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BEFORE THE  
NEW MEXICO OIL CONSERVATION COMMISSION  
Santa Fe, New Mexico  
September 10, 1969

EXAMINER HEARING

IN THE MATTER OF:

Application of Tamarack Petroleum  
Company, Inc. for a unit agreement,  
Lea County, New Mexico.

Case No. 4216

Application of Tamarack Petroleum  
Company, Inc. for a waterflood  
project, Lea County, New Mexico.

Case No. 4217

BEFORE: Daniel Nutter, Examiner.

TRANSCRIPT OF HEARING

MR. NUTTER: Case 4216.

MR. HATCH: Case 4216. Application of Tamarack Petroleum Company, Inc. for a unit agreement, Lea County, New Mexico.

MR. KELLAHIN: If the Examiner please, Cases 4216 and 4217 both pertain to the same area and some of the testimony will be overlapping and for that reason I would like to move that they be consolidated for the purposes of the record with a separate order to be entered in the cases.

MR. NUTTER: We will call the next Case 4217.

MR. HATCH: Case 4217. Application of Tamacrack Petroleum Company, Inc. for a waterflood project, Lea County, New Mexico.

MR. NUTTER: For purposes of testimony and making the record, Cases 4216 and 4217 will be consolidated.

MR. KELLAHIN: If the Examiner please, Jason Kellahin appearing for the Applicant. We have two witnesses I would like to have sworn.

(Witnesses sworn.)

(Whereupon, Applicant's Exhibits 1 through 4 were marked for identification.)

MR. KELLAHIN: Call as our first witness Mr.

Albert Metcalfe.

ALBERT METCALFE

called as a witness, having been first duly sworn, was examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Albert Metcalfe.

Q How do you spell that, Mr. Metcalfe?

A M-e-t-c-a-l-f-e.

Q By whom are you employed and in what position?

A Tamarack Petroleum Company, vice-president.

Q Have you testified before the Oil Conservation Commission and made your qualifications a matter of record?

A Yes, I have.

MR. KELLAHIN: Are the witness' qualifications acceptable?

MR. NUTTER: Yes, sir, they are.

Q (By Mr. Kellahin) Mr. Metcalfe, are you familiar with the application of Tamarack Petroleum Company in Cases 4216 and 4217 presently before the Commission?

A Yes, I am.

Q Briefly, what is proposed by the Applicant in these two cases?

A We propose to form a unit, the Northeast Pearl Queen Unit in Lea County, New Mexico, for a secondary recovery by waterflooding.

Q Have you formed a unit -- entered into a unit agreement?

A Yes, sir, we have.

Q Referring to what has been marked as Exhibit No. 1 in Case 4216, would you identify that exhibit?

A That's the unit agreement for the Northeast Pearl Queen Unit, Lea County, New Mexico.

Q Is that in the form which has been approved by this Commission and by the Commissioner of Public Lands in other cases?

A Yes, it is. We have received preliminary approval from the land office.

Q Now, are there any federal lands included within the unit boundary?

A No, sir.

Q Does it all consist of state and fee lands?

A Yes.



Q Can you give the percentages of state and fee lands involved?

A There are 920 acres in the unit area of which 400 acres are fee land and 520 acres are state land.

Q Now, have all of the working interest owners agreed to this unit agreement?

A Yes, they have.

Q Referring to what has been marked as Exhibit No. 2, would you identify that exhibit, please?

A Exhibit 2 is a unit operating agreement between the working interest owners in the unit area.

Q That is the operating agreement under which this unit will be operated?

A Yes, sir, it is.

Q Is there any particular provision in the -- either of the unit or operating agreement that you want to point out to the Commission?

A Pardon me?

Q Are there any particular provisions within either one of these instruments that you want to point out to the Examiner?

A No, sir.

Q Now, have all the working interest owners agreed

to the operating agreement?

A Yes, sir.

Q Referring to what has been marked as Exhibit No. 3, would you identify that exhibit?

A Exhibit 3 are the ratification sheets by which the royalty owners and the working interest owners have agreed to be bound by these two instruments.

Q Now, as to the state lands, of course, the State of New Mexico is a royalty owner and you say you have preliminary approval from the State?

A Yes, sir.

Q What is the status of the ratifications from the other royalty owners?

A The royalty owners --

Q Are you referring to what has been marked as Exhibit No. 4 at this time?

A Yes, sir, I am. Exhibit 4 is a schedule showing the per cent royalty ownership that has ratified the agreement at this time.

In connection with that there are four royalty owners who have not signed. There are five royalty owners who have not signed, pardon me; Texaco, Jake L. Hammond, Jack McClellan, David Kite and Inez R. Reese.

Q Have you contacted all of those individuals or companies?

A Yes, we have. All of those have agreed to sign the unit agreement, but we have not received a ratification sheet at this time. We are in the process of purchasing the Inez R. Reese interest so we will own that entirely.

We anticipate that before the effective date of this unit all of the royalties will be signed with the exception of one Helen M. Crow, who we have been unable to locate.

Q How much interest does she own?

A She owns 1.17188 interest in tract number 6.

Q What percentage is covered by tract number 6?

A Our tract number 6 is a 40-acre tract. It is the northwest quarter of the southwest quarter of Section 24.

Q That's the only one you have been unable to contact, is that correct?

A That's correct.

Q Who is designated as the unit operator?

A Tamarack Petroleum Company.

Q Were Exhibits 1 through 4 prepared by you or under your supervision?

A Yes, they were.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibits 1 through 4 inclusive.

MR. NUTTER: Tamarack's Exhibits 1 through 4 will be admitted in evidence.

MR. KELLAHIN: That's all I have of this witness.

CROSS EXAMINATION

BY MR. NUTTER:

Q Now, Mr. Metcalfe, as I understand you, all working interest has been signed?

A Yes, sir.

Q And all royalty interest with the exception of about five there you mentioned have been signed?

A Yes, sir.

Q All of them have agreed that they will sign it with the exception of this Mrs. or Miss, whichever, Helen Crow, and you haven't been able to locate her; but prior to the effective date of the unit you expect to have everyone else signed?

A That's correct.

MR. NUTTER: I believe that's all. Are there any other questions of Mr. Metcalfe? He may be excused.

(Witness excused.)

(Whereupon, Applicant's Exhibits  
1 and 2 were marked for  
identification.)

MR. KELLAHIN: We call Mr. Williamson.

ROY C. WILLIAMSON, JR.

called as a witness, having been first duly sworn, was  
examined and testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Roy C. Williamson, Jr.

Q What business are you engaged in, Mr. Williamson?

A I am petroleum consultant.

Q What firm are you associated with?

A Bailey, Sikes, Williamson and Runyan, Incorporated.

Q Have you testified before the Oil Conservation  
Commission and made your qualifications a matter of record?

A Yes, I have.

MR. KELLAHIN: Are the witness' qualifications  
acceptable?

MR. NUTTER: Yes, they are.

Q (By Mr. Kellahin) Mr. Williamson, in connection  
with your work as consulting engineer, have you done any  
work for Tamacrack Petroleum Company in connection with

their proposed Pearl Queen Unit and waterflood project?

A Yes, I have.

Q What did you do in connection with this proposal?

A We have prepared an engineering study and a parameter study and a proposed plan of operations for conducting waterflood operations in the proposed unit.

Q Now referring to what has been marked as Exhibit No. 1 in Case 4217, is that the parameter study to which you referred?

A That is correct.

Q Would you go through the various portions of that exhibit and discuss them, please?

A Yes. The letter itself merely outlines the unit area and a description of the zones that will be considered for a waterflooding. The zones in this area in the Queen formation are normally designated as zones 1 through 7. There are only three of these that will be considered in this waterflood project.

These are zones 4, 5, and 7. On the third sheet of the parameter study we have a table which outlines the various parameters describing the proposed unit area. Might point out that the cumulative production from the proposed unit area as of 2-1-'69 was 653,723 barrels.

The producing rate shown in the columns 8 and 9 for the six-month period ending 2-1-'69 averaged 3,380 barrels per month from the unit area. We have a remaining primary reserve as of 2-1-'69 of 34,036 barrels. We estimate that the ultimate recovery under waterflood operation, in other words incremental waterflood recovery, will be 1,218,000 barrels. This is a slight change from the numbers we had talked about. I made a new calculation.

Q Now, would you consider this area to be at an advanced stage of depletion at the present time?

A Yes, I would.

Q Do you feel that it lends itself to secondary recovery by water injection?

A Yes, it does by means of success of other similar formation units in the area.

Q As you have completed your discussion of Exhibit No. 1, would you identify the other sheets that are attached to that exhibit?

A Right. We have figure number 1 which is an outline of the proposed unit which shows the tract numbers. Figure number 2 is a net effective pay isopach map of the fourth zone; figure number 3 is an effective pay isopach of the fifth zone; figure 4 is the effective pay isopach

of the seventh zone.

Q Now referring to what has been marked as Exhibit No. 2, would you identify that exhibit, please, and discuss it?

A Yes. Exhibit 2 is a proposed plan of operation for the proposed Northeast Pearl Queen Unit. We have outlined here the proposed injection wells, the zones into which we plan to inject, the estimated injection rate and the actual location of the well.

The first well is the -- known as the Gulf B of No. 2. We will inject into the five and seven zone. We estimate 150 barrels of water per day; it is located in unit J. of Section 23.

These are all in Township 29 South, Range 35 East. The second proposed injection well is the Texaco Hammond No. 1. We will inject into zone 5; estimate 75 barrels of water per day; it's located in unit B. of Section 23.

Next injection well is Texaco Hammond No. 2; inject into zones 5 and 7; estimate 150 barrels per day; it's located in unit G. of Section 23.

Next well is Texaco Hammond A. No. 1; zones 5 and 7; estimate 125 barrels per day injection; it's



located in unit E. of Section 24. Next injection well Texaco Moran No. 1; inject into zones 5 and 7; estimate 125 barrels of water per day; it's located in unit A. of Section 22.

Next proposed injection well Union State No. 2, zones 4 and 5; estimate 150 barrels of water per day; it's located in unit K. of Section 15. There are two current injection wells in the area which have been approved by this Commission. They are the Cabot-Carbon No. 2 in zone 5; estimate 350 barrels of water per day; located in unit P. of Section 15.

The other current injection well Texaco Moran No. 2, zones 4, 5 and 7; 350 barrels of water per day. It's located in unit H. of Section 22.

Q Now, is the Applicant presently injecting water into the Cabot-Carbon No. 2 and Texaco Moran No. 2 Wells?

A Yes.

Q Has there been any response from this injection up at the present time?

A We feel there has been some response either from this injection or from adjacent injections in Shell's East Pearl Queen Unit.

Q Now referring to figure one of Exhibit 2, would you identify that exhibit?

A Yes. Figure one outlines the proposed North-east Pearl Queen Unit. It is colored in yellow. The current injection wells are designated by the blue dots which are the Cabot-Carbon No. 2 and Texaco Moran No. 2 in the proposed injection wells that we mentioned before are designated by a red dot.

Q Now, do you have any cooperative injection program with leases lying outside the unit area?

A No. There is no proposed cooperative injection because of the fact there is no development to the north, west or south of the unit area and the East Pearl Queen Unit is already under injection.

We do not contemplate any official cooperative injection program.

Q What is the injection program to the east?

A It is essentially a five-spot pattern.

Q Now --

MR. NUTTER: That would be to the west, I think?

THE WITNESS: West.

MR. KELLAHIN: West.

Q (By Mr. Kellahin) Who is the operator of that?

A Shell.

Q Now, you do not have a five-spot pattern as appears by your figure one, do you?

A No, we do not. Due to the well locations and protecting the producing ability of the best wells, we were not able to incorporate a five-spot pattern. We have essentially an abbreviated line drive pattern.

Q Based on your examination of this area, in your opinion will this be an effective injection pattern for the Pearl Queen formation?

A Yes, it will.

Q Now referring to figure two of Exhibit 2, would you discuss that exhibit?

A Yes. This figure, again, is the net effective pay isopach map for zone 4 showing the current injection well which is the Texaco Moran No. 2, designated by the blue dots and the proposed injection well, the Union State No. 2 designated by the red dot.

Q The next exhibit?

A Figure No. 3 is the net effective pay isopach

map for the zone 5, again showing the current injection wells in blue and the proposed injection wells in red. Figure 4 is again the net effective pay isopach map for zone 7 showing the current injection wells in blue, the proposed in red.

Q Now, turning to the series of exhibits, B-5 through -- figures five through ten, what are those?

A These are the diagrammatic sketches of the proposed injection wells. We have outlined information relating to the surface casing, the depth at which the casing is set, the sacks of cement utilized, which was circulated to the surface.

We also show that the injection tubing will be plastic-lined, show our estimated setting of the packer; we show the current perforations; we show the setting of the oil casing -- oil string casing and the amount of cement used to cement this casing.

We also have shown the estimated top of the cement on the oil string. Since this is a diagrammatic sketch the location of where the top of the cement is appears that we would have cement up in the surface casing, but that is not the case on this exhibit.

We have a top of the cement at 3701 and we show our estimated packer setting at 4891. So, we are well above our proposed packer setting and this will be the format on the other wells also.

Q Is there any surface water in this area to your knowledge?

A There is some water, apparently, all above a depth of 100 feet below the surface.

Q So, your surface string would fully protect the water zones, is this correct?

A That is correct.

Q Will your cementing and casing program on your oil string fully protect any producing zones?

A Yes, it will.

Q Are the perforations as shown on these exhibits present perforations in these wells?

A Yes. We show the present perforations in two cases. We have some proposed perforations on the Texaco Hammond A. No. 1. We estimate proposed perfs in the five zone at 4940 to 4959. And in the Union State No. 2 we estimate additional perforations at the top of the five zone which is estimated to occur at 4970. We do not have

a log at this time that logs this zone, although the records show the well was drilled below the top of the five zone.

Q Now in each case you will be injecting through plastic-lined tubing under a packer and through perforations, is that correct?

A That is correct.

Q Will you fill the casing tubing annulus with an inert fluid?

A Yes. I think that is correct.

Q Will you install a pressure gauge or leave the annulus open at the surface?

A We will install a pressure gauge to observe any leakage that might occur.

Q Now, the next six pages of Exhibit No. 2, are those logs of the injection wells?

A That is correct. We have there shown the current perforated intervals and the sand designations in the right margin.

Q Now, I believe you have testified as to the rate of water injection in the individual wells. What pressure do you anticipate you will encounter on this?

A We anticipate that a maximum surface pressure of

2500 pounds will be required.

Q Does that agree with the experience on the Shell waterflood project?

A That is correct.

Q What is your source of water?

A The source of water is a water line jointly owned by Shell, Gulf and Tamarack, which supplies an Ogallala water from a source of approximately seven miles to the northeast of the proposed unit area.

Q That water is presently available, is that correct?

A That is correct.

Q And the line is already in?

A That is correct. It is supplying water to other units in the area currently.

Q Will you reinject produced water?

A Yes, we will.

Q Were Exhibits 1 and 2 prepared by you or under your supervision?

A Yes, they were.

Q I believe you testified, Mr. Williamson, that you would anticipate an additional oil recovery of what figure?

A Approximately 1,218,000 barrels of oil. This represents a recovery of approximately two to one of the expected primary recovery.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibits 1 and 2.

MR. NUTTER: Tamaracks Exhibits 1 and 2 in Case 4217 will be admitted in evidence.

MR. KELLAHIN: That's all I have on direct examination.

CROSS EXAMINATION

BY MR. NUTTER:

Q Mr. Williamson, that figure 1,218,000 does not appear on table number 1 as such?

A No. This was not included in the parameter study; it was not to be utilized in forming the unit. This was arrived at by an engineering study that we performed earlier in the unit area.

Since some of the injection wells preclude actually ultimate recovery from a particular tract, it was not felt that this would be representative of true equity in a unit.

Q How does the recovery compare by these three zones in here? I presume zone number five has contributed



more oil than any other area?

A Zone five is the major zone, yes.

Q That is the zone that will have eight injection wells affecting it?

A That is correct.

Q Whereas zone seven is going to require five?

A Right.

Q Little zone four there is only going to need two injection wells?

A That is correct.

MR. NUTTER: Are there any further questions of Mr. Williamson?

One more question, Mr. Williamson.

Q (By Mr. Nutter) This rate of 350 barrels per day, that has been the past injection rate into the Cabot-Carbon No. 2 and Texaco Moran No. 2. Will that be the future rate of injection also?

A It will probably be reduced after we have the other wells capable of injecting.

Q Actually, this was utilized as a means of getting rid of water until you got this waterflood going?

A Right. That is correct. This is produced water that is being disposed of.

Q I note that all the other injection rates are considerably less than that. So, these will probably be tailored to that rate also?

A Right; so we can get an orderly advance of our flood front.

Q I see.

MR. NUTTER: If there are no further questions of the witness, he may be excused again.

(Witness excused.)

MR. NUTTER: Do you have anything further, Mr. Kellahin?

MR. KELLAHIN: That's all, Mr. Examiner.

MR. NUTTER: Does anyone have anything they wish to offer in Cases 4216 and 4217? If not, we will take the cases under advisement and call Case 4181.

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STATE OF NEW MEXICO    )  
                                   ) ss  
 COUNTY OF BERNALILLO   )

I, GLENDA BURKS, Court Reporter in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings to the best of my knowledge, skill and ability.

Glenda Burks  
 Notary Public

My Commission Expires:

March 12, 1973

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 4216-17 heard by me on 9/12 1969.

[Signature] Examiner  
 New Mexico Oil Conservation Commission

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 4216-17 heard by me on 9/12 1969.

New Mexico Oil Conservation Commission

*All WI signed  
All royalty interests  
have signed or agreed to sign  
except: see P B-9*

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<del>James</del>	EXHIBIT NO. <u>1</u>
CASE NO. <u>4216-</u>	

UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT  
LEA COUNTY, NEW MEXICO

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Unit Agreement  
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NORTHEAST PEARL QUEEN UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

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THIS AGREEMENT entered into as of the 1st day of June, 1969, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto".

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Dec. 1 of Chapter 162, Laws of 1951, (Chap. 7, Art. 11, Sec. 39, N.M. Statutes 1953 Annot.), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field, or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 41 N.M. Statutes 1953 Annot.) to amend with the approval of lessee, evidenced by the lesse's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14 N.M. Statutes 1953 Annot.) to approve this agreement and the conservation provisions hereof; and



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

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

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

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

(a) "Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.

(b) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(c) "Unitized Formation" shall mean that subsurface portion of the unit area commonly known as the Queen Sand zone and more specifically defined as that formation occurring between the depths below rotary drive bushing according to the well logs described below:

<u>Operator</u>	<u>Location, Lease and Well Number</u>	<u>Top of Unitized Formation</u>	<u>Base of Unitized Formation</u>	<u>Type Log</u>
Tamarack Petroleum Company, Inc.	Texaco Moran #2 - 1650' FNL & 660' FEL Sec. 22, T19S-R35E	4517 ft.	5078 ft.	Schlumberge Gamma Ray- Sonic, dated 12/17/61

(d) "Unitized Substances" is defined as and shall mean all oil and gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquids or liquefiable hydrocarbons within or produced from the Unitized Formation.

(e) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident or ownership of mineral fee simple title, under an oil and gas lease, or otherwise held.

(f) "Working Interest Owner" is defined as and shall mean any party hereto owning a working interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating

agreement, fee title 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, operating and producing the Unitized Substances from the Unitized Formation.

(g) "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 lessors in oil and gas leases and any overriding royalty interest, oil payment interest, net profit contract, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

(h) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.

(i) "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 Section 7, infra, and shall be styled "Unit Operating Agreement, Northeast Pearl Queen Unit, Lea County, New Mexico".

(j) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the unitized land.

(k) "Phase I" is defined as that period of time that Unitized Substances are produced from the unit area from and after the effective date of this agreement until 7:00 a.m. the first day of the calendar month ensuing after 34,036 barrels of oil minus the gross oil production from February 1, 1969, to the effective date of this agreement have been produced from the Unitized Formation. For the purpose of this definition the Operator's Monthly Report, Form C-115, filed with the New Mexico Oil Conservation Commission shall be deemed the controlling evidence of the production of 34,036 barrels of oil after February 1, 1969.

(l) "Phase II" is defined as the remainder of the term of this agreement after the expiration of Phase I.

(m) "Current Rate" is defined as the total amount of oil produced from any tract within the unit area during the period of August 1, 1968 through January 31, 1969.

(n) "Primary Ultimate" for each tract is defined as the total amount of oil that will be produced under primary producing methods and will be the amount expressed in barrels in Table No. 1 Column 12 of the Bailey, Sipes and Williamson, Inc. report dated June 5, 1969.

(o) "Productive Volume" is defined as that sand volume under each tract deemed oil productive and will be the volume as expressed in acre feet in Table 1 Column 22 of the Bailey, Sipes & Williamson, Inc. report dated June 5, 1969.

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

Township 19 South, Range 35 East, N.M.P.M.

Section 15	E/2 of SW/4, W/2 of SE/4, SE/4 of SE/4
Section 22	E/2 of NE/4
Section 23	N/2, N/2 of S/2
Section 24	N/2 of NW/4, SW/4 of NW/4, NW/4 of SW/4

Containing 920 acres, more or less.

Exhibit "A" attached hereto is a map showing, to the extent known to the Unit Operator, the unit area and the boundaries and identity of tracts and leases in said unit area. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each tract, percentage of ownership of each Working Interest Owner in each tract, the ownership of the Royalty in each tract and the Record Title interest in each tract. Exhibit "C" attached hereto is a schedule showing the percentage of participation each tract will have in the unit production based upon the assumption that all tracts are effectively committed to Unit Agreement. 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 interest as are shown in said map or schedule as owned by such party. Exhibit "A", "B", and "C" shall be revised by the Unit Operator whenever changes render such revision necessary, and not less than six copies thereof shall be filed with the Commissioner.

The above described 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:

(a) 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 therefore with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the unit participation to be assigned to such tract or tracts, and other pertinent data. If 90 per cent of the Working Interest Owners (on the basis of Unit participation for Phase II) have agreed to such tract or tracts being brought into the unit, then Unit Operator shall after preliminary concurrence by the Commissioner:

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

(2) Deliver copies of said notice to the Commissioner, 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 objection to such proposed expansion; and

(3) File, for approval upon the expiration of said thirty (30) day period as set out in (2) immediately above with the Commission and the Commissioner the following: (a) comprehensive statement as to mailing such notice of expansion; (b) sufficient copies of any application for such expansion; (c) sufficient copies of any instrument containing the appropriate joinders in compliance with the participation requirements of Section 11, *infra*; (d) copies of any objections thereto which have been filed with the Unit Operator.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner and the Commission become effective as of the date prescribed in the notice thereof or on such date as set by the Commission and the Commissioner in the order or instrument approving such expansion. In any approved expansion of the Unit Area, the revised tract participation of those tracts which were committed prior to such expansion shall remain in the same ratio, one to another.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All lands committed to this agreement as to the Queen Sand as defined under "Unitized Formation" shall constitute land referred to herein as "Unitized Land" or "land subject to this agreement". All oil and gas in or produced from said Unitized Formation of the "Unitized Land" are unitized under the terms of this agreement and herein are called "Unitized Substances". Surface rights of ingress and egress shall be permitted on and across the unitized land for the benefit of the unit.

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.

4. UNIT OPERATOR. Tamarack Petroleum Company, Inc. with office at Midland, Texas, is hereby designated as Unit Operator, and by signing the instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 6 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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

The resignation or removal of the Unit Operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

6. SUCCESSION UNIT OPERATOR. Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than seventy-five per cent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a unit operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this Unit Agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. The Unit Operator shall pay in the first instance all costs and expenses incurred in

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

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in his capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. PLAN OF OPERATIONS. It is recognized and agreed by the parties hereto that a large percentage 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 put into effect a pressure maintenance and secondary recovery project in order to effect additional recovery

of Unitized Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the working interest owners, the Commissioner and the Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, and any other substances or a combination of any of said substances, whether produced from the Unit Area or not, 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. After commencement of pressure maintenance and secondary recovery operation, Unit Operator shall furnish the Commission, the Commissioner monthly injection and production reports for each well in the unit. The Working Interest Owners, the Commissioner and the Commission shall be furnished periodical reports on the progress of the plan of operation and any revisions or changes thereto; provided, however, that any major revisions of the plan of operations involving a basic deviation from the initial plan of operations shall be subject to the consent and approval of the Working Interest Owners, the Commissioner and the Commission.

The initial plan of operations shall be filed with the Commissioner and the Commission 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 Commissioner and the Commission 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.

Notwithstanding anything to the contrary herein contained, the Unit Operator shall commence pressure maintenance and secondary recovery operations on the unit area within six (6) months after the effective date of this agreement, or any extension thereof approved by the Commission and the Commissioner, or this agreement shall terminate automatically, in which latter event Unit Operator shall notify all interested parties. After such operations are commenced, Unit Operator shall carry on such operation as would a reasonably prudent operator under the same or similar circumstances.

10. TRACT PARTICIPATION. Exhibit "C" attached hereto shows the percentage of participation allocated to each tract in the unit area during Phase I and during Phase II, as defined in subsections (k) and (l) specifically of Section I hereof. The formulas used for the calculations of such percentages of participation are as follows:

(a) Phase I participation of each tract, beginning at 7:00 a.m. on the effective date hereof and until 7:00 a.m. on the first day of the month next following the date when cumulative oil production from all of the tracts described in the initial Exhibit "B" from the Unitized Formation subsequent to 7:00 a.m. February 1, 1969 equal 34,036 barrels, shall be equal to one hundred percent (100%) of the ratio of the Current Rate of Production from each tract to the total Current Rate of Production from all such tracts.

(b) Phase II participation of each tract beginning at 7:00 a.m. on the first day of the month following the date when the 34,036 barrels referred to above shall have been produced, shall be equal to twenty-five percent (25%) of the ratio of the Primary Ultimate from each of such tracts, to the total Primary Ultimate of all such tracts plus seventy-five percent (75%) of the ratio of the Productive Volume of each tract to the total Productive Volume of all such tracts.

The percentages of participation set forth opposite each tract in Exhibit "C" are calculated on the basis of 100% tract commitment. If the Unit Agreement is approved with less than 100% tract commitment, said percentage of participation shall be revised to reflect the commitment status as of the effective date hereof, using the above formulas as to the committed tracts only and thereafter, as needed, pursuant to Section 12 (Allocation of Unitized Substances).

Within sixty (60) days after the requirements for the commencement of Phase II have been met, the Unit Operator will notify the Oil and Gas Department of the New Mexico State Land Office of such conversion to Phase II.

11. TRACTS QUALIFIED FOR PARTICIPATION. As the objective of this Unit 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 Unit Agreement unless the tract involved is qualified under this section. On and after the effective date hereof, the Tracts within the Unit Area that shall be entitled to participate in the production of Unitized Substances therefrom shall be the Tracts within the Unit Area that are qualified as follows (the record interest shall supplant the royalty interest as to State land for purposes of this section):



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

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

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

(ii) Seventy-five per cent (75%) of the combined voting interests of Working Interest Owners in all Tracts meeting the requirements of Section 11 (a) hereof have voted in favor of the qualification of such Tract.

For the purposes of this Section 11 (b), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in per cent) which its aggregate Phase II Unit Participation in all Tracts qualifying under Section 11(a) bears to the Total Phase II Unit Participation of all Working Interest Owners in all Tracts qualifying under Section 11(a), as such Unit Participation is determined from the Tract Participations set out in Exhibit "C".

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

(i) The Working Interest Owner operating any such Tract and all of the other Working Interest Owners in such Tract who have become parties hereto have joined in a request for the qualification of such Tract under 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 which may be made by the owners of working interests in such Tract who are not parties hereto and which arise out of the qualification of such Tract under this agreement, and

(ii) Seventy-five per cent (75%) of the combined voting interest of Working Interest Owners in all Tracts meeting the requirements of Section 11(a) and 11(b) have voted in favor of the qualification of such Tract and acceptance of the indemnity agreement.

For the purpose of this Section 11 (c), a Working Interest Owner's "voting interest" shall be equal to the ratio (expressed in per cent) which its aggregate Phase II Unit Participation in all Tracts qualifying under Section 11 (a) and 11 (b) bears to the total Phase II Unit Participation of all Working Interest Owners in all Tracts qualifying under Section 11 (a) and 11 (b) as such Unit Participation is determined from the Tract Participations set out in Exhibit "C" upon the qualification of such a Tract under this agreement, the Unit Participation that would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and

the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements in proportion to their respective Working Interest in the Tract.

If, on the effective date of this agreement, there is any tract or tracts which have not been committed to or made subject to this agreement by qualifying as above provided, then such tract or tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this agreement for final approval by the Commissioner and as soon thereafter as practical, file a revised Exhibit "C" which shall show those tracts which have been qualified under this agreement and are entitled to participate in the production from the unit area hereunder. Said revised Exhibit "C" shall set forth opposite each qualified tract the lease number and assignment number, the owner of record of the lease, and the percentage of participation of such tract which shall be computed according to the participation formulas set out in Section 10 (Tract Participation) above and, upon approval thereof by the Commissioner shall become a part of this agreement and shall govern the allocation of production of Unitized Substances until the effective date of a subsequent revised Exhibit "C" has been approved by the Commissioner.

12. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the unit area in accordance with the respective tract participations then 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, and only that amount, (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract) shall, for all intents, uses and purposes be deemed to have been produced from such tract.

The Unitized Substance 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 tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had this agreement not been entered into; and with the same legal force and effect.

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, 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 tract.

If the working interest and/or the royalty interest any any tract are divided with respect to separate parcels or portions of such tract and owned severally by different 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 division of ownership, by division of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

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 Section 13 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 receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the unit area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account at the expense of such party and in order to avoid curtailing the operation of the unit area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the unitized substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any tract, or receiving the proceeds thereof 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 and received into the Unitized land.

If, after the effective date of this agreement there is any tract or tracts that are subsequently committed hereto as provided in Section 2 (Unit Area) 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 Section 30 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the unit agreement as provided for in Section 27 (Loss of Title), the schedule of participation as shown in Exhibit "C", subject to Section 10 (Tract Participation) or Section 30 (Nonjoinder and Subsequent Joinder), whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners and the Commissioner to show the new percentages of participation of all then effectively committed tracts; and the revised schedule, upon approval by the Commissioner, shall govern all the allocation of production from and after the effective date thereof until the effective date of a new schedule approved by the Commissioner.

Unit Operator may use as much of the Unitized Substances as it may reasonably deem necessary for the operation and development of the unit area, including but not limited to the injection of Unitized Substances into the formation.

13. ROYALTY SETTLEMENT. The State of New Mexico and all royalty owners who, under an existing contract, are 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 their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interests not taken in kind shall be made by Working Interest Owners responsible therefore under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the proceeding 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 in accordance with the terms of this unit agreement.

If gas, or any other substances, 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 Section 9 (Plan of Operations), a like amount of gas or such other substance, 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) or such other substance; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Commissioner; and provided further that such right of royalty freewithdrawal shall terminate as of the effective date of termination of the unit agreement.

All Royalty due the State of New Mexico and the other Royalty Owners hereunder shall be computed and paid on the basis of Unitized Substances allocated to the respective tract or tracts committed hereto, in lieu of actual pro-

duction from such tract or tracts.

Each royalty owner (other than the State of New Mexico) that executes this agreement represents and warrants that it is the owner of a royalty interest in a tract or tracts within the unit area as its interest appears in Exhibit "B" attached hereto. If any royalty interest in a tract or tracts should be lost by title failure or otherwise in whole or in part, during the term of this agreement, then the royalty interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties shall be adjusted accordingly.

14. RENTAL SETTLEMENT. Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefore 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 lands of the State of New Mexico subject to this agreement shall be paid at the rate specified in the respective leases from the State of New Mexico, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Commissioner or his duly authorized representative.

15. 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.

16. 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.

17. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or

gas of the lands committed to this agreement, shall as of the effective date hereof, be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the respective terms of said leases and agreements will be extended insofar as necessary to coincide with the terms of this agreement and the approval of this agreement by the Commissioner and the respective lessors and lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein as long as this agreement remains in effect. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws would continue in full force and effect thereafter. The commencement, completion, continued operation or production of a well or wells for unitized substances on the unit area shall be construed and considered as the commencement, completion, continued operation or production on each of the leasehold interests committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each leasehold interest committed hereto and there shall be no obligation on the part of the unit operator or any of the owners of the respective leasehold interests committed hereto to drill offsets to wells as between the leasehold interests committed to this agreement, except as provided in Section 9 hereof.

Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to the portion committed and as to the portion not committed and the terms of such leases shall apply separately as to such segregated portions commencing as of the effective date hereof.

Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas or either of them are discovered and are being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the unit operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, are being produced in paying quantities from any portion of said lands.

18. MATHEMATICAL ERRORS. It is hereby agreed by all parties to this agreement that Unit Operator is empowered to correct any mathematical errors which might exist in the pertinent exhibit to this agreement upon approval of the Commissioner and the Working Interest Owners.

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any working interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original or acceptable photostatic or certified copy of the recorded instrument of transfer; and no assignment or transfer of any royalty interest subject hereto shall be binding upon the Working Interest Owner responsible therefore 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.



20. EFFECTIVE DATE AND TERM. This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 a.m. of the first day of the month next following the approval of this agreement by the Commissioner and the Commission. At least one counter part of this agreement shall be filed for record in the office of the County Clerk of Lea County, New Mexico, by the Unit Operator. If this Unit Agreement is not filed for approval by the Commissioner on or before January 1, 1970, this agreement shall expire ipso facto 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 having a combined Phase II Unit Participation of at least sixty-five per cent (65%), and the Working Interest Owners having at least eighty per cent (80%) of the combined Phase II Unit Participation committed to this agreement have decided to extend said expiration date for a period not to exceed one (1) year (hereinafter called "extended expiration date"). If said expiration date is so extended and this Unit Agreement is not filed for final approval by the Commissioner on or before said extended expiration date this agreement shall expire ipso facto on said extended expiration date and thereafter be of no further force or effect.

The term of this agreement shall be for and during the time that Unitized Substances are produced in Paying Quantities from the Unit Area and as long thereafter as diligent drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days; and as long thereafter as unitized substances can be produced as aforesaid, unless sooner terminated by Working Interest Owners in the manner hereinafter provided.

This agreement may be terminated at any time, with the approval of the Commissioner, by Working Interest Owners having at least ninety percent (90%) Phase II Unit Participation, as determined from Exhibit "C". Notice of such termination shall be given by Unit Operator to all parties hereto.

Unit Operator shall within thirty (30) days after the termination 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 terminated according to its terms and stating further the termination date.

Upon termination of this agreement, the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts.

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

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.

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

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

24. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

25. 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 laws of the United States of America or of the State of New Mexico or 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 waiver.

26. 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 whole 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 material in

open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

27. LOSS OF TITLE. In the event title to any tract of unitized land shall fail so as to render the tract inoperable under this agreement and the true owner cannot be induced to join this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such re-adjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working 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 no payments of funds due the State of New Mexico shall be withheld.

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

28. 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 State of New Mexico in and about matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto and the Commission agree that all powers and authority vested in the Commission in and by any provisions of this agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject to any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

29. BORDER AGREEMENTS. Subject to the approval of the Commissioner, the Unit Operator, with concurrence of sixty-five (65%) of the Working Interest Owners, based upon the percentages of participation during Phase II, may enter

into a border protection agreement or agreements with the Working Interest Owners of adjacent lands along the boundaries of the unit area with respect to the operators in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

30. NONJOINDER AND SUBSEQUENT JOINDER. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively 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 effectively committed to this unit agreement.

Any oil or gas interest in the lands in the unit area not committed hereto prior to submission of this agreement to the Commissioner for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this section and of Section 11 (Tracts Qualified for Unit Participation) hereof, at any time up to the effective date hereof and for a period to and including three (3) months thereafter, on the same basis of participation as provided in said Section 11 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 also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after three (3) months from the effective date hereof the right of subsequent joinder as provided in this section shall be subject to such requirements or approval and on such equitable basis as may be agreed upon by ninety percent (90%) of the Working Interest Owners (based upon the percentage of participation during Phase II). Such subsequent joinder by a Working Interest Owner must be evidenced by his execution or ratification of this agreement and the Unit Operating Agreement. Such subsequent joinder by a royalty owner must be evidenced by his execution, ratification or consent of 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 royalty owner. Except as may be otherwise herein provided, subsequent joinder to this agreement shall be effective at 7:00 o'clock a. m. as of the first day of the month following the filing with the Commissioner of duly executed counterparts of any and all documents necessary to establish effective commitment of any tract or interest to this agreement, unless objection to such joinder by the Commissioner as duly made within sixty (60) days after such filing.

31. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed or implied, or any operations conducted hereunder shall create or be deemed to create a partnership or association between the parties hereto or any of them.

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

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

DATE: 7-7-69

TAMARACK PETROLEUM COMPANY, INC.

ATTEST:

Carol Betlach  
Assistant Secretary

By: Olaf Knudson  
Vice President

COUNTY OF MIDLAND X

Before me, the undersigned authority, on this day personally appeared Olaf Knudsen, known to me to be the person whose name is subscribed to the foregoing instrument as Vice President of TAMARACK PETROLEUM COMPANY, INC., and acknowledged to me that he executed the same for the purposes and consideration therein expressed, in the capacity therein stated, and as the act and deed of said Corporation.

GIVEN UNDER MY HAND AND SEAL of office on this the 7th  
day of July, 1969.

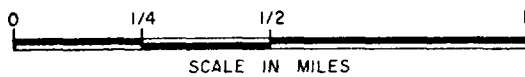
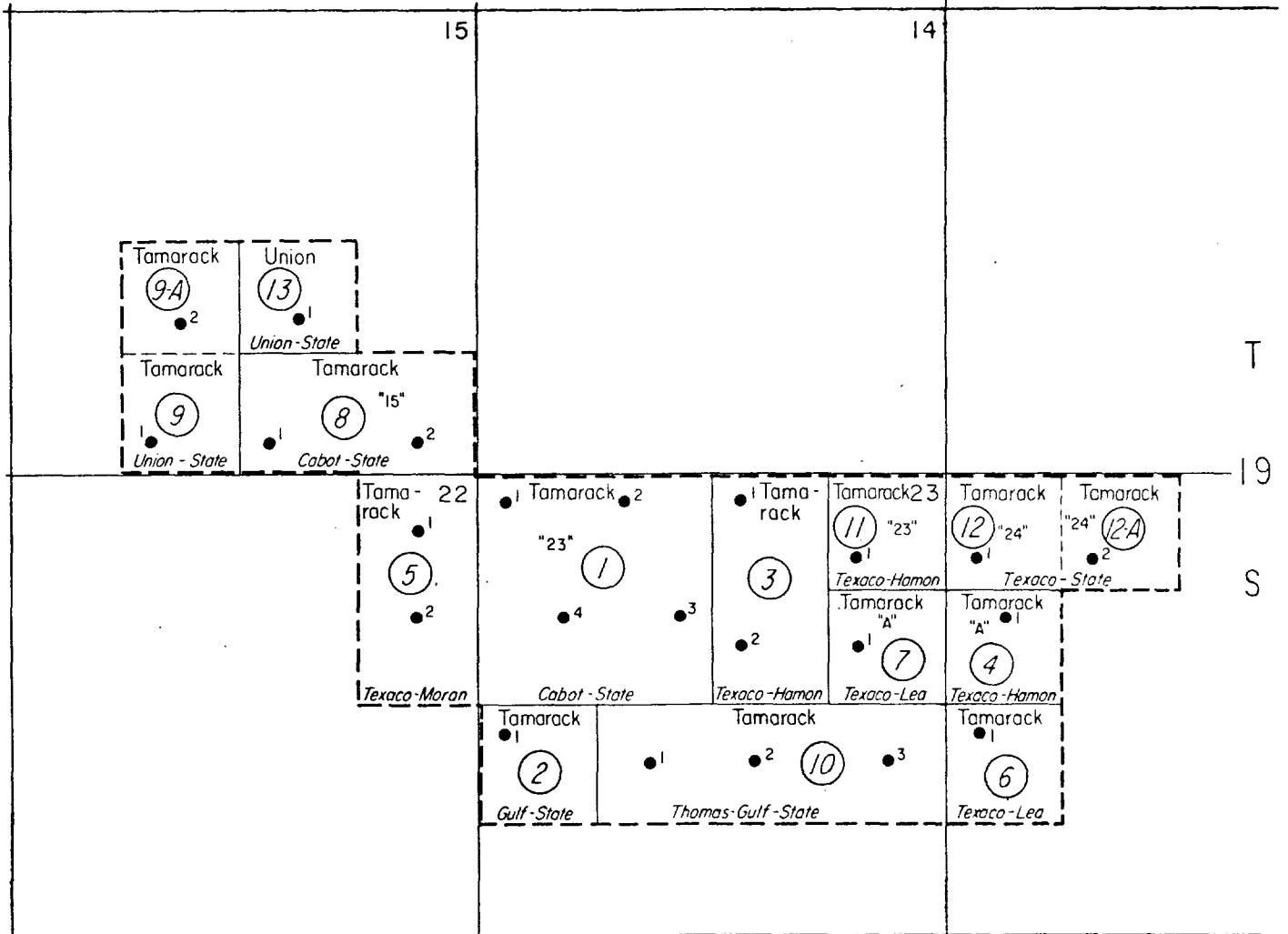


T. Wayne Green T. Wayne Green  
Notary Public in and for the State of Texas

My Commission expires:

June 1, 1970

R 35 E



LEGEND

- (2) Tract Number  
----- Unit Boundary



EXHIBIT "A"

TO UNIT AGREEMENT

NORTHEAST PEARL QUEEN UNIT

LEA COUNTY, NEW MEXICO

6-5-69



## EXHIBIT "B"

NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty		Lessee of record	Overriding		Working Interest and percentage
				Ownership percentage	Royalty and percentage		Royalty and percentage	percentage	
<u>State Land</u>									
1	NW/4 Sec. 23	160	E-7262 - HBP	State of New Mexico - 12.5%	None	Cabot Corporation			GeorgAnna A. Uihlein - 1/6 of 7/8  Joseph E. Uihlein, Jr. - 1/6 of 7/8  Robert A. Uihlein, Jr. - 1/4 of 7/8  John F. Uihlein - 1/6 of 7/8  Mary U. Trainer - 1/4 of 7/8
Tract Participation: Phase I - 4.1578% Phase II - 23.0837%									
2	NW/4 SW/4 Sec. 23	40	E-5837 - HBP	State of New Mexico - 12.5%		Gulf Oil Corporation	Gulf Oil Corporation - 5.4688%  Charles B. John - 0.7812%		GeorgAnna A. Uihlein - 1/6 of 81.25%  Joseph E. Uihlein, Jr. - 1/6 of 81.25%  Robert A. Uihlein, Jr. - 1/4 of 81.25%

EXHIBIT "B"  
NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty		Lessee of record	Overriding		Working Interest and percentage
				Ownership percentage	Royalty and percentage				
2 (Cont.)									
Tract Participation:									
	Phase I - 11.6755%								John F. Uihlein - 1/6 of 81.25%
	Phase II - 4.1503%								Mary U. Trainer -1/4 of 81.25%
<hr/>									
8	S/2 SE/4 Sec. 15	80	E-8570 - HBP	State of New Mexico - 12.5%		Cabot Corporation	Cabot Corporation - 6.25%		GeorgAnna A. Uihlein - 1/6 of 80.46875%
								Charles B. John - 0.78125%	Joseph E. Uihlein, Jr - 1/6 of 80.46875%
									Robert A.. Uihlein, Jr - 1/4 of 80.46875%
									John F. Uihlein - 1/6 of 80.46875%
									Mary U. Trainer - 1/4 of 80.46875%
Tract Participation:									
	Phase I - 1.9705%								
	Phase II - 11.0696%								

EXHIBIT "B"  
 NORTHEAST PEARL QUEEN UNIT AREA  
 LEA COUNTY, NEW MEXICO  
 T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty		Lessee of record	Overriding		Working Interest and percentage
				Ownership percentage	Ownership percentage		Royalty and percentage	Royalty and percentage	
9	SE/4 SW/4 Sec. 15	40	E-7360 - HBP	State of New Mexico - 12.5%		Union Oil Company of California	None		Union Oil Company of California - 1/2 of 7/8
									GeorgAnna A. Uihlein - 1/6 of 1/2 of 7/8
									Joseph E. Uihlein, Jr. - 1/6 of 1/2 of 7/8
									Robert A. Uihlein, Jr. - 1/4 of 1/2 of 7/8
									John R. Uihlein - 1/6 of 1/2 of 7/8
									Mary U. Trainer - 1/4 of 1/2 of 7/8

Tract Participation:  
 Phase I - 30.6764%  
 Phase II - 3.3344%

9A	NE/4 SW/4 Sec. 15	40	E-7360 - HBP	State of New Mexico - 12.5%		Union Oil Company of California	Union Oil Company of California - 6.25%		GeorgAnna A. Uihlein - 1/6 of 81.25%
									Joseph E. Uihlein, Jr. - 1/6 of 81.25%
									Robert A. Uihlein, Jr. - 1/4 of 81.25%

EXHIBIT "B"  
 NORTHEAST PEARL QUEEN UNIT AREA  
 LEA COUNTY, NEW MEXICO  
 T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty		Lessee of record	Overriding Royalty and percentage	Working Interest and percentage
				Ownership percentage				
9A (Cont.)								
Tract Participation:								
Phase I - 1.4779%								
Phase II - 2.1880%								
10	N/2 SE/4 and NE/4 SW/4 Sec. 23	120	E-5837 - HBP	State of New Mexico - 12.5%	Gulf Oil Corporation	None		GeorgAnna A. Uihlein - 1/6 of 7/8
								Joseph E. Uihlein, Jr. - 1/6 of 7/8
								Robert A. Uihlein, Jr. - 1/4 of 7/8
								John F. Uihlein - 1/6 of 7/8
								Mary U. Trainer - 1/4 of 7/8
Tract Participation:								
Phase I - 8.9019%								
Phase II - 12.0845%								

## EXHIBIT "B"

NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty		Lessee of record	Overriding		Working Interest and percentage
				Ownership percentage	State of New Mexico - 12.5%		Royalty and percentage	None	
13	NW/4 SE/4 Sec. 15	40	E-7360 - HBP		Union Oil Company of California				Union Oil Company of California - 87.5%
Tract Participation: Phase I - 0.0% Phase II - 0.6356%									
7 State tracts 520 acres, 58.8600% of Unit area as to Phase I 56.5461% of Unit area as to Phase II									

Patented Land

3	W/2 NE/4 Sec. 23	80	HBP	Constance E. Byers - 1.17188%	GeorgAnna A. Uihlein - 1/6	Jake L. Hamon - 0.39062%	GeorgAnna A. Uihlein - 1/6 of 73.70606%
				Olan Feather- stone - 0.3125%	Joseph E. Uihlein, Jr. - 1/6	Charles B. John -0.78125%	Joseph E. Uihlein, Jr. - 1/6 of 73.70606%
				Harvey Heller & Harvey Heller Jr. J/T - 1.17188%	Robert A. Uihlein, Jr. -1/4	Texaco, Inc. - 6.45508%	Robert A. Uihlein, Jr. - 1/4 of 73.70606%

EXHIBIT "B"  
NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty		Lessee of record	Overriding		Working Interest and percentage
				Ownership percentage			Royalty and percentage		
3 (Cont.)									
				Ora Louina Jackson	- 1.5625%	John F. Uihlein - 1/6	Michael H. Moore	- 0.22786%	John F. Uihlein - 1/6 of 73.70606%
				Myrtle Payton	- 1.17187%	Mary U. Trainer - 1/4	Myrtle Payton	- 1.02539%	Mary U. Trainer - 1/4 of 73.70606%
				Ethel C. Bryant	- 5.61523%		Stephen Scott Moore	- 0.22786%	
				Estate of M.D. Bryant	-5.61524%		Richard L. Moore	- 0.22787%	
				J. H. Moore	- 0.33691%				
Tract Participation: Phase I - 7.0348% Phase II - 9.7760%									
<hr/>									
4	SW/4 NW/4 Sec. 24	40	HBP	Frank K. Bateman Jr. - 0.42114%		GeorgAnna A. Uihlein -1/6	Jake Hamon	- 0.39063%	GeorgAnna A. Uihlein - 1/6 of 74.21875%
				Constance E. Byers - 1.17188%		Joseph E. Uihlein, Jr. - 1/6	Charles B. John	- 0.78125%	Joseph E. Uihlein, Jr. - 1/6 of 74.21875%
				Terrell Gibbins - 1.54418%		Robert A. Uihlein, Jr. -1/4	Texaco, Inc.	- 6.26221%	Robert A. Uihlein, Jr. - 1/4 of 74.21875%

EXHIBIT "B"  
NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty			Working Interest and percentage
				Ownership percentage	Lessee of record	Overriding Royalty and percentage	
4 (Cont.)				Mildred Got-hard	John F. Uihlein - 1/6		John F. Uihlein - 1/6 of 74.21875%
				- 1.54419%			
				Harvey Heller and H. Heller, Jr.	Mary U. Trainer - 1/4		Mary U. Trainer - 1/4 of 74.21875%
				J/T - 1.17188%			
				Colleen Ishee			
				- 0.14648%			
				Jimmy Moreland			
				- 0.29296%			
				Anne B. Noss			
				- 0.42114%			
				Inez R. Rhees			
				- 0.58594%			
				Florence L. Woods			
				- 0.84229%			
				Agnes Moreland			
				Bidwell - 0.14648%			
				June D. Speight			
				- 2.73438%			
				Helen Moreland			
				- 0.58594%			

EXHIBIT "B"  
NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty		Lessee of record	Overriding		Working Interest and percentage
				Ownership percentage			Royalty and percentage		
4 (Cont.)				Ethel C. Bryant - 3.36914%					
	Tract Participation: Phase I - 2.9263% Phase II - 3.8363 %			Estate of M. D. Bryant - 3.36914%					
5	E/2 NE/4 Sec. 22	80	HBP	Charles Pfile - 1.56250%	GeorgAnna A. Uihlein - 1/6	Charles B. John - 0.78125%	GeorgAnna A. Uihlein - 1/6 of 76.56250%		
				Bank of Califor- nia National Association of Trust - 1.36719%	Joseph E. Uihlein, Jr., - 1/6	Texaco, Inc. - 5.85938%	Joseph E. Uihlein, Jr. - 1/6 of 76.56250%		
				David B. Kyte - 1.36719%	Robert A. Uihlein, Jr., -1/4		Robert A. Uihlein, Jr. - 1/4 of 76.56250%		
				Marie I. Kyte - 2.73437%	John F. Uihlein - 1/6		John F. Uihlein - 1/6 of 76.56250%		
				Estate of Wil- liam J. Moran - 3.12500%	Mary U. Trainer - 1/4		Mary U. Trainer - 1/4 of 76.56250%		
				Jessie B. Crump - 1.36719%					



EXHIBIT "B"  
NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty		Ownership		Lessee of record	Overriding Royalty and percentage	Working Interest and percentage
				percentage	percentage	percentage	percentage			

5 (Cont.)

Ft. Worth  
National Bank,  
Trs. Joe and  
Jessie Crump  
Fund - 1.36718%

Hendrick Memorial  
Hospital - 2.34375%

John H. Hendrix  
- 1.56250%

Tract Participation:  
Phase I - 3.4681%  
Phase II - 9.7742%

6	NW/4 SW/4 Sec. 24	40	HBP	Christine Sey- bert - 0.39062%	GeorgAnna A. Uihlein - 1/6	Jake L. Hamon - 0.19531%	GeorgAnna A. Uihlein - 1/6 of 73%
				Helen M. Crow- ell - 1.17188%	Joseph E. Uih- lein, Jr. - 1/6	Texaco, Inc. - 3.12500%	Joseph E. Uihlein, Jr. - 1/6 of 73%
				Edward T. Springer - 1.17188%	Robert A. Uih- lein, Jr. - 1/4	Helen O. Dogger - 1.000%	Robert A. Uihlein, Jr. - 1/4 of 73%
				Barney E. Leonard - 1.17188%	John F. Uihlein - 1/6	L. James Risen- dorph - 1.000%	John F. Uihlein - 1/6 of 73%
					Mary U. Trainer - 1/4		Mary U. Trainer - 1/4 of 73%

*Cannot locate this  
royalty owner*

EXHIBIT "B"  
 NORTHEAST PEARL QUEEN UNIT AREA  
 LEA COUNTY, NEW MEXICO  
 T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty		Lessee of record	Overriding		Working Interest and percentage
				Ownership percentage	Ownership percentage		Royalty and percentage	Royalty and percentage	

6 (Cont.)

The Blanco Company  
 - 1.17188%

Gordon Cone  
 - 3.12500%

Jake L. Hamon  
 - 9.37500%

J. G. Burson  
 - 0.58593%

Albert K. Mitchell  
 - 1.17188%

Lillian H. Call,  
 Indv. & Exex. of  
 Est. of M. W. Call  
 - 0.58593%

Myrtle M. Olson  
 - 0.58593%

Tenneco Oil Co.  
 - 1.17188%

Tract Participation:  
 Phase I - 5.8377%  
 Phase II - 1.6412%

EXHIBIT "B"  
NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty		Lessee of record	Overriding		Working Interest and percentage
				Ownership percentage	Ownership percentage		Royalty and percentage	Royalty and percentage	
7	SE/4 NE/4 Sec. 23	40	HBP	Myrtle Payton	GeorgAnna A. Uihlein	Jake L. Hamon	GeorgAnna A. Uihlein		
				- 1.17188%	Uihlein - 1/6	- 0.39062%	- 1/6 of 73%		
				J. Hiram Moore	Joseph E. Uihlein, Jr.	Texaco, Inc.	Joseph E. Uihlein, Jr.		
				- 0.33691%	lein, Jr. - 1/6	- 6.45508%	- 1/6 of 73%		
				Olen F. Featherstone	Robert A. Uihlein, Jr.	Myrtle Payton	Robert A. Uihlein, Jr.		
				- 0.31250%	lein, Jr. - 1/4	- 0.51269%	- 1/4 of 73%		
				Constance E. Byers	John F. Uihlein	Helen O. Dogger	John F. Uihlein		
				- 1.17188%	- 1/6	- 1.00000%	- 1/6 of 73%		
				Harvey A. Heller & Harvey A. Heller, Jr.	Mary U. Trainer	L. James Rise-dorph	Mary U. Trainer		
				- 1.17188%	- 1/4	- 1.00000%	- 1/4 of 73%		
				Michael Harri-son Moore					
				- 0.22786%					
				Ora Louina Jackson					
				- 1.56250%					
				Ethel C. Bryant					
				- 5.61523%					
				Estate of Bryant					

Tract Participation:  
Phase I - 3.3992%  
Phase II - 5.3713%

## EXHIBIT "B"

NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty		Lessee of record	Overriding		Working Interest and percentage
				Ownership percentage			Royalty and percentage		
11	NE/4 NE/4 Sec. 23	40	HBP	Ethel C. Bryant - 5.615234%		GeorgAnna A. Uihlein - 1/6	Jake L. Hamon - 0.781250%		GeorgAnna A. Uihlein - 1/6 of 70%
				M. D. Bryant Est. - 5.615234%		Joseph E. Uihlein, Jr. - 1/4	Jack L. McClellan - 1.671875%		Joseph E. Uihlein, Jr. - 1/6 of 70%
				Constance E. Byers - 1.171875%		Robert A. Uihlein, Jr. - 1/4	Richard L. Moore - 0.683594%		Robert A. Uihlein, Jr. - 1/4 of 70%
				Olen Featherstone - 0.312500%		John F. Uihlein - 1/6	Myrtle Payton - 0.512695%		John F. Uihlein - 1/6 of 70%
				Harvey A. Heller & Harvey Heller, Jr. J/T - 1.171875%		Mary U. Trainer - 1/4	Texaco, Inc. - 6.455079%		Mary U. Trainer - 1/4 of 70%
				Ora Louina Jackson - 1.562500%			Texas Oil & Gas Corp. - 2.937500%		
				J. H. Moore - 0.336914%					
				Myrtle Payton - 1.171875%					

Tract Participation:  
Phase I - 6.6112%  
Phase II - 3.3709%

EXHIBIT "B"  
NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Rate	Basic Royalty			Overriding			Working Interest and percentage
				Ownership percentage	Lessee of record	Royalty and percentage				
12	NW/4 NW/4 Sec. 24	40	HBP	Frank K. Bate-	GeorgAnna A. Uihlein - 1/6	Jake L. Hamon - 0.781250%	GeorgAnna A. Uihlein	- 1/6 of 70%		
				man, Jr. - 0.421142%						
				Ethel C. Bryant - 3.369140%	Joseph E. Uihlein, Jr. - 1/6	Jack L. McClellan - 2.672125%	Joseph E. Uihlein, Jr.	- 1/6 of 70%		
				M. D. Bryant Est.-3.369141%	Robert A. Uihlein, Jr. - 1/4	Texaco, Inc. - 6.262212%	Robert A. Uihlein, Jr.	- 1/4 of 70%		
				Constance E. Byers	John F. Uihlein - 1/6	Texas Oil & Gas Corp.-1.937250%	John F. Uihlein	- 1/6 of 70%		
				- 1.171875%	Mary U. Trainer - 1/4		Mary U. Trainer	- 1/4 of 70%		
				Terrell E. Gib-						
				Bins - 1.544189%						
				Mildred Gothard						
				- 1.544189%						
				Harvey A. Heller & Harvey Heller, Jr. J/T - 1.171875%						
				Agnes More Bidwell - 0.146484%						
				Colleen Iskee - 0.146484%						
				Helen Moreland - 0.585937%						

## EXHIBIT "B"

NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Rate	Basic Royalty Ownership percentage	Lessee of record	Overriding Royalty and percentage	Working Interest and percentage
12 (Cont.)							
				Jimmy Moreland - 0.146484%			
				Johnny Moreland - 0.146484%			
				Anne B. Noss - 0.421142%			
				Inez Ramsey Rhees - 0.585937%			
				June D. Speight - 2.734375%			
				Florence L. Woods - 0.842285%			
Tract Participation:							
				Phase I - 4.6061%			
				Phase II - 4.6617%			
<hr/>							
12A	NE/4 NW/4 Sec. 24	40	HBP	Frank K. Bate- man, Jr. - 0.421142%	GeorgAnna A. Uihlein - 1/6  Joseph E. Uihlein, Jr. - 1/6	Jake L. Hamon - 0.781250%  Jack L. McClel- lan - 2.484375%	GeorgAnna A. Uihlein - 1/6 of 70%  Joseph E. Uihlein, Jr. - 1/6 of 70%

EXHIBIT "B"  
NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Rate	Basic Royalty		Lessee of Record	Overriding Royalty and percentage	Working Interest and percentage
				Ownership percentage				
12A (Cont.)				M.D. Bryant		Robert A. Uihlein,	Texaco, Inc.	Robert A. Uihlein, Jr.
				Est.- 3.369141%		Jr. - 1/4	- 6.262212%	- 1/4 of 70%
				Constance E.		John F. Uihlein	Texas Oil & Gas	John F. Uihlein
				Byers		- 1/6	Corp.-2.125000%	- 1/6 of 70%
				- 1.171875%				
				Terrell E. Gib-		Mary U. Trainer		Mary U. Trainer
				bins - 1.544189%		- 1/4		- 1/4 of 70%
				Mildred Gothard				
				- 1.544189%				
				Harvey A. Heller &				
			Harvey Heller, Jr.					
			J/T - 1.171875%					
			Agnes More Bidwell					
			- 0.146484%					
			Colleen Iskee					
			- 0.146484%					
			Helen Moreland					
			- 0.585937%					
			Jimmy Moreland					
			- 0.146484%					

EXHIBIT "B"

NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract	Description of Land	No. of Acres	Serial No. and Expiration Rate	Basic Royalty		Lessee of Record	Overriding		Working Interest and percentage
				Ownership percentage			Royalty and percentage		
12A (Cont..)									
				Johnny Moreland					
				- 0.146484%					
				Anne B. Noss					
				- 0.421142%					
				Inez Ramsey Rhees					
				- 0.585937%					
				June D. Speight					
				- 2.734375%					
				Florence L. Woods					
				- 0.842285%					
Tract Participation:									
	Phase I - 7.2566%								
	Phase II - 5.0223%								
8 patented tracts 400 acres, 41.1400% of Unit Area as to Phase I									
43.4539% of Unit Area as to Phase II									
Total: 15 tracts 920 acres in entire unit area									



EXHIBIT "C"  
Attached to Unit Agreement  
Northeast Pearl Queen Unit  
Lea County, New Mexico  
T-19-S, R-35-E, N.M.P.M.

<u>Tract No.</u>	<u>Description of Land</u>	<u>Tract Participation Percent During Phase I</u>	<u>Tract Participation Percent During Phase II</u>
1	NW/4, Section 23	4.1578	23.0837
2	NW/4 SW/4, Section 23	11.6755	4.1503
3	W/2 NE/4, Section 23	7.0348	9.7760
4	SW/4 NW/4, Section 24	2.9263	3.8363
5	E/2 NE/4, Section 22	3.4681	9.7742
6	NW/4 SW/4, Section 24	5.8377	1.6412
7	SE/4 NE/4, Section 23	3.3992	5.3713
8	S/2 SE/4, Section 15	1.9705	11.0696
9	SE/4 SW/4, Section 15	30.6764	3.3344
9A	NE/4 SW/4, Section 15	1.4779	2.1880
10	N/2 SE/4 and NE/4 SW/4, Section 23	8.9019	12.0845
11	NE/4 NE/4, Section 23	6.6112	3.3709
12	NW/4 NW/4, Section 24	4.6061	4.6617
12A	NE/4 NW/4, Section 24	7.2566	5.0223
13	NW/4 SE/4, Section 15	0.0000	0.6356
		<u>100.0000</u>	<u>100.0000</u>

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, Northeast Pearl Queen Unit, Lea County, New Mexico, dated June 1, 1969, which were executed by various persons, for conducting Unit Operations with respect to the Queen Sand formation, Pearl Queen Field, Lea County, New Mexico.

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EXECUTED as of the 17th day of July, 1969.

**BEFORE EXAMINER NUTTER**

**OIL CONSERVATION COMMISSION**

OFF EXHIBIT NO. 3

CASE NO. 4210

ATTEST:

CABOT CORPORATION

By

A. S. Brown, Jr.  
ATTORNEY-IN-FACT

President

Secretary

DS  
MH

By \_\_\_\_\_ President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 17th day of July, 1969.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

ATTEST:

Hendrick Memorial Hospital

\_\_\_\_\_  
Secretary

By Shirley L. Lamm  
Board of Trustees President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 10 day of July, 1969.

THE BLANCO COMPANY

Pres.

ATTEST: THE BLANCO COMPANY

B. M. K. [Signature]  
Asst. Secretary

By [Signature]  
President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 14th day of July, 1969.

ATTEST: \_\_\_\_\_

ESTATE OF EDWARD T. SPRINGER, DECEASED

By \_\_\_\_\_

Secretary

\_\_\_\_\_  
President

EXECUTOR

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 14th day of July, 1969.

James E. Gibbins

Dorothy D. Gibbins

ATTEST:

By

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 11 day of July, 1969.

John H. Hendrix

Carolyn M. Hendrix

ATTEST:

By

Secretary

President



ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 16<sup>th</sup> day of July, 1969.

Myrtle Payton

ATTEST:

By

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 14<sup>th</sup> day of July, 1969.

Colleen M. Ishee  
Colleen M. Ishee (Mrs.)

ATTEST: \_\_\_\_\_

By \_\_\_\_\_

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 16<sup>th</sup> day of July, 1969.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Melvin L. Githard  
A. L. Githard  
\_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 15 day of July, 1969.

Helene Maccland

ATTEST:

\_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 15th day of July, 1969.

_____	<u><i>Alvin F. Heston</i></u>	OFF
_____	<u><i>Yvonne Hutchinson</i></u>	OFF
_____	_____	_____

ATTEST: \_\_\_\_\_  
By \_\_\_\_\_  
Secretary President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO


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EXECUTED as of the 18th day of July, 1969.

  
\_\_\_\_\_  
(Gordon M. Cone)

ATTEST:

\_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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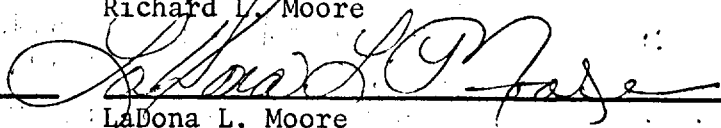
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EXECUTED as of the 17th day of July, 1969.



Richard L. Moore



LaDonna L. Moore

ATTEST:

By

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 14 day of July, 1969.

Charles B. Fife

Myrtle Fife

ATTEST:

By

Secretary

President



ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 22nd day of July, 1969.

<u>Mary Ann Heller</u>	<u>Harvey A. Heller</u>
<u>Laurie Ann Heller</u>	<u>Harvey A. Heller</u>

ATTEST: \_\_\_\_\_  
\_\_\_\_\_  
Secretary By \_\_\_\_\_ President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 17th day of July, 1969.

GULF - FILE COPY	
Law	<u>WKR</u>
Serv.	<u>HAR</u>
Exp.	
Prod.	<u>7-1-69</u>

ATTEST:

GULF OIL CORPORATION

*HAR*  
Asst. Secretary

By *JW Kidd*  
Attorney in Fact President-

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 17<sup>th</sup> day of July, 1969.

Bryant Williams  
Bryant Williams, Independent  
Executor of the Estate of M. D.  
Bryant, deceased.

Ethel C. Bryant  
Ethel C. Bryant

ATTEST:

By \_\_\_\_\_

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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The Unit Agreement provides that any person defined in the Unit Agreement as a Royalty Interest Owner or Record Title Owner may become a party to the agreement by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of the agreement.

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EXECUTED as of the 17th day of July, 1969.

Stephen Scott Moore  
Stephen Scott Moore

ATTEST:

Secretary

By

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 17th day of July, 1969.

_____	<u>J. Hiram Moore</u>
_____	<u>Betty Moore</u>
_____	_____

ATTEST: \_\_\_\_\_

_____	By _____
Secretary	President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 17th day of July, 1969.

Michael Harrison Moore  
Michael Harrison Moore

ATTEST:

Secretary

By

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 11<sup>th</sup> day of July, 1969.

J. H. Burson  
Mr. Jack H. Burson

ATTEST: \_\_\_\_\_

By \_\_\_\_\_

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 21st day of July, 1969.

ATTEST:

TENNECO OIL COMPANY

M. F. Carr, Asst. Secretary

By

J. S. Collins, Vice President



ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 22nd day of July, 1969.

Helean A. Dagg

ATTEST:

By

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 23rd day of July, 1969.

Bernice E. Leonard

Graciela Frances Leonard

ATTEST:

By

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 25th day of July, 1969.

x Myrtle M. Olson

ATTEST:

By

Secretary

President

By \_\_\_\_\_ President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 30th day of July, 1969.

UNION OIL COMPANY OF CALIFORNIA

By: \_\_\_\_\_

*John Hanson*  
Attorney-in-Fact

AB

ATTEST: \_\_\_\_\_

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

\_\_\_\_\_  
President

By \_\_\_\_\_ President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 31 day of July, 1969.

J. B. Crump  
J. B. Crump

D. C. Blevins III  
D. C. Blevins

ATTEST:

[Signature]  
Assistant Cashier - Secretary

Fort Worth National Bank, Trustee of  
Estate of J. L. Crump, Deceased

By [Signature]  
Assistant Trust Officer - President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 4th day of August, 1969.

Clarence L. Woods

CL Woods

ATTEST:

Secretary

By

President



ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 4<sup>th</sup> day of August, 1969.

Frank K. Bateman Jr.

ATTEST: \_\_\_\_\_

By \_\_\_\_\_

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the \_\_\_\_\_ day of \_\_\_\_\_, 1969.

_____	<u>L. James Risedorff</u>
_____	<u>Mike Risedorff</u>
_____	_____

ATTEST:

_____	By _____
Secretary	President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
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EXECUTED as of the 1<sup>st</sup> day of Aug, 1969.

John H. Houlton

Hella M. Moreland

ATTEST: \_\_\_\_\_

By \_\_\_\_\_

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 7<sup>th</sup> day of August, 1969.

Elaine Dolan Ross Elaine Ross  
\_\_\_\_\_  
\_\_\_\_\_

ATTEST: \_\_\_\_\_

By \_\_\_\_\_  
Secretary President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the \_\_\_\_\_ day of \_\_\_\_\_, 1969.

Ora Lovina Jackson

ATTEST: \_\_\_\_\_

By \_\_\_\_\_

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 2 day of August, 1969.

Agnes Howland Bidwell

Benny Bidwell Sr

ATTEST:

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

\_\_\_\_\_  
President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the \_\_\_\_\_ day of \_\_\_\_\_, 1969.

Jimmie Moreland  
Jimmie Moreland

ATTEST:

\_\_\_\_\_  
Secretary

By \_\_\_\_\_  
President

## President



ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 15th day of August, 1969.

Constance E. Byers  
Constance E. Byers, a widow.

ATTEST: \_\_\_\_\_

By \_\_\_\_\_

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 18<sup>th</sup> day of Aug, 1969.

Irving J. Herman

ATTEST:

By

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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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.

The Unit Agreement provides that any person defined in the Unit Agreement as a Royalty Interest Owner or Record Title Owner may become a party to the agreement by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of the agreement.

Now, therefore, each of the persons who signs this instrument is or claims to be a Royalty Interest Owner and/or a Record Title Owner in one or more of the Tracts described in Exhibit B of the Unit Agreement, and each agrees to become a party to, and be bound by the provisions of the Unit Agreement as if he had signed the original and agrees that the parties to the Unit Agreement are those that sign the original, any counterparts, or any instrument that evidences an intention to be so bound.

EXECUTED as of the 18th day of August, 1969.

x Kathryn B. Hays

ATTEST:

Secretary

By

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 21st day of August, 1969.

Charles B. John

Mrs Charles B. John

ATTEST:

By

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 15<sup>th</sup> day of August, 1969.

Robert K Mitchell

Natalie G Mitchell

ATTEST: \_\_\_\_\_

By \_\_\_\_\_

Secretary

President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, Northeast Pearl Queen Unit, Lea County, New Mexico, dated June 1, 1969, which were executed by various persons, for conducting Unit Operations with respect to the Queen Sand formation, Pearl Queen Field, Lea County, New Mexico.

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.

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EXECUTED as of the 17<sup>th</sup> day of July, 1969.

ATTEST:

B. F. Young

Secretary

TEXAS OIL & GAS CORP.

By

Donald Chase

Vice-President

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, Northeast Pearl Queen Unit, Lea County, New Mexico, dated June 1, 1969, which were executed by various persons, for conducting Unit Operations with respect to the Queen Sand formation, Pearl Queen Field, Lea County, New Mexico.

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EXECUTED as of the 2 day of Sept., 1969.

\_\_\_\_\_  
Lucian Shinkle Cole

\_\_\_\_\_  
Individually and as Executor  
of the Estate of Max W. Cole  
deceased

ATTEST:

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

\_\_\_\_\_  
President

*Dreesen*

ROYALTY INTEREST OWNER  
AND/OR RECORD TITLE OWNER.  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, Northeast Pearl Queen Unit, Lea County, New Mexico, dated June 1, 1969, which were executed by various persons, for conducting Unit Operations with respect to the Queen Sand formation, Pearl Queen Field, Lea County, New Mexico.

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.

The Unit Agreement provides that any person defined in the Unit Agreement as a Royalty Interest Owner or Record Title Owner may become a party to the agreement by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of the agreement.

Now, therefore, each of the persons who signs this instrument is or claims to be a Royalty Interest Owner and/or a Record Title Owner in one or more of the Tracts described in Exhibit B of the Unit Agreement, and each agrees to become a party to, and be bound by the provisions of the Unit Agreement as if he had signed the original and agrees that the parties to the Unit Agreement are those that sign the original, any counterparts, or any instrument that evidences an intention to be so bound.

EXECUTED as of the 4 day of September, 1969.

\_\_\_\_\_  
The Bank of California, N. A., Trustee  
of the Betty Kyte Dreesen Trust

\_\_\_\_\_  
by: R. J. Gruze  
Trust Officer

\_\_\_\_\_  
by: Charles C. Stranton  
Assistant Secretary

ATTEST:

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

\_\_\_\_\_  
President



WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

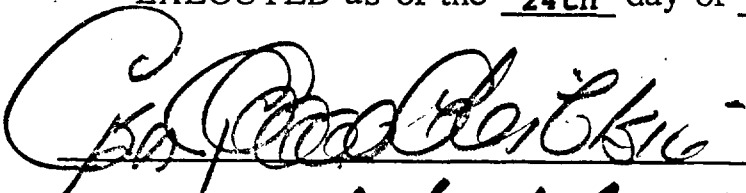
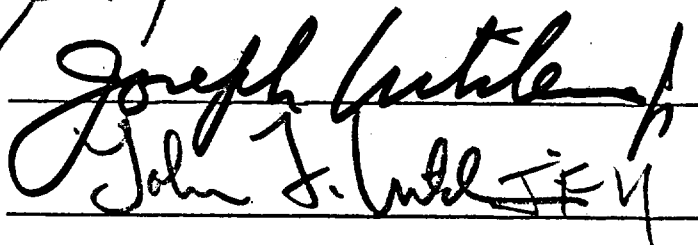
Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Northeast Pearl Queen Unit, Lea County, New Mexico, both dated June 1, 1969, which were executed by various persons, for conducting Unit Operations with respect to the Queen Sand formation, Pearl Queen Field, Lea County, New Mexico.

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.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit B of the Unit Agreement, and each agrees to become a party to, and be bound by the provisions of the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

EXECUTED as of the 24th day of July, 1969.

ATTEST:

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

\_\_\_\_\_  
President

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 30th day of July, 1969.

UNION OIL COMPANY OF CALIFORNIA

By: \_\_\_\_\_

*John Hansen*  
Attorney-in-Fact

JB

ATTEST:

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

\_\_\_\_\_  
President

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
NORTHEAST PEARL QUEEN UNIT, LEA COUNTY, NEW MEXICO

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EXECUTED as of the 8 day of August, 1969.

Louise G. Uihlein <sup>TH</sup> Robert A. Tillman <sup>TH</sup>  
Robert B. Trainor <sup>TH</sup> Mary C. Trainor <sup>TH</sup>

ATTEST:

Secretary

By

President

NORTHEAST PEARL QUEEN UNIT

Status of royalty ownership ratifying Unit Agreement as of September 9, 1969:

TRACT NO. 1

Ownership signed	12.5	%
Ownership unsigned	<u>None</u>	
TOTAL	12.5	%

TRACT NO. 2

Ownership signed	18.2500	%
Ownership unsigned	<u>None</u>	
TOTAL	18.2500	%

TRACT NO. 3

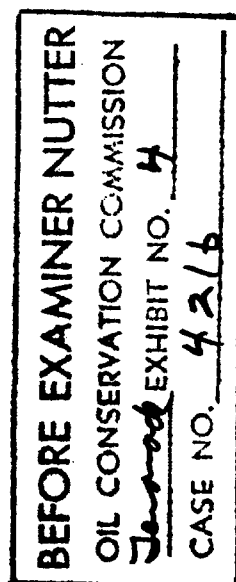
Ownership signed	18.04199	%
Ownership unsigned		
Jake L. Hamon	.39062	
Texaco Inc.	<u>6.45508</u>	
TOTAL	24.88769	%
Percent signed	72.494	%

TRACT NO. 4

Ownership signed	18.54247	%
Ownership unsigned		
Jake L. Hamon	.39063	
Texaco Inc.	6.26221	
Inez R. Rhees	<u>.58594</u>	
TOTAL	25.78125	%
Percent signed	71.922	%

TRACT NO. 5

Ownership signed	16.21093	%
Ownership unsigned		
David B. Kyte	1.36719	
Texaco Inc.	<u>5.85938</u>	
TOTAL	23.43750	%
Percent signed	69.167	%



TRACT NO. 6

Ownership signed	13.13281	%
Ownership unsigned		
Helen M. Crowell	1.17188	
Jake L. Hamon	9.57031	
Texaco Inc.	<u>3.12500</u>	
TOTAL	27.00000	%
Percent signed	48.640	%

TRACT NO. 7

Ownership signed	20.15430	%
Ownership unsigned		
Jake L. Hamon	.39062	
Texaco Inc.	<u>6.45508</u>	
TOTAL	27.00000	%
Percent signed	74.646	%

TRACT NO. 8

Ownership signed	19.53125	%
Ownership unsigned	<u>None</u>	
TOTAL	19.53125	%

TRACT NO. 9

Ownership signed	12.5	%
Ownership unsigned	<u>None</u>	
TOTAL	12.5	%

TRACT NO. 9A

Ownership signed	18.75	%
Ownership unsigned	<u>None</u>	
TOTAL	18.75	%

TRACT NO. 10

Ownership signed	12.5	%
Ownership unsigned	<u>None</u>	
TOTAL	12.5	%

TRACT NO. 11

Ownership signed	21.091796	%
Ownership unsigned		
Jake L. Hamon	.781250	
Jack L. McClellan	1.671875	
Texaco Inc.	<u>6.455079</u>	
TOTAL	30.000000	%
Percent signed	70.306	%

TRACT NO. 12

Ownership signed	19.698476	%
Ownership unsigned		
Jake L. Hamon	.781250	
Jack L. McClellan	2.672125	
Texaco Inc.	6.262212	
Inez R. Rhees	<u>.585937</u>	
TOTAL	30.000000	%
Percent signed	65.662	%

TRACT NO. 12A

Ownership signed	19.886226	%
Ownership unsigned		
Jake L. Hamon	.781250	
Jack L. McClellan	2.484375	
Texaco Inc.	6.262212	
Inez R. Rhees	<u>.585937</u>	
TOTAL	30.000000	%
Percent signed	66.288	%

TRACT NO. 13

Ownership signed	12.5	%
Ownership unsigned	<u>None</u>	
TOTAL	12.5	%

Unit Operating Agreement  
Northeast Pearl Queen Unit  
Lea County, New Mexico

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Unit Operating Agreement  
Northeast Pearl Queen Unit  
Lea County, New Mexico

THIS AGREEMENT, entered into as of the 1st day of June, 1969, by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof;

WITNESSETH:

WHEREAS, the parties hereto as Working Interest Owners have executed, as of the date hereof, an agreement entitled "Unit Agreement, Northeast Pearl Queen Unit, Lea County, New Mexico", herein referred to as "Unit Agreement", which, among other things, provides for a separate agreement to be entered into by Working Interest Owners to provide for the development and operation of the Unit Area as therein defined;

NOW THEREFORE, in consideration of the mutual agreements herein set forth, it is agreed as follows:

Article 1  
Confirmation of Unit Agreement

1.1 Confirmation of Unit Agreement. The Unit Agreement is hereby confirmed and by reference made a part of this agreement. The definitions in the Unit Agreement are adopted for all purposes of this agreement. If there is any conflict between the Unit Agreement and this agreement, the Unit Agreement shall govern.

Article 2  
Exhibits

2.1 Exhibits. The following exhibits are incorporated herein by reference:

2.1.1 Exhibit A, B, and C of the Unit Agreement.

2.1.2 Exhibit D, attached hereto, which is a schedule showing the Working Interest of each Working Interest Owners in each Tract, the percentage of total Unit Participation attributable to each such interest, and the total Unit Participation of each Working Interest Owner. Exhibit D, or a revision thereof, shall not be conclusive as to the information therein, except it may be used as showing the Unit Participations of the Working Interest Owners for the purposes of this Agreement until shown to be in error or is revised as herein authorized.

2.1.3 Exhibit E, attached hereto, which is Accounting Procedure applicable to Unit Operations. If there is any conflict between this agreement and Exhibit E, this agreement shall govern.

2.1.4 Exhibit F, attached hereto, which contains insurance provisions applicable to Unit Operations.

2.2 Revision of Exhibits. Whenever Exhibits A, B, and C are revised, Exhibit D shall be revised accordingly and be effective as of the same date. Unit Operator shall also revised Exhibit D from time to time as required to conform to changes in ownership of which Unit Operator has been notified as provided in the Unit Agreement.

Article 3  
Supervision of Operations by Working Interest Owners

3.1 Overall Supervision. Working Interest Owners shall exercise overall supervision and control of all matters pertaining to Unit Operations pursuant to this agreement and the Unit Agreement. In the exercise of such authority, each Working Interest Owner shall act solely in its own behalf in the capacity of an individual owner and not on behalf of the owners as an entirety.

3.2 Specific Authorities and Duties. The matters with respect to which the Working Interest Owners shall decide and take action shall include, but not limited to, the following:

3.2.1 Method of Operation. The method of operation, including any type of pressure maintenance, secondary recovery, or other recovery program to be employed.

3.2.2 Drilling of Wells. The drilling of any well whether for production of Unitized Substances, for use as an injection well, or for other purposes.

3.2.3 Well Recompletions and Changes of Status. The recompletion, abandonment, or change of status of any well in the Unit Area, or the use of any well in the Unit Area for injection or other purposes, except for well servicing or stimulation work on the existing completion interval, not exceeding Unit Operator's authority for single expenditures.

3.2.4 Expenditures. The making of any single expenditure in excess of Fifteen Thousand Dollars (\$15,000); provided that approval by Working Interest Owners of the drilling, reworking, deepening, or plugging back of any well shall include approval of all necessary expenditures required therefor, and for completing, testing, and equipping the same, including necessary flow lines, separators, and lease tankage.

3.2.5 Disposition of Unit Equipment. The selling or otherwise disposing of any major item of surplus Unit Equipment, if the current list price of new equipment similar thereto is Five Thousand Dollars (\$5,000.00) or more.

3.2.6 Appearance Before a Court or Regulatory Agency. The designating of a representative to appear before any court or regulatory agency in matters pertaining to Unit Operations; provided that such designation shall not prevent any Working Interest Owner from appearing in person or from designating another representative in its own behalf.

3.2.7 Audits. The auditing of the accounts of Unit Operator pertaining to Unit Operations hereunder; provided that the audits shall

- (a) not be conducted more than once each year except upon the resignation or removal of Unit Operator.
- (b) be made at the expense of all Working Interest Owners other than the Working Interest Owner designated as Unit Operator, and
- (c) be made upon not less than thirty (30) days written notice to Unit Operator.
- (d) be conducted in accordance with the accounting procedure, Exhibit E, attached hereto.

3.2.8 Inventories. The taking of periodic inventories under the terms of Exhibit E.

3.2.9 Technical Service. The authorizing of charges to the joint account for services by consultants or Unit Operator's technical personnel not covered by the overhead charges provided in Exhibit E.

3.2.10 Assignments to Committees. The appointment of Committees to study any problems in connection with Unit Operations.

3.2.11 The removal of Unit Operator and the selection of a successor.

3.2.12 The enlargement of the Unit Area.

3.2.13 The adjustment and readjustment of investments.

3.2.14 The termination of the Unit Agreement.

#### Article 4 Manner of Exercising Supervision

4.1 Designation of Representatives. Each Working Interest Owner shall in writing inform Unit Operator of the names and addresses of the representative and alternate who are authorized to represent and bind such Working Interest Owner with respect to Unit Operations. The representative or alternate may be changed from time to time by written notice to Unit Operator.

4.2 Meetings. All meetings of Working Interest Owners shall be called by Unit Operator upon its own motion or at the request of one or more Working Interest Owners having a total Phase I or Phase II Unit Participation whichever is then in effect of not less than two percent (2%). No meeting shall be called on less than fourteen (14) days advance written notice, with agenda for the meeting attached. Working Interest Owners who attend the meeting shall not be prevented from amending items included in the agenda or from deciding the amended item or other items presented at the meeting. The representative of Unit Operator shall be chairman of each meeting.

4.3 Voting Procedure. Working Interest Owners shall decide all matters coming before them as follows:

4.3.1 Voting Interest. Each Working Interest Owner shall have a voting interest equal to its Phase I or Phase II Unit Participation whichever is in effect at the time the vote is taken.

4.3.2 Vote Required. Unless otherwise provided herein or in the Unit Agreement, all matters shall be decided by an affirmative vote of sixty-five percent (65%) or more voting interest.

4.3.3 Vote at Meeting by Nonattending Working Interest Owner. Any Working Interest Owner who is not represented at a meeting may vote by letter or telegram addressed to the representative of the Unit Operator if its vote is received prior to the vote on the item.

4.3.4 Poll Votes. Working Interest Owners may vote on and decide, by letter or telegram, any matter submitted in writing to Working Interest Owners if no meeting is requested, as provided in Section 4.2, within seven (7) days after the proposal is sent to Working Interest Owners. Unit Operators will give prompt notice of the results of the voting to all Working Interest Owners.

Article 5  
Individual Rights of Working Interest Owners

5.1 Reservation of Rights. Working Interest Owners severally reserve to themselves all their rights except as otherwise provided in this agreement and the Unit Agreement.

5.2 Specific Rights. Each Working Interest Owner shall have, among others, the following specific rights:

5.2.1 Access to Unit Area. Access to the Unit Area at all reasonable times to inspect Unit Operations, all wells, and the records and data pertaining thereto.

5.2.2 Reports. The right to receive from Unit Operator, upon written request, copies of all reports to any governmental agency, reports of crude oil runs and stocks, inventory reports, and all other information pertaining to Unit Operations. The cost of gathering and furnishing information not ordinarily furnished by Unit Operator to all Working Interest Owners shall be charged to the Working Interest Owner who requests the information.

Article 6  
Unit Operator

6.1 Initial Unit Operator. Tamarack Petroleum Company, Inc., is hereby designated as Unit Operator.

6.2 Resignation or Removal. Unit Operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 6.3 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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

6.3 Selection of Successor. Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than seventy-five per cent (75%) of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than seventy-five per cent (75%) of the total working interests, shall be required to select a new operator. Such selection shall not become effective until a unit operator so selected shall accept in writing the duties and responsibilities of Unit Operator.

Article 7  
Authorities and Duties of the Unit Operator

7.1 Exclusive Right to Operate Unit. Subject to the provisions of this agreement and to instructions from Working Interest Owners, Unit Operator shall have the exclusive right to be obligated to conduct Unit Operations.

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<u>app</u>	EXHIBIT NO. <u>2</u>
CASE NO. <u>4216</u>	

Unit Operating Agreement  
Northeast Pearl Queen Unit  
Lea County, New Mexico

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Preamble

Agreement Proper

Unit Participation . . . . . Exhibit "D"  
Accounting Procedure. . . . . Exhibit "C"  
Insurance Provisions. . . . . Exhibit "F"

7.2 Workmanlike Conduct. Unit Operator shall conduct Unit Operations in a good and workmanlike manner as would a prudent operator under the same or similar circumstances. Unit Operator shall freely consult with Working Interest Owners and keep them informed of all matters which Unit Operator, in the exercise of its best judgment, considers important. Unit Operator shall not be liable to Working Interest Owners for damages, unless such damages result from its gross negligence or willful misconduct.

7.3 Liens and Encumbrances. Unit Operator shall endeavor to keep the lands and leases in the Unit Area free from all liens and encumbrances occasioned by Unit Operations, except the lien of Unit Operator granted hereunder.

7.4 Employees. The number of employees used by Unit Operator in conducting Unit Operations, their selection, hours of labor and compensation shall be determined by Unit Operator. Such employees shall be the employees of Unit Operator.

7.5 Records. Unit Operator shall keep correct books, accounts, and records of Unit Operations.

7.6 Reports to Working Interest Owners. Unit Operator shall furnish to Working Interest Owners periodic reports of Unit Operations on at least a monthly basis.

7.7 Reports to Governmental Authorities. Unit Operator shall make all reports to governmental authorities that it has the duty to make as Unit Operator.

7.8 Engineering and Geological Information. Unit Operation shall furnish to a Working Interest Owner, upon written request, a copy of the log and other engineering and geological data pertaining to wells drilled for Unit Operations.

7.9 Expenditures. Unit Operator is authorized to make single expenditures not in excess of Fifteen Thousand Dollars (\$15,000.00) without prior approval of Working Interest Owners. If an emergency occurs, Unit Operator may immediately make or incur such expenditures as in its opinion are required to deal with the emergency, Unit Operator shall report to Working Interest Owners as promptly as possible the nature of the emergency and the action taken.

7.10 Wells Drilled by Unit Operator. All wells drilled by Unit Operator shall be at the usual rates prevailing in the area. Unit Operator may employ its own tools and equipment, but the charge therefor shall not exceed the prevailing rate in the area, and the work shall be performed by Unit Operator under terms and conditions approved by Working Interest Owners.

## Article 8 Taxes

8.1 Ad Valorem Taxes. Unit Operator, beginning the first calendar year after the effective date hereof, shall make and file all necessary ad valorem tax renditions and returns with the proper taxing authorities covering all real and personal property of each Working Interest Owner used or held by Unit Operator in Unit Operations. Unit Operator shall settle assessments arising therefrom. All such ad valorem taxes shall be paid by Unit Operator and charged to the joint account; provided that if the interest of a Working Interest Owner is subject to a separately assessed overriding royalty interest, production payment, or other interest in excess of a one-eighty (1/8) royalty, such Working Interest Owner shall be given credit for the reduction in taxes paid resulting therefrom.

8.2 Other Taxes. Each Working Interest Owner shall pay, or cause to be paid, all production, severance, gathering, and other taxes imposed upon or in respect of the production or handling of its share of Unitized Substances.

Article 9  
Insurance

9.1 Insurance. Unit Operator, with respect to Unit Operations, shall do the following:

9.1.1 Comply with the Workman's Compensation Law of the State of New Mexico.

9.1.2 Carry Employer's Liability and other insurance as required by laws of the State of New Mexico.

9.1.3 Carry other insurance as set forth in Exhibit F.

Article 10  
Adjustment of Investments

10.1 Personal Property Taken Over. Upon the Effective Date hereof, Working Interest Owners shall deliver to Unit Operator the following:

10.1.1 Wells and Casing. All wells completed in the Unitized Formation and the casing therein.

10.1.2 Wells and Lease Equipment. The tubing in each such well, the wellhead connections thereon, and all other lease and operating equipment that is used in the operation of such wells which Working Interest Owners determine is necessary or desirable for conducting Unit Operations. Working Interest Owners shall have six (6) months after the effective date in which to make such determination, and all of such property that is determined to be surplus shall be returned to the Working Interest Owners who delivered same to Unit Operator and such surplus property shall not be considered to have been taken over under this agreement.

10.1.3 Records. A copy of all production and well records that pertain to such wells.

10.2 Inventory and Evaluation of Personal Property. Working Interest Owners shall at Unit Expense inventory and evaluate in accordance with the provisions of Exhibit E the personal property taken over, except that casing in the wells shall be inventoried and assigned no value, and Working Interest Owners shall appoint a committee for such purpose. Such inventory and evaluation shall, with the exception of sucker rods, be limited to items considered controllable, as recommended in the Material Classification Manual published by the Petroleum Accountants Society of Oklahoma in 1967. In this connection, Working Interest Owners agree to furnish such committee a list of their underground equipment prior to the effective date of this agreement.

10.3 Investment Adjustment. Upon approval by Working Interest Owners of the inventory and evaluation each Working Interest Owner shall be credited with the value, as determined in accordance with Section 10.2 above, of its interest in all personal property taken over by Unit Operator under Section 10.1.2 and charged with an amount equal to that obtained by multiplying the total value of all such personal property taken over by Unit Operator under Section 10.1.2 by such Working Interest Owner's Phase II Unit Participation, as shown on Exhibit C. If the charge against any Working Interest Owner is greater than the amount credited to such Working Interest Owner, the resulting net charge shall be paid and in all other respects be treated as any other item of Unit Expense chargeable against such Working Interest Owner. If the credit to any Working Interest Owner is greater than the amount charged against such Working Interest Owner, the resulting net credit shall be paid to such Working Interest Owner by Unit Operator out of funds received by it in settlement of the net charges described above.



10.4 General Facilities. The acquisition of warehouses, warehouse stocks, lease houses, camps, facility systems, and office buildings necessary for Unit Operations shall be by negotiation by the owners thereof and Unit Operator, subject to the approval of Working Interest Owners. There shall be no adjustment for lease roads or appurtenances thereto.

10.5 Exchange of Interest in an Ownership of Personal Property and Facilities. Each Working Interest Owner hereby exchanges, its interest in all personal property for its proportionate interest, as shown in Phase II of Exhibit D, in all such property. Each Working Interest Owner, individually, shall, by virtue hereof, own an undivided interest in all personal property and facilities taken over or otherwise acquired by Unit Operator pursuant to this agreement.

## Article 11 Unit Expense

11.1 Basis of Charge to Working Interest Owners. Unit Operator initially shall pay all Unit Expense. Working Interest Owners shall reimburse Unit Operator for all capital expenditures, costs of development of the Unit Area, installation costs, development costs of water supply, water wells, injection wells, water stations, and subsequent workovers, repair or remedial work undertaken with respect to Unit owned wells, whether water or oil producing, or water injection wells, and all such reimbursement shall be made in proportion to their respective Unit Participations during Phase II. Working Interest Owners shall reimburse Unit Operator for all operating expenses, including administrative overhead, in proportion to their respective Unit Participation during Phase II. All charges, credits, and accounting for Unit Expense shall be in accordance with Exhibit E.

11.2 Budgets. Before or as soon as practical after the effective date hereof, Unit Operator shall prepare a budget of estimated Unit Expense for the remainder of the calendar year and, on or before the first day of each August thereafter, shall prepare such a budget for the ensuing calendar year. A budget shall set forth the estimated Unit Expense by quarterly periods. Budgets shall be estimates only, and shall be adjusted or corrected by Working Interest Owners and Unit Operator whenever an adjustment or correction is proper. A copy of each budget and adjusted budget shall promptly be furnished to each Working Interest Owner.

11.3 Advance Billings. Unit Operator shall have the right to require Working Interest Owners to advance their respective shares of estimated Unit Expense by submitting to Working Interest Owners, on or before the 15th day of any month, an itemized estimate thereof for the succeeding month, with a request for payment in advance. Within fifteen (15) days thereafter, each Working Interest Owner shall pay to Unit Operator its share of such estimate. Adjustments between estimated and actual Unit Expense shall be made by Unit Operator at the close of each calendar month, and the accounts of Working Interest Owners shall be adjusted accordingly.

11.4 Commingling of Funds. No funds received by Unit Operator under this agreement need be segregated or maintained by it as a separate fund, but may be commingled with its own funds.

11.5 Lien of Unit Operator. Each Working Interest Owner grants to Unit Operator a lien upon its Oil and Gas Rights in each Tract, its share of Unitized Substances when produced, and its interest in all Unit Equipment as security for payment of its share of Unit Expense, together with interest thereon

at the rate of ten (10%) per annum. Unit Operator shall have the right to bring suit to enforce collection of such indebtedness with or without seeking foreclosure of the lien. In addition, upon default by any Working Interest Owner in the payment of its share of Unit Expense, Unit Operator shall have the right to collect from the purchaser the proceeds from the sale of such Working Interest Owner's share of Unitized Substances until the amount owed by such Working Interest Owner, plus interest as aforesaid, has been paid. Each purchaser shall be entitled to rely upon Unit Operator's written statement concerning the amount of any default.

11.6 Unpaid Unit Expense. If any Working Interest Owner fails to pay its share of Unit Expense within sixty (60) days after rendition of a statement therefore by Unit Operator, each Working Interest Owner agrees, upon request by Unit Operator, to pay its proportionate part of the unpaid share of Unit Expense of the defaulting Working Interest Owner. The Working Interest Owners that pay the share of Unit Expense of a defaulting Working Interest Owner shall be reimbursed by the Unit Operator for the amount so paid, plus any interest collected thereon, upon receipt by Unit Operator of any past due amount collect from the defaulting Working Interest Owner. Any Working Interest Owner so paying a defaulting Working Interest Owner's share of Unit Expenses shall be subrogated to the lien and rights herein granted Unit Operator.

11.7 Uncommitted Royalty. Should an owner of a Royalty Interest in any tract fail to become a party to the Unit Agreement and, as a result thereof, the actual Royalty Interest payments with respect to such tract are more or less than the Royalty Interest payments computed on the basis of the Unitized Substances that are allocated to such Tract under the Unit Agreement, the difference shall be borne by or inure to the benefit of Working Interest Owners in proportion to their respective Unit Participations; however, the difference to be borne by or inure to the benefit of Working Interest Owners shall not exceed an amount computed on the basis of one-eighth (1/8) of the difference between the Unitized Substances allocated to the Tract and the Unitized Substances produced from the Tract. Such adjustments shall be made by charges and credits to the joint account.

## Article 12 Non-Unitized Formations

12.1 Right to Operate. Any Working Interest Owner that now has or hereafter acquires the right to drill for and produce oil, gas, or other minerals from other than the Unitized Formation shall have the right to do so notwithstanding this agreement or the Unit Agreement. In exercising the right, however, the Working Interest Owner shall exercise reasonable precaution to prevent unreasonable interference with Unit Operations. No Working Interest Owner shall produce Unitized Substances through any well drilled or operated by it. If any Working Interest Owner drills any well into or through the Unitized Formation, the Unitized Formation shall be protected during drilling operations by a drilling fluid satisfactory to Unit Operator and, following drilling operations, the Unitized Formation shall be protected by cement or by casing and cement and shall otherwise be protected in such a manner that the Unitized Formation and the production of Unitized Substances will not be adversely affected.

## Article 13 Titles

13.1 Warranty and Indemnity. Each Working Interest Owner represents and warrants that it is the owner of the respective working interests set forth opposite its name in Exhibit D and hereby agrees to indemnify and hold harmless the other Working Interest Owners from any loss due to failure, in whole or in part, of its title to any such interest, except failure of title arising out of Unit Operations; provided that such indemnity shall be limited to an amount equal to the net value that has been received from the sale or receipt of Unitized Substances attributed

to the interest as to which title failed. Each failure of title will be deemed to be effective, insofar as this agreement is concerned, as of the first day of the calendar month in which such failure is finally determined, and there shall be no retroactive adjustment of Unit Expense or retroactive allocation of Unitized Substances or the proceeds therefrom as a result of title failure.

13.2 Failure Because of Unit Operations. The failure of title to any Working Interest in any Tract by reason of Unit Operations, including non-production from such Tract, shall not change the Unit Participation of the Working Interest Owner whose title failed in relation to the Unit Participation of the other Working Interest Owners at the time of the title failure.

#### Article 14 Liability, Claims, and Suits

14.1 Individual Liability. The duties, obligations, and liabilities of Working Interest Owners shall be several and not joint or collective; and nothing herein contained shall ever be construed as creating a partnership of any kind, joint venture, association, or trust among Working Interest Owners.

14.2 Settlements. Unit Operator may settle any single damage claim or suit involving Unit Operations but not involving an expenditure in excess of Five Thousand Dollars (\$5,000.00) provided the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above specified amount, Working Interest Owners shall assume and take over the further handling of the claim or suit unless such authority is expressly delegated to Unit Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be an item of Unit Expense. If a claim is made against any Working Interest Owner or if any Working Interest Owner is sued on account of any matter arising from Unit Operations and over which such Working Interest Owner individually has no control because of the rights given Working Interest Owners and Unit Operator by this agreement and the Unit Agreement, the Working Interest Owner shall immediately notify the Unit Operator and the claim or suit shall be treated as any other claim or suit involving Unit Operations.

#### Article 15 Internal Revenue Provision

15.1 Internal Revenue Provision. Notwithstanding any provisions herein that the rights and liabilities of the parties hereunder are several and not joint or collective, or that this agreement and the operations hereunder shall not constitute a partnership, if for Federal income tax purposes this agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects to be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of said Code and the regulation promulgated thereunder. Operator is hereby authorized and directed to execute on behalf of each of the parties hereto such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761-1 (a). Should there be any requirement that each party hereto further evidence this election, each party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the state or states in which the property covered by this agreement is located, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, under which an election similar to the provided by Section 761 of said Subchapter K is

permitted, each of the parties hereto hereby makes such election or agrees to make such elections as may be permitted by such laws. In making this election, each of the parties hereto hereby states that the income derived by him from the operations under this agreement can be adequately determined without the computation of partnership taxable income.

## Article 16 Notices

16.1 Notices. All notices required hereunder shall be in writing and shall be deemed to have been properly served when sent by mail or telegram to the address of the representative of each Working Interest Owner as furnished to Unit Operator in accordance with Article 4.

## Article 17 Withdrawal of Working Interest Owner

17.1 Withdrawal. A Working Interest Owner may withdraw from this agreement by transferring, without warranty of title either express or implied, to the other Working Interest Owners who do not desire to withdraw, all its Oil and Gas Rights together with its interest in all Unit Equipment and in all wells used in Unit Operations. Such transfer shall not relieve said Working Interest Owner from any obligation or liability incurred prior to the date of the delivery of the transfer. The interest transferred shall be owned by the transferees in proportion to their respective Unit Participations then in effect. The transferees, in proportion to the respective interests so acquired, shall pay transferor for its interest in Unit Equipment the fair salvage value thereof as estimated and fixed by Working Interest Owners. After the date of delivery of the transfer, the withdrawing Working Interest Owner shall be relieved from all further obligations and liability hereunder and under Unit Agreement, and the rights of such Working Interest Owner hereunder and under the Unit Agreement shall cease insofar as they existed by virtue of the interest transferred. Notwithstanding anything hereinabove set forth in this Section, a Working Interest Owner may not withdraw from this agreement by conveying, assigning, and transferring its interest if said Working Interest Owner's interest is burdened by any royalties, overriding royalties, or other burden in excess of one-eighth (1/8) lessor's royalty, unless the other Working Interest Owners agree to accept said interest subject to the royalties, overriding royalties, or other burdens in excess of one-eighth (1/8) lessor's royalty then existing and burdening said interest.

17.2 Creation of New Interest. If any Working Interest Owner shall, after executing this agreement, create any overriding royalty, production payment, or other similar interest, hereafter referred to as "New Interest", out of its interest subject to this agreement, such New Interest shall be subject to all the terms and provisions of this agreement. In the event the Working Interest Owner owning the interest from which the New Interest was created withdraws from this agreement under the terms of Section 17.1 or fails to pay any expenses and costs chargeable to it under this agreement and the production to the credit of such Working Interest Owner is insufficient for that purpose, the owner of the New Interest will be liable for the pro rata portion of all costs and expenses to which the original Working Interest Owner, creating such New Interest, would have been liable by virtue of his ownership of the new interest had the same not been transferred. In this event, the lien provided in Section 11.5 may be enforced against such New Interest. If the owner of the New Interest bears a portion of the costs and expenses or the same is enforced against such New Interest, the owner of the New Interest, will be subrogated to the rights of the Unit Operator with respect to the interest primarily chargeable with such costs and expenses.

## Article 18 Abandonment of Wells

18.1 Rights of Former Owners. If Working Interest Owners decide to abandon permanently any well within the Unit Area prior to termination of the

Unit Agreement, Unit Operator shall give written notice thereof to the Working Interest Owners of the Tract on which the well is located and they shall have the option for a period of ninety (90) days after the sending of such notice to notify Unit Operator in writing of their election to take over and own the well. Within ten (10) days after the Working Interest Owners of the Tract have notified Unit Operator of their election to take over the well, they shall pay Unit Operator, for credit to the joint account, the amount estimated by Working Interest Owners to be the net salvage value of the casing and equipment in and on the well. The Working Interest Owners of the Tract, by taking over the well, agree to seal off effectively and protect the Unitized Formation and, upon abandonment, to plug the well in compliance with applicable laws and regulations.

18.2 Plugging. If the Working Interest Owners of a Tract do not elect to take over a well located thereon which is proposed for abandonment, Unit Operator shall plug and abandon the well in compliance with applicable laws and regulations.

## Article 19 Effective Date and Term

19.1 Effective Date. This agreement shall become effective on the date and at the time the Unit Agreement becomes effective.

19.2 Term. This agreement shall continue in effect so long as the Unit Agreement remains in effect, and thereafter until (a) all unit wells have been abandoned and plugged or turned over to Working Interest Owners in accordance with Article 20, (b) all Unit Equipment and real property acquired for the joint account have been disposed of by Unit Operator in accordance with instructions of Working Interest Owners, and (c) there has been a final accounting.

## Article 20 Abandonment of Operations

20.1 Termination. Upon termination of the Unit Agreement, the following will occur:

20.1.1 Oil and Gas Rights. Oil and Gas Rights in and to each separate Tract shall no longer be affected by this agreement, and thereafter the parties shall be governed by the terms and provisions of the leases, contracts, and other instruments affecting the separate Tract.

20.1.2 Right to Operate. Working Interest Owners of any Tract that desire to take over and continue to operate wells located thereon may do so by paying Unit Operator, for credit to the joint account, the net salvage value of the casing and equipment in and on the wells taken over, as estimated by Working Interest Owners, and by agreeing to plug properly each well at such time as it is abandoned.

20.1.3 Salvaging wells. Unit Operator shall salvage as much of the casing and equipment in or on wells not taken over by Working Interest Owners of separate Tracts as can economically and reasonably be salvaged, and shall cause the wells to be plugged and abandoned properly.

20.1.4 Cost of Salvaging. Working Interest Owners shall share the cost of salvaging, liquidation, or other distribution of assets and properties used in Unit Operations in proportion to their respective Unit Participations during Phase II.

Article 21  
Execution

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

Article 22  
Successors and Assigns

22.1 Successors and Assigns. The provisions hereof shall be covenants running with the lands, leases, and interests covered hereby, and shall be binding upon and inure to the benefit of the respective heirs, devisees, legal representatives, successors, and assigns of the parties hereto.

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

UNIT OPERATOR

Date: 7-7-69

TAMARACK PETROLEUM COMPANY, INC.



Assistant Secretary

By:

[Signature]  
Vice President

EXHIBIT "D"  
Attached to Unit Operating  
Agreement  
Northeast Pearl Queen Unit  
Lea County, New Mexico

Tract No.	Working Interest Owner	Working Interest In Tract	Unit Partici- pation during Phase I	Unit Partici- pation during Phase II
1	GeorgAnna A. Uihlein	16.6666	0.6930	3.8473
	Joseph E. Uihlein, Jr.	16.6667	0.6930	3.8473
	Robert A. Uihlein, Jr.	25.0000	1.0394	5.7709
	John F. Uihlein	16.6667	0.6930	3.8473
	Mary U. Trainer	25.0000	1.0394	5.7709
		<u>100.0000</u>	<u>4.1578</u>	<u>23.0837</u>
2	GeorgAnna A. Uihlein	16.6666	1.9459	0.6917
	Joseph E. Uihlein, Jr.	16.6667	1.9459	0.6917
	Robert A. Uihlein, Jr.	25.0000	2.9189	1.0376
	John F. Uihlein	16.6667	1.9459	0.6917
	Mary U. Trainer	25.0000	2.9189	1.0376
		<u>100.0000</u>	<u>11.6755</u>	<u>4.1503</u>
3	GeorgAnna Uihlein	16.6666	1.1724	1.6293
	Joseph E. Uihlein, Jr.	16.6667	1.1725	1.6293
	Robert A. Uihlein, Jr.	25.0000	1.7587	2.4440
	John F. Uihlein	16.6667	1.1725	1.6294
	Mary U. Trainer	25.0000	1.7587	2.4440
		<u>100.0000</u>	<u>7.0348</u>	<u>9.7760</u>
4	GeorgAnna A. Uihlein	16.6666	0.4877	0.6394
	Joseph E. Uihlein, Jr.	16.6667	0.4877	0.6394
	Robert A. Uihlein, Jr.	25.0000	0.7316	0.9590
	John F. Uihlein	16.6667	0.4877	0.6394
	Mary U. Trainer	25.0000	0.7316	0.9591
		<u>100.0000</u>	<u>2.9263</u>	<u>3.8363</u>
5	GeorgAnna A. Uihlein	16.6666	0.5780	1.6290
	Joseph E. Uihlein, Jr.	16.6667	0.5780	1.6290
	Robert A. Uihlein, Jr.	25.0000	0.8670	2.4436
	John F. Uihlein	16.6667	0.5780	1.6290
	Mary U. Trainer	25.0000	0.8671	2.4436
		<u>100.0000</u>	<u>3.4681</u>	<u>9.7742</u>
6	GeorgAnna A. Uihlein	16.6666	0.9729	0.2735
	Joseph E. Uihlein, Jr.	16.6667	0.9730	0.2735
	Robert A. Uihlein, Jr.	25.0000	1.4594	0.4103
	John F. Uihlein	16.6667	0.9730	0.2735
	Mary U. Trainer	25.0000	1.4594	0.4104
		<u>100.0000</u>	<u>5.8377</u>	<u>1.6412</u>

Tract No.	Working Interest Owner	Working Interest In Tract	Unit Partici- pation during Phase I	Unit Partici- pation during Phase II
7	GeorgAnna A. Uihlein	16.6666	0.5665	0.8952
	Joseph E. Uihlein, Jr.	16.6667	0.5665	0.8952
	Robert A. Uihlein, Jr.	25.0000	0.8498	1.3428
	John F. Uihlein	16.6667	0.5665	0.8952
	Mary U. Trainer	25.0000	0.8499	1.3429
		<u>100.0000</u>	<u>3.3992</u>	<u>5.3713</u>
8	GeorgAnna A. Uihlein	16.6666	0.3284	1.8449
	Joseph E. Uihlein, Jr.	16.6667	0.3284	1.8449
	Robert A. Uihlein, Jr.	25.0000	0.4926	2.7674
	John F. Uihlein	16.6667	0.3284	1.8449
	Mary U. Trainer	25.0000	0.4927	2.7675
		<u>100.0000</u>	<u>1.9705</u>	<u>11.0696</u>
9	Union Oil Company of California	50.0000	15.3382	1.6672
	GeorgAnna A. Uihlein	8.3334	2.5564	0.2779
	Joseph E. Uihlein, Jr.	8.3333	2.5564	0.2779
	Robert A. Uihlein, Jr.	12.5000	3.8345	0.4168
	John F. Uihlein	8.3333	2.5564	0.2779
	Mary U. Trainer	12.5000	3.8345	0.4167
		<u>100.0000</u>	<u>30.6764</u>	<u>3.3344</u>
9A	GeorgAnna A. Uihlein	16.6666	0.2463	0.3646
	Joseph E. Uihlein, Jr.	16.6667	0.2463	0.3647
	Robert A. Uihlein, Jr.	25.0000	0.3695	0.5470
	John F. Uihlein	16.6667	0.2463	0.3647
	Mary U. Trainer	25.0000	0.3695	0.5470
		<u>100.0000</u>	<u>1.4779</u>	<u>2.1880</u>
10	GeorgAnna A. Uihlein	16.6666	1.4836	2.0141
	Joseph E. Uihlein, Jr.	16.6667	1.4836	2.0141
	Robert A. Uihlein, Jr.	25.0000	2.2256	3.0211
	John F. Uihlein	16.6667	1.4836	2.0141
	Mary U. Trainer	25.0000	2.2255	3.0211
		<u>100.0000</u>	<u>8.9019</u>	<u>12.0845</u>
11	GeorgAnna A. Uihlein	16.6666	1.1018	0.5618
	Joseph E. Uihlein, Jr.	16.6667	1.1019	0.5618
	Robert A. Uihlein, Jr.	25.0000	1.6528	0.8428
	John F. Uihlein	16.6667	1.1019	0.5618
	Mary U. Trainer	25.0000	1.6528	0.8427
		<u>100.0000</u>	<u>6.6112</u>	<u>3.3709</u>
12	GeorgAnna A. Uihlein	16.6666	0.7677	0.7769
	Joseph E. Uihlein, Jr.	16.6667	0.7677	0.7770
	Robert A. Uihlein, Jr.	25.0000	1.1515	1.1654
	John F. Uihlein	16.6667	0.7677	0.7770
	Mary U. Trainer	25.0000	1.1515	1.1654
		<u>100.0000</u>	<u>4.6061</u>	<u>4.6617</u>



Tract No.	Working Interest Owner	Working Interest In Tract	Unit Partici- pation during Phase I	Unit Partici- pation during Phase II
12A	GeorgAnna A. Uihlein	16.6666	1.2094	0.8370
	Joseph E. Uihlein, Jr.	16.6667	1.2094	0.8370
	Robert A. Uihlein, Jr.	25.0000	1.8142	1.2556
	John F. Uihlein	16.6667	1.2094	0.8371
	Mary U. Trainer	25.0000	1.8142	1.2556
		100.0000	7.2566	5.0223
13	Union Oil Company of California	100.0000	0.0000	0.6356

### SUMMARY

<u>Working Interest Owner</u>	<u>Total Unit Participation During Phase I</u>	<u>Total Unit Participation During Phase II</u>
GeorgAnna A. Uihlein	14.1100	16.2826
Joseph E. Uihlein, Jr.	14.1103	16.2828
Robert A. Uihlein, Jr.	21.1655	24.4243
John F. Uihlein	14.1103	16.2830
Mary U. Trainer	21.1657	24.4245
Union Oil Company of California	15.3382	2.3028
	100.0000	100.0000

## EXHIBIT " E "

Attached to and made a part of Unit Operating Agreement  
Northeast Pearl Queen Unit  
Lea County, New Mexico

# ACCOUNTING PROCEDURE JOINT OPERATIONS

## I. GENERAL PROVISIONS

### 1. Definitions

"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.

"Joint Property" shall mean the real and personal property subject to the agreement to which this Accounting Procedure is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the parties to this agreement other than the Operator.

"Parties" shall mean Operator and Non-Operators.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall be defined as set forth under the subparagraph selected below:

- A. ☒ Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.
- B. ☐ Material which is ordinarily so classified and controlled by Operator in the conduct of its operations. List shall be furnished Non-Operators upon request.

### 2. Statements and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under the subparagraph selected below:

- A. ☐ Statement in detail of all charges and credits to the Joint Account.
- B. ☐ Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.
- C. ☒ Statement of all charges and credits to the Joint Account, summarized by appropriate classification indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.

### 3. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of ten per cent (10%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser.

### 4. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operator to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.

### 5. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustments of accounts as provided for in Paragraph 4 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator. Operator shall bear no portion of the Non-Operators' audit cost incurred under this paragraph unless agreed to by the Operator.

### 6. Approval by Non-Operators

Where an approval or other agreement of Non-Operators is expressly required under Paragraphs 5A, 5B, 6A and 8 of Section II, Section III, Section V, Section VI, and Paragraph 4 of Section VII, of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the Operator shall notify all Non-Operators and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

## II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

### 1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

### 2. Labor

- A. (1) Salaries and wages of Operator's employees directly employed on the Joint Property in the conduct of Joint Operations.
- (2) Salaries of first-level supervisors in the field if such charges are excluded from overhead rates in Option A of Section III.
- (3) Salaries and wages of technical employees temporarily assigned to and directly employed on the Joint Property if such charges are excluded from overhead rates in Option B of Section III.
- (4) Salaries and wages of technical employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property if such charges are excluded from overhead rates in Option C of Section III.
- B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1A of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1A of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1A of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
- C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1A of Section III.
- D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

### 3. Employee Benefits

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1A of Section III shall be chargeable as indicated in the subparagraph selected below:

- A. ☐ Operator's actual cost.
- B. ☒ Operator's actual cost not to exceed fifteen per cent (15%).

### 4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

### 5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by Operator and Non-Operators.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by Operators and Non-Operators. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by Operator and Non-Operators.
- C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.

### 6. Services

- A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 1B of Section III. The cost of professional consultant services shall not be charged to the Joint Account unless agreed to by Operator and Non-Operators.
- B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.

### 7. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

### 8. Legal Expense

All costs and expenses of handling, investigating, and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorney's fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), unless agreed to by Operator and Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.

### 9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

10. Insurance

Net premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge therefor on the following basis:

11. Other Expenditures

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus the rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraph 1 of this Section III or by combining all three of said items under the rates provided for in Paragraph 2 or 3 of this Section III, as indicated next below:

OPERATOR SHALL CHARGE INDIRECT COSTS TO THE JOINT ACCOUNT UNDER THE TERMS OF:

- ☐ Paragraph 1. (District Expense, Administrative Overhead and Warehousing)
- ☒ Paragraph 2. (Combined Rates - Well Basis)
- ☐ Paragraph 3. (Combined Rates - Percentage Basis)

The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by Operator and Non-Operators as a direct charge to the Joint Account.

THE OVERHEAD RATES PROVIDED FOR IN ANY OF THE PARAGRAPHS SELECTED ABOVE

- A. ☒ shall ☐ shall not include salaries and personal expenses of first-level supervisors in the field.
- B. ☐ shall ☒ shall not include salaries, wages and personal expenses of technical employees temporarily assigned to and directly employed on the Joint Property.
- C. ☒ shall ☐ shall not include salaries, wages and personal expenses of technical employees either temporarily or permanently assigned to and directly employed in the operation of the Joint Property.

1. District Expense, Administrative Overhead and Warehousing

A. District Expense

Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's

office located at or near (or a comparable office if location changed); and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

B. Administrative Overhead

Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1A of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charge shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged direct as provided in Paragraphs 2 and 8 of Section II. Such charge shall be made on the basis indicated below, either (1) well basis or (2) percentage basis, at the rates shown thereunder.

(1) ☐ Well Basis

RATE PER WELL PER MONTH

Well Depth	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten

(2) ☐ Percentage Basis

PERCENTAGE BASIS

Development:

Percent ( %) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 8 of Section II and all salvage credits.

Operating:

Percent ( %) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 1 and 8 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

C. Operator's Warehouse Operating and Maintenance Expense

- [ ] Included in district expense
- [ ] No charge either direct or indirect
- [ ] Percentage basis (describe fully) \_\_\_\_\_

2. Combined Rates - Well Basis

Operator shall charge the Joint Account for the services covered by Paragraph 1 of this Section III on the basis indicated below:

Well Depth	RATE PER WELL PER MONTH			
	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
All Depths	\$450.00	\$95.00 each well		

3. Combined Rates - Percentage Basis

Operator shall charge the Joint Account for the services covered by Paragraph 1 of this Section III on the basis indicated below:

**PERCENTAGE BASIS**

A. Development:  
 \_\_\_\_\_ Percent ( %) of the cost of development of the Joint Property exclusive of costs provided under Paragraph 8 of Section II and all salvage credits.

B. Operating:  
 \_\_\_\_\_ Percent ( %) of the cost of operating the Joint Property exclusive of costs provided under Paragraphs 1 and 8 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

4. Application of Administrative Overhead or Combined Rates - Well Basis

The following limitations, instructions and charges shall apply in the application of the rates as provided under either Paragraph 1B (1) or Paragraph 2 of this Section III.

A. Charges for drilling wells shall begin on the date each well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.

- B. The status of wells shall be as follows:
- (1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for waterflood-ing operations and salt water disposal wells shall be considered the same as producing oil wells.
  - (2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. Any well being plugged or produced during any portion of the month shall be considered as a producing well for the entire month.
  - (3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling rig or workover rig capable of drilling shall be considered the same as drilling wells.
  - (4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, shut-in wells shall be counted in determining the charge hereunder for such month if said wells contribute allow-able production that is actually produced during such month from one or more unit wells as a result of allowable transfer, inclusion in the unit allowable or other circumstances, but the total shut-in well count shall be limited to the minimum number of shut-in wells necessary to provide the contributed allowable actually produced during the month.
  - (5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.
  - (6) Wells completed in multiple horizons, shall be considered as a producing well for each separately pro- ducing horizon, providing each completion is considered a separate well by governmental or other state- wide regulatory authority.

C. The well rates for producing wells shall be applied to the individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project, the well rates shall be applied to the total number of producing wells, irrespective of individual leases.

D. The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian Index as published by the Dominion Bureau of Statistics, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

5. Application of Administrative Overhead or Combined Rates - Percentage Basis

For the purpose of determining charges on a Percentage Basis under Paragraph 1B (2) or Paragraph 3 of this Section III, Development shall include all costs in connection with drilling, redrilling, deepening or any remedial operations on any or all wells involving the use of drilling crew and equipment; also, preliminary expenditures necessary in preparation for drilling and expenditures incurred in abandoning when well is not completed as a producer; and original cost of construction or installation of fixed assets, the expansion of fixed assets and any other project clearly discernible as a fixed asset, except Major Construction as defined in Paragraph 6 of this Section III. All other costs shall be considered as Operating.

6. Major Construction Overhead

For the construction of compressor plants, water stations, secondary recovery systems, drilling and production platforms, salt water disposal facilities, and other such projects, as distinguished from the more usual drilling

and producing operations, Operator in addition to the Administrative Overhead or Combined Rates provided for in Paragraph 1, 2 or 3 of this Section III shall either negotiate a rate prior to beginning of construction or shall charge the Joint Account with an additional overhead charge as follows:

- A. Total cost less than \$25,000, no charge.
- B. Total cost more than \$25,000, but less than \$100,000, \_\_\_\_\_ 3 \_\_\_\_\_ % of total cost.
- C. Total cost of \$100,000 or more, \_\_\_\_\_ 3 \_\_\_\_\_ % of the first \$100,000 plus \_\_\_\_\_ 3 \_\_\_\_\_ % of all over \$100,000 of total cost.

Total cost shall mean the total gross cost of any one project. For the purpose of this paragraph the component parts of a single project shall not be treated separately and the cost of drilling wells shall be excluded.

#### 7. Amendment of Rates

The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

### IV. BASIS OF CHARGES TO JOINT ACCOUNT

Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operators may supply Material or services for the Joint Property.

#### 1. Purchases

Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.

#### 2. Material furnished from Operator's Warehouse or Other Properties

##### A. New Material (Condition "A")

- (1) Tubular goods, except line pipe, shall be priced on a maximum carload and/or barge load weight basis regardless of quantity transferred and equalized to the lowest prevailing price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available effective at date of transfer.
- (2) Line pipe shall be priced at the current replacement cost effective at date of transfer from a reliable supply store nearest the Joint Property where such Material is normally available if the movement is less than 30,000 pounds. If the movement is 30,000 pounds or more, it shall be priced on the same basis as casing and tubing under Subparagraph (1) of this paragraph.
- (3) When the Operator has equalized actual hauling costs as provided for in Paragraph 5 of Section II, Operator is permitted to include ten cents (10¢) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.
- (4) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f.o.b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is normally available.
- (5) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.

##### B. Used Material (Condition "B" and "C")

- (1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
- (2) Material which is not suitable for its original function until after reconditioning shall be furnished to the Joint Account under one of the two methods defined below:
  - (a) Classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material. The cost of reconditioning shall be absorbed by the Operator of the transferring property.
  - (b) Classified as Condition "C" and priced at fifty per cent (50%) of current price of new Material. The cost of reconditioning also shall be charged to the receiving property, provided Condition "C" value, plus cost of reconditioning, does not exceed Condition "B" value.
- (3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.
- (4) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

#### 3. Premium Prices

Whenever Material is not readily obtainable at prices specified in Paragraphs 1 and 2 of this Section IV because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

#### 4. Warranty of Material Furnished by Operator

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

#### 5. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. In lieu of rates based on costs of ownership and operation of equipment, other than automotive, Operator may elect to use commercial rates prevailing in the area of the Joint Property less 20%; for automotive equipment, rates as published by the Petroleum Motor Transport Association may be used. Rates for laboratory services shall not exceed those currently prevailing if performed by

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outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.

- B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.
- C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

## V. DISPOSAL OF MATERIAL

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be agreed to by Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from Joint Property.

### 1. Material Purchased by the Operator or Non-Operators.

Material purchased by either the Operator or Non-Operators shall be credited by the Operator to the Joint Account for the month in which the Material is removed by the purchaser.

### 2. Division in Kind

Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator to the Joint Account.

### 3. Sales to Outsiders

Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

## VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operators or divided in kind, unless agreed to by Operator and Non-Operators shall be priced on the following basis:

### 1. New Price Defined

New price as used in this Section VI shall be the price specified for new Material in Section IV.

### 2. New Material

New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).

### 3. Good Used Material

Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:

- A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or
- B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five per cent (75%) of new price.

### 4. Other Used Material

Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:

- A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or
- B. Is serviceable for original function but not suitable for reconditioning.

### 5. Bad-Order Material

Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.

### 6. Junk Material

Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.

### 7. Temporarily Used Material

When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

## VII. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

### 1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Controllable Material. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator.

### 2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with the Joint Account shall be made, and a list of overages and shortages shall be furnished to the Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operators only for shortages due to lack of reasonable diligence.

### 3. Special Inventories

Special Inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

### 4. Expense of Conducting Periodic Inventories

The expense of conducting periodic inventories shall not be charged to the Joint Account unless agreed to by Operator and Non-Operators.

## EXHIBIT "F"

Attached to and made a part of  
Unit Operating Agreement

Northeast Pearl Queen Unit  
Lea County, New Mexico

### INSURANCE PROVISIONS

Unit Operator shall carry, in addition to that specifically provided in Article 9 hereof, the following insurance with respect to Unit Operations:

- (1) Public Liability and property damage insurance with limits of \$100,000.00 for injuries to or death of one person and \$300,000.00 for injuries or death in one accident, and \$100,000.00 for property damage in one accident.
- (2) Automobile public liability and property damage insurance with limits of \$100,000.00 for injuries to or death of one person and \$300,000.00 for injuries or deaths in one accident, and \$100,000.00 for property damage in one accident.

All insurance coverage required hereby shall be carried at the joint expense and for the benefit of the Working Interest Owners. Premiums for automobile public liability and property damage insurance on Unit Operator's fully owned equipment shall not be charged directly to the joint account, but will be covered by the flat rate charge assessed for the use of such equipment. Unit Operator will not carry fire, windstorm, or explosion insurance covering Unit Operations or Unit Equipment.

Contractors and subcontractors will be required to carry insurance of the same types as hereinabove specified and in such amounts as deemed necessary by Working Interest Owners.



EXHIBIT "B"  
NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty Ownership percentage	Lessee of record	Overriding Royalty and percentage	Working Interest and percentage
4 (Cont.)	Mildred Got-hard				John F. Uihlein - 1/6		John F. Uihlein - 1/6 of 74.21875%
	- 1.54419%						
	Harvey Heller and H. Heller, Jr.				Mary U. Trainer - 1/4		Mary U. Trainer - 1/4 of 74.21875%
	J/T - 1.17188%						
	Colleen Ishee						
	- 0.14648%						
	Jimmy Moreland						
	- 0.29296%						
	Anne B. Noss						
	- 0.42114%						
	Inez R. Rhees						
	- 0.58594%						
	Florence L. Woods						
	- 0.84229%						
	Agnes Moreland						
	Bidwell - 0.14648%						
	June D. Speight						
	- 2.73438%						
	Helen Moreland						
	- 0.58594%						

## EXHIBIT "B"

NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty	Overriding	Working Interest
				Ownership percentage	Royalty and percentage	and percentage

4 (Cont.)

Ethel C. Bryant  
- 3.36914%

## Tract Participation:

Phase I - 2.9263%  
Phase II - 3.8363 %

Estate of M. D.  
Bryant - 3.36914%

5	E/2 NE/4 Sec. 22	80	HBP	Charles Pfile - 1.56250%	GeorgAnna A. Uihlein - 1/6	Charles B. John - 0.78125%	GeorgAnna A. Uihlein - 1/6 of 76.56250%
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Bank of Califor- Joseph E. Uihlein, Jr., - 1/6  
nia National Association of  
Trust - 1.36719% Robert A. Uihlein, Jr., - 1/4  
- 5.85938% Joseph E. Uihlein, Jr.  
- 1/6 of 76.56250%

Robert A. Uihlein, Jr.  
- 1/4 of 76.56250%

David B. Kyte  
- 1.36719% John F. Uihlein  
- 1/6 of 76.56250%

John F. Uihlein  
- 1/6 of 76.56250%

Marie I. Kyte  
- 2.73437% Mary U. Trainer  
- 1/4 of 76.56250%

Mary U. Trainer  
- 1/4 of 76.56250%

Estate of William J. Moran  
- 3.12500%

Jessie B. Crump  
- 1.36719%

EXHIBIT "B"  
NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO

T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty Ownership percentage	Lessee of record	Overriding Royalty and percentage	Working Interest and percentage
5 (Cont.)							
				Ft. Worth National Bank, Trs. Joe and Jessie Crump Fund - 1.36718%			
				Hendrick Memorial Hospital - 2.34375%			
				John H. Hendrix - 1.56250%			
Tract Participation: Phase I - 3.4681% Phase II - 9.7742%							

6	NW/4 SW/4 Sec. 24	40	HBP	Christine Seybert - 0.39062%	GeorgAnna A. Uihlein - 1/6	Jake L. Hamon - 0.19531%	GeorgAnna A. Uihlein - 1/6 of 73%
				Helen M. Crowell - 1.17188%	Joseph E. Uihlein, Jr. - 1/6	Texaco, Inc. - 3.12500%	Joseph E. Uihlein, Jr. - 1/6 of 73%
				Edward T. Springer - 1.17188%	Robert A. Uihlein, Jr. - 1/4	Helen O. Dogger - 1.000%	Robert A. Uihlein, Jr. - 1/4 of 73%
				Barney E. Leonard - 1.17188%	John F. Uihlein - 1/6	L. James Risen-dorph - 1.000%	John F. Uihlein - 1/6 of 73%
					Mary U. Trainer - 1/4		Mary U. Trainer - 1/4 of 73%

EXHIBIT "B"  
NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty Ownership percentage	Lessee of record	Overriding Royalty and percentage	Working Interest and percentage
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6 (Cont.)

The Blanco Company				- 1.17188%			
Gordon Cone				- 3.12500%			
Jake L. Hamon				- 9.37500%			
J. G. Burson				- 0.58593%			
Albert K. Mitchell				- 1.17188%			
Lillian H. Call, Indv. & Exex. of Est. of M. W. Call				- 0.58593%			
Myrtle M. Olson				- 0.58593%			
Tenneco Oil Co.				- 1.17188%			

Tract Participation:  
Phase I - 5.8377%  
Phase II - 1.6412%

## EXHIBIT "B"

## NORTHEAST PEARL QUEEN UNIT AREA

LEA COUNTY, NEW MEXICO

T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty	Overriding	Working Interest and percentage
				Ownership percentage	Royalty and percentage	
7	SE/4 NE/4 Sec. 23	40	HBP	Myrtle Payton - 1.17188%	Jake L. Hamon - 0.39062%	GeorgAnna A. Uihlein - 1/6 of 73%
				J. Hiram Moore - 0.33691%	Texaco, Inc. - 6.45508%	Joseph E. Uihlein, Jr. - 1/6 of 73%
				Olen F. Featherstone - 0.31250%	Myrtle Payton - 0.51269%	Robert A. Uihlein, Jr. - 1/4 of 73%
				Constance E. Byers - 1.17188%	Helen O. Dogger - 1.00000%	John F. Uihlein - 1/6 of 73%
				Harvey A. Heller & Harvey A. Heller, Jr. - 1.17188%	L. James Rise-dorph-1.00000%	Mary U. Trainer - 1/4 of 73%
				Ora Louina Jackson - 1.56250%	Michael Harri-son Moore - 0.22786%	
				Ethel C. Bryant - 5.61523%	Stephen Scott Moore - 0.22786%	
				Estate of Bryant Williams - 5.61524%	Richard L. Moore - 0.22787%	

## Tract Participation:

Phase I - 3.3992%

Phase II - 5.3713%

EXHIBIT "B"

NORTHEAST PEARL QUEEN UNIT AREA

LEA COUNTY, NEW MEXICO

T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Date	Basic royalty		Overriding		Working Interest	
				Ownership percentage	Lessee of record	Royalty and percentage		and percentage	
11	NE/4 NE/4 Sec. 23	40	HBP	Ethel C. Bryant - 5.615234%	Georgia Anna A. Uihlein - 1/6	Jake L. Hamon - 0.781250%		Georgia Anna A. Uihlein - 1/6 of 70%	
				M. D. Bryant Est. - 5.615234%	Joseph E. Uihlein, Jr. - 1/4	Jack L. McClellan - 1.671875%		Joseph E. Uihlein, Jr. - 1/6 of 70%	
				Constance E. Byers - 1.171875%	Robert A. Uihlein, Jr. - 1/4	Richard L. Moore - 0.683594%		Robert A. Uihlein, Jr. - 1/4 of 70%	
				Olen Featherstone - 0.312500%	John F. Uihlein - 1/6	Myrtle Payton - 0.512695%		John F. Uihlein - 1/6 of 70%	
				Harvey A. Heller & Harvey Heller, Jr. J/T - 1.171875%	Mary U. Trainer - 1/4	Texas Oil & Gas Corp. - 2.937500%		Mary U. Trainer - 1/4 of 70%	
				Ora Louina Jackson - 1.562500%					
				J. H. Moore - 0.336914%					
				Myrtle Payton - 1.171875%					

Tract Participation:

Phase I - 6.6112%

Phase II - 3.3709%

## EXHIBIT "B"

## NORTHEAST PEARL QUEEN UNIT AREA

LEA COUNTY, NEW MEXICO

T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Rate	Basic Royalty	Lessee of record	Overriding	Working Interest and percentage
				Ownership percentage		Royalty and percentage	
12	NW/4 NW/4 Sec. 24	40	HBP	Frank K. Bate- man, Jr. - 0.421142%	GeorgAnna A. Uihlein - 1/6	Jake L. Hamon - 0.781250%	GeorgAnna A. Uihlein - 1/6 of 70%
				Ethel C. Bryant - 3.369140%	Joseph E. Uihlein, Jr. - 1/6	Jack L. McClell- lan - 2.672125%	Joseph E. Uihlein, Jr. - 1/6 of 70%
				M. D. Bryant Est.-3.369141%	Robert A. Uihlein, Jr. - 1/4	Texaco, Inc. - 6.262212%	Robert A. Uihlein, Jr. - 1/4 of 70%
				Constance E. Byers - 1.171875%	John F. Uihlein - 1/6	Texas Oil & Gas Corp.-1.937250%	John F. Uihlein - 1/6 of 70%
				Terrell E. Gib- bins - 1.544189%	Mary U. Trainer - 1/4		Mary U. Trainer - 1/4 of 70%
				Mildred Gothard - 1.544189%			
				Harvey A. Heller & Harvey Heller, Jr. J/T - 1.171875%			
				Agnes More Bidwell - 0.146484%			
				Colleen Iskee - 0.146484%			
				Helen Moreland - 0.585937%			

EXHIBIT "B"  
NORTHEAST PEARL QUEEN UNIT AREA  
LEA COUNTY, NEW MEXICO  
T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Rate	Basic Royalty Ownership Percentage	Lessee of record	Overriding Royalty and percentage	Working Interest and percentage
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12 (Cont.)

Tract Participation:  
Phase I - 4.6061%  
Phase II - 4.6617%

				Jimmy Moreland - 0.146484%			
				Johnny Moreland - 0.146484%			
				Anne B. Noss - 0.421142%			
				Inez Ramsey Rhees - 0.585937%			
				June D. Speight - 2.734375%			
				Florence L. Woods - 0.842285%			
12A	NE/4 NW/4 Sec. 24	40	HBP	Frank K. Bate- man, Jr. - 0.421142%	GeorgAnna A. vihlein - 1/6	Jake L. Hamon - 0.781250%	GeorgAnna A. Uihlein - 1/6 of 70%
				Ethel C. Bryant - 3.369140%	Joseph E. Uihlein, Jr. - 1/6	Jack L. McClel- lan - 2.484375%	Joseph E. Uihlein, Jr. - 1/6 of 70%



EXHIBIT "B"  
 NORTHEAST PEARL QUEEN UNIT AREA  
 LEA COUNTY, NEW MEXICO  
 T-19-S, R-35-E, N.M.P.M.

Tract No.	Description of Land	No. of Acres	Serial No. and Expiration Rate	Basic Royalty Ownership Percentage	Lessee of Record	Overriding Royalty and percentage	Working Interest and percentage
12A (Cont.)	M.D. Bryant		Est.- 3.369141%	Robert A. Uihlein, Jr. - 1/4	Texaco, Inc. - 6.262212%	Robert A. Uihlein, Jr. - 1/4 of 70%	
	Constance E. Byers		- 1.171875%	John F. Uihlein - 1/6	Texas Oil & Gas Corp.-2.125000%	John F. Uihlein - 1/6 of 70%	
	Terrell E. Gibbins		- 1.544189%	Mary U. Trainer - 1/4		Mary U. Trainer - 1/4 of 70%	
	Mildred Gothard		- 1.544189%				
	Harvey A. Heller & Harvey Heller, Jr.		J/T - 1.171875%				
	Agnes More Bidwell		- 0.146484%				
	Colleen Iskee		- 0.146484%				
	Helen Moreland		- 0.585937%				
	Jimmy Moreland		- 0.146484%				

EXHIBIT "B"  
 NORTHEAST PEARL QUEEN UNIT AREA  
 LEA COUNTY, NEW MEXICO  
 T-19-S, R-35-E, N.M.P.M.

Tract	Description of Land	No. of Acres	Serial No. and Expiration Rate	Basic Royalty Ownership Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
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12A (Cont.)

				Johnny Moreland			
				- 0.146484%			
				Anne B. Noss			
				- 0.421142%			
				Inez Ramsey Rhees			
				- 0.585937%			
				June D. Speight			
				- 2.734375%			
				Florence L. Woods			
				- 0.842285%			

Tract Participation:  
 Phase I - 7.2566%  
 Phase II - 5.0223%

8 patented tracts	400 acres,	41.1400% of Unit Area as to Phase I	
		43.4539% of Unit Area as to Phase II	
Total:	15 tracts	920 acres in entire unit area	

EXHIBIT "C"  
Attached to Unit Agreement  
Northeast Pearl Queen Unit  
Lea County, New Mexico  
T-19-S, R-35-E, N.M.P.M.

<u>Tract No.</u>	<u>Description of Land</u>	<u>Tract Participation Percent During Phase I</u>	<u>Tract Participation Percent During Phase II</u>
1	NW/4, Section 23	4.1578	23.0837
2	NW/4 SW/4, Section 23	11.6755	4.1503
3	W/2 NE/4, Section 23	7.0348	9.7760
4	SW/4 NW/4, Section 24	2.9263	3.8363
5	E/2 NE/4, Section 22	3.4681	9.7742
6	NW/4 SW/4, Section 24	5.8377	1.6412
7	SE/4 NE/4, Section 23	3.3992	5.3713
8	S/2 SE/4, Section 15	1.9705	11.0696
9	SE/4 SW/4, Section 15	30.6764	3.3344
9A	NE/4 SW/4, Section 15	1.4779	2.1880
10	N/2 SE/4 and NE/4 SW/4, Section 23	8.9019	12.0845
11	NE/4 NE/4, Section 23	6.6112	3.3709
12	NW/4 NW/4, Section 24	4.6061	4.6617
12A	NE/4 NW/4, Section 24	7.2566	5.0223
13	NW/4 SE/4, Section 15	0.0000	0.6356
		<u>100.0000</u>	<u>100.0000</u>