

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION

OF THE

SKELLY PENROSE "B" UNIT

LEA COUNTY, NEW MEXICO

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

EXHIBIT NO. 1

CASE NO. 3257

**UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SKELLY PENROSE "B" UNIT
LEA COUNTY, NEW MEXICO**

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CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION OF THE
SKELLY PENROSE "B" UNIT
LEA COUNTY, NEW MEXICO

There has been presented to the undersigned Commissioner of Public Lands of the State of New Mexico, for examination, an agreement for the development and operation of the Skelly Penrose "B" Unit, Lea County, New Mexico, dated August 1, 1964, in which Skelly Oil Company is designated as Operator, and which has been executed by various parties owning and holding oil and gas leases embracing lands within the Unit Area, and upon examination of said agreement the Commissioner finds:

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

NOW, THEREFORE, by virtue of the authority conferred upon me by virtue of the Laws of the State of New Mexico, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the state, do hereby consent to and approve the above referred to Skelly Penrose "B" Unit Agreement as to the lands of the State of New Mexico committed hereto, and all oil and gas leases embracing lands of the State of New Mexico committed to said agreement shall be and the same are hereby amended so that the provisions thereof will conform to the provisions of said Unit Agreement and so that the length of the secondary term of each such lease as to the lands within the Unit Area will be extended, insofar as is necessary, to coincide with the term of said Unit Agreement and in the event the term of said Unit Agreement shall be extended as provided therein, such extension shall also be effective to extend the term of each oil and gas lease embracing lands of the State of New Mexico committed to said Unit Agreement which would otherwise expire, so as to coincide with the extended term of such Unit Agreement.

IN WITNESS WHEREOF, this Certificate of Approval is executed as of this _____ day of _____, 196_____.

Commissioner of Public Lands of the
State of New Mexico

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SKELLY PENROSE "B" UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the first day of August, 1964, 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;

WHEREAS, in the interest of the public welfare and to promote conservation and increase the ultimate recovery of oil, gas and associated minerals from the following described portion of the Langlie-Mattix Field 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 law (Volume 2, Chapter 7, Article 11, New Mexico Statutes 1953 Annotated) to consent to and 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, by approval hereof, to amend all oil and gas leases embracing State lands committed hereto so that the length of the respective terms of said leases will coincide with the term of this agreement; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Volume 9, Part 2, Chapter 65, Article 3, New Mexico Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof.

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

1. **DEFINITIONS.** For the purpose of this agreement, the following terms and expressions as used herein shall mean:

(a) "Commission" means the Oil Conservation Commission of the State of New Mexico.

(b) "Commissioner" means the Commissioner of Public Lands of the State of New Mexico.

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

(d) "Royalty Owner" means the owner of a Royalty Interest.

(e) "Tract" means each parcel of land described as such and given a Tract number in Exhibit B.

(f) "Tract Participation" means the percentages shown on Exhibit C-1, Part I, and C-2, Part I, for allocating Unitized Substances to a Tract under this agreement.

(g) "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.

(h) "Unit Operating Agreement" means the agreement entitled "Unit Operating Agreement for the Development and Operation of the Skelly Penrose 'B' Unit, Lea County, New Mexico", of the same effective date as this agreement, and which is entered into by Working Interest Owners.

(i) "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.

(j) "Unitized Formation" means that interval underlying the Unit Area which is productive of Unitized Substances and the vertical limits of which extend from a point 100 feet above the base of the Seven Rivers formation to the base of the Queen formation; said interval having been heretofore found to occur in Skelly Oil Company's Harrison "B" No. 11 well (located in the SE/4 SW/4 Section 9-T23S-R37E, Lea County, New Mexico) at an indicated depth of from 3271 feet to 3663 feet, as recorded on the Frontier Perforators Gamma Ray Neutron log, run No. 1, taken February 9, 1960, said log being measured from a derrick floor elevation of 3327 feet above sea level.

(k) "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.

(l) "Voting Interest", unless provided otherwise hereinafter, means such Working Interest Owner's Unit Participation as same is set out in Exhibits C-1, Part II, and C-2, Part II, whichever is in effect at the time any vote is taken.

(m) "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.

(n) "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.

2. EXHIBITS. Attached hereto as Exhibit A is a map showing, to the extent known to Unit Operator, the Unit Area and the boundaries and identity of Tracts and leases in said Unit Area. Attached hereto as Exhibit B is a schedule showing to the extent known to Unit Operator the acreage comprising each Tract and the ownership of each Tract. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as being owned by such party. Attached hereto as Exhibit C-1 is a schedule showing in Part I thereof the Phase I Tract Participation of each Tract in the Unit Area and in Part II thereof the Phase I Unit Participation of each Working Interest Owner. Attached hereto as Exhibit C-2 is a schedule showing in Part I thereof the Phase II Tract Participation of each Tract included in the Unit Area and in Part II thereof the Phase II Unit Participation of each Working Interest Owner.

It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this agreement; provided, however, that correction of any error other than correction of a mathematical or clerical error shall be made by Unit Operator only after first having obtained approval of Working Interest Owners and the Commissioner.

Exhibits A, B, C-1 and C-2 shall be revised by Unit Operator whenever changes render such revision necessary, and at least two copies of such revision shall be filed with the Commissioner.

3. CREATION AND EFFECT OF UNIT. Subject to the terms and conditions of this agreement, all of the rights of the Royalty Owners, on the one hand, and of the Working Interest Owners, on the other hand, in and to the Unit Area, and all leases and lands comprising the Unit Area, are hereby combined and unitized, insofar only as such rights, leases and lands pertain to and affect the Unitized Formation and the Unitized Substances therein, and all surface rights necessary or convenient in connection with all operations contemplated by this agreement, to the same extent as if such rights, leases and lands, as so limited, were included in a single lease executed by all Royalty Owners as lessors, in favor of all Working Interest Owners as lessees, and as if said lease had been subject to all of the terms and conditions of this agreement. The name of the Unit hereby created shall be the Skelly Penrose "B" Unit.

4. ENLARGEMENTS OF UNIT AREA. The Unit Area may be enlarged to include therein any additional tract or tracts reasonably proved to be productive and regarded as reasonably necessary or advisable for the purposes of this agreement. Tract Participations resulting from such enlargement shall be on a negotiated basis and, after agreement between the affected parties has been reached, such enlargement shall be effected in the following manner:

(a) Unit Operator, with concurrence of at least sixty percent (60%) of the then Voting Interests and after preliminary concurrence of the Commissioner, shall prepare a notice of proposed enlargement describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Commissioner, and copies thereof mailed to the last known address of each Working Interest Owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Commissioner evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number for approval of such enlargement and with appropriate joinders.

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

In any approved expansion of the Unit Area, the revised Tract

Participations of those Tracts which were committed prior to each such expansion shall remain in the same ratio one to another.

5. UNIT OPERATOR. Skelly Oil Company, a Delaware corporation, is hereby designated as the Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties of Unit Operator for the 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 interest 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 interest is owned by it.

6. 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 6 months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners and the Commissioner, and until all wells then drilled hereunder are placed in satisfactory condition for suspension or abandonment, whichever is required by the Commission as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by affirmative vote of at least seventy-five percent (75%) of the Voting Interests remaining after excluding the Voting Interest of Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner.

In all such instances of resignation or removal, until a successor

Unit Operator is selected and approved, as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of Unit Operator and shall, not later than 30 days before such resignation or removal becomes effective, appoint a common agent to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interests in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the Unit operations owned by the Working Interest Owners to the new duly qualified successor Unit Operator, or to the owners thereof 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.

7. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, the Working Interest Owners shall, by affirmative vote of at least seventy-five percent (75%) of the Voting Interests, select a successor Unit Operator; provided, however, that should any Working Interest Owner own a Voting Interest of more than twenty-five percent (25%), the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by eighty percent (80%) or more of the Voting Interests of the remaining Working Interest Owners and provided, further, that the Unit Operator shall not vote to succeed itself. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner.

8. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. All costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be apportioned among, borne and paid by the Working Interest Owners, all

in accordance with this agreement and the Unit Operating Agreement. However, the Unit Operating Agreement shall not be deemed either to modify the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement; in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this agreement shall prevail. One (1) true copy of the Unit Operating Agreement shall be filed with the Commissioner.

9. 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 (including surface rights) which are necessary or convenient for the prospecting for, producing, storing, allocating, and distributing the Unitized Substances, are hereby granted and delegated to and shall be exercised by the Unit Operator as herein provided. Nothing herein, however, shall be construed to transfer title to any land, lease, Royalty Interest, operating agreement or communitization 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.

10. EQUIPMENT AND FACILITIES NOT FIXTURES ATTACHED TO REALTY. Each Working Interest Owner has heretofore placed and used on its Tract or Tracts committed to this agreement, various well and lease equipment and other property, equipment and facilities. It is also recognized that additional equipment and facilities may hereafter be placed and used upon the Unit Area as now or hereafter constituted. Therefore, for all purposes of this agreement any and all such equipment shall be considered to be personal property and not fixtures attached to realty. Accordingly, said well and lease equipment and personal property is hereby severed from the mineral estates affected by this agreement, and it is agreed that any and all such equipment and personal property shall be and remain personal property for all purposes.

11. PLAN OF FURTHER DEVELOPMENT AND OPERATION. It is recognized

and agreed by the parties hereto 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 optimum 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 Commissioner and the Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, or any other substance or a combination of any of said substances, whether produced from the Unitized Formation or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. This agreement is and shall be subject to the conservation laws of the State of New Mexico, to the valid rules, regulations and orders of the Commissioner and the Commission and to all other applicable federal, state and municipal laws, rules, regulations and orders. The parties hereto, subject to prior rights, if any, grant to Unit Operator the use of brine or water or both from any formation in and under the Unit Area for injection into the Unitized Formation.

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

The Unit Operator shall commence secondary recovery operations on the Unit Area within a reasonable time after the effective date of this agreement, or any extension thereof approved by the Commissioner, and shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

After commencement of secondary operations, Unit Operator shall furnish the Commissioner monthly injection and production reports for each

well in the Unit Area. The Working Interest Owners and the Commissioner shall be furnished periodic reports on the progress of the plan of operation and any revisions or changes thereto necessary to meet changed conditions or to protect the interests of all parties to this agreement; provided, however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners and the Commissioner.

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

(a) Phase I:

During the period from 7:00 A.M., M.S.T., on the effective date of this agreement and continuing in effect until 7:00 A.M., M.S.T., on the first day of the calendar month next following the month in which the total quantity of oil produced from the Unitized Formation underlying the Unit Area from 7:00 A.M., M.S.T., April 1, 1963, equals 314,747 barrels of oil (as determined by the Commission's monthly reports, Form C-115), Phase I Tract Participation for each Tract is and, subject to the other provisions of this agreement, shall be based upon the following formula:

Tract Percentage Participation (Phase I) =

$$50 \times \frac{A}{B} + 50 \times \frac{C}{D}$$

Symbols used have the following meanings:

A = Total quantity of oil produced from the Unitized Formation underlying each such Tract during the period from 7:00 A.M., M.S.T., January 1, 1963, to 7:00 A.M., M.S.T., April 1, 1963;

B = Total quantity of oil produced from the Unitized Formation underlying all such Tracts during the period from 7:00 A.M., M.S.T., January 1, 1963, to 7:00 A.M., M.S.T., April 1, 1963;

C = Total quantity of oil remaining in the Unitized Formation underlying each such Tract and recoverable therefrom by primary recovery operations on and after 7:00 A.M., M.S.T., April 1, 1963; and

D = Total quantity of oil remaining in the Unitized Formation underlying all such Tracts and recoverable therefrom by primary recovery operations on and after 7:00 A.M., M.S.T., April 1, 1963.

(b) Phase II:

Beginning at 7:00 A.M., M.S.T., on the first day of the calendar month next following the month in which the total quantity of oil produced from the Unitized Formation underlying the Unit Area from 7:00 A.M., M.S.T., April 1, 1963, equals 314,747 barrels of oil (as determined by the Commission's monthly reports, Form C-115), Phase II Tract Participation for each Tract is and, subject to the other provisions of this agreement, shall be based upon the following formula:

Tract Percentage Participation (Phase II) =

$$100 \times \frac{E}{F}$$

Symbols used have the following meanings:

E = Total quantity of oil recoverable from the Unitized Formation underlying each such Tract by primary recovery operations; and

F = Total quantity of oil recoverable from the Unitized Formation underlying all such Tracts by primary recovery operations.

It is understood and agreed that the above quantities of oil used in the calculation of the Tract Percentage Participations for Phase I and Phase II are as determined by the Skelly Penrose "B" Unit Engineering Report dated November 8, 1963, and which by execution hereof are accepted as true and correct by each subscribing Working Interest Owner.

If less than all Tracts within the Unit Area are committed as of the effective date of this agreement, Unit Operator, as soon as practicable thereafter, shall file with the Commissioner schedules of committed Tracts as of said effective date, which said schedules shall be designated "Revised Exhibit A",

"Revised Exhibit B", "Revised Exhibit C-1", and "Revised Exhibit C-2" and shall be considered for all purposes as a part of this agreement. Such revised Exhibits C-1 and C-2 shall set forth opposite each such committed Tract the revised Tract Participation therefor (which shall be calculated by using the same Tract factors and formula which were used to arrive at the Tract Participation of each Tract as set out in Exhibits C-1 and C-2 attached hereto, but applying the same only to the committed Tracts; it being expressly understood and agreed that the 314,747 barrels of oil hereinabove set out to limit the effective period of Phase I Tract Percentage Participations shall be reduced by the number of barrels of remaining primary oil-- as indicated by said Unit Engineering Report--underlying all Tracts not committed as of said effective date). Such revised exhibits, unless disapproved by the Commissioner within 30 days after filing, shall supersede, effective as of the effective date hereof, the Tract Participations set forth in Exhibits C-1 and C-2 attached hereto until a further revision or revisions thereof is approved by the Commissioner. The Tract Participations shown on Exhibits C-1 and C-2 attached hereto, or as may be shown on the revised Exhibits C-1 and C-2 as above provided, shall govern the allocation of Unitized Substances on and after the effective date of this Unit Agreement as set forth in Section 14 hereof, and until the allocation schedule is revised pursuant to this agreement and the revised Tract Participations are approved by the Commissioner.

13. TRACTS QUALIFIED FOR PARTICIPATION. On and after the effective date hereof, and until the enlargement thereof, the Unit Area shall be composed of the Tracts listed in Exhibit B which corner or have a common boundary (Tracts separated only by a public highway or a railroad right of way shall be considered to have a common boundary), and that otherwise qualify as follows:

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

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

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

(ii) Eighty percent (80%) of the combined voting interests of Working Interest Owners in all Tracts meeting the requirements of paragraph (a) hereof have voted in favor of qualifying such Tract.

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

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

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

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

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

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) shall be apportioned among and allocated to the committed Tracts in accordance with the respective Tract Participations effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibits C-1 and C-2. The amount of Unitized Substances so allocated to each committed 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 such 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 Tract, or in the proceeds thereof, had this agreement not been entered into, and with the same legal force and effect. It is hereby agreed that production of Unitized Substances from any such committed Tract shall be allocated as provided herein regardless of whether oil or gas is being produced from any particular Tract committed hereto. If the Working Interests or the Royalty Interests in any Tract are divided with respect to separate parcels or portions of such Tract and owned severally by different persons, the Tract Participation of such Tract shall, in the absence of a recordable instrument among all owners fixing the division of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

Each Working Interest Owner shall take in kind its share of each Unitized Substance excluding the Unitized Substances used by Unit Operator under this section or unavoidably lost. In the event any party hereto shall fail to take in kind or to separately dispose of its share of Unitized Substances when and if produced, Unit Operator (or any Working Interest Owner if Unit Operator fails to exercise the right) shall have the right to sell or to purchase the same on a day-to-day basis at the prevailing market price in the area, if obtainable; otherwise, at that price which is both obtainable and reasonable and the account of such party shall be credited therewith as having received same. Any cost incurred by Unit Operator in making any such sale shall be borne by the party whose share is sold. Any such sale or purchase by Unit Operator or any Working Interest Owner, as the case may be, shall be subject always to the right of the owner of such Unitized Substances to exercise at any time the right to take in kind or to separately dispose of its share of

production not previously delivered to a purchaser pursuant hereto.

Unit Operator shall not make a sale or delivery of any Working Interest Owner's gas into interstate commerce until it has given such Working Interest Owner 60 days advance written notice of such intended sale or delivery.

15. **BALANCING OF PRODUCTION.** Unit Operator shall make a proper and timely gauge of all lease and other tanks located on each committed Tract in order to ascertain the amount of merchantable oil in such tanks, above the pipe line connections, as of 7:00 A.M. on the effective date hereof. All Unitized Substances which are a part of the prior allowable of the well or wells from which the same were produced shall be and remain the property of the Working Interest Owners entitled thereto as if the Unit had not been formed and such Working Interest Owners shall promptly remove same. Any such Unitized Substances not so removed may be sold by the Unit Operator for the account of such Working Interest Owners, subject to the payment of all royalty to Royalty Owners under the terms and provisions of the applicable lease or leases and other contracts. All such Unitized Substances which are in excess of the prior allowable of the well or wells from which the same were produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof. If, as of the effective date hereof, any Tract is overproduced with respect to the allowable of the well or wells on that Tract and the amount of such over-production has been sold or otherwise disposed of, such over-production shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof and the amount thereof charged to such Tract as having been delivered to the persons entitled to Unitized Substances allocated to such Tract.

16. **ROYALTY SETTLEMENT.** The State of New Mexico and all Royalty Owners who, under existing contracts, are entitled to take in kind a share of the Unitized Substances produced from any committed Tract, shall hereafter be entitled to take in kind their share of the Unitized Substances allocated to such Tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts,

laws and regulations. Settlement for Royalty Interests not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations; 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 royalties due under their leases except that royalties due on Unitized Substances shall be computed in accordance with the terms of this agreement.

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

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

17. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted so as to provide for the most economical and efficient recovery of such substances to prevent waste as defined by State laws or regulations.

18. DRAINAGE. Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from the committed Tracts

by wells on land not subject to this agreement.

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 Unitized Substances in and under the Unit Area 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 Commissioner as to State leases shall by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and 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 committed to this agreement, regardless of whether there is any development of any particular Tract or part thereof, 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 and producing operations performed hereunder upon any Tract will be accepted and deemed to be performed upon and for the benefit of each and every Tract, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on the Unit Area pursuant to direction or consent of the Commissioner shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every Tract.

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for Unitized Substances, 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, as to the land committed so long as such lease remains subject hereto.

7

(e) 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 as to the 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), if Unitized Substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or 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 therein, any such lease shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of Unitized Substances, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as Unitized Substances are produced in paying quantities from any portion of said lands.

20. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interests 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, photostatic or certified copy of the instrument of transfer; and no assignment or transfer of any Royalty Interest 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, photostatic or certified copy of the instrument of transfer.

21. EFFECTIVE DATE AND TERM. This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 o'clock A.M. of the first day of the calendar month next following:

(a) The execution or ratification of this agreement and the Unit Operating Agreement by Working Interest Owners owning a combined Phase II Unit Participation of at least eighty percent (80%), and the execution or ratification of this agreement by Royalty Owners owning a combined interest of at least sixty-five percent (65%) of the Royalty Interest in the Unit Area, calculated on the basis of Phase II Tract Participations; and

(b) The approval of this agreement by the Commissioner and the Commission; and

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

Provided, further, that if (a), (b) and (c) above are not accomplished on or before July 1, 1965, this agreement shall ipso facto terminate on said date (hereinafter called "termination date") and thereafter be of no further force or effect, unless prior thereto this agreement has been executed or ratified by Working Interest Owners owning a combined Phase II Unit Participation of at least seventy percent (70%) and the Working Interest Owners owning a combined Phase II Unit Participation of at least eighty percent (80%) of those Working Interests which are committed to this agreement have decided to extend said termination date for a period not to exceed one year (hereinafter called "extended termination date"). If said termination date is so extended and (a), (b) and (c) are not accomplished on or before said extended termination date, this agreement shall ipso facto terminate on said extended termination date and thereafter be of no further force and effect.

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

The term of this agreement shall be for and during the time that Unitized Substances are produced in paying quantities from the Unit Area and so long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than 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 by Working Interest Owners owning seventy-five percent (75%) Unit Participation whenever such Working Interest Owners determine that Unit operations are no longer profitable.

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 just as if this agreement had never been entered into.

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.

22. 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 may have furnished in writing to party sending the notice, demand or statement.

23. 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 of New Mexico, or of the United States 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.

24. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or to produce Unitized Substances from any of the lands subject to 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 agencies, unavoidable accidents, 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.

25. LOSS OF TITLE. If any Tract ceases to have sufficient Working Interest or Royalty Interest committed to this agreement to meet the conditions of Section 13 because of failure of title to any party hereto, such Tract shall be regarded as not committed hereto as of 7:00 A.M. on the first day of the calendar month in which such failure of title is finally determined; provided, however, that no such Tract shall be so regarded if same can be requalified under said Section 13 within 90 days after the date on which such title failure was finally determined. If any such Tract cannot be so requalified, Unit Operator shall recompute the Tract Participation of each Tract remaining subject to this agreement so that such Tract Participations shall remain in the same ratio one to another. Thereafter, Unit Operator shall revise Exhibits A, B, C-1 and C-2 conformably with such recomputation. Each such revised exhibit shall be effective at 7:00 A.M. on the first day of the calendar month in which such failure of title is finally determined.

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

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

26. NONJOINER AND SUBSEQUENT JOINER. Any oil or gas interest within the Unit Area not committed hereto prior to the effective date of this agreement may thereafter be committed, upon compliance with the applicable provisions of this Section 26 and of Section 13 (TRACTS QUALIFIED FOR PARTICIPATION) by the owner or owners thereof subscribing or consenting to this agreement and, if such uncommitted interest is a working interest, by the owner of such interest also subscribing to the Unit Operating Agreement.

Such right of joinder subsequent to the effective date hereof shall be subject to such requirements or approvals and shall be upon such terms and conditions as may be agreed to by at least sixty percent (60%) of the then Voting Interests of the Working Interest Owners, and approval by the Commissioner, with appropriate revisions of Exhibits A, B, C-1 and C-2, effective as of 7:00 A.M. on the first day of the calendar month next following such agreement by the Working Interest Owners.

After the effective date of this agreement, joinder by a non-working interest owner must be consented to in writing by the Working Interest Owners committed hereto and responsible for the payment of any benefits which may accrue hereunder in behalf of such non-working interest.

27. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or it 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 such 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.

28. TAXES. The Working Interest Owners shall render and pay for their account and the account of the Royalty Owners all valid taxes on or

measured by the Unitized Substances in and under or that may be produced, gathered and sold from the land subject to this agreement after the effective date of this agreement, or upon the proceeds or net proceeds derived therefrom. The Working Interest Owners in each Tract may charge the proper proportion of said taxes to the Royalty Owners having interests in said Tract, and may currently retain and deduct sufficient of the Unitized Substances or derivative products, or net proceeds thereof, from the allocated share of each Royalty Owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

In order to avoid title failures which might incidentally cause the title to a Working Interest or Royalty Interest to fail, the owners of (1) the surface rights to each committed Tract, (2) severed mineral or royalty interest in said Tracts and (3) improvements located on said Tracts not utilized for Unit operations shall individually be responsible for the rendition and assessment, for ad valorem tax purposes, of all such property, and for the payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner or Owners. If any ad valorem taxes are not paid by such owner responsible therefor when due, Unit Operator may, at any time prior to tax sale, pay the same, redeem such property and discharge such tax liens as may arise through non-payment. In the event Unit Operator makes any such payment or redeems any such property from tax sale, Unit Operator shall be reimbursed therefor by the Working Interest Owners in proportion to their respective Unit Participations then in effect, and Unit Operator shall withhold from any proceeds derived from the sale of Unitized Substances otherwise due to said delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholding to be distributed among the Working Interest Owners in proportion to their respective contributions toward such payment or redemption. Such withholding shall be without prejudice to any other remedy, either at law or in equity, which may be available for exercise by

the Unit Operator or by the Working Interest Owners.

29. 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.

30. BORDER AGREEMENTS. Subject to the approval of the Commissioner, and with the concurrence of Working Interest Owners owning at least sixty percent (60%) Phase II Unit Participation, Unit Operator may enter into a border-protection agreement or agreements with the working interest owners of lands adjacent to the committed Tracts with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

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

ATTEST:

Assistant Secretary

Date of Signature:

UNIT OPERATOR AND WORKING INTEREST OWNER

SKELLY OIL COMPANY

Appvd. as to
form: [Signature]

By _____
Vice President

P. O. Box 1650
Tulsa, Oklahoma

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date of Signature:

AMERADA PETROLEUM CORPORATION

By _____

Address

ATTEST:

Secretary

Date of Signature:

THE ATLANTIC REFINING COMPANY

By _____

Address

ATTEST:

Secretary

Date of Signature:

CONTINENTAL OIL COMPANY

By _____

Address

ATTEST:

Secretary

Date of Signature:

GULF OIL CORPORATION

By _____

Address

ATTEST:

Secretary

Date of Signature:

HUMBLE OIL AND REFINING COMPANY

By _____

Address

ATTEST:

Secretary

Date of Signature:

PAN AMERICAN PETROLEUM CORPORATION

By _____

Address

ATTEST:

Secretary

Date of Signature:

SINCLAIR OIL AND GAS COMPANY

By _____

Address

ATTEST:

Secretary

Date of Signature:

THE STANDARD OIL COMPANY OF TEXAS

By _____

Address

ATTEST:

Secretary

Date of Signature:

SUN OIL COMPANY

By _____

Address

ATTEST:

Secretary

Date of Signature:

TIDEWATER OIL COMPANY

By _____

Address

ATTEST:

Secretary

Date of Signature:

TEXAS PACIFIC OIL COMPANY

By _____

Address

ATTEST:

Secretary

Date of Signature:

By _____

Address

ATTEST:

Secretary

Date of Signature:

By _____

Address

ATTEST:

Secretary

Date of Signature:

By _____

Address

ROYALTY OWNERS

Date of Signature:

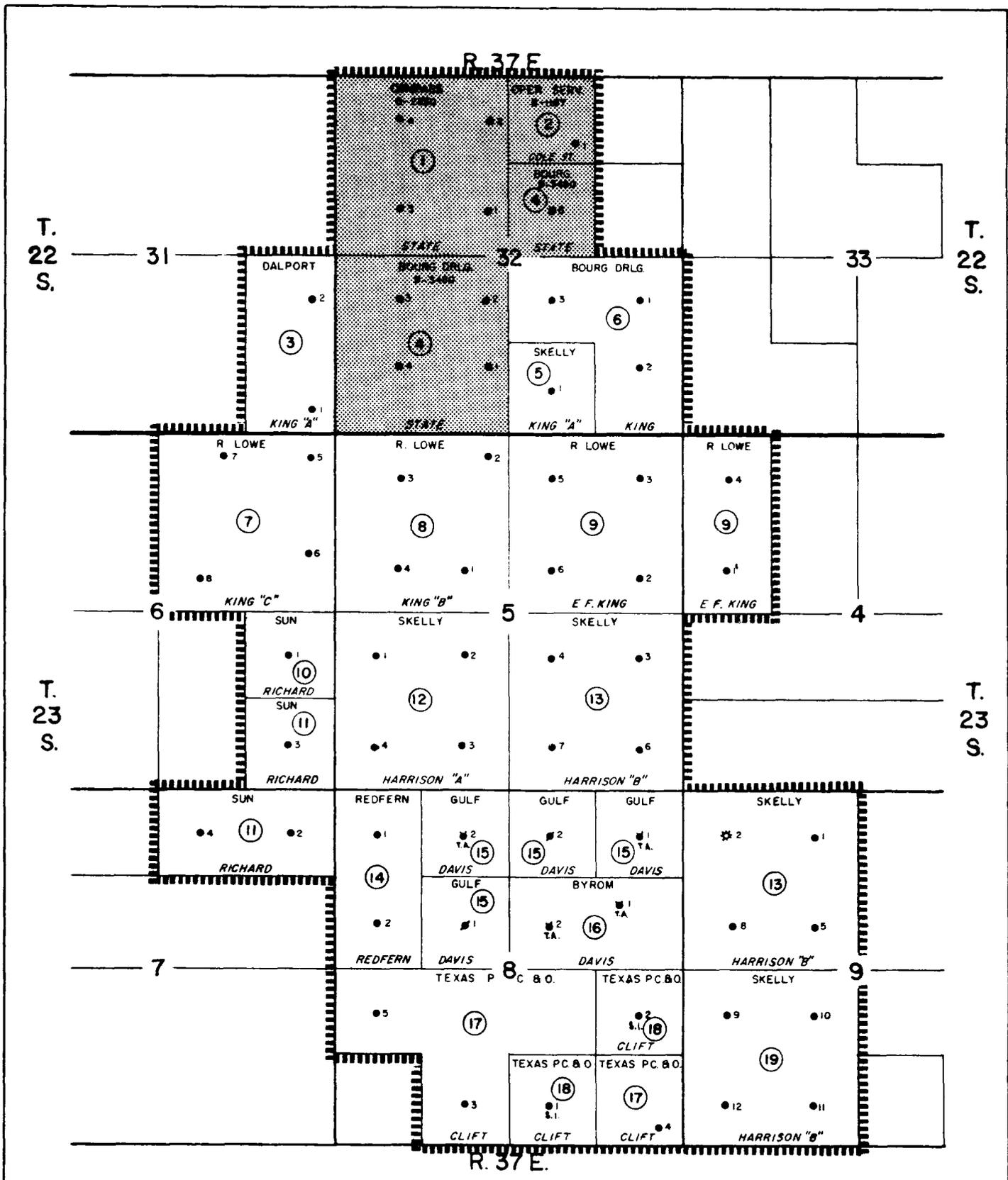
Address

Date of Signature:

Address

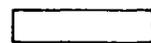
Date of Signature:

Address



**SKELLY PENROSE "B" UNIT
LEA COUNTY, NEW MEXICO
EXHIBIT "A"**

LEGEND

-  UNIT AREA
-  TRACT NUMBER
-  FEE LANDS
-  STATE LANDS

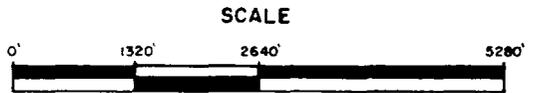


EXHIBIT "B"
**SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF ALL LANDS WITHIN
 THE SKELLY PENROSE "B" UNIT, TOWNSHIPS 22 AND 23 SOUTH, RANGE 37 EAST, LEA COUNTY, NEW MEXICO**

TRACT NO.	DESCRIPTION	NO. OF ACRES	SERIAL NO. & DATE OF LEASE OR APPLICATION	BASIC		LESSEE OF RECORD	OVERRIDING		WORKING	
				ROYALTY & PERCENTAGE	STATE LANDS		ROYALTY & PERCENTAGE	INTEREST & PERCENTAGE		
1	<u>T22S-R37E</u> Sec. 32; NW/4	160	B-2330	State of New Mexico	Compass Exploration Company	Tidewater Oil Company	Compass Exploration, Inc.	75.00000%		
			1-2-34	Mexico	Tidewater Oil Company	Union Bank for Account of	25.00000%			
			H.B.P.			Compass Exploration, Inc.				
2	<u>T22S-R37E</u> Sec. 32; NW/4 NE/4	40	B-1167	State of New Mexico	Milner Oil Company	Shell Canadian Exploration Company	Reese L. Milner, d/b/a			
			9-15-32	Mexico		Milner Oil Company	50.00000%			
			H.B.P.			Edwin Janss, Jr., and				
							William C. Janss	50.00000%		
4	<u>T22S-R37E</u> Sec. 32; SW/4; SW/4 NE/4	200	B-3480	State of New Mexico	Gulf Oil Corporation	None	Bourg Drilling Company			
			12-13-34	Mexico			100.00000%			
			H.B.P.							

Three (3) State of New Mexico Tracts Containing 400 Acres or 15.31% of Unit Area

TRACT NO.	DESCRIPTION	NO. OF ACRES	SERIAL NO. & DATE OF LEASE OR APPLICATION	BASIC ROYALTY & PERCENTAGE		LESSEE OF RECORD	OVERRIDING ROYALTY & PERCENTAGE		WORKING INTEREST & PERCENTAGE
				FEE LANDS					
3	T22S-R37E Sec. 31; E/2 SE/4	80							
			5-12-50	Junia W. Brown		Dalport Oil Corporation	None		Dalport Oil Corporation
			5-17-50	1.4662%					59.28450%
			5-22-50	George H. Coates					Stinclair Oil & Gas Company
			8-14-50	3.8017%					12.73890%
			8-17-50	Marie Devoss					Leonard Oil Company
			9-1-50	1.5625%					12.50000%
			10-23-50	Edward Galt					The Fluor Corp., Ltd.
				H.B.P.					4.77707%
				Investors Royalty Company, Inc.					George H. Coates
				0.1488%					5.00000%
				Maybell K. Stewart					Oil Finders, Inc.
				1.5625%					3.12500%
				W. L. Todd, Jr.					Gordon M. Cone
				0.2762%					0.94865%
				J. P. Carson					Roy G. Barton
				6.2500%					0.94865%
				Evelyn Burress					Howell Spear
				1.5924%					0.63244%
				Estate of Justias L. Gray					E. D. White
				0.0112%					0.04479%
				V. H. Osborne					
				0.2985%					
				Mamie Helen Hancock					
				0.1493%					
				Kenneth M. Hancock					
				0.1493%					
				C. A. Russell					
				0.2986%					
				E. D. White					
				0.0056%					
				The Fluor Corp., Ltd.					
				0.5971%					
				Oil Finders, Inc.					
				0.3906%					

TRACT NO. DESCRIPTION NO. OF ACRES SERIAL NO. & DATE OF LEASE OR APPLICATION BASIC ROYALTY & PERCENTAGE LESSEE OF RECORD OVERRIDING ROYALTY & PERCENTAGE WORKING INTEREST & PERCENTAGE

FREE LANDS, Continued

Gordon M. Cone
0.1186%
Roy G. Barton
0.1186%
Howell Spear
0.0791%
Leonard Oil Company
1.5625%

5 T22S-R37E
Sec. 32; SW/4 SE/4 40 4-1-26 H.B.P. J. P. Carson 3.1250% Skelly Oil Company None Skelly Oil Company 100.00000%

Hubert E. Clift Estate
0.7813%
Gordon Holcomb
1.5625%
Bertha L. King
3.1250%
Ralph W. Lefwich Estate
0.3906%
Lorraine B. Lefwich Estate
0.3906%
The Fluor Corp., Ltd.
1.5625%
W. R. Upham
1.5625%

6 T22S-R37E
Sec. 32; E/2 SE/4; NW/4 SE/4 120 4-1-26 H.B.P. J. P. Carson 3.1250% Bourg Drilling Company None Bourg Drilling Company 2.50000%

Gordon Holcomb
1.5625%
Bertha L. King
3.1250%
Skelly Oil Company
25.00000%
J. P. Carson
25.00000%

TRACT NO. DESCRIPTION SERIAL NO. & DATE OF LEASE OR APPLICATION BASIC ROYALTY & PERCENTAGE LESSOR OF RECORD OVERRIDING ROYALTY & PERCENTAGE WORKING INTEREST & PERCENTAGE

FREE LANDS, Continued

Robert W. & Ethel
B. Kellough
0.7552%

George W. Moffitt, Jr.
0.0260%

8 T23S-R37E
Sec. 5; NW/4

160

The Fluor Corp., Ralph Lowe
Ltd.

None

Ralph Lowe

62.50000%

R. S. Brennand, Jr.

37.50000%

6-12-57
6-24-57
6-30-57
7-18-57
7-23-57
9-8-57
9-20-57
10-14-57
1-24-58
2-21-58
H.B.P.

4.6875%
Roster Petroleum Corporation
1.5625%
Cities Service Oil Company
3.1250%
Union Producing Company
1.1719%
Anderson-Pritchard Oil Corporation
4.6875%
John K. Cleary
0.7812%
Argo Oil Corporation
1.6602%
Bradley Producing Corporation
0.2930%
Robert W. & Ethel B. Kellough
0.7552%
George W. Moffitt, Jr.
0.0260%

TRACT NO.	DESCRIPTION	NO. OF ACRES	SERIAL NO. & DATE OF LEASE OR APPLICATION	BASIC		LESSOR OF RECORD	OVERRIDE		WORKING INTEREST & PERCENTAGE					
				ROYALTY & PERCENTAGE	PERCENTAGE		ROYALTY & PERCENTAGE	PERCENTAGE						
<u>FEE LANDS, Continued</u>														
9	<u>T23S-R37E</u> Sec. 5; NE/4 Sec. 4; W/2 NW/4	252.16	11-1-48 H.B.P.	Mission Corporation	2.6351%	Ralph Lowe	None	Ralph Lowe	37.60138%					
				Emery F. King	3.7500%		R. S. Brennand, Jr.	37.60138%						
				Dollie Ruth Neal			Mission Corporation	14.05399%						
				Ballenger	0.4392%		T. J. Brown, Executor							
				Roxie Neal	0.4391%		of R. Dechlechs Estate	10.74325%						
				Ralph Lowe	7.5000%									
				Leon Geddis										
				Byerley, Jr.	2.2298%									
				Carl R. Pfluger	1.3176%									
				Helen Schneeman Strauss	0.1098%									
				Maggie Neal	0.3294%									
				<u>T23S-R37E</u>										
				10	Sec. 6; NE/4 SE/4		40	6-5-26 H.B.P.	Amerada Petroleum Corporation	3.1250%	Sun Oil Company	None	Sun Oil Company	100.00000%
									Hubert R. Cliffe Estate	0.7812%				
									Ben F. Harrison	1.5625%				
P. H. Golden	4.6875%													
Vivian H. Jones	0.1953%													
J. D. Jones	0.0977%													

TRACT NO. DESCRIPTION NO. OF ACRES SERIAL NO. & DATE OF LEASE OR APPLICATION BASIC ROYALTY & PERCENTAGE LESSEE OF RECORD OVERRIDING ROYALTY & PERCENTAGE WORKING INTEREST & PERCENTAGE

FREE LANDS, Continued

11 T23S-R37E
 Sec. 6; SE/4 SE/4
 Sec. 7; N/2 N/2
 120 6-5-26
 H.B.P.
 Amerada Petroleum Corporation
 3.1250%
 Hubert E. Clift Estate
 0.7812%
 Ben F. Harrison
 1.5625%
 J. D. Jones
 0.1954%
 Vivian H. Jones
 0.1953%
 Lorraine B. Leftwich Estate
 0.3906%
 Ralph W. Leftwich Estate
 0.3906%
 Roma Jean Henson
 1.1719%
 Nolan E. Whitlow
 0.0977%

11 T23S-R37E
 Sec. 6; SE/4 SE/4
 Sec. 7; N/2 N/2
 120 6-5-26
 H.B.P.
 Amerada Petroleum Corporation
 3.1250%
 Hubert E. Clift Estate
 0.7812%
 Ben F. Harrison
 1.5625%
 J. D. Jones
 0.1954%
 Vivian H. Jones
 0.1953%
 Lorraine B. Leftwich Estate
 0.3906%
 Ralph W. Leftwich Estate
 0.3906%
 Roma Jean Henson
 5.8594%

12 T23S-R37E
 Sec. 5; SW/4
 160 4-1-26
 H.B.P.
 Ben F. Harrison
 6.2500%
 Amerada Petroleum Corporation
 6.2500%

12 T23S-R37E
 Sec. 5; SW/4
 160 4-1-26
 H.B.P.
 Ben F. Harrison
 6.2500%
 Amerada Petroleum Corporation
 6.2500%

Sun Oil Company
 100.00000%

Skelly Oil Company
 69.51000%
 Gulf Oil Corporation
 8.19000%

TRACT NO.	DESCRIPTION	NO. OF ACRES	SERIAL NO. & DATE OF LEASE OR APPLICATION	BASIC ROYALTY & PERCENTAGE	LESSOR OF RECORD	OVERRIDING ROYALTY & PERCENTAGE	WORKING INTEREST & PERCENTAGE
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FEE LANDS, Continued

							Humble Oil & Refining Company 6.26000% Sun Oil Company 3.14000% Continental Oil Company 2.83250% Standard Oil Company of Texas 2.83250% The Atlantic Refining Company 2.83250% Pan American Petroleum Corporation 2.83250% Tidewater Oil Company 1.57000%
13	<u>T23S-R37E</u> Sec. 5; SE/4 Sec. 9; NW/4	320	4-1-26 H.B.P.	Ben F. Harrison 6.2500% Amerada Petroleum Corporation 6.2500%	Skelly Oil Company	None	Skelly Oil Company 100.00000%

14	<u>T23S-R37E</u> Sec. 8; W/2 NW/4	80	6-24-55 5-20-57 6-12-57 6-18-57 6-28-57 7-2-57 H.B.P.	Robert M. Adams 0.0977% J. M. Armstrong 1.5625% Roy G. Barton 1.2784% Hugh Corrigan III 0.3906% J. Patrick Corrigan 0.3906% Rosalind Redfern 0.7812%	Henry Black Drilling Company	J. Hiram Moore 1.5625%	Henry Black Drilling Company 16.81386% Redfern Development 34.78261% Valley Royalty Corporation 16.81386% Roy G. Barton 17.39130% Mildred Dechichls 8.82728%
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TRACT NO. DESCRIPTION NO. OF ACRES SERIAL NO. & DATE OF LEASE OR APPLICATION BASIC ROYALTY & PERCENTAGE LESSOR OF RECORD OVERRIDING ROYALTY & PERCENTAGE WORKING INTEREST & PERCENTAGE

FEE LANDS, Continued

John J. Redfern, Jr.
11.7188%
B. T. Gale
0.3906%
Account of Grace D. Gale
0.3906%
Paul S. Ache, Jr.
0.2930%
Edith Deal Ache
0.3906%
Hubert E. Clift
Estate
0.3906%
Lorraine B. Lettwich
Estate
0.1953%
Ralph W. Lettwich
Estate
0.1953%
Elmer H. Walker
0.7813%
Mrs. Marvin Walker
0.7812%

T. J. Brown
1.12092%
W. C. Hubbard
2.98913%
Ellen Dechlechts Pittman
1.26104%

Amerada Petroleum Gulf Oil Corporation
4.1667%
J. M. Armstrong
0.7813%
Ralph Lowe
1.0417%
Flora B. Davis
2.3437%

Gulf Oil Corporation
100.00000%

15 T23S-R37E
Sec. 8; E/2 NW/4;
N/2 NE/4

160 3-20-32
H. B. P.

Amerada Petroleum Gulf Oil Corporation
4.1667%
J. M. Armstrong
0.7813%
Ralph Lowe
1.0417%
Flora B. Davis
2.3437%

Gulf Oil Corporation
100.00000%

First Trust Company of
St. Paul for B. T. Gale
0.1953%

<u>TRACT NO.</u>	<u>DESCRIPTION</u>	<u>NO. OF ACRES</u>	<u>SERIAL NO. & DATE OF LEASE OR APPLICATION</u>	<u>BASIC ROYALTY & PERCENTAGE</u>	<u>LESSEE OF RECORD</u>	<u>OVERRIDING ROYALTY & PERCENTAGE</u>	<u>WORKING INTEREST & PERCENTAGE</u>
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FEE LANDS, Continued

	First Trust Company of St. Paul for Grace D. Gale			0.1953%			
	Mission Corporation			1.0417%			
	Robert M. Adams Company			0.0488%			
	Paul S. Ache, Jr.			0.1465%			
	Hugh Corrigan III			0.1953%			
	J. Patrick Corrigan			0.1953%			
	Edith Deal Ache			0.1953%			
	Marion A. Walker, Guardian of Person & Estate of Frances E. Nixon			1.5625%			
	Hubert E. Clift Estate			0.1953%			
	San Angelo National Bank, Ancillary Executor, Estate Lorraine B. Leftwich			0.0976%			
	San Angelo National Bank, Trustee of Ralph W. Leftwich Estate			0.0977%			

T23S-R37E
Sec. 8; S/2 NE/4

80

6-14-56
H.B.P.

Amerada Petroleum W. K. Byrom
Corporation
4.1667%
J. M. Armstrong
0.7813%
Ralph Lowe
1.0417%

Gulf Oil
Corporation
12.5000%

W. K. Byrom
100.00000%

TRACT NO. DESCRIPTION
PER LANDS, Continued

SERIAL NO. & DATE OF LEASE OR APPLICATION
 NO. OF ACRES

BASIC ROYALTY & PERCENTAGE
 LESSOR OF RECORD

OVERRIDING ROYALTY & PERCENTAGE

WORKING INTEREST & PERCENTAGE

Flora B. Davls
 2.3437%
 First Trust Company of
 St. Paul for B. T. Gale
 0.1953%
 First Trust Company of
 St. Paul for Grace D. Gale
 0.1953%
 Mission Corporation
 1.0417%
 Robert M. Adams Company
 0.0488%
 Paul S. Ache, Jr.
 0.1465%
 Hugh Corrigan III
 0.1953%
 J. Patrick Corrigan
 0.1953%
 Edith Deal Ache
 0.1953%
 Marlon A. Walker, Guardian
 of Person & Estate of
 Frances E. Nixon
 1.5625%
 Hubert E. Cliff
 Estate
 0.1953%
 San Angelo National Bank,
 Ancillary Executor, Estate
 Lorraine B. Leftwich
 0.0976%
 San Angelo National Bank,
 Trustee of Ralph W. Leftwich
 Estate
 0.0977%

17 T23S-R37E
 Sec. 8; NW/4 SW/4;
 E/2 SW/4;
 NW/4 SE/4;
 SE/4 SE/4

200

7-6-36
 7-22-36
 7-24-36
 7-28-36

The Fluor Corp., Texas Pacific Oil
 Ltd. Company
 3.1250%

None

Texas Pacific Oil
 Company
 75.00000%

TRACT NO. DESCRIPTION SERIAL NO. & DATE OF LEASE OR APPLICATION BASIC ROYALTY & PERCENTAGE LESSOR OF RECORD OVERRIDING ROYALTY & PERCENTAGE WORKING INTEREST & PERCENTAGE

FEE LANDS, Continued

Lorraine B. Leftwich
Estate
1.0742%

Ralph W. Leftwich
Estate
1.0742%

May Woolworth
0.2966%

Elizabeth Woolworth
0.2315%

Mrs. J. E. Watkins
0.2532%

Jeanette C. Clift
1.0742%

Hubert E. Clift
Estate
1.0742%

Sinclair Oil & Gas
Company
2.0508%

19 T23S-R37E
Sec. 9; SW/4 160 4-1-26
H.B.P.

The Fluor Corp., Skelly Oil Company None Skelly Oil Company
Ltd. 100.00000%

3.1250%
Ben F. Harrison
3.1250%
Louis Gutman & Benjamin
Gutman, Executors of
Estate of Max Gutman
0.7422%
Tina Levine
0.3906%
Louis Gutman
0.7422%
The Chedbe Company
0.7422%

<u>TRACT NO.</u>	<u>DESCRIPTION</u>	<u>NO. OF ACRES</u>	<u>SERIAL NO. & DATE OF LEASE OR APPLICATION</u>	<u>BASIC ROYALTY & PERCENTAGE</u>	<u>LESSOR OF RECORD</u>	<u>OVERRIDING ROYALTY & PERCENTAGE</u>	<u>WORKING INTEREST & PERCENTAGE</u>
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FEE LANDS, Continued

Cities Service Oil Company
 3.1250%
 Carl R. Pfluger
 0.2539%
 Mission Corporation
 0.2539%

Sixteen (16) Fee Tracts Containing 2212.16 Acres or 84.69% of Unit Area

Skelly Penrose "B" Unit Area Total

3 State of New Mexico Tracts	400.00 Acres	15.31%
16 Fee Tracts	2212.16 Acres	84.69%
TOTAL	2612.16 Acres	100.00%

EXHIBIT "C-1" PART I
SCHEDULE OF TRACT PERCENTAGE PARTICIPATION
SKELLY PENROSE "B" UNIT
LEA COUNTY, NEW MEXICO

STATE LANDS

<u>TRACT NUMBER</u>	<u>DESCRIPTION</u>	<u>SERIAL NO. AND DATE OF LEASE OR APPLICATION</u>	<u>PHASE I PERCENT TRACT PARTICIPATION IN TRACT</u>
1	<u>T22S-R37E</u> Sec. 32; NW/4	B-2330 1-2-34 H.B.P.	8.09650
2	<u>T22S-R37E</u> Sec. 32; NW/4 NE/4	B-1167 9-15-32 H.B.P.	2.64504
4	<u>T22S-R37E</u> Sec. 32; SW/4; SW/4 NE/4	B-3480 12-13-34 H.B.P.	8.05044

FEE LANDS

3	<u>T22S-R37E</u> Sec. 31; E/2 SE/4	5-12-50 5-17-50 5-22-50 8-14-50 8-17-50 9-1-50 10-23-50 H.B.P.	4.47072
5	<u>T22S-R37E</u> Sec. 32; SW/4 SE/4	4-1-26 H.B.P.	0.06547
6	<u>T22S-R37E</u> Sec. 32; E/2 SE/4; NW/4 SE/4	4-1-26 H.B.P.	5.90585
7	<u>T23S-R37E</u> Sec. 6; NE/4	2-4-58 1-10-58 1-7-58 1-16-58 1-30-58 3-21-58 4-28-58 4-29-58 8-27-58 10-1-58 10-10-58 H.B.P.	8.74518

**EXHIBIT "C-1" PART I
FEE LANDS CONTINUED**

<u>TRACT NUMBER</u>	<u>DESCRIPTION</u>	<u>SERIAL NO. AND DATE OF LEASE OR APPLICATION</u>	<u>PHASE I PERCENT TRACT PARTICIPATION IN TRACT</u>
8	<u>T23S-R37E</u> Sec. 5; NW/4	6-12-57 6-24-57 6-30-57 7-18-57 7-23-57 9-8-57 9-20-57 10-14-57 1-24-58 2-21-58 H.B.P.	7.73776
9	<u>T23S-R37E</u> Sec. 5; NE/4 Sec. 4; W/2 NW/4	11-1-48 H.B.P.	11.44999
10	<u>T23S-R37E</u> Sec. 6; NE/4 SE/4	6-5-26 H.B.P.	0.87278
11	<u>T23S-R37E</u> Sec. 6; SE/4 SE/4 Sec. 7; N/2 N/2	6-5-26 H.B.P.	7.34929
12	<u>T23S-R37E</u> Sec. 5; SW/4	4-1-26 H.B.P.	6.38737
13	<u>T23S-R37E</u> Sec. 5; SE/4 Sec. 9; NW/4	4-1-26 H.B.P.	10.24350
14	<u>T23S-R37E</u> Sec. 8; W/2 NW/4	6-24-55 5-20-57 6-21-57 6-18-57 6-28-57 7-2-57 H.B.P.	6.84304
15	<u>T23S-R37E</u> Sec. 8; E/2 NW/4; N/2 NE/4	3-20-32 H.B.P.	0.50679
16	<u>T23S-R37E</u> Sec. 8; S/2 NE/4	6-14-56 H.B.P.	0.00000

**EXHIBIT "C-1" PART I
FEE LANDS CONTINUED**

<u>TRACT NUMBER</u>	<u>DESCRIPTION</u>	<u>SERIAL NO. AND DATE OF LEASE OR APPLICATION</u>	<u>PHASE I PERCENT TRACT PARTICIPATION IN TRACT</u>
17	<u>T238-R37E</u> Sec. 8; NW/4 SW/4; E/2 SW/4; NW/4 SE/4; SE/4 SE/4	7-6-36 7-22-36 7-24-36 7-28-36 11-23-36 7-1-46 10-28-47 H.B.P.	5.38482
18	<u>T238-R37E</u> Sec. 8; NE/4 SE/4; SW/4 SE/4	7-1-46 H.B.P.	0.00000
19	<u>T238-R37E</u> Sec. 9; SW/4	4-1-26 H.B.P.	<u>5.24546</u> 100.00000

EXHIBIT "C-1" PART II
SCHEDULE OF TRACT PERCENTAGE PARTICIPATION
SKELLY PENROSE "B" UNIT
LEA COUNTY, NEW MEXICO

<u>WORKING INTEREST OWNER</u>	<u>UNIT TRACT NUMBER</u>	<u>PHASE I PARTICIPATION IN UNIT</u>	<u>PHASE I PERCENT PARTICIPATION TOTAL</u>
Amerada Petroleum Corporation	17	1.34620	1.34620
The Atlantic Refining Company	12	0.18092	0.18092
Roy G. Barton	3 14	0.04241 1.19009	1.23250
Henry Black Drilling Company	14	1.15058	1.15058
Bourg Drilling Company	4 6	8.05044 0.14765	8.19809
R. S. Brennand, Jr.	7 8 9	3.27489 2.90166 4.30535	10.48190
T. J. Brown	14	0.07671	0.07671
T. J. Brown, Executor of R. Dechicchis Estate	9	1.23010	1.23010
W. K. Byrom	16	0.00000	0.00000
J. P. Carson	6	1.47646	1.47646
George H. Coates	3	0.22354	0.22354
Compass Exploration, Inc.	1	6.07238	6.07238
Gordon M. Cone	3	0.04241	0.04241
Continental Oil Company	12	0.18093	0.18093
Dalport Oil Corporation	3	2.65044	2.65044
Mildred Dechicchis	14	0.60405	0.60405
The Fluor Corporation, Ltd.	3	0.21357	0.21357
Gulf Oil Corporation	12 15	0.52313 0.50679	1.02992
Gordon Holcomb	6	0.73823	0.73823
W. C. Hubbard	14	0.20455	0.20455
Humble Oil and Refining Company	12	0.39985	0.39985
Edwin Janss, Jr., and Wm. C. Janss	2	1.32252	1.32252

EXHIBIT "C-1" PART II

<u>WORKING INTEREST OWNER</u>	<u>UNIT TRACT NUMBER</u>	<u>PHASE I PARTICIPATION IN UNIT</u>	<u>PHASE I PERCENT PARTICIPATION TOTAL</u>
Leonard Oil Company	3	0.55884	0.55884
Ralph Lowe	7	5.45814	14.59960
	8	4.83610	
	9	4.30536	
M.C.M., Account of Bourg Drilling Company	6	1.32882	1.32882
Reese L. Milner, d/b/a Milner Oil Company	2	1.32252	1.32252
Mission Corporation	9	1.60918	1.60918
George W. Moffitt, Jr.	7	0.01215	0.01215
Oil Finders, Inc.	3	0.13971	0.13971
Pan American Petroleum Corporation	12	0.18092	0.18092
Ellen Dechicchia Pittman	14	0.08629	0.08629
Redfern Development Company	14	2.38019	2.38019
Sinclair Oil and Gas Company	3	0.56952	0.56952
Skelly Oil Company	5	0.06547	21.47075
	6	1.47646	
	12	4.43986	
	13	10.24350	
	19	5.24546	
Howell Spear	3	0.02828	0.02828
Standard Oil Company of Texas	12	0.18092	0.18092
Sun Oil Company	10	0.87278	8.42263
	11	7.34929	
	12	0.20056	
Texas Pacific Oil Company	17	4.03862	4.03862
	18	0.00000	
Tidewater Oil Company	12	0.10028	0.10028
Union Bank for Account of Compass Exploration Company	1	2.02412	2.02412
W. R. Upham	6	0.73823	0.73823
Valley Royalty Corporation	14	1.15058	1.15058
E. D. White	3	0.00200	0.00200
		<u>100.00000</u>	<u>100.00000</u>

EXHIBIT "C-2" PART I
SCHEDULE OF TRACT PERCENTAGE PARTICIPATION
SKELLY PENROSE "B" UNIT
LEA COUNTY, NEW MEXICO

STATE LANDS

<u>TRACT NUMBER</u>	<u>DESCRIPTION</u>	<u>SERIAL NO. AND DATE OF LEASE OR APPLICATION</u>	<u>PHASE II PERCENT TRACT PARTICIPATION IN TRACT</u>
1	<u>T22S-R37E</u> Sec. 32; NW/4	B-2330 1-2-34 H.B.P.	5.08045
2	<u>T22S-R37E</u> Sec. 32; NW/4 NE/4	B-1167 9-15-32 H.B.P.	1.85123
4	<u>T22S-R37E</u> Sec. 32; SW/4; SW/4 NE/4	B-3480 12-13-34 H.B.P.	7.57198

FEE LANDS

3	<u>T22S-R37E</u> Sec. 31; E/2 SE/4	5-12-50 5-17-50 5-22-50 8-14-50 8-17-50 9-1-50 10-23-50 H.B.P.	2.86050
5	<u>T22S-R37E</u> Sec. 32; SW/4 SE/4	4-1-26 H.B.P.	1.59479
6	<u>T22S-R37E</u> Sec. 32; E/2 SE/4; NW/4 SE/4	4-1-26 H.B.P.	5.52713
7	<u>T23S-R37E</u> Sec. 6; NE/4	2-4-58 1-10-58 1-7-58 1-16-58 1-30-58 3-21-58 4-28-58 4-29-58 8-27-58 10-1-58 10-10-58 H.B.P.	6.73858

**EXHIBIT "C-2" PART I
FEE LANDS CONTINUED**

<u>TRACT NUMBER</u>	<u>DESCRIPTION</u>	<u>SERIAL NO. AND DATE OF LEASE OR APPLICATION</u>	<u>PHASE II PERCENT TRACT PARTICIPATION IN TRACT</u>
8	<u>T23S-R37E</u> Sec. 5; NW/4	6-12-57 6-24-57 6-30-57 7-18-57 7-23-57 9-8-57 9-20-57 10-14-57 1-24-58 2-21-58 H.B.P.	6.08838
9	<u>T23S-R37E</u> Sec. 5; NE/4 Sec. 4; W/2 NW/4	11-1-48 H.B.P.	13.60704
10	<u>T23S-R37E</u> Sec. 6; NE/4 SE/4	6-5-26 H.B.P.	2.17414
11	<u>T23S-R37E</u> Sec. 6; SE/4 SE/4 Sec. 7; N/2 N/2	6-5-26 H.B.P.	4.14780
12	<u>T23S-R37E</u> Sec. 5; SW/4	4-1-26 H.B.P.	13.08485
13	<u>T23S-R37E</u> Sec. 5; SE/4 Sec. 9; NW/4	4-1-26 H.B.P.	10.55356
14	<u>T23S-R37E</u> Sec. 8; W/2 NW/4	6-24-55 5-20-57 6-21-57 6-18-57 6-28-57 7-2-57 H.B.P.	4.37745
15	<u>T23S-R37E</u> Sec. 8; E/2 NW/4; N/2 NE/4	3-20-32 H.B.P.	7.12088
16	<u>T23S-R37E</u> Sec. 8; S/2 NE/4	6-14-56 H.B.P.	0.24462

**EXHIBIT "C-2" PART I
FEE LANDS CONTINUED**

<u>TRACT NUMBER</u>	<u>DESCRIPTION</u>	<u>SERIAL NO. AND DATE OF LEASE OF APPLICATION</u>	<u>PHASE II PERCENT TRACT PARTICIPATION IN TRACT</u>
17	<u>T23S-R37E</u> Sec. 8; NW/4 SW/4; E/2 SW/4; NW/4 SE/4; SE/4 SE/4	7-6-36 7-22-36 7-24-36 7-28-36 11-23-36 7-1-46 10-28-47 H.B.P.	2.75874
18	<u>T23S-R37E</u> Sec. 8; NE/4 SE/4; SW/4 SE/4	7-1-46 H.B.P.	0.55805
19	<u>T23S-R37E</u> Sec. 9; SW/4	4-1-26 H.B.P.	<u>4.05983</u> 100.00000

EXHIBIT "C-2" PART II
SCHEDULE OF TRACT PERCENTAGE PARTICIPATION
SKELLY PENROSE "B" UNIT
LEA COUNTY, NEW MEXICO

<u>WORKING INTEREST OWNER</u>	<u>UNIT TRACT NUMBER</u>	<u>PHASE II PARTICIPATION IN UNIT</u>	<u>PHASE II PERCENT PARTICIPATION TOTAL</u>
Amerada Petroleum Corporation	17	0.68968	0.68968
The Atlantic Refining Company	12	0.37063	0.37063
Roy G. Barton	3 14	0.02714 0.76130	0.78844
Henry Black Drilling Company	14	0.73602	0.73602
Bourg Drilling Company	4 6	7.57198 0.13818	7.71016
R. S. Brennand, Jr.	7 8 9	2.52346 2.28314 5.11643	9.92303
T. J. Brown	14	0.04907	0.04907
T. J. Brown, Executor of R. Dechicchis Estate	9	1.46184	1.46184
W. K. Byrom	16	0.24462	0.24462
J. P. Carson	6	1.38178	1.38178
George H. Coates	3	0.14302	0.14302
Compass Exploration, Inc.	1	3.81034	3.81034
Gordon M. Cone	3	0.02714	0.02714
Continental Oil Company	12	0.37063	0.37063
Dalport Oil Corporation	3	1.69583	1.69583
Mildred Dechicchis	14	0.38641	0.38641
The Fluor Corporation, Ltd.	3	0.13665	0.13665
Gulf Oil Corporation	12 15	1.07165 7.12088	8.19253
Gordon Holcomb	6	0.69089	0.69089
W. C. Hubbard	14	0.13085	0.13085
Humble Oil and Refining Company	12	0.81911	0.81911
Edwin Janss, Jr., and Wm. C. Janss	2	0.92561	0.92561

EXHIBIT "C-2" PART II

<u>WORKING INTEREST OWNER</u>	<u>UNIT TRACT NUMBER</u>	<u>PHASE II PARTICIPATION IN UNIT</u>	<u>PHASE II PERCENT PARTICIPATION TOTAL</u>
Leonard Oil Company	3	0.35756	0.35756
Ralph Lowe	7	4.20576	13.12744
	8	3.80524	
	9	5.11644	
M.C.M., Account of Bourg Drilling Company	6	1.24361	1.24361
Reese L. Milner, d/b/a Milner Oil Company	2	0.92562	0.92562
Mission Corporation	9	1.91233	1.91233
George W. Moffitt, Jr.	7	0.00936	0.00936
Oil Finders, Inc.	3	0.08939	0.08939
Pan American Petroleum Corporation	12	0.37063	0.37063
Ellen Dechicchis Pittman	14	0.05520	0.05520
Redfern Development Company	14	1.52259	1.52259
Sinclair Oil and Gas Company	3	0.36440	0.36440
Skelly Oil Company	5	1.59479	26.68524
	6	1.38178	
	12	9.09528	
	13	10.55356	
	19	4.05983	
Howell Spear	3	0.01809	0.01809
Standard Oil Company of Texas	12	0.37063	0.37063
Sun Oil Company	10	2.17414	6.73280
	11	4.14780	
	12	0.41086	
Texas Pacific Oil Company	17	2.06906	2.62711
	18	0.55805	
Tidewater Oil Company	12	0.20543	0.20543
Union Bank for Account of Compass Exploration Company	1	1.27011	1.27011
W. R. Upham	6	0.69089	0.69089
Valley Royalty Corporation	14	0.73601	0.73601
E. D. White	3	0.00128	0.00128
		<u>100.00000</u>	<u>100.00000</u>

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION

EXHIBIT NO. 3
CASE NO. 3257

SKELLY PENROSE "B" UNIT
LEA COUNTY, NEW MEXICO
SIGN-UP STATUS BY TRACTS AS OF MAY 26, 1965
(PERCENTAGES BASED ON PHASE II UNIT PARTICIPATION)

TRACT NO.	PHASE II TRACT FACTOR (PERCENT)	PERCENTAGE SIGNED		PERCENTAGE OF TOTAL UNIT		REMARKS
		WORKING INTEREST	ROYALTY	WORKING INTEREST	ROYALTY	
TRACT NO. 1	5.08045	100	100	5.08045	5.08045	State joinder assumed, based on preliminary approval.
TRACT NO. 2	1.85123	100	100	1.85123	1.85123	State joinder assumed, based on preliminary approval.
TRACT NO. 3	7.57198	100	69.56	7.57198	5.26707	Outstanding royalty is J. P. Carson who will sign Unit Agreement when working interest is assigned to Oscar Bourg.
TRACT NO. 4	2.86050	31.25	100	0.89391	2.86050	State joinder assumed. Outstanding working interest is Carson, Holcomb and Upham, and is being acquired by Oscar Bourg who intends to commit it when assignment has been made.
TRACT NO. 5	1.59479	100	43.75	1.59479	0.69772	Outstanding royalty is Carson, Holcomb and Upham who will ratify when working interest is acquired by Oscar Bourg.
TRACT NO. 6	5.52713	50	43.75	2.76357	2.41812	Outstanding working interest and royalty is Carson, Holcomb and Upham who have agreed to assign working interest to Oscar Bourg and sign royalty interest.
TRACT NO. 7	6.73858	100	100	6.73858	6.73858	-
TRACT NO. 8	6.08838	100	100	6.08838	6.08838	-
TRACT NO. 9	13.60704	100	100	13.60704	13.60704	-
TRACT NO. 10	2.17414	100	91.22	2.17414	1.98325	Outstanding royalty is a suspense account of Nolan E. Whitlow which is being worked out.

SKELLY PENROSE "B" UNIT
LEA COUNTY, NEW MEXICO
SIGN-UP STATUS BY TRACTS AS OF MAY 26, 1965
(PERCENTAGES BASED ON PHASE II UNIT PARTICIPATION)

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TRACT NO.	PHASE II TRACT FACTOR (PERCENT)	PERCENTAGE SIGNED		PERCENTAGE OF TOTAL UNIT		R E M A R K S
		WORKING INTEREST	ROYALTY	WORKING INTEREST	ROYALTY	
TRACT NO. 11	4.14780	100	100	4.14780	4.14780	-
TRACT NO. 12	13.08485	100	100	13.08485	13.08485	-
TRACT NO. 13	10.55356	100	100	10.55356	10.55356	-
TRACT NO. 14	4.37745	45.41	34.87	1.98780	1.52642	Outstanding working interest and royalty is held by John and Rosalind Redfern. They are expected to sign prior to the effective date.
TRACT NO. 15	7.12088	100	100	7.12088	7.12088	-
TRACT NO. 16	0.24462	100	100	0.24462	0.24462	-
TRACT NO. 17	2.75874	100	97.30	2.75874	2.68425	Outstanding royalty is suspense account of Clinton Harrison - address unknown.
TRACT NO. 18	0.55805	100	97.58	0.55805	0.54455	Outstanding royalty is suspense account of Clinton Harrison - address unknown.
TRACT NO. 19	4.05983	100	100	4.05983	4.05983	-
UNIT TOTAL as of May 26, 1965				92.88020	90.55910	
ANTICIPATED UNIT TOTAL as of July 1, 1965				100.00000	99.72112	