: W/2 SE/4 and NE/4 SE/4. From the base of the Queen formation to the top of the San Andres formation.	120.00	B-8876-10	12.5%	Carper Drilling Company, Inc.	None	Richard C. Davoust - All	(8.4463) 8.4463
8	T-19-S, R-29-E, Sec. 3: SE/4 SE/4. From the surface to the top of the San Andres formation.	40.00	B-9739-12	12.5%	Carper Drilling Company, Inc.	None	Richard C. Davoust - All	(3.5689) 3.5689

12 Tracts = 480.75 Acres (All State Tracts) * Present interest, which changes upon happening of certain contingencies. 100.0000



TURKEY TRACK SECTION THREE UNIT

TURKEY TRACK FIELD
 Section 3, T-19-S, R-29-E
 EDDY COUNTY, NEW MEXICO

LEGEND

- Producing Oil Well
- ⊙ Water Injection Well
- ⊘ Plugged Well
- Outline of Unit
- ① Tract Number

EXHIBIT "B"

SCALE

