

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SOUTHWEST HENSHAW (PREMIER) UNIT
EDDY COUNTY, NEW MEXICO

*Case
2812*

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SOUTHWEST HENSHAW (PREMIER) UNIT
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT entered into as of the ____ day of _____
1968, by and between the parties subscribing, ratifying or consenting
hereto, and herein 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 interests in the unit area subject to this agree-
ment; and

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

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

WHEREAS, the parties hereto hold sufficient interests in the
Southwest Henshaw 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 enable
institution and consummation of secondary recovery operations, 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:

ARTICLE I

ENABLING ACT AND REGULATIONS

The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder and valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, if any, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the state in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

ARTICLE II

DEFINITIONS

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

1. "Commission" is defined as the Oil Conservation Commission of the State of New Mexico
2. "Director" is defined as the Director of the United States Geological Survey.

3. "Secretary" is defined as the Secretary of the Interior of the United States of America.
4. "Department" is defined as the Department of the Interior of the United States of America.
5. "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey for the Region in which the unit area is situated.
6. "Unitized Formation" shall mean that subsurface portion of the unit area commonly known as the Premier zone, and more specifically defined as that interval occurring between the depths of 2,744 feet and 2,788 feet as shown on the Gamma Ray-Microlaterolog of the Tenneco Oil Company's Hagerty Federal Well No. 5, located 660 feet North from the South line and 660 feet West from the East line of Section 18, Township 16 South, Range 30 East, N.M.P.M. Eddy County, New Mexico.
7. "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.
8. "Tract" means each parcel of land shown as such and given a tract number in Exhibit "A" and as described in Exhibit "B".
9. "Tract Participation" is defined as the percentage of participation as shown on Exhibit "C" for allocating unitized substances to a tract under this agreement.

10. "Unit Participation" as used herein shall mean the sum of the percentages obtained by multiplying the working interest of a working interest owner in each tract by the tract participation of such tract.
11. "Working Interest" is defined as the right to search for, produce and acquire unitized substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise, 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 and producing the unitized substances from the unitized formation.
12. "Working Interest Owner" is defined as and shall mean any party hereto owning a working interest.
13. "Royalty Interest" or "Royalty" is defined as an interest other than a working interest in or right to receive a portion of the unitized substances or the proceeds thereof and includes the royalty interest reserved by the lessor in an oil and gas lease and any overriding royalty interest, oil payment interest, net profits, contracts, or any other payment or burden which does not carry with it the right to search for and produce unitized substances.
14. "Royalty Owner" is defined as and shall mean the owner of a royalty interest.
15. "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by

and between the Unit Operator and the working interest owners as provided in Article IX hereof and shall be styled "Unit Operating Agreement, Southwest Henshaw (Premier) Unit, Eddy County, New Mexico".

16. "Unit Manager" is defined as the person or corporation appointed by the unit working interest owners upon resignation of the Unit Operator to perform the duties of Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Article VIII hereof.
17. "Oil and Gas Rights" is defined as the right to explore, develop and operate lands within the unit area for the production of unitized substances, or to share in the production so obtained or the proceeds thereof.
18. "Unit Area" is defined as the land described by tracts in Exhibits "A" and "B".
19. "Unit Operator" is defined as the working interest owner designated by working interest owners under this Unit Agreement to develop and operate the unitized formation, acting as Operator and not as a working interest owner.
20. "Record Owner" is defined as the holder of the record title to a lease covering Federal lands according to the applicable records of the Department of the Interior of the United States of America.

ARTICLE III

UNIT AREA AND EXHIBITS

A. The following described land is hereby designated as constituting the unit area, all of said land being situated in Eddy County, New Mexico, to-wit:

Township 16 South, Range 30 East, N.M.P.M.

Section 7 - $E\frac{1}{2}SW\frac{1}{4}$, $SE\frac{1}{4}$
Section 8 - $S\frac{1}{2}$
Section 17 - $N\frac{1}{2}$, $SW\frac{1}{4}$, $NW\frac{1}{4}SE\frac{1}{4}$
Section 18 - $E\frac{1}{2}W\frac{1}{2}$, $E\frac{1}{2}$
Section 19 - $NE\frac{1}{4}NW\frac{1}{4}$, $N\frac{1}{2}NE\frac{1}{4}$
Section 20 - $NW\frac{1}{4}NW\frac{1}{4}$

containing 1,720 acres, more or less.

B. Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said unit 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 comprising each tract and the percentage of ownership of each working interest owner and royalty owner in each tract. Exhibit "C" attached hereto is a schedule showing the percentage of participation allocated to each tract 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 in said map or schedule as owned by such party. Exhibits "A", "B" and "C" shall be revised by the Unit Operator whenever changes in the unit area render such revisions necessary, or when requested by the Supervisor, and not less than six copies of the revised Exhibits shall be filed with the Supervisor.

C. The shapes and descriptions of the respective tracts have been established by using the best information available. If it subsequently appears that any mechanical miscalculation or clerical error has been made, Unit Operator, with the approval of working interest owners and the Supervisor, shall correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining tract participation. Such revision of an exhibit shall be effective at 7:00 a.m. on the effective date of this agreement.

ARTICLE IV

EXPANSION OF UNIT AREA

A. The unit area may, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement to conform with the purposes of this agreement. Such expansion shall be effected in the following manner:

1. The working interest owner or owners of a tract or tracts desiring to bring such tract or tracts into this unit shall file an application therefor with Unit Operator requesting such admission.
2. Unit Operator shall circulate a notice of the proposed expansion to each working interest owner in the unit and the tract proposed to be included in the unit, setting out the basis for admission, the unit participation to be assigned to each tract in the enlarged unit and other pertinent data. After negotiation (at working interest owners' meeting

or otherwise) if one or more working interest owners having in the aggregate ninety percent (90%) or more unit participation have agreed to such tract or tracts being brought into the unit, then Unit Operator shall, after preliminary concurrence by the Director:

(a) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the unit area, the reason therefor, the basis for admission of the additional tract or tracts, the participation to be assigned thereto, and the proposed effective date thereof; and

(b) Deliver copies of said notice to the Supervisor, each working interest owner and to the lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objections to such proposed expansion; and

(c) File, upon the expiration of said thirty (30) day period, as set out in (b) immediately above, with the Commission and the Supervisor the following:

(1) Evidence of mailing or delivering copies of said notice of expansion;

(2) An application for such expansion;

(3) An instrument containing the appropriate joinders in compliance with the participation requirements of Article XIII hereof.

(4) Copies of any objections received.

(d) There shall be no retroactive allocation or adjustment of unit expense or of interests in the unitized substances produced, or proceeds thereof, prior to the effective date of expansion and qualification under Article XIII; however, this limitation shall not prevent an adjustment of investment by reason of the enlargement.

B. The expansion shall, after due consideration of all pertinent information and approval by the Commission and the Director, become effective as of the date prescribed in the notice thereof, preferably the first day of a month subsequent to the date of the notice.

C. 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.

ARTICLE V

UNITIZED LAND AND UNITIZED SUBSTANCES

A. All land committed to this agreement as to the unitized formation shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid and liquefiable hydrocarbons within or produced from the lands subject to this agreement as to the unitized formation are unitized under the terms of this agreement, and herein are called "unitized substances". Nothing herein shall be construed to unitize, pool or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the unitized formation as described above.

ARTICLE VI

UNIT OPERATOR

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

ARTICLE VII

RESIGNATION OF UNIT OPERATOR

A. 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 three (3) months after written notice of intention to resign has been given by Unit Operator to all working interest owners and the Supervisor, and until all unit wells are placed in a condition satisfactory to the Supervisor for suspension, abandonment or operations, whichever is intended by the Unit Manager, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

C. In all such instances of effective resignation, until a successor to Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation becomes effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

D. Resignation of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, books and records, materials,

appurtenances and any other assets, used in connection with the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the Unit Manager, if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing the removal of any material, equipment or appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns hereunder from any liability or duties accruing or performable by it prior to the effective date of such resignation.

ARTICLE VIII

SUCCESSOR UNIT OPERATOR

Whenever the Unit Operator shall tender his or its resignation as Unit Operator, a successor Unit Operator shall be selected by working interest owners voting according to their respective tract participation in all unitized land by a majority vote; provided, that (1) a resigning Unit Operator may not vote for itself and (2) if a sixty percent (60%) or more of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of one or more additional working interest owners 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 filed with the Supervisor.

If no successor Unit Operator is selected and qualified as herein provided, the Director at his election may declare this unit agreement terminated.

ARTICLE IX

ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT

Costs and expenses incurred by Unit Operator in conducting unit

operations hereunder shall be paid, apportioned among and borne by the working interest owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the working interest owners shall be entitled to receive the respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and working interest owners as may be agreed upon by the Unit Operator and the working interest owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this agreement, and in case of any inconsistency or conflicts between this agreement and the Unit Operating Agreement, this unit agreement shall prevail. Copies of any Unit Operating Agreement executed pursuant to this article shall be filed with the Supervisor as required prior to approval of this agreement.

ARTICLE X

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. Upon request by Unit Operator, acceptable evidence of title to said rights shall be deposited with such 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.

ARTICLE XI

PLAN OF OPERATIONS

A. It is recognized and agreed by the parties hereto that all of the land subject to this agreement is reasonably proved to be productive of unitized substances in paying quantities and that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of unitized substances, prevent waste and conserve natural resources consistent with good engineering practices expected of a prudent operator. 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 and the Supervisor, inject into the unitized formation through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gases and any one or more other substances or combination of substances whether produced from the unitized formation or otherwise, and that the location of input wells and the rate of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. Subject to like approval, the plan of operation may be revised as conditions may warrant.

B. The initial plan of operation shall be filed with the Supervisor, concurrently with the filing of this unit agreement, for final approval. Said initial plan of operation and all revisions thereof

shall be as complete and adequate as the Supervisor 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.

ARTICLE XII

TRACT PARTICIPATION

A. Beginning at 7:00 a.m. on the effective date hereof, the tract participation of each tract shall be based upon the following factors and formula:

Tract Participation =

$$0.80 \times \frac{\text{acre-feet of sand credited to tract}}{\text{acre-feet of sand credited to all tracts}} +$$

$$0.20 \times \frac{\text{tract's cumulative production}}{\text{cumulative production from all tracts}} +$$

B. In Exhibit "C" attached hereto there are listed and numbered the various tracts within the unit area, and set forth opposite each tract are figures which represent the percentage of participation allocated to each tract in the unit area.

ARTICLE XIII

TRACTS QUALIFIED FOR UNIT PARTICIPATION

A. As the objective of this agreement is to have lands in the unit area operated and entitled to participation under the terms hereof, it is agreed that, notwithstanding anything else herein, no joinder shall be considered a commitment to this agreement unless a tract involved is qualified under this article. On and after the effective date hereof, the tracts within the unit area which shall be entitled to participation (as provided in Article XII hereof) in the production of unitized substances therefrom shall be those tracts within the unit area as shown on Exhibit "A" and described in said Exhibit "B" that are qualified as follows:

1. Each tract as to which working interest owners owning one hundred percent (100%) of the working interest and as to which record owners owning one hundred percent (100%) of the record title, each have become parties to this agreement and as to which royalty owners owning eighty-five percent (85%) or more of the royalty interests (exclusive of the royalty interests of the United States) have become parties to this agreement.
2. Each tract as to which working interest owners owning one hundred percent (100%) of the working interest and as to which record owners owning one hundred percent (100%) of the record title each have become parties to this agreement, and as to which royalty owners owning less than eighty-five percent (85%) of the royalty interest have become parties to this agreement, and as to which (1) all working interest owners and all record owners in such tract have joined in a request for the commitment of such tract to the unit agreement, and as to which (2) eighty percent (80%) of the combined voting interests of working interest owners in all tracts that meet the requirements of Article XIII A.1 above have voted in favor of the commitment of such tract. For the purpose of this Article XIII A.2, the voting interest of a working interest owner shall be equal to the ratio that its unit participation attributable to tracts which qualify under Article XIII A.1 bears to the total unit participation of all

working interest owners attributable to all tracts which qualify under Article XIII A.1.

3. Each tract as to which working interest owners owning less than one hundred percent (100%) of the working interest and as to which record owners owning less than one hundred percent (100%) of the record title each have become parties to this agreement, regardless of the percentage of royalty interest therein, that is committed thereto; and as to which (1) the working interest owner who operates the tract and all of the other working interest owners in such tract who have become parties to this agreement have joined in the request for commitment of such tract to this agreement, and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other working interest owners in the unit area, their successors and assigns, against all claims and demands that may be made by the owners of working interests in such tract who are not parties to this agreement, and which arise out of the commitment of the tract to this unit agreement; and as to which (2) eighty percent (80%) of the combined voting interest of working interest owners in all tracts that meet the requirements of either Article XIII A.1 or XIII A.2 have voted in favor of the commitment for such tract and to accept the Indemnity Agreement. For the purpose of this Article XIII A.3, the voting interest of each working

interest owner shall be equal to the ratio that its unit participation attributable to the tracts that qualify under either Article XIII A.1 or XIII A.2 bears to the total unit participation of all working interest owners attributable to all tracts which qualify under either Article XIII A.1 or XIII A.2. Upon commitment of such a tract to this unit agreement, the tract participations which would have been attributed to the nonsubscribing owners of the working interest in such tracts, 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 the respective working interests in the tract.

B. If on the effective date of this agreement there are any tracts which have not been effectively committed to this agreement by qualifying as above provided, then such tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this agreement for final approval by the Director, file therewith or as soon as practicable, a schedule of those tracts which have been committed and made subject to this agreement and are entitled to participate in the production of unitized substances. Said schedule shall set forth opposite each such committed tract the lease number or assignment number, the owner of record of the lease, and the percentage participation of each tract which shall be computed in accordance with the same formula used to determine the original tract participations. Said schedule

shall be Exhibit "C" and upon approval thereof by the Supervisor, shall become a part of this agreement and shall govern the allocation of production of unitized substances until the effective date of a new revised Exhibit "C" approved by the Supervisor.

ARTICLE XIV

ALLOCATION OF UNITIZED SUBSTANCES

A. 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 lands for drilling, operating, camp and other production or development purposes, and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the unit area in accordance with the respective tract participation effective hereunder during the respective periods such unitized substances were produced, as set forth in the schedule of participation in Exhibit "C". The amount of unitized substances so allocated to each tract (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.

B. The unitized substances allocated to each tract shall be distributed among, or accounted for to, the parties executing, consenting to or ratifying this agreement entitled to share in the production from such tracts in the same manner, in the same proportion, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had

this agreement not been entered into, and with the same legal force and effect.

C. No tract committed to this agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of unitized substances or incapability to produce unitized substances, and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tracts.

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

E. The unitized substances allocated to each tract shall be delivered in kind to the respective working interest owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein, or by purchase from such owners. Each working interest owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the unit area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Article XV hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind

of any portion of the unitized substances shall be borne by the party responsible for bearing such costs. If a royalty owner has the right to take in kind a share of unitized substances and fails to do so, the working interest owner whose working interest is subject to such royalty interest shall be entitled to take in kind such share of the unitized substances.

F. If any party fails to take in kind or separately dispose of its share of unitized substances, Unit Operator shall have the right for the time being and subject to revocation at will by the party owning the share, to sell or otherwise dispose of such production to itself or to others on a day to day basis at not less than the prevailing market price in the area for like production. The proceeds of the unitized substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

G. Notwithstanding the foregoing, the Unit Operator shall not make a sale into interstate commerce of any working interest owners' share of gas production without first giving such working interest owner sixty (60) days notice of such intended sale.

H. Any working interest owner receiving in kind or separately disposing of all or any part of the unitized substances allocated to any tract, or receiving the proceeds therefrom, if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all royalty on the lease or leases and tracts contributed by it and received into the unit, and each such party shall hold each other party hereto harmless against all claims, demands, and causes of action for such royalty on the lease or leases and tracts contributed by it to the unit area.

I. If, after the effective date of this agreement, there is

any tract or tracts that are subsequently committed hereto, as provided in Article IV hereof, or any tract or tracts within the unit area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Article XXXI, or any tract is excluded from the unit agreement as provided for in Article XXIX, the schedule of participation as shown in Exhibit "C", subject to Article IV C, and Article XIII shall be revised by the Unit Operator and distributed to the working interest owners and the Supervisor to show the revised tract participation of all the committed tracts; and the revised Exhibit "C", upon approval by the Supervisor, shall govern all the allocation of production of unitized substances from and after the effective date thereof until the effective date of a revised schedule, approved as hereinabove provided.

J. Working interest owners may use as much of the unitized substances as they reasonably deem necessary for the operation and development of the unit area, including but not limited to the injection of unitized substances into the unitized formation, provided such operations are in accordance with a plan of operations approved by the Supervisor.

K. No royalty shall be payable upon or with respect to unitized substances used or consumed in the operation or development of the unit area or which may be otherwise lost or consumed in the production, handling, treating, transporting or storing of unitized substances, provided such operations are in accordance with a plan of operations approved by the Supervisor.

ARTICLE XV

ROYALTY SETTLEMENT

A. The United States of America which, under an existing

contract, may be entitled to take in kind a share of the substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind its 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 contract, laws and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalty due under their leases, except that such royalty shall be computed on unitized substances as allocated to each tract in accordance with the terms of this unit agreement. With respect to those Federal leases committed hereto, on which the royalty rate depends upon the daily average production per well, such average production shall be determined in accordance with the operating regulations as though the committed tracts were included in a single consolidated lease.

B. If gas obtained from lands not subject to this agreement is introduced into the unitized formation, for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan approved pursuant to Article XI, a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the unitized formation, royalty-free as to dry gas, but not as to the products extracted therefrom; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor; and provided further that such right of withdrawal

shall terminate as of the effective date of termination of the unit agreement.

C. If natural gasoline, liquid petroleum gas or other liquid hydrocarbon substances which were not extracted from gas produced from the unitized formation are injected into the unitized formation, in conformity with an approved plan of operation, working interest owners shall be entitled to recover, royalty-free, a like volume of similar substance, less appropriate deduction for loss from any cause, pursuant to such formulas as may be approved or prescribed by the Supervisor.

D. All royalty due the United States of America hereunder shall be computed and paid in value or delivered in kind on the basis of all unitized substances allocated to the respective tract or tracts committed hereto, in lieu of actual production from such tract or tracts.

ARTICLE XVI

RENTAL SETTLEMENT

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

ARTICLE XVII

CONSERVATION

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

ARTICLE XVIII

DRAINAGE

The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement.

ARTICLE XIX

LEASES AND CONTRACTS CONFORMED AND EXTENDED

A. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto consent that the Secretary shall by his approval, or by the approval hereof by his duly authorized representatives, establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement.

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

1. The development and operation of lands subject to

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

2. Drilling, producing or secondary recovery operations performed hereunder upon any tract of unitized lands shall be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized lands, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.
3. Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.
4. Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil and gas by which 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.

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

ARTICLE XX

COVENANTS RUN WITH LAND

All terms and conditions herein contained shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in title until this agreement terminates, and any grants, transfers, conveyance or any passage of any interest in land or leases subject hereto, no matter how accomplished, shall be and hereby is conditioned upon the assumption of all privileges and obligations by such successor in interest. By way of illustration, but not of limitation, if any working interest owner shall,

after executing this instrument, create any overriding royalty, production payment or any similar interest out of its interest, the new owner, or owners of such interest, or interests, shall be bound by the terms of this agreement and the Unit Operating Agreement. No assignment or transfer of any working interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of a royalty interest subject hereto shall be binding upon the working interest owner responsible therefor until the first day of the calendar month after said working interest owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

ARTICLE XXI

EFFECTIVE DATE AND TERM

A. 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 a.m. of the first day of the calendar month next following the approval of this agreement by the Secretary or his duly authorized representative. If this agreement is not filed for final approval on or before July 31, 1968, this agreement shall ipso facto expire on said date (hereinafter called "expiration 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 unit participation of at least eight percent (80%) and that working interest owners owning in the aggregate eighty percent (80%) or more of the unit participation

committed to this agreement have decided to extend said expiration date for a period not to exceed six months (hereafter called "extended expiration date"). If said expiration date is so extended and this agreement is not filed for final approval on or before said extended expiration date, this agreement shall ipso facto expire on said extended expiration date and thereafter be of no further force and effect.

B. Unit Operator shall, within thirty (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.

C. The term of this agreement shall be for and during the time that unitized substances are produced in quantities sufficient to pay for the cost of producing same from wells on the unitized land and so long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, and so long thereafter as unitized substances are produced as aforesaid.

D. This agreement may be terminated at any time for any other reason with the approval of the Director by working interest owners owning eighty percent (80%) unit participation. Notice of any such termination shall be given to all parties hereto and a copy filed by Unit Operator in the office of the County Clerk of Eddy County, New Mexico.

E. Upon termination of this agreement, unit operations shall cease, and thereafter the parties hereto shall be covered by the terms and provisions of the leases and contracts affecting the separate tracts.

F. 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 sell, salvage, distribute or otherwise dispose of the personal property and facilities used in connection with unit operations.

ARTICLE XXII

RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION

A. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statutes. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission, to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification.

B. Powers in this article vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice, and thereafter subject to administrative appeal before becoming final.

ARTICLE XXIII

NONDISCRIMINATION

In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246, as amended (30 F.R. 12319) which are incorporated by reference in this agreement.

ARTICLE XXIV

APPEARANCES

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

ARTICLE XXV

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 addresses as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

ARTICLE XXVI

NO WAIVER OF CERTAIN RIGHTS

Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the state wherein said unitized lands are located, of the

United States or the rules or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive; provided, however, that each party hereto covenants that during the existence of this agreement, such party will not resort to any action at law or in equity to partition the unit area or the facilities used in the development or operation hereof and to that extent waives the benefits of all laws authorizing such partition.

ARTICLE XXVII

PERSONAL PROPERTY EXCEPTED

Each of the working interest owners hereto has heretofore individually placed in or on wells drilled by such working interest owner on its leases or interests and in or on the land covered by said leases or interests certain casing, casing flanges, tubing, rods, pipes, tanks, as well as other lease and well equipment or other personal property (to all of which provisions hereof are applicable, whether similar or dissimilar in nature to the foregoing enumeration). As to all of such equipment, the installing working interest owner has the contractual right in and under its respective leases to remove the same from the premises, and the installation thereof by said working interest owner was with the intention and understanding that all of such equipment would be and remain personal property and that no part thereof would be or become fixtures to the realty. The working interest owners hereto have dealt or shall deal separately among themselves and do hereby make or shall make a separate agreement with each other with respect to such lease and well equipment and all other personal property located in or on the well or their respective leases, on one hand, and the realty, leasehold estates, and the wells (exclusive of

all equipment in or on said wells)located on and the unitized substances underlying the unit area, on the other hand. To that end, the working interest owners have severed, and do hereby sever, or shall sever, for all purposes of this agreement, all such lease and well equipment and other such personal property which may be located in or on the respective leases or in or on the wells thereon from the real leasehold estates, and the wells located on and the unitized substances underlying the unit area. To conform their respective investments in such equipment, working interest owners have made or shall make a separate agreement with each other with respect thereto.

ARTICLE XXVIII

UNAVOIDABLE DELAY

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

ARTICLE XXIX

LOSS OF TITLE

A. If any tract of unitized land ceases to have sufficient working interest or royalty interest committed to this agreement to meet the conditions of Article XIII 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 the same can be requalified under said Article XIII within ninety (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 of unitized land 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" and "C" 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 fails 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 Federal lands or leases, no payments of funds due to the United States of America shall be withheld, but such funds shall be deposited by the Supervisor 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.

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

ARTICLE XXX

BORDER AGREEMENTS

Subject to the approval of the Supervisor, the 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 in interest.

ARTICLE XXXI

NONJOINER AND SUBSEQUENT JOINER

A. Joinder by any royalty and record owner, at any time, must be accompanied by appropriate joinder of the corresponding working interest owner in order for the interest of such royalty and record owner to be regarded as committed. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as committed to this unit agreement.

B. Any oil or gas interest in the unitized formation not committed hereto prior to the submission of this agreement to the Supervisor for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this article and of Article XIII hereof, at any time up to the effective date hereof on the same basis of participation as provided in said Article XIII, by the owner or owners thereof subscribing, ratifying or consenting in writing to this agreement, and, if the interest is a working

interest, by the owner of such interest subscribing to the Unit Operating Agreement.

C. It is understood and agreed, however, that from and after the effective date hereof, the right of subsequent joinder as provided in this article shall be subject to such requirements or approvals and on such basis as may be agreed upon by working interest owners having not less than seventy percent (70%) unit participation, and approved by the Director. Such subsequent joinder by a proposed working interest owner must be evidenced by his execution or ratification of this agreement and the Unit Operating Agreement. Such joinder by a proposed royalty owner must be evidenced by his execution, ratification or consent to this agreement and must be consented to in writing by the working interest owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed royalty owner. Except as may be otherwise herein provided, subsequent joinder to this agreement shall be effective at 7:00 a.m. as of the first day of the month following the filing with the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any tract or interest in this agreement, unless objection to such joinder by the Supervisor is duly made within sixty (60) days after such filing.

ARTICLE XXXII

TAXES

Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the unitized substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator, or any of the working interest owners, must pay

or advance said taxes for the account of the parties hereto, it is expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including royalty owners, who may be responsible for the taxes on their respective allocated share of said unitized substances. No such taxes shall be charged to the United States nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

ARTICLE XXXIII

CONFLICT OF SUPERVISION

Neither the Unit Operator nor the working interest owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof, to the extent that the said Unit Operator or the working interest owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States in and about any matters or things concerning which it is required herein that such concurrence be obtained.

ARTICLE XXXIV

NO PARTNERSHIP

The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto.

Each party hereto shall be individually responsible for its own obligations as herein provided.

ARTICLE XXV

PRODUCTION AS OF THE EFFECTIVE DATE

A. Unit Operator shall make a proper and timely gauge of all lease and other tanks on unitized land in order to ascertain the amount of merchantable oil above the pipeline connection in such tanks as of 7:00 a.m. on the effective date hereof. The oil that is a part of the prior allowable of the wells from which it was produced shall be and remain the property of the owner entitled thereto the same as if the unit had not been formed, and shall be promptly removed from unitized land. Any such oil not so removed may be sold by Unit Operator for the account of the working interest owner, subject to the payment of all royalty to royalty owners under the applicable lease or leases and other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as unitized substances produced after the effective date hereof.

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

ARTICLE XXVI

COUNTERPARTS

This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and may be ratified

or consented to by separate instruments in writing specifically referring thereto, and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the land within the above described unit area.

ARTICLE XXXVII

LIEN OF UNIT OPERATOR

Unit Operator shall have a lien upon the interests of working interest owners in the unit area to the extent provided in the Unit Operating Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the day and year first hereinabove written, and have set opposite their respective names the dates of execution.

ATTEST:

TENNECO OIL COMPANY

Assistant Secretary

By _____
Vice President

Date: _____

Address: P.O. Box 1031
Midland, Texas 79701
Attention: District
Production Superintendent

Also send notices to:
Tenneco Oil Company
P.O. Box 2410
Denver, Colorado 80201
Attention: Division Production
Superintendent

UNIT OPERATOR, WORKING INTEREST OWNER AND RECORD OWNER

ATTEST:

MOBIL OIL CORPORATION

By _____

Date: _____

Address: _____

ATTEST:

GENERAL AMERICAN OIL COMPANY OF TEXAS

By _____

Date: _____

Address: _____

WORKING INTEREST OWNERS

Date: _____

John H. Trigg

Date: _____

Pauline V. Trigg

Address: _____

RECORD OWNERS

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this ____ day of _____ 1968 by _____, Vice-President of Tenneco Oil 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 _____ 1968 by _____, _____ of Mobil Oil Corporation, a New York corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

R-30-E

U.S.

MOBIL - W. HENSHAW PREV.

CROSBY
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Gen'l Amer.

Tenneco

Gen'l Amer.

Mobil

G.H. HENNER, JR.

6.25.57
S. H. HENNER, JR.
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Shell

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EXHIBIT "B"

Attached to and made a part of the Unit Agreement for the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico

Tract No.	Description of land	Number of acres	Serial No. and Exp. Date of lease	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Int. and Percentage
1	E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ Section 7	840.00	NM-0610 HBP	U.S.A. 12 $\frac{1}{2}$ %	Tenneco Oil Company	See page 2 of this Exhibit B	Tenneco - 100%
	E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ Section 18						
	NE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ NE $\frac{1}{4}$ Section 19						
2	SW $\frac{1}{4}$ Section 8	400.00	NM-04068 HBP	U.S.A. 12 $\frac{1}{2}$ %	General American Oil Company of Texas	See page 2	General American - 100%
	NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 17						
	NW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 20						
3.	SE $\frac{1}{4}$ Section 8	480.00	NM-0560379 HBP	U.S.A. 12 $\frac{1}{2}$ %	John H. Trigg and Pauline V. Trigg	See page 2 of this Exhibit B	Mobil - 100%
	W $\frac{1}{2}$ Section 17						
	All in Township 16 South, Range 30 East, N.M.P.M.						
		<u>1720.00</u>					

Total of 3 Federal tracts, comprising 1720 acres or 100% of the unit area.

EXHIBIT "B"

Attached to and made a part of the Unit Agreement
for the Southwest Henshaw (Premier) Unit, Eddy
County, New Mexico

Schedule of Overriding Royalties

TRACT NO. 1:

<u>OWNER</u>	<u>PERCENTAGE</u>
Jack M. Campbell	1.00000
Elliott Production Company	.25000
Bonnie R. Etz	.12500
George Etz	.12500
Estate of Ralph A. Shugart	1.00000
Southern Petroleum Exploration Incorporated	.50000
Bennie U. Waggoner	1.00000
O. K. Detrick	.03975
Sally S. Toles	.02350
Sue S. Graham	.02350
Elyse S. Patterson	.02350
Ruth Detrick	.03975
Robert J. Leonard	.12500
Timothy T. Leonard	.12500
Patrick J. Leonard	.12500
Elks National Foundation	.07500
Shattuck School	.07500
Boys Club of America	.07500
New Mexico Boys Ranch, Inc.	.07500
Regents of the University of New Mexico	.07500
Wilson Exploration Co.	.10000
	<u>5.00000</u>

Continental Illinois National Bank and Trust Company of Chicago
\$5,500,000 production payment out of 75% of the oil and gas
produced from Tract No. 1 lands and other lands.

TRACT NO. 2:

<u>OWNER</u>	<u>PERCENTAGE</u>
Mary R. Sively	2.50
E. A. Patton	1.25
Doris Patton	<u>1.25</u>
	5.00

TRACT NO. 3:

<u>OWNER</u>	<u>PERCENTAGE</u>
John H. Trigg	1.00
Union Bank - Los Angeles	60.55 *
A/C Institute Oil, Inc.	
Trigg Production Payment "A"	
Security National Bank of Roswell	
Trigg Production Payment "B"	(56.225%) **

* Production Payment

** Production Payment "B" becomes effective at the
termination of Production Payment "A"

EXHIBIT "C"

Attached to and made a part of the Unit Agreement
for the Southwest Henshaw (Premier) Unit, Eddy
County, New Mexico

Tract Participation Schedule

<u>TRACT NO.</u>	<u>PERCENTAGE OF PARTICIPATION</u>
1	46.1381
2	28.8726
3	<u>24.9893</u>
	100.0000

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
C. D. MARTIN
PAUL J. KELLY, JR.

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 7, 1968

TELEPHONE (505) 622-6510
POST OFFICE BOX 10

Mr. A. L. Porter, Jr.
Oil Conservation Commission
Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Porter:

There is enclosed herewith for your files an approved copy of the Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit Area, Eddy County. You will note that it has been approved by the U.S.G.S. as of August 6, 1968 and is effective as of September 1, 1968. This approved copy is filed in accordance with Order R-3460 entered in Case No. 3812 approving the unit agreement.

Yours very truly,

HINKLE, BONDURANT & CHRISTY

By _____

CEH:cs

Enc.

cc: F. J. McDonald
cc: Millard F. Carr
cc: Weaver W. Ralls

1968 AUG 9 11:14

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F. R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the Southwest Henshaw Premier Unit Area, State of New Mexico.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated AUG 6 - 1968.


Oil and Gas Supervisor
United States Geological Survey

Contract Number 14-08-0001-8973

80 AUG 8 1968

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SOUTHWEST HENSHAW (PREMIER) UNIT
EDDY COUNTY, NEW MEXICO

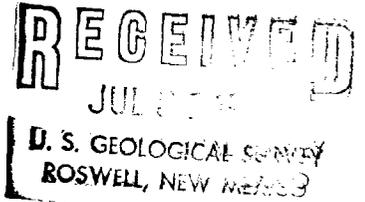


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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SOUTHWEST HENSHAW (PREMIER) UNIT
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT entered into as of the 24th day of June
1968, by and between the parties subscribing, ratifying or consenting
hereto, and herein 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 interests in the unit area subject to this agree-
ment; and

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

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

WHEREAS, the parties hereto hold sufficient interests in the
Southwest Henshaw 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 enable
institution and consummation of secondary recovery operations, 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:

ARTICLE I

ENABLING ACT AND REGULATIONS

The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder and valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, if any, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the state in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

ARTICLE II

DEFINITIONS

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

1. "Commission" is defined as the Oil Conservation Commission of the State of New Mexico
2. "Director" is defined as the Director of the United States Geological Survey.

3. "Secretary" is defined as the Secretary of the Interior of the United States of America.
4. "Department" is defined as the Department of the Interior of the United States of America.
5. "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey for the Region in which the unit area is situated.
6. "Unitized Formation" shall mean that subsurface portion of the unit area commonly known as the Premier zone, and more specifically defined as that interval occurring between the depths of 2,744 feet and 2,788 feet as shown on the Gamma Ray-Microlaterolog of the Tenneco Oil Company's Hagerty Federal Well No. 5, located 660 feet North from the South line and 660 feet West from the East line of Section 18, Township 16 South, Range 30 East, N.M.P.M. Eddy County, New Mexico.
7. "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.
8. "Tract" means each parcel of land shown as such and given a tract number in Exhibit "A" and as described in Exhibit "B".
9. "Tract Participation" is defined as the percentage of participation as shown on Exhibit "C" for allocating unitized substances to a tract under this agreement.

10. "Unit Participation" as used herein shall mean the sum of the percentages obtained by multiplying the working interest of a working interest owner in each tract by the tract participation of such tract.
11. "Working Interest" is defined as the right to search for, produce and acquire unitized substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise, 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 and producing the unitized substances from the unitized formation.
12. "Working Interest Owner" is defined as and shall mean any party hereto owning a working interest.
13. "Royalty Interest" or "Royalty" is defined as an interest other than a working interest in or right to receive a portion of the unitized substances or the proceeds thereof and includes the royalty interest reserved by the lessor in an oil and gas lease and any overriding royalty interest, oil payment interest, net profits, contracts, or any other payment or burden which does not carry with it the right to search for and produce unitized substances.
14. "Royalty Owner" is defined as and shall mean the owner of a royalty interest.
15. "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by

and between the Unit Operator and the working interest owners as provided in Article IX hereof and shall be styled "Unit Operating Agreement, Southwest Henshaw (Premier) Unit, Eddy County, New Mexico".

16. "Unit Manager" is defined as the person or corporation appointed by the unit working interest owners upon resignation of the Unit Operator to perform the duties of Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Article VIII hereof.
17. "Oil and Gas Rights" is defined as the right to explore, develop and operate lands within the unit area for the production of unitized substances, or to share in the production so obtained or the proceeds thereof.
18. "Unit Area" is defined as the land described by tracts in Exhibits "A" and "B".
19. "Unit Operator" is defined as the working interest owner designated by working interest owners under this Unit Agreement to develop and operate the unitized formation, acting as Operator and not as a working interest owner.
20. "Record Owner" is defined as the holder of the record title to a lease covering Federal lands according to the applicable records of the Department of the Interior of the United States of America.

ARTICLE III

UNIT AREA AND EXHIBITS

A. The following described land is hereby designated as constituting the unit area, all of said land being situated in Eddy County, New Mexico, to-wit:

Township 16 South, Range 30 East, N.M.P.M.

Section 7 - $E\frac{1}{2}SW\frac{1}{4}$, $SE\frac{1}{4}$
Section 8 - $S\frac{1}{2}$
Section 17 - $N\frac{1}{2}$, $SW\frac{1}{4}$, $NW\frac{1}{4}SE\frac{1}{4}$
Section 18 - $E\frac{1}{2}W\frac{1}{2}$, $E\frac{1}{2}$
Section 19 - $NE\frac{1}{4}NW\frac{1}{4}$, $N\frac{1}{2}NE\frac{1}{4}$
Section 20 - $NW\frac{1}{4}NW\frac{1}{4}$

containing 1,720 acres, more or less.

B. Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said unit 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 comprising each tract and the percentage of ownership of each working interest owner and royalty owner in each tract. Exhibit "C" attached hereto is a schedule showing the percentage of participation allocated to each tract 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 in said map or schedule as owned by such party. Exhibits "A", "B" and "C" shall be revised by the Unit Operator whenever changes in the unit area render such revisions necessary, or when requested by the Supervisor, and not less than six copies of the revised Exhibits shall be filed with the Supervisor.

C. The shapes and descriptions of the respective tracts have been established by using the best information available. If it subsequently appears that any mechanical miscalculation or clerical error has been made, Unit Operator, with the approval of working interest owners and the Supervisor, shall correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining tract participation. Such revision of an exhibit shall be effective at 7:00 a.m. on the effective date of this agreement.

ARTICLE IV

EXPANSION OF UNIT AREA

A. The unit area may, when practicable, be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement to conform with the purposes of this agreement. Such expansion shall be effected in the following manner:

1. The working interest owner or owners of a tract or tracts desiring to bring such tract or tracts into this unit shall file an application therefor with Unit Operator requesting such admission.
2. Unit Operator shall circulate a notice of the proposed expansion to each working interest owner in the unit and the tract proposed to be included in the unit, setting out the basis for admission, the unit participation to be assigned to each tract in the enlarged unit and other pertinent data. After negotiation (at working interest owners' meeting

or otherwise) if one or more working interest owners having in the aggregate ninety percent (90%) or more unit participation have agreed to such tract or tracts being brought into the unit, then Unit Operator shall, after preliminary concurrence by the Director:

(a) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the unit area, the reason therefor, the basis for admission of the additional tract or tracts, the participation to be assigned thereto, and the proposed effective date thereof; and

(b) Deliver copies of said notice to the Supervisor, each working interest owner and to the lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objections to such proposed expansion; and

(c) File, upon the expiration of said thirty (30) day period, as set out in (b) immediately above, with the Commission and the Supervisor the following:

(1) Evidence of mailing or delivering copies of said notice of expansion;

(2) An application for such expansion;

(3) An instrument containing the appropriate joinders in compliance with the participation requirements of Article XIII hereof.

(4) Copies of any objections received.

(d) There shall be no retroactive allocation or adjustment of unit expense or of interests in the unitized substances produced, or proceeds thereof, prior to the effective date of expansion and qualification under Article XIII; however, this limitation shall not prevent an adjustment of investment by reason of the enlargement.

B. The expansion shall, after due consideration of all pertinent information and approval by the Commission and the Director, become effective as of the date prescribed in the notice thereof, preferably the first day of a month subsequent to the date of the notice.

C. 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.

ARTICLE V

UNITIZED LAND AND UNITIZED SUBSTANCES

A. All land committed to this agreement as to the unitized formation shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid and liquefiable hydrocarbons within or produced from the lands subject to this agreement as to the unitized formation are unitized under the terms of this agreement, and herein are called "unitized substances". Nothing herein shall be construed to unitize, pool or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the unitized formation as described above.

ARTICLE VI

UNIT OPERATOR

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

ARTICLE VII

RESIGNATION OF UNIT OPERATOR

A. 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 three (3) months after written notice of intention to resign has been given by Unit Operator to all working interest owners and the Supervisor, and until all unit wells are placed in a condition satisfactory to the Supervisor for suspension, abandonment or operations, whichever is intended by the Unit Manager, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

C. In all such instances of effective resignation, until a successor to Unit Operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation becomes effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

D. Resignation of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, books and records, materials,

appurtenances and any other assets, used in connection with the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the Unit Manager, if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing the removal of any material, equipment or appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns hereunder from any liability or duties accruing or performable by it prior to the effective date of such resignation.

ARTICLE VIII

SUCCESSOR UNIT OPERATOR

Whenever the Unit Operator shall tender his or its resignation as Unit Operator, a successor Unit Operator shall be selected by working interest owners voting according to their respective tract participation in all unitized land by a majority vote; provided, that (1) a resigning Unit Operator may not vote for itself and (2) if a sixty percent (60%) or more of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of one or more additional working interest owners 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 filed with the Supervisor.

If no successor Unit Operator is selected and qualified as herein provided, the Director at his election may declare this unit agreement terminated.

ARTICLE IX

ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT

Costs and expenses incurred by Unit Operator in conducting unit

operations hereunder shall be paid, apportioned among and borne by the working interest owners in accordance with the Unit Operating Agreement. Such Unit Operating Agreement shall also provide the manner in which the working interest owners shall be entitled to receive the respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and working interest owners as may be agreed upon by the Unit Operator and the working interest owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this agreement, and in case of any inconsistency or conflicts between this agreement and the Unit Operating Agreement, this unit agreement shall prevail. Copies of any Unit Operating Agreement executed pursuant to this article shall be filed with the Supervisor as required prior to approval of this agreement.

ARTICLE X

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. Upon request by Unit Operator, acceptable evidence of title to said rights shall be deposited with such 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.

ARTICLE XI

PLAN OF OPERATIONS

A. It is recognized and agreed by the parties hereto that all of the land subject to this agreement is reasonably proved to be productive of unitized substances in paying quantities and that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of unitized substances, prevent waste and conserve natural resources consistent with good engineering practices expected of a prudent operator. 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 and the Supervisor, inject into the unitized formation through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gases and any one or more other substances or combination of substances whether produced from the unitized formation or otherwise, and that the location of input wells and the rate of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. Subject to like approval, the plan of operation may be revised as conditions may warrant.

B. The initial plan of operation shall be filed with the Supervisor, concurrently with the filing of this unit agreement, for final approval. Said initial plan of operation and all revisions thereof

shall be as complete and adequate as the Supervisor 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.

ARTICLE XII

TRACT PARTICIPATION

A. Beginning at 7:00 a.m. on the effective date hereof, the tract participation of each tract shall be based upon the following factors and formula:

Tract Participation =

$$0.80 \times \frac{\text{acre-feet of sand credited to tract}}{\text{acre-feet of sand credited to all tracts}} +$$
$$0.20 \times \frac{\text{tract's cumulative production}}{\text{cumulative production from all tracts}} +$$

B. In Exhibit "C" attached hereto there are listed and numbered the various tracts within the unit area, and set forth opposite each tract are figures which represent the percentage of participation allocated to each tract in the unit area.

ARTICLE XIII

TRACTS QUALIFIED FOR UNIT PARTICIPATION

A. As the objective of this agreement is to have lands in the unit area operated and entitled to participation under the terms hereof, it is agreed that, notwithstanding anything else herein, no joinder shall be considered a commitment to this agreement unless a tract involved is qualified under this article. On and after the effective date hereof, the tracts within the unit area which shall be entitled to participation (as provided in Article XII hereof) in the production of unitized substances therefrom shall be those tracts within the unit area as shown on Exhibit "A" and described in said Exhibit "B" that are qualified as follows:

1. Each tract as to which working interest owners owning one hundred percent (100%) of the working interest and as to which record owners owning one hundred percent (100%) of the record title, each have become parties to this agreement and as to which royalty owners owning eighty-five percent (85%) or more of the royalty interests (exclusive of the royalty interests of the United States) have become parties to this agreement.
2. Each tract as to which working interest owners owning one hundred percent (100%) of the working interest and as to which record owners owning one hundred percent (100%) of the record title each have become parties to this agreement, and as to which royalty owners owning less than eighty-five percent (85%) of the royalty interest have become parties to this agreement, and as to which (1) all working interest owners and all record owners in such tract have joined in a request for the commitment of such tract to the unit agreement, and as to which (2) eighty percent (80%) of the combined voting interests of working interest owners in all tracts that meet the requirements of Article XIII A.1 above have voted in favor of the commitment of such tract. For the purpose of this Article XIII A.2, the voting interest of a working interest owner shall be equal to the ratio that its unit participation attributable to tracts which qualify under Article XIII A.1 bears to the total unit participation of all

working interest owners attributable to all tracts which qualify under Article XIII A.1.

3. Each tract as to which working interest owners owning less than one hundred percent (100%) of the working interest and as to which record owners owning less than one hundred percent (100%) of the record title each have become parties to this agreement, regardless of the percentage of royalty interest therein, that is committed thereto; and as to which (1) the working interest owner who operates the tract and all of the other working interest owners in such tract who have become parties to this agreement have joined in the request for commitment of such tract to this agreement, and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other working interest owners in the unit area, their successors and assigns, against all claims and demands that may be made by the owners of working interests in such tract who are not parties to this agreement, and which arise out of the commitment of the tract to this unit agreement; and as to which (2) eighty percent (80%) of the combined voting interest of working interest owners in all tracts that meet the requirements of either Article XIII A.1 or XIII A.2 have voted in favor of the commitment for such tract and to accept the Indemnity Agreement. For the purpose of this Article XIII A.3, the voting interest of each working

interest owner shall be equal to the ratio that its unit participation attributable to the tracts that qualify under either Article XIII A.1 or XIII A.2 bears to the total unit participation of all working interest owners attributable to all tracts which qualify under either Article XIII A.1 or XIII A.2. Upon commitment of such a tract to this unit agreement, the tract participations which would have been attributed to the nonsubscribing owners of the working interest in such tracts, 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 the respective working interests in the tract.

B. If on the effective date of this agreement there are any tracts which have not been effectively committed to this agreement by qualifying as above provided, then such tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this agreement for final approval by the Director, file therewith or as soon as practicable, a schedule of those tracts which have been committed and made subject to this agreement and are entitled to participate in the production of unitized substances. Said schedule shall set forth opposite each such committed tract the lease number or assignment number, the owner of record of the lease, and the percentage participation of each tract which shall be computed in accordance with the same formula used to determine the original tract participations. Said schedule

shall be Exhibit "C" and upon approval thereof by the Supervisor, shall become a part of this agreement and shall govern the allocation of production of unitized substances until the effective date of a new revised Exhibit "C" approved by the Supervisor.

ARTICLE XIV

ALLOCATION OF UNITIZED SUBSTANCES

A. 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 lands for drilling, operating, camp and other production or development purposes, and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the unit area in accordance with the respective tract participation effective hereunder during the respective periods such unitized substances were produced, as set forth in the schedule of participation in Exhibit "C". The amount of unitized substances so allocated to each tract (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.

B. The unitized substances allocated to each tract shall be distributed among, or accounted for to, the parties executing, consenting to or ratifying this agreement entitled to share in the production from such tracts in the same manner, in the same proportion, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had

this agreement not been entered into, and with the same legal force and effect.

C. No tract committed to this agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of unitized substances or incapability to produce unitized substances, and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tracts.

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

E. The unitized substances allocated to each tract shall be delivered in kind to the respective working interest owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein, or by purchase from such owners. Each working interest owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the unit area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Article XV hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind

of any portion of the unitized substances shall be borne by the party responsible for bearing such costs. If a royalty owner has the right to take in kind a share of unitized substances and fails to do so, the working interest owner whose working interest is subject to such royalty interest shall be entitled to take in kind such share of the unitized substances.

F. If any party fails to take in kind or separately dispose of its share of unitized substances, Unit Operator shall have the right for the time being and subject to revocation at will by the party owning the share, to sell or otherwise dispose of such production to itself or to others on a day to day basis at not less than the prevailing market price in the area for like production. The proceeds of the unitized substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

G. Notwithstanding the foregoing, the Unit Operator shall not make a sale into interstate commerce of any working interest owners' share of gas production without first giving such working interest owner sixty (60) days notice of such intended sale.

H. Any working interest owner receiving in kind or separately disposing of all or any part of the unitized substances allocated to any tract, or receiving the proceeds therefrom, if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all royalty on the lease or leases and tracts contributed by it and received into the unit, and each such party shall hold each other party hereto harmless against all claims, demands, and causes of action for such royalty on the lease or leases and tracts contributed by it to the unit area.

I. If, after the effective date of this agreement, there is

any tract or tracts that are subsequently committed hereto, as provided in Article IV hereof, or any tract or tracts within the unit area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Article XXXI, or any tract is excluded from the unit agreement as provided for in Article XXIX, the schedule of participation as shown in Exhibit "C", subject to Article IV C, and Article XIII shall be revised by the Unit Operator and distributed to the working interest owners and the Supervisor to show the revised tract participation of all the committed tracts; and the revised Exhibit "C", upon approval by the Supervisor, shall govern all the allocation of production of unitized substances from and after the effective date thereof until the effective date of a revised schedule, approved as hereinabove provided.

J. Working interest owners may use as much of the unitized substances as they reasonably deem necessary for the operation and development of the unit area, including but not limited to the injection of unitized substances into the unitized formation, provided such operations are in accordance with a plan of operations approved by the Supervisor.

K. No royalty shall be payable upon or with respect to unitized substances used or consumed in the operation or development of the unit area or which may be otherwise lost or consumed in the production, handling, treating, transporting or storing of unitized substances, provided such operations are in accordance with a plan of operations approved by the Supervisor.

ARTICLE XV

ROYALTY SETTLEMENT

A. The United States of America which, under an existing

contract, may be entitled to take in kind a share of the substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind its 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 contract, laws and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalty due under their leases, except that such royalty shall be computed on unitized substances as allocated to each tract in accordance with the terms of this unit agreement. With respect to those Federal leases committed hereto, on which the royalty rate depends upon the daily average production per well, such average production shall be determined in accordance with the operating regulations as though the committed tracts were included in a single consolidated lease.

B. If gas obtained from lands not subject to this agreement is introduced into the unitized formation, for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan approved pursuant to Article XI, a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the unitized formation, royalty-free as to dry gas, but not as to the products extracted therefrom; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor; and provided further that such right of withdrawal

shall terminate as of the effective date of termination of the unit agreement.

C. If natural gasoline, liquid petroleum gas or other liquid hydrocarbon substances which were not extracted from gas produced from the unitized formation are injected into the unitized formation, in conformity with an approved plan of operation, working interest owners shall be entitled to recover, royalty-free, a like volume of similar substance, less appropriate deduction for loss from any cause, pursuant to such formulas as may be approved or prescribed by the Supervisor.

D. All royalty due the United States of America hereunder shall be computed and paid in value or delivered in kind on the basis of all unitized substances allocated to the respective tract or tracts committed hereto, in lieu of actual production from such tract or tracts.

ARTICLE XVI

RENTAL SETTLEMENT

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

ARTICLE XVII

CONSERVATION

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

ARTICLE XVIII

DRAINAGE

The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement.

ARTICLE XIX

LEASES AND CONTRACTS CONFORMED AND EXTENDED

A. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto consent that the Secretary shall by his approval, or by the approval hereof by his duly authorized representatives, establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement.

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

1. The development and operation of lands subject to

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

2. Drilling, producing or secondary recovery operations performed hereunder upon any tract of unitized lands shall be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized lands, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.
3. Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.
4. Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil and gas by which 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.

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

ARTICLE XX

COVENANTS RUN WITH LAND

All terms and conditions herein contained shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in title until this agreement terminates, and any grants, transfers, conveyance or any passage of any interest in land or leases subject hereto, no matter how accomplished, shall be and hereby is conditioned upon the assumption of all privileges and obligations by such successor in interest. By way of illustration, but not of limitation, if any working interest owner shall,

after executing this instrument, create any overriding royalty, production payment or any similar interest out of its interest, the new owner, or owners of such interest, or interests, shall be bound by the terms of this agreement and the Unit Operating Agreement. No assignment or transfer of any working interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of a royalty interest subject hereto shall be binding upon the working interest owner responsible therefor until the first day of the calendar month after said working interest owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

ARTICLE XXI

EFFECTIVE DATE AND TERM

A. 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 a.m. of the first day of the calendar month next following the approval of this agreement by the Secretary or his duly authorized representative. If this agreement is not filed for final approval on or before July 31, 1968, this agreement shall ipso facto expire on said date (hereinafter called "expiration 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 unit participation of at least eighty percent (80%) and that working interest owners owning in the aggregate eighty percent (80%) or more of the unit participation

committed to this agreement have decided to extend said expiration date for a period not to exceed six months (hereafter called "extended expiration date"). If said expiration date is so extended and this agreement is not filed for final approval on or before said extended expiration date, this agreement shall ipso facto expire on said extended expiration date and thereafter be of no further force and effect.

B. Unit Operator shall, within thirty (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.

C. The term of this agreement shall be for and during the time that unitized substances are produced in quantities sufficient to pay for the cost of producing same from wells on the unitized land and so long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, and so long thereafter as unitized substances are produced as aforesaid.

D. This agreement may be terminated at any time for any other reason with the approval of the Director by working interest owners owning eighty percent (80%) unit participation. Notice of any such termination shall be given to all parties hereto and a copy filed by Unit Operator in the office of the County Clerk of Eddy County, New Mexico.

E. Upon termination of this agreement, unit operations shall cease, and thereafter the parties hereto shall be covered by the terms and provisions of the leases and contracts affecting the separate tracts.

F. 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 sell, salvage, distribute or otherwise dispose of the personal property and facilities used in connection with unit operations.

ARTICLE XXII

RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION

A. All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statutes. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission, to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification.

B. Powers in this article vested in the Director shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice, and thereafter subject to administrative appeal before becoming final.

ARTICLE XXIII

NONDISCRIMINATION

In connection with the performance of work under this agreement, the Unit Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246, as amended (30 F.R. 12319) which are incorporated by reference in this agreement.

ARTICLE XXIV

APPEARANCES

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

ARTICLE XXV

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 addresses as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

ARTICLE XXVI

NO WAIVER OF CERTAIN RIGHTS

Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the state wherein said unitized lands are located, of the

United States or the rules or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive; provided, however, that each party hereto covenants that during the existence of this agreement, such party will not resort to any action at law or in equity to partition the unit area or the facilities used in the development or operation hereof and to that extent waives the benefits of all laws authorizing such partition.

ARTICLE XXVII

PERSONAL PROPERTY EXCEPTED

Each of the working interest owners hereto has heretofore individually placed in or on wells drilled by such working interest owner on its leases or interests and in or on the land covered by said leases or interests certain casing, casing flanges, tubing, rods, pipes, tanks, as well as other lease and well equipment or other personal property (to all of which provisions hereof are applicable, whether similar or dissimilar in nature to the foregoing enumeration). As to all of such equipment, the installing working interest owner has the contractual right in and under its respective leases to remove the same from the premises, and the installation thereof by said working interest owner was with the intention and understanding that all of such equipment would be and remain personal property and that no part thereof would be or become fixtures to the realty. The working interest owners hereto have dealt or shall deal separately among themselves and do hereby make or shall make a separate agreement with each other with respect to such lease and well equipment and all other personal property located in or on the well or their respective leases, on one hand, and the realty, leasehold estates, and the wells (exclusive of

all equipment in or on said wells)located on and the unitized substances underlying the unit area, on the other hand. To that end, the working interest owners have severed, and do hereby sever, or shall sever, for all purposes of this agreement, all such lease and well equipment and other such personal property which may be located in or on the respective leases or in or on the wells thereon from the real leasehold estates, and the wells located on and the unitized substances underlying the unit area. To conform their respective investments in such equipment, working interest owners have made or shall make a separate agreement with each other with respect thereto.

ARTICLE XXVIII

UNAVOIDABLE DELAY

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

ARTICLE XXIX

LOSS OF TITLE

A. If any tract of unitized land ceases to have sufficient working interest or royalty interest committed to this agreement to meet the conditions of Article XIII 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 the same can be requalified under said Article XIII within ninety (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 of unitized land 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" and "C" 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 fails 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 Federal lands or leases, no payments of funds due to the United States of America shall be withheld, but such funds shall be deposited by the Supervisor 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.

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

ARTICLE XXX

BORDER AGREEMENTS

Subject to the approval of the Supervisor, the 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 in interest.

ARTICLE XXXI

NONJOINDER AND SUBSEQUENT JOINDER

A. Joinder by any royalty and record owner, at any time, must be accompanied by appropriate joinder of the corresponding working interest owner in order for the interest of such royalty and record owner to be regarded as committed. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as committed to this unit agreement.

B. Any oil or gas interest in the unitized formation not committed hereto prior to the submission of this agreement to the Supervisor for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this article and of Article XIII hereof, at any time up to the effective date hereof on the same basis of participation as provided in said Article XIII, by the owner or owners thereof subscribing, ratifying or consenting in writing to this agreement, and, if the interest is a working

interest, by the owner of such interest subscribing to the Unit Operating Agreement.

C. It is understood and agreed, however, that from and after the effective date hereof, the right of subsequent joinder as provided in this article shall be subject to such requirements or approvals and on such basis as may be agreed upon by working interest owners having not less than seventy percent (70%) unit participation, and approved by the Director. Such subsequent joinder by a proposed working interest owner must be evidenced by his execution or ratification of this agreement and the Unit Operating Agreement. Such joinder by a proposed royalty owner must be evidenced by his execution, ratification or consent to this agreement and must be consented to in writing by the working interest owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed royalty owner. Except as may be otherwise herein provided, subsequent joinder to this agreement shall be effective at 7:00 a.m. as of the first day of the month following the filing with the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any tract or interest in this agreement, unless objection to such joinder by the Supervisor is duly made within sixty (60) days after such filing.

ARTICLE XXXII

TAXES

Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the unitized substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator, or any of the working interest owners, must pay

or advance said taxes for the account of the parties hereto, it is expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including royalty owners, who may be responsible for the taxes on their respective allocated share of said unitized substances. No such taxes shall be charged to the United States nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

ARTICLE XXXIII

CONFLICT OF SUPERVISION

Neither the Unit Operator nor the working interest owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof, to the extent that the said Unit Operator or the working interest owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States in and about any matters or things concerning which it is required herein that such concurrence be obtained.

ARTICLE XXXIV

NO PARTNERSHIP

The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto.

Each party hereto shall be individually responsible for its own obligations as herein provided.

ARTICLEXXXV

PRODUCTION AS OF THE EFFECTIVE DATE

A. Unit Operator shall make a proper and timely gauge of all lease and other tanks on unitized land in order to ascertain the amount of merchantable oil above the pipeline connection in such tanks as of 7:00 a.m. on the effective date hereof. The oil that is a part of the prior allowable of the wells from which it was produced shall be and remain the property of the owner entitled thereto the same as if the unit had not been formed, and shall be promptly removed from unitized land. Any such oil not so removed may be sold by Unit Operator for the account of the working interest owner, subject to the payment of all royalty to royalty owners under the applicable lease or leases and other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as unitized substances produced after the effective date hereof.

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

ARTICLEXXXVI

COUNTERPARTS

This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and may be ratified

or consented to by separate instruments in writing specifically referring thereto, and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the land within the above described unit area.

ARTICLE XXXVII

LIEN OF UNIT OPERATOR

Unit Operator shall have a lien upon the interests of working interest owners in the unit area to the extent provided in the Unit Operating Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed as of the day and year first hereinabove written, and have set opposite their respective names the dates of execution.

ATTEST:



Assistant Secretary
M. F. CARR,

Date: JUN - 1 1988

TENNECO OIL COMPANY
By 

J. S. COLLINS, Vice President

Address: P.O. Box 1031
Midland, Texas 79701
Attention: District
Production Superintendent

Also send notices to:
Tenneco Oil Company
P.O. Box 2410
Denver, Colorado 80201
Attention: Division Production
Superintendent

UNIT OPERATOR, WORKING INTEREST OWNER AND RECORD OWNER

R-30-E

MOBIL - W. HENSHAW PREMIER

CROSBY
U.S.

SPENCER
U.S.

Gen'l Amer.

Tenneco

Gen'l Amer.

Mobil

G. H. Hecker, Jr.
G. BOGGER
SIVLEY - FED.
T.O. 2020

Shell

Tenneco

Gen'l Amer.

Mobil

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16
S

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T.O. 3023

TRIGG

T.O. 2730

T.O. 2704

U.S. NM-0510

U.S. NM-04553
SIVLEY

U.S. NM-0550379
U.S.

Tenneco

Mobil

Gen'l Amer.

Shell

①

③

②

T.O. 2773

T.O. 2856

LEONARD
T.O. 2245

U.S. NM-0510

U.S. NM-0550379
U.S.

U.S. NM-0-1058
U.S.

SIVLEY

Tenneco

Gen'l Amer.

Trigg

Yates Fe

①

②

EXHIBIT "A"

Attached to and made apart
of Unit Agreement for the
development and operation
of the Southwest Henshaw
(Premier) Unit, Eddy County,
New Mexico.

TENNECO OIL COMPANY

SOUTHWEST HENSHAW PREMIER UNIT
Eddy County, New Mexico

UNIT BOUNDARY
① TRACT NUMBER

SCALE IN FEET
2000 0 2000 4000

30

LLY
APPROX
T.O. 2818

HAGERTY
U.S.

Yates Patr.

LEONARD
NUMBLE-FED
T.O. 10956

Amer.

EXHIBIT "B"

Attached to and made a part of the Unit Agreement for the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico

Tract No.	Description of land	Number of acres	Serial No.	Basic Royalty and Exp. Date of lease	Percentage	Lessee of Record	Percentage	Overriding Royalty and Percentage	Working Int. and Percentage
1	E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ Section 7 E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ Section 18	840.00	NM-0610 HBP	U.S.A. All		Tenneco Oil Company	See page 2 of this Exhibit B	100%	Tenneco - 100%
2	NE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ NE $\frac{1}{4}$ Section 19 SW $\frac{1}{4}$ Section 8 NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$ Section 17	400.00	NM-04068 HBP	U.S.A. All		General American Oil Company of Texas	See page 2 of this Exhibit B	100%	General American - 100%
3	NW $\frac{1}{4}$ NW $\frac{1}{4}$ Section 20 SE $\frac{1}{4}$ Section 8 W $\frac{1}{2}$ Section 17	480.00	NM-0560379 HBP	U.S.A. All		John H. Trigg and Pauline V. Trigg	See page 2 of this Exhibit B	100%	Mobil - 100%

All in Township 16 South, Range 30 East, N.M.P.M.

1720.00

Total of 3 Federal tracts, comprising 1720 acres or 100% of the unit area.

EXHIBIT "B"

Attached to and made a part of the Unit Agreement
for the Southwest Henshaw (Premier) Unit, Eddy
County, New Mexico

Schedule of Overriding Royalties

TRACT NO. 1:

<u>OWNER</u>	<u>PERCENTAGE</u>
Jack M. Campbell	1.00000
Elliott Production Company	.25000
Bonnie R. Etz	.12500
George Etz	.12500
Estate of Ralph A. Shugart	1.00000
Southern Petroleum Exploration Incorporated	.50000
Bennie U. Waggoner	1.00000
O. K. Detrick	.03975
Sally S. Toles	.02350
Sue S. Graham	.02350
Elyse S. Patterson	.02350
Ruth Detrick	.03975
Robert J. Leonard	.12500
Timothy T. Leonard	.12500
Patrick J. Leonard	.12500
Elks National Foundation	.07500
Shattuck School	.07500
Boys Club of America	.07500
New Mexico Boys Ranch, Inc.	.07500
Regents of the University of New Mexico	.07500
Wilson Exploration Co.	.10000
	<hr/> 5.00000

Continental Illinois National Bank and Trust Company of Chicago
\$5,500,000 production payment out of 75% of the oil and gas
produced from Tract No. 1 lands and other lands.

TRACT NO. 2:

<u>OWNER</u>	<u>PERCENTAGE</u>
Mary R. Sively	2.50
E. A. Patton	1.25
Doris Patton	1.25
	<hr/> 5.00

TRACT NO. 3:

<u>OWNER</u>	<u>PERCENTAGE</u>
John H. Trigg	1.00
Union Bank - Los Angeles	60.55 *
A/C Institute Oil, Inc.	
Trigg Production Payment "A"	
Security National Bank of Roswell	
Trigg Production Payment "B"	(56.225%) **

* Production Payment

** Production Payment "B" becomes effective at the
termination of Production Payment "A"

EXHIBIT "C"

SOUTHWEST HENSHAW (PREMIER) UNIT

Schedule of Tracts Committed and subject to Unit Agreement
as per Article XIII, Section B of Unit Agreement

No.	Lease Number	Lessee of Record	Percentage of Participation
	NM-0610 HBP	Tenneco Oil Company	64.6622%
	NM-0560379 HBP	John H. Trigg and Pauline V. Trigg	35.3378%
			<hr/> 100.0000%

SOUTHWEST HENSHAW (PREMIER) UNIT

Calculation of Committed Tract Participation
as Per Article XIII, Section B of Unit Agreement

Tract No.	Cumulative Prod.	(.20) x Percentage	Acre Feet	(.80) x Percentage	Tract Participation* %
1	123,850	12.3096%	3274	52.3526%	64.6622%
3	<u>77,375</u>	<u>7.6904%</u>	<u>1729</u>	<u>27.6474%</u>	<u>35.3378%</u>
	201,225	20.0000%	5003	80.0000%	100.0000%

Tract Participation based on Formula 20% Cumulative Production + 80% Acre Feet.

Data taken from "Summary of Engineering Study, Proposed Southwest Henshaw Premier Unit", Eddy County, New Mexico, January 5, 1968. Copy of this report was submitted to USGS, Roswell, New Mexico for obtaining preliminary approval of Unit Agreement.

R A T I F I C A T I O N

STATE OF NEW MEXICO X
 X
COUNTY OF EDDY X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract in the Unit Area; and

WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned is, or claims to be, a Royalty Owner, Record Owner and/or a Working Interest Owner in one or more of the Tracts described in Exhibit "B" of the Unit Agreement;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

Date: 7-22-68
Address: P. O. Box 633
Midland, Texas 79701

MOBIL OIL CORPORATION

J. S. Wright, Jr.
Attorney in Fact

APPROVED
J. S. WRIGHT, JR.
ATTORNEY IN FACT
N. GAS
ENGR.
LEGAL
LAND
THE

ATTEST:

By: _____

Address: _____

Date: _____

STATE OF Texas X
X
COUNTY OF Midland X ss.

The foregoing instrument was acknowledged before me this 20th day of July, 1968, by [Signature] of [Signature] a New York corporation, on behalf of said corporation.

My commission expires:

[Signature]
Notary Public in and for
_____ County,
CLIFDA B. [Signature] [Signature]
in and for [Signature] County, 1968

STATE OF _____ X
X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for
_____ County, _____

STATE OF _____ X
X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____

My commission expires:

Notary Public in and for
_____ County, _____

STATE OF _____ X
X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____

My commission expires:

Notary Public in and for
_____ County, _____

R A T I F I C A T I O N

STATE OF NEW MEXICO X
 X
COUNTY OF EDDY X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract in the Unit Area; and

WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned is, or claims to be, a Royalty Owner, Record Owner and/or a Working Interest Owner in one or more of the Tracts described in Exhibit "B" of the Unit Agreement;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

Date: July 12, 1968
Address: Box 877
Santa Fe, New Mexico

Ruthanne P. Campbell

ATTEST:

Date: _____

By: _____
Address: _____

R A T I F I C A T I O N

STATE OF NEW MEXICO X
 X
COUNTY OF EDDY X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract in the Unit Area; and

WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned is, or claims to be, a Royalty Owner, Record Owner and/or a Working Interest Owner in one or more of the Tracts described in Exhibit "B" of the Unit Agreement;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

Date: _____

Address: _____

ELLIOTT PRODUCTION COMPANY

ATTEST:

Paul S. Anderson
Ass't. Secretary

Date: July 1, 1968

By: Edna Ione Hall
Edna Ione Hall, Vice President
Address: Box 1355, Roswell, New Mexico
88201

R A T I F I C A T I O N

STATE OF NEW MEXICO X
 X
COUNTY OF EDDY X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract in the Unit Area; and

WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned is, or claims to be, a Royalty Owner, Record Owner and/or a Working Interest Owner in one or more of the Tracts described in Exhibit "B" of the Unit Agreement;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

Date: July 1 1968

Address: Bul 1992

Roswell - New Mex

Bruce R. City

ATTEST:

By: _____

Address: _____

Date: _____

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for _____ County, _____

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for _____ County, _____

STATE OF New Mexico X
COUNTY OF Chaves X ss.

The foregoing instrument was acknowledged before me this 21 day of July, 1968, by Bonnie R. Ely, a trustee.

My commission expires:

Feb 2, 1972

Howard C. Buehly
Notary Public in and for Chaves County, New Mexico

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____

My commission expires:

Notary Public in and for _____ County, _____

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____
of _____
a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for
County, _____

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____
of _____
a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for
County, _____

STATE OF Texas X
COUNTY OF Cameron X ss.

The foregoing instrument was acknowledged before me this 5th day
of July, 1968, by George E. [unclear]

My commission expires:

June, 1969

Betty Gresham
Notary Public in and for
Cameron County, Texas

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____

My commission expires:

Notary Public in and for
County, _____

R A T I F I C A T I O N

STATE OF NEW MEXICO X
 X
COUNTY OF EDDY X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract in the Unit Area; and

WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned is, or claims to be, a Royalty Owner, Record Owner and/or a Working Interest Owner in one or more of the Tracts described in Exhibit "B" of the Unit Agreement;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

Date: 7-18-68
Address: 316 W. Dallas
Artesia, N.M. 88210

Estate of Ralph A. Shogart

Rena Shogart, Co-Executor

E. Bernard Johnston, Co-Executor

ATTEST:

By: _____

Address: _____

Date: _____

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____
of _____
a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for
County, _____

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____
of _____
a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for
County, _____

STATE OF New Mexico X
COUNTY OF Chaves X ss.

The foregoing instrument was acknowledged before me this 18 day
of July, 1968, by Rena Shugart and E. Bernard
Johnston, Co-Executors of the Estate of Ralph A. Shugart.

My commission expires:

Aug 19, 1969

Charles J. Adams
Notary Public in and for
Chaves County, N.M.

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____

My commission expires:

Notary Public in and for
County, _____

STATE OF West Virginia X
COUNTY OF Tyler X ss.

The foregoing instrument was acknowledged before me this 19th day
of July, 19 68, by John C. Wright
President of Southern Petroleum Exploration, Inc.
a Delaware corporation, on behalf of said corporation.

My commission expires:

June 13, 1972

B. H. [Signature]
Notary Public in and for
Tyler County, W. Va.

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____
of _____
a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for

County, _____

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____

My commission expires:

Notary Public in and for

County, _____

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____

My commission expires:

Notary Public in and for

County, _____

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____
of _____
a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for
County, _____

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____
of _____
a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for
County, _____

STATE OF NEW MEXICO X
COUNTY OF CHAVES X ss.

The foregoing instrument was acknowledged before me this 3rd day
of July, 1968, by Bennie U. Waggoner.

My commission expires:

Oct. 30, 1971.

Notary Public in and for
Chaves County, New Mexico.

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____

My commission expires:

Notary Public in and for
County, _____

R A T I F I C A T I O N

STATE OF NEW MEXICO X
 X
COUNTY OF EDDY X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract in the Unit Area; and

WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

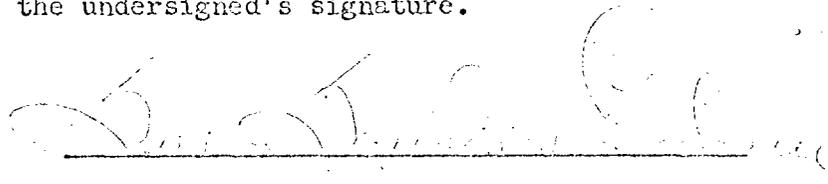
WHEREAS, the undersigned is, or claims to be, a Royalty Owner, Record Owner and/or a Working Interest Owner in one or more of the Tracts described in Exhibit "B" of the Unit Agreement;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

Date: July 23 1968

Address: _____



ATTEST:

By: _____

Address: _____

Date: _____

R A T I F I C A T I O N

STATE OF NEW MEXICO X
 X
COUNTY OF EDDY X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract in the Unit Area; and

WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned is, or claims to be, a Royalty Owner, Record Owner and/or a Working Interest Owner in one or more of the Tracts described in Exhibit "B" of the Unit Agreement;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

Date: July 1 1968
Address: 6444 Indiana Ave
Elmwood 66208

Edwin S. Peterson

ATTEST:

Date: _____

By: _____
Address: _____

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____
of _____
a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for
County, _____

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____
of _____
a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for
County, _____

STATE OF Illinois X
COUNTY OF Montgomery X ss.

The foregoing instrument was acknowledged before me this 5th day
of July, 19 68, by Ruth Detrick

(My commission expires:

May 20 1969

M. M. Cross
Notary Public in and for
Montgomery County, Illinois

STATE OF _____ X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day
of _____, 19____, by _____

My commission expires:

Notary Public in and for
County, _____

R A T I F I C A T I O N

STATE OF NEW MEXICO X
 X
COUNTY OF EDDY X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract in the Unit Area; and

WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned is, or claims to be, a Royalty Owner, Record Owner and/or a Working Interest Owner in one or more of the Tracts described in Exhibit "B" of the Unit Agreement;

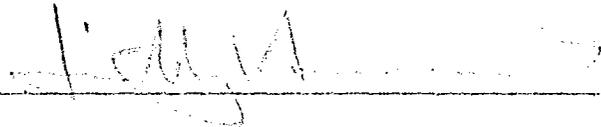
NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

Date: July 19, 1968

Address: Box 6006

San Antonio, Texas 78209



ATTEST:

By: _____

Address: _____

Date: _____

R A T I F I C A T I O N

STATE OF NEW MEXICO X
 X
COUNTY OF EDDY X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract in the Unit Area; and

WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned is, or claims to be, a Royalty Owner, Record Owner and/or a Working Interest Owner in one or more of the Tracts described in Exhibit "B" of the Unit Agreement;

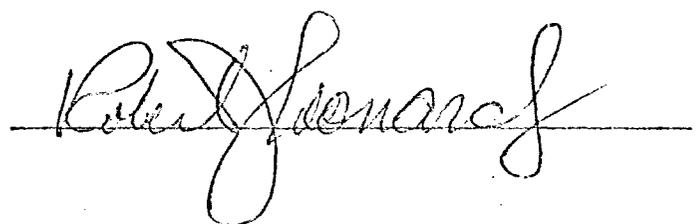
NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

Date: July 2, 1968

Address: Box 400

Roswell, New Mexico 88201



ATTEST:

By: _____

Address: _____

Date: _____

R A T I F I C A T I O N

STATE OF NEW MEXICO X
 X
COUNTY OF EDDY X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

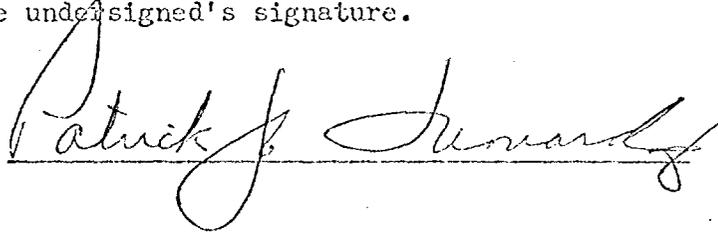
WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract in the Unit Area; and

WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned is, or claims to be, a Royalty Owner, Record Owner and/or a Working Interest Owner in one or more of the Tracts described in Exhibit "B" of the Unit Agreement;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.



Date: _____

Address: _____

ATTEST:

By: _____

Address: _____

Date: _____

R A T I F I C A T I O N

STATE OF NEW MEXICO X
 X
COUNTY OF EDDY X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

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WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

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NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

Date: _____

Address: _____

ATTEST:



Secretary

Date: July 2, 1968

WILSON EXPLORATION COMPANY

By: 
Vice President

Address: 1212 W. El Paso St.
Fort Worth, Texas 76102

R A T I F I C A T I O N

STATE OF NEW MEXICO

X

X

COUNTY OF EDDY

X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract in the Unit Area; and

WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned is, or claims to be, a Royalty Owner, Record Owner and/or a Working Interest Owner in one or more of the Tracts described in Exhibit "B" of the Unit Agreement;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

Date: _____

Address: _____

ATTEST: UNION BANK

UNION BANK as Mortgagee of Institute Oil, Inc.

By: _____
Assistant Secretary

Date: July 12, 1968

By: 
Wm. H. Stolz, Assistant Vice President
Address: Petroleum Department
P.O. Box 3100, Terminal Annex
Los Angeles, California 90054

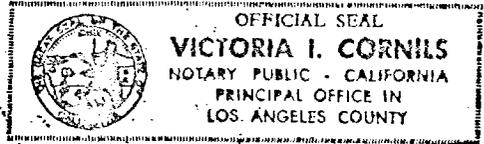
STATE OF CALIFORNIA X
X
COUNTY OF LOS ANGELES X ss.

The foregoing instrument was acknowledged before me this 12th day of July, 1968, by Wm. H. Stolz, Assistant Vice President of UNION BANK, a California corporation, on behalf of said corporation.

My commission expires:

My Commission Expires Aug. 14, 1968

Victoria I. Cornils
Notary Public in and for
Los Angeles County, California



STATE OF _____ X
X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ a _____ corporation, on behalf of said corporation.

My commission expires:

Notary Public in and for

County, _____

STATE OF _____ X
X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____

My commission expires:

Notary Public in and for

County, _____

STATE OF _____ X
X
COUNTY OF _____ X ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____

My commission expires:

Notary Public in and for

County, _____

STATE OF Calif X
COUNTY OF Los Angeles X SS.

The foregoing instrument was acknowledged before me this 18th day of July, 19 68, by L. E. BETTS, VICE-PRESIDENT of Institute Oil, Inc., a corporation, on behalf of said corporation.

My commission expires:

Ruth D. Toy
Notary Public in and for
Los Angeles County, California
RUTH D. TOY
My Commission Expires July 26, 1970

STATE OF Calif X
COUNTY OF Los Angeles X SS.

The foregoing instrument was acknowledged before me this 18th day of July, 19 68, by I. C. COMBS, SECRETARY of Institute Oil, Inc., a corporation, on behalf of said corporation.

My commission expires:

Ruth D. Toy
Notary Public in and for
Los Angeles County, California

STATE OF _____ X
COUNTY OF _____ X SS.

The foregoing instrument was acknowledged before me this _____ day of _____, 19 _____, by _____.

My commission expires:

Notary Public in and for
County, _____

STATE OF _____ X
COUNTY OF _____ X SS.

The foregoing instrument was acknowledged before me this _____ day of _____, 19 _____, by _____.

My commission expires:

Notary Public in and for
County, _____

R A T I F I C A T I O N

STATE OF NEW MEXICO X
 X
COUNTY OF EDDY X

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments, entitled "Unit Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", and "Unit Operating Agreement for the Development and Operation of the Southwest Henshaw (Premier) Unit, Eddy County, New Mexico", are being executed as of the 1st day of June, 1968, by various persons for conducting Unit Operations with respect to the Premier Sand underlying the Unit Area, located in Eddy County, New Mexico, all as more particularly described in said agreements; and

WHEREAS, the Unit Agreement, by Exhibit "A", shows on a map the boundary lines of the Unit Area and the Tracts therein and, by Exhibit "B", describes each Tract in the Unit Area; and

WHEREAS, the Unit Agreement and the Unit Operating Agreement each provides in effect that a person may become a party thereto by executing the original of said instrument, a counterpart thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned is, or claims to be, a Royalty Owner, Record Owner and/or a Working Interest Owner in one or more of the Tracts described in Exhibit "B" of the Unit Agreement;

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that the undersigned (whether one or more) for and in consideration of the premises and the benefits anticipated to accrue under said agreements, does hereby ratify and agree to become a party to, and to be bound by the provisions of, the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner, and the undersigned does hereby agree that the parties to said agreements are those persons executing the originals of said instruments, counterparts thereof, or other instrument ratifying or consenting thereto and agreeing to be bound by the provisions thereof, and does hereby acknowledge receipt of a counterpart of the said Unit Agreement, and also the said Unit Operating Agreement, if the undersigned is a Working Interest Owner.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth below opposite the undersigned's signature.

Date: _____

Address: _____

SECURITY NATIONAL BANK OF ROSWELL

ATTEST:


Cashier

By: 
Vice President and Trust Officer

Address: Box 1497, Roswell, N.M. 88201

Date: July 29, 1968