

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

THIS AGREEMENT, entered into as of the _____ day
of _____, 1967, by and between the parties subscrib-
ing, ratifying or consenting hereto, and herein sometimes
referred to as the "parties hereto,"

W I T N E S S E T H:

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

WHEREAS, the Commissioner of Public Lands of the
State of New Mexico is authorized by an Act of the Legisla-
ture (Chap. 7, Art. 11, Sec. 39, N.M. Statutes 1953 Annot.),
to consent to and approve the development and operation of
State lands under agreements made by lessees of State land
jointly or severally with other lessees where such agreements
provide for the unit operation or development of part of or
all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the
State of New Mexico is authorized by an Act of the Legisla-
ture (Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 Annot.) to
amend with the approval of lessee, evidenced by the lessee's
execution of such agreement or otherwise, 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 agreements
for the unit operation and development of part or all of any

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oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Art. 3, Chapter 65, Vol. 9, Part 2, 1953 Statutes Annot.) to approve this agreement and the conservation provisions hereof; and

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

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

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 20 South, Range 35 East, N.M.P.M.

Section 25 - SW $\frac{1}{2}$
Section 26 - All
Section 27 - E $\frac{1}{2}$
Section 35 - All
Section 36 - W $\frac{1}{2}$

containing 2,080 acres, more or less

Exhibit A attached hereto is a map showing the unit

area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator.

Exhibit "B" attached hereto is a schedule showing, to the extent known to the unit operator, the acreage, percentage and kind of ownership of oil and gas rights in all lands in the unit area. 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 on said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the unit operator whenever changes in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner."

All lands committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

2. UNITIZED SUBSTANCES: All oil, gas and associated hydrocarbon substances in any and all formations of the unitized lands, are unitized under the terms of this agreement and herein are called "unitized substances."

3. UNIT OPERATOR: American Trading and Production Corporation, whose address is Box 992, Midland, Texas, is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of unit operator for the

discovery, development and production of unitized substances as provided herein. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by him hereunder occurring prior to the effective date of his resignation.

Unit operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interest determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

The resignation or removal of the unit operator under this agreement shall not terminate its right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall

deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and 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.

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five per cent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. 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. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election may declare his unit agreement terminated.

6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in

conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interest in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Unit Operating Agreement." No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of the title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating

agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: The unit operator shall, on or before sixty days from the effective date hereof, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 14,700 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial test well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six (6) months from the time of the completion of the initial discovery well and within thirty (30) days after the expiration of each twelve-month period thereafter file a report with the Commissioner and the Commission of the status of the development of the unit area and the development contemplated for the following twelve-month period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development, this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N.M. Statutes 1953 Annotated) of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17 N.M. Statutes 1953 Annotated, and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells

which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of

determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING

ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free, as to dry gas but not as to the products extracted therefrom; provided, that

such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is now, or should hereafter be, burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and term of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the

unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect provided drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as may be provided in Section 9 hereof.

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 leases 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, if oil and gas, or either of them, are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease 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, the 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 oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area and are draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. 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, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the recorded instrument or transfer.

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which case this agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION: All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES: Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interested party shall also have the right at his own expense to appear and to participate in any such proceeding.

20. NOTICES: All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and sent by postpaid registered 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 the party sending the notice, demand or statement.

21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator despite the

exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, 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.

22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area. Any loss of title shall be borne by the working interest owners as may be provided in the unit operating agreement. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a

ratification hereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation; provided, however, after operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. A subsequent joinder shall be effective as of the first day of the month following the filing with and approval by the Commissioner of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

24. COUNTERPARTS: This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties or may be ratified or consented to by separate instruments 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 land within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

ATTEST: AMERICAN TRADING AND PRODUCTION CORPORATION

Secretary By _____

Date: _____ Address: _____

Unit Operator

WORKING INTEREST OWNERS

ATTEST: MARATHON OIL COMPANY

Secretary By _____

Date: _____ Address: _____

HUMBLE OIL & REFINING COMPANY

By _____

Date: _____

Address: _____

ATTEST: PHILLIPS PETROLEUM COMPANY

Secretary By _____

Date: _____ Address: _____

ATTEST: TEXAS CENTRAL OIL COMPANY

Secretary By _____

Date: _____ Address: _____

EXHIBIT "B"
SOUTHEAST LEA UNIT
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date	Basic Royalty	Lessee of Record	Overriding Royalty and Percentage	Working Interest & Percentage
State Lands, All in Township 20 South, Range 35 East, N.M.P.M.							
1	Sec. 35 - S $\frac{1}{2}$	320	OG-2286 3/18/68	State 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company - All
2	Sec. 25 - SW $\frac{1}{4}$	160	OG-3824 5/20/68	State 12 $\frac{1}{2}$ %	Humble Oil & Refining Company	None	Humble Oil & Refining Co. - All
3	Sec. 26 - S $\frac{1}{2}$	320	OG-3825 5/20/68	State 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company - All
4.	Sec. 26 - N $\frac{1}{2}$	320	OG-3826 5/20/68	State 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company - All
5	Sec. 35 - N $\frac{1}{2}$	320	OG-3827 5/20/68	State 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company - All
6	Sec. 36 - W $\frac{1}{2}$	320	OG-3955 6/17/68	State 12 $\frac{1}{2}$ %	Phillips Petroleum Company	None	Phillips Petroleum Company - All
7	Sec. 27 - E $\frac{1}{2}$	320	K-5219 8/17/75	State 12 $\frac{1}{2}$ %	Humble Oil & Refining Company	None	Humble Oil & Refining Co. - All
TOTAL - 7 tracts containing 2,080 acres - 100% of unit area							

All of the above lands are subject to the right of American Trading and Production Corporation, Texas Central Oil Company and Sabine Exploration Corporation to earn an undivided 1/2 interest in and to the above described lands in the event a well is completed capable of producing oil or gas in paying quantities, together with a full interest in the drillsite until payout, all in accordance with the provisions of the Unit Operating Agreement.

CLARENCE E. HINKLE
W. E. BONDURANT, JR.
S. B. CHRISTY IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
MICHAEL R. WALLER
STUART D. SHANOR

LAW OFFICES
HINKLE, BONDURANT & CHRISTY
600 HINKLE BUILDING
ROSWELL, NEW MEXICO 88201

MIDLAND, TEXAS OFFICE
521 MIDLAND TOWER
(915) MU 3-4691
OF COUNSEL: HIRAM M. DOW

August 3, 1967

TELEPHONE (505) 622-6510
POST OFFICE BOX 10

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico

Gentlemen:

We enclose herewith copy of the unit agreement for the exploration and development of the Southeast Lea Unit Area, Lea County, New Mexico with certificate of approval of the Commissioner of Public Lands attached. This is filed in conformity with the order entered by the Commission approving the unit agreement.

Yours very truly,

HINKLE, BONDURANT & CHRISTY

By 

CEH:cs
Enc.
cc: Jim Wilson

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO
SOUTHEAST LEA UNIT
LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated July 3, 1967, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the afore-said statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 2nd. day of August, 19 67.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

UNIT AGREEMENT
SOUTHEAST LEA UNIT AREA
LEA COUNTY, NEW MEXICO

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

THIS AGREEMENT, entered into as of the 3rd day of July, 1967, by and between the parties subscribing, ratifying or consenting hereto, and herein sometimes referred to as the "parties hereto,"

W I T N E S S E T H:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Chap. 7, Art. 11, Sec. 39, N.M. Statutes 1953 Annot.), to consent to and approve the development and operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 Annot.) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, 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 agreements for the unit operation and development of part or all of any

oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Art. 3, Chapter 65, Vol. 9, Part 2, 1953 Statutes Annot.) to approve this agreement and the conservation provisions hereof; and

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

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

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the below defined unit area, and agree severally among themselves as follows:

1. UNIT AREA: The following described land is hereby designated and recognized as constituting the unit area:

Township 20 South, Range 35 East, N.M.P.M.

Section 25 - SW $\frac{1}{4}$
Section 26 - All
Section 27 - E $\frac{1}{2}$
Section 35 - All
Section 36 - W $\frac{1}{2}$

containing 2,080 acres, more or less.

Exhibit A attached hereto is a map showing the unit

area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator.

Exhibit "B" attached hereto is a schedule showing, to the extent known to the unit operator, the acreage, percentage and kind of ownership of oil and gas rights in all lands in the unit area. 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 on said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the unit operator whenever changes in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner".

All lands committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

2. UNITIZED SUBSTANCES: All oil, gas and associated hydrocarbon substances in any and all formations of the unitized lands above the base of the Devonian formation are unitized under the terms of this agreement and herein are called "unitized substances".

3. UNIT OPERATOR: American Trading and Production Corporation, whose address is Drawer 992, Midland, Texas, is hereby designated as unit operator and by signature hereto commits to this agreement all interest in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of unit operator for the

discovery, development and production of unitized substances as provided herein. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by him hereunder occurring prior to the effective date of his resignation.

Unit operator may be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new unit operator. Such removal shall be effective upon notice thereof to the Commissioner.

Should unit operator own, at the time of resignation or removal as unit operator, a working interest in the unit area or other interest in unitized substances, such resignation or removal shall not terminate its right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall

deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and 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.

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor unit operator; provided that, if a majority but less than seventy-five per cent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. 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. If no successor unit operator is selected and qualified as herein provided, the Commissioner at his election may declare his unit agreement terminated.

6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in

conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interest in accordance with an operating agreement entered into by and between the unit operator and the owners of such interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the unit operator as provided in this section, whether one or more, are herein referred to as the "Unit Operating Agreement." No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the unit operator of any right or obligation established under this unit agreement and in case of any inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

7. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the unit operator as herein provided. Acceptable evidence of the title to said rights shall be deposited with said unit operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of unit operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating

agreement, it being understood that under this agreement the unit operator, in its capacity as unit operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: The unit operator shall, on or before sixty days from the effective date hereof, commence operations upon an adequate test well for oil and gas upon some part of the lands embraced within the unit area and shall drill said well with due diligence to a depth sufficient to test the Devonian formation or to such a depth as unitized substances shall be discovered in paying quantities at a lesser depth or until it shall, in the opinion of unit operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that unit operator shall not, in any event, be required to drill said well to a depth in excess of 14,700 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations with a reasonable profit) unit operator shall continue drilling diligently, one well at a time, allowing not more than six months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of the Commissioner, or until it is reasonably proven to the satisfaction of the unit operator that the unitized land is incapable of producing unitized substances in paying quantities in the formation to which wells have been drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial test well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Upon failure to comply with the drilling provisions of this article the Commissioner may, after reasonable notice to the unit operator and each working interest owner, lessee and lessor at their last known addresses, declare this unit agreement terminated, and all rights, privileges and obligations granted and assumed by this unit agreement shall cease and terminate as of such date.

9. OBLIGATIONS OF UNIT OPERATOR AFTER DISCOVERY OF UNITIZED SUBSTANCES: Should unitized substances in paying quantities be discovered upon the unit area the unit operator shall on or before six (6) months from the time of the completion of the initial discovery well and within thirty (30) days after the expiration of each twelve-month period thereafter file a report with the Commissioner and the Commission of the status of the development of the unit area and the development contemplated for the following twelve-month period.

It is understood that one of the main considerations for the approval of this agreement by the Commissioner of Public Lands is to secure the orderly development of the unitized lands in accordance with good conservation practices so as to obtain the greatest ultimate recovery of unitized substances.

After discovery of unitized substances in paying quantities, unit operator shall proceed with diligence to reasonably develop the unitized area as a reasonably prudent operator would develop such area under the same or similar circumstances.

If the unit operator should fail to comply with the above covenant for reasonable development, this agreement may be terminated by the Commissioner as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units but in such event the basis of participation by the working interest owners shall remain the same as if this agreement had not been terminated as to such lands; provided, however, the Commissioner shall give notice to the unit operator and the lessees of record in the manner prescribed by Sec. 7-11-14, N.M. Statutes 1953 Annotated) of intention to cancel on account of any alleged breach of said covenant for reasonable development and any decision entered thereunder shall be subject to appeal in the manner prescribed by Sec. 7-11-17 N.M. Statutes 1953 Annotated, and, provided further, in any event the unit operator shall be given a reasonable opportunity after a final determination within which to remedy any default, failing in which this agreement shall be terminated as to all lands of the State of New Mexico embracing undeveloped regular well spacing or proration units.

10. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells

which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico and other lessors, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto.

Notwithstanding any provisions contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the unit operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

11. ALLOCATION OF PRODUCTION: All unitized substances produced from each tract in the unitized area established under this agreement, except any part thereof used for production or development purposes hereunder, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of the unitized land, and for the purpose of

determining any benefits that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

12. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING

ROYALTIES: All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the unitized substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

If the unit operator introduces gas obtained from sources other than the unitized substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free, as to dry gas but not as to the products extracted therefrom; provided, that

such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is now, or should hereafter be, burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the party creating such overriding royalty, payment out of production or other charge shall bear and assume the same out of such party's interest in or share of the unitized substances allocated to the lands embraced in each such lease as provided herein.

13. LEASES AND CONTRACTS CONFORMED AND EXTENDED INsofar AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA: The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and term of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the

unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect provided drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the unit operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as may be provided in Section 9 hereof.

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 leases 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, if oil and gas, or either of them, are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease 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, the 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 oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

14. CONSERVATION: Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

15. DRAINAGE: In the event a well or wells producing oil or gas in paying quantities should be brought in on land adjacent to the unit area and are draining unitized substances from the lands embraced therein, unit operator shall drill such offset well or wells as a reasonably prudent operator would drill under the same or similar circumstances.

16. 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, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the recorded instrument or transfer.

17. EFFECTIVE DATE AND TERM: This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which case this agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by not less than seventy-five percent (75%) on an acreage basis of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, the failure to comply with the drilling requirements of Section 8 hereof may subject this agreement to termination as provided in said section.

18. RATE OF PRODUCTION: All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

19. APPEARANCES: Unit operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of the Commissioner or Commission or to apply for relief from any of said regulations or in any proceedings on its own behalf relative to operations pending before the Commissioner or Commission; provided, however, that any other interested party shall also have the right at his own expense to appear and to participate in any such proceeding.

20. NOTICES: All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing and sent by postpaid registered 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 the party sending the notice, demand or statement.

21. UNAVOIDABLE DELAY: All obligations under this agreement requiring the unit operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the unit operator despite the

exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, war, 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.

22. LOSS OF TITLE: In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join the unit agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area. Any loss of title shall be borne by the working interest owners as may be provided in the unit operating agreement. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the unit operator may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

23. SUBSEQUENT JOINDER: Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval by the Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a

ratification hereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation; provided, however, after operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. A subsequent joinder shall be effective as of the first day of the month following the filing with and approval by the Commissioner of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits hereunder shall be required to assume and pay to unit operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the unit agreement, and the unit operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

24. COUNTERPARTS: This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties or may be ratified or consented to by separate instruments 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 land within the above described unit area.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective dates set forth opposite their signatures.

ATTEST:

AMERICAN TRADING AND PRODUCTION CORPORATION

Secretary

By [Signature]
Vice President

Date: _____

Address: P. O. Drawer 992

Midland, Texas 79701
Unit Operator

WORKING INTEREST OWNERS

ATTEST:-

MARATHON OIL COMPANY

Secretary

By [Signature]
I. G. BURRELL - DIVISION MANAGER

Date: July 11, 1967

Address: Box 552

Midland, Texas 79701

APPROVED AS TO FORMS
[Signature]

HUMBLE OIL & REFINING COMPANY

Date: July 11, 1967

By [Signature]
Agent and Attorney in Fact

Address: P.O. Box 1600, Midland, Texas 79701

Attention: Joint Interest Manager

APPROVED AS TO FORM
HINKLE, BONDURANT
A. CHRISTY
BY: [Signature]

APPROVED	
Exec.	[Signature]
Adm.	[Signature]
Int.	[Signature]
Form.	
Accts.	[Signature]
Prod.	
Trade	[Signature]

ATTEST:

PHILLIPS PETROLEUM COMPANY

Secretary

By [Signature]
Fred Forward, Attorney-in-Fact
Address: Box 791

Date: July 7, 1967

Midland, Texas 79701

ATTEST:

TEXAS CENTRAL OIL COMPANY

Secretary

By _____

Address: _____

Date: _____

ATTEST:

SABINE EXPLORATION CORPORATION

[Signature]
Secretary

By [Signature]

Date: [Signature]

Address: 1627 ...
Houston, Tex 77002

STATE OF MARYLAND)
CITY OF BALTIMORE : ss
COUNTY OF)

The foregoing instrument was acknowledged before me this day of 1967 by L. C. DUNBAR Vice President of American Trading and Production Corporation, a MARYLAND corporation, on behalf of said corporation.

My Commission Expires: JUL 1 1969

[Signature]
Notary Public

STATE OF Texas)
COUNTY OF Harris : ss

The foregoing instrument was acknowledged before me this 14th day of July 1967 by J. G. BURRELL, Division Manager of Marathon Oil Company, an Ohio corporation, on behalf of said corporation.

My Commission Expires: 6-1-69

Luther L. Hinton
Notary Public
LUTHER L. HINTON
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1969

STATE OF TEXAS)
COUNTY OF MIDLAND : ss

The foregoing instrument was acknowledged before me this 11 day of July 1967 by Bill R. Payne, Agent and Attorney in Fact of Humble Oil & Refining Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires: June 1, 1969

[Signature]
Notary Public

STATE OF TEXAS)
 : ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me
this 7th day of July 1967 by Fred Forward,
Attorney-in-Fact of Phillips Petroleum Company, a Delaware
corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me
this _____ day of _____ 1967 by _____
_____ of Texas Central Oil Company, a
_____ corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public
My Commission Expires June 1, 1969
Notary Public, Ector County
Mildred M. Daniel

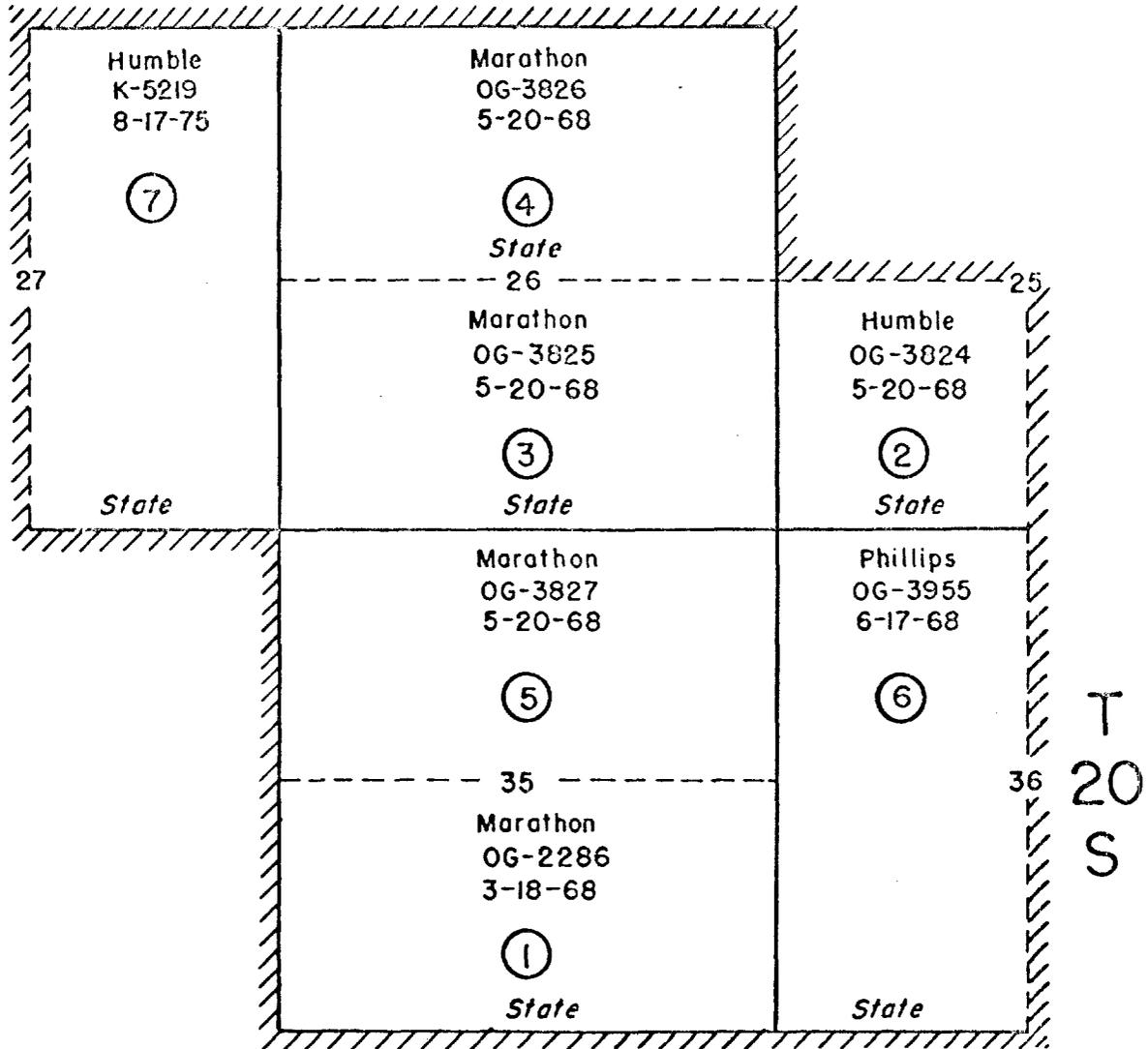
STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me
this 11 day of July 1967 by W.P. Bell
Attorney-in-Fact of Sabine Exploration Corporation, a
Delaware corporation, on behalf of said corporation.

My Commission Expires: _____
Notary Public

LOIS M. FOLLIS
Notary Public, in and for Harris County, Texas

R 35 E



STATE OF N.M. LANDS-2,080 Ac.

UNIT OUTLINE

TRACT NUMBER

SOUTHEAST LEA UNIT
LEA COUNTY, NEW MEXICO
EXHIBIT "A"

EXHIBIT "B"
SOUTHEAST LEA UNIT
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date	Basic Royalty	Lessee of Record	Overriding	
						Royalty and Percentage	Working Interest and Percentage
<u>State Lands, All in Township 20 South, Range 35 East, N.M.P.M.</u>							
1	Sec. 35 - S $\frac{1}{2}$	320	OG-2236 3/18/68	State 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company - All
2	Sec. 25 - SW $\frac{1}{4}$	160	OG-3824 5/20/68	State 12 $\frac{1}{2}$ %	Humble Oil & Refining Company	None	Humble Oil & Refining Company - All
3	Sec. 26 - S $\frac{1}{2}$	320	OG-3825 5/20/68	State 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company - All
4	Sec. 26 - N $\frac{1}{2}$	320	OG-3826 5/20/68	State 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company - All
5	Sec. 35 - N $\frac{1}{2}$	320	OG-3827 5/20/68	State 12 $\frac{1}{2}$ %	Marathon Oil Company	None	Marathon Oil Company - All
6	Sec. 36 - W $\frac{1}{2}$	320	OG-3955 6/17/68	State 12 $\frac{1}{2}$ %	Phillips Petroleum Company	None	Phillips Petroleum Company - All
7	Sec. 27 - E $\frac{1}{2}$	320	K-5219 8/17/75	State 12 $\frac{1}{2}$ %	Humble Oil & Refining Company	None	Humble Oil & Refining Company - All

TOTAL - 7 tracts containing 2,080 acres - 100% of unit area

All of the above lands are subject to the right of American Trading and Production Corporation, Texas Central Oil Company and Sabine Exploration Corporation to earn an undivided 1/2 interest down to the Base of the Devonian formation in and to the lease rights covering the above described lands in the event a well is completed capable of producing oil or gas in paying quantities, together with a full interest in the drillsite to the same depth until payout, all in accordance with the provisions of the Unit Operating Agreement.