

UNIT AGREEMENT

YATES NORTH VACUUM (SAN ANDRES) UNIT AREA

LEA COUNTY, NEW MEXICO

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BEFORE EXAMINER UTZ  
OIL CONSERVATION COMMISSION  
EXHIBIT NO. 2  
CASE NO. 4347 & 4348

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
YATES NORTH VACUUM (SAN ANDRES) UNIT AREA

NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 16th day of February, 1970, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto";

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty or other oil or 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. 1, Ch. 88, Laws 1943, as amended by Sec. 1, Ch. 176, Laws of 1961) (Sec. 7-11-39 N.M.S.A., 1953 Comp.), 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. 3, Ch. 88, Laws 1943 as amended by Sec. 1, Ch. 162, Laws 1951) (Sec. 7-11-41 N.M.S.A., 1953 Comp.), to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with

the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Sec. 12, Ch. 72, Laws 1935, as amended, Sec. 65-3-14 N.M.S.A., 1953 Comp.) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Yates North Vacuum (San Andres) Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to enable institution and consummation of secondary recovery operations, to conserve natural resources, prevent waste and secure other benefits obtainable through development and operation of the San Andres formation 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 San Andres formation in the below defined unit area, and agree severally among themselves as follows:

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

Township 17 South, Range 34 East, N.M.P.M.

Section 1:  $S\frac{1}{2}SW\frac{1}{4}$

Section 2:  $SW\frac{1}{4}NE\frac{1}{4}$ ,  $S\frac{1}{2}NW\frac{1}{4}$ ,  $SW\frac{1}{4}$ ,  $W\frac{1}{2}SE\frac{1}{4}$ ,  $SE\frac{1}{4}SE\frac{1}{4}$

Section 11:  $NE\frac{1}{4}$

Section 12:  $NW\frac{1}{4}$

Containing 800.00 acres, more or less,  
Lea County, New Mexico.

Exhibit A attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the unit operator. Exhibit B attached hereto is a schedule showing to the extent known to the unit operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown on said map or schedule as owned by such party. Exhibits A and B shall be revised by the unit operator whenever changes in ownership in the unit area render such revisions necessary or when requested by the Commissioner of Public Lands, hereinafter referred to as "Commissioner".

2. UNITIZED LANDS AND UNITIZED SUBSTANCES: All oil, gas, gaseous substances, sulphur contained in gas, condensate, and all associated liquifiable hydrocarbons in the upper 200 feet of the San Andres formation underlying the unit area are herein called Unitized Substances and, together with the surface rights incident to the ownership thereof, are unitized under the terms of this agreement. All land committed to this agreement with respect to the upper 200 feet of the San Andres formation shall constitute land referred to herein as "Unitized Land" or "land subject to this agreement".

The upper 200 feet of the San Andres formation is defined to mean the reservoir encountered 200 feet below the sub-surface depth of 4658 feet, in the Marathon Oil Company (formerly the Ohio Oil Company) State Bridges B No. 3 well located in the SE $\frac{1}{4}$ NW $\frac{1}{4}$  of Section 12, Township 17 South, Range 34 East, N.M.P.M.

3. UNIT OPERATOR: Yates Drilling Company, a New Mexico corporation, whose address is 207 S. 4th Street, Artesia, New Mexico, is hereby designated as unit operator and by signature hereto commits to this agreement all its vested interest in the Unitized Substances as set forth in Exhibit B, and agrees and consents to accept the duties and obligations of Operator as herein provided. Whenever reference is made herein to the unit operator, such reference means the unit operator acting in that capacity and not as an owner of interests in Unitized Substances; and the term "working interest owner" when used herein shall include or refer to unit operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit operator shall have the right to resign at any time but such resignation shall not become effective until a successor unit operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the unit operator shall not release the unit operator from any liability or any default by 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 its right, title or interest as the owner of a working interest or other interest in Unitized Substances, but upon the resignation or removal of unit operator becoming effective, such unit operator shall

deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor unit operator, or to the owners thereof if no such new unit operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR: Whenever the unit operator shall resign as unit operator or shall be removed as hereinabove provided, the owners of the working interests, according to their respective participating 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 percent (75%) of the participating working interest 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 percent (75%) of the total participating 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.

6. ACCOUNTING PROVISIONS: The unit operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder, and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned, among the owners of the unitized working

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. One true copy of any Unit Operating Agreement shall be filed with the Commissioner.

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

8. PLAN OF OPERATIONS: The initial plan of operation 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.

It is recognized and agreed by the parties hereto that all of the land subject to this agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve natural resources. 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, liquefied petroleum gases and any one or more other substances or combination of substances whether produced from the unit area or not, and that the location of input wells, the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. Subject to like approval the plan of operation may be revised as conditions may warrant.

9. TRACT PARTICIPATION: In Exhibit B attached hereto, there are listed and numbered the various tracts within the unit area and set forth opposite each tract is a figure which represents the percentage of participation allocated to such tract calculated on one hundred percent tract commitment.

The percentage of participation of each tract was determined in accordance with the following formula:

Percentage Participation of each Tract

EQUALS

Ultimate Oil Production from Tract

Ultimate Oil Production from Unit Area

10. ALLOCATION OF UNITIZED SUBSTANCES: All Unitized Substances produced and saved from the unit area (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 participation, as set forth in the schedule of participation in Exhibit B or any revision thereof. 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 and purposes be deemed to have been produced from such tract.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for to, the parties executing, consenting to or ratifying this agreement entitled to share in the production from such tract in the same manner,

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

No tract committed to this agreement 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 royalty, overriding or working interest in 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 divisions of ownership, be divided among such parcels or portions in proportions to the number of surface acres in each.

The Unitized Substances allocated to each tract shall be delivered in kind to the working interest owners and other parties entitled thereto by virtue of the ownership of the oil and gas leasehold rights therein or by purchase from such owners. Each working interest owner and other parties entitled thereto shall, at its own expense, take in kind or separately dispose of its proportionate part of all of the Unitized Substances produced and saved from the Unitized land. Delivery of such Unitized Substances shall be made by the Unit Operator at a common point within the Unit Area. In the event any party hereto shall fail or refuse to take in kind or otherwise separately dispose of its proportionate part of said production, as and when produced, Unit Operator shall have the authority,

revocable at will by such working interest owner, to sell or otherwise dispose of all or part of such production to others, or to purchase same for its own account, at a price not less than the prevailing market price in the area for like products. The account of such party shall be charged therewith as having received such production and the net proceeds, if any, from the sale or other disposition of Unitized Substances by Unit Operator shall be paid to the party entitled thereto. All such sales or purchases by Unit Operator shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry, under the circumstances, but in no event shall any such sale be for a period in excess of one (1) year.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any tract, shall be responsible for the payment of all royalty on the lease or leases and tracts contributed by it and received into the unit.

If there are any tracts or tract within the unit area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 22 (Subsequent Joinder), or if any tract is excluded from the unit area as provided for in Section 21 (Loss of Title), the schedule of participation as shown in Exhibit B shall be revised by the unit operator and distributed to the working interest owners and the Commissioner to show the new percentage participation of all the then effectively committed tracts; and the revised Exhibit B, upon approval by the Commissioner shall govern all the allocation of production from and after the effective date thereof until a new revised Exhibit B is filed and approved as hereinabove provided.

10A. OIL IN LEASE TANKAGE ON EFFECTIVE DATE: Unit Operator shall make a proper and timely gauge of all lease and other tanks on Unitized land in order to ascertain the amount of merchantable oil or other liquid hydrocarbons above the pipeline connection in such tanks as of 7:00 a.m. on the effective date hereof. Any of such production which has been produced legally as part of the prior allowable of the well or wells from which produced shall be and remain the property of the Working Interest Owner entitled thereto the same as if the Unit had not been formed; and such Working Interest Owner shall promptly remove said oil from Unitized Land. Any such oil not promptly removed shall be sold by Unit Operator for the account of such Working Interest Owner who shall pay all royalty, overriding royalties, production payments, and all other payments under the terms and provisions of the applicable lease or leases and other contracts. All such oil as is in excess of the prior allowable of the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof. If, as of the effective date hereof, any Tract is overproduced with respect to the allowable of the well or wells on that Tract and the amount of such overproduction has been sold or otherwise disposed of, such overproduction shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof.

11. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING

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

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all Unitized Substances allocated to the respective tracts by the formula established by Section 9 hereof; provided, however, the State shall be entitled to take in kind its share of the Unitized Substances allocated to the respective leases, and in such case the unit operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

If the unit operator introduces gas obtained from sources other than the Unitized Substances into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of Unitized Substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operation consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided, further, that such right of withdrawal shall terminate on the termination of this Unit Agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such

lease shall bear and assume the same out of the Unitized Substances allocated to the lands embraced in each such lease as provided herein.

Each overriding royalty owner who ratifies this agreement represents and warrants that he is the owner of the interest in a tract or tracts within the unit area as his interest appears in Exhibit B attached hereto. If any such 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 overriding 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.

12. LEASES AND CONTRACTS CONFORMED AND EXTENDED IN-SOFAR 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 unit 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 lessees shall be effective to conform the provisions and extend the terms of each such lease as to lands within the unit area to the provisions and terms of

this agreement; but otherwise to remain in full force and effect. Each lease, sublease or contract relating to the development and operation for oil and gas of the lands within the unit 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. Drilling, producing or secondary recovery operations performed hereunder upon any tract of the Unitized Lands shall be accepted and deemed to be performed on each of the tracts committed to this agreement and operations or production pursuant to this agreement shall be deemed to be operations upon and production from each tract committed hereto. The development and operation of the Unitized Lands under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract within the unit area, regardless of whether there is any development of any part or tract of the unit area.

The leases embracing lands of the State of New Mexico having only a portion of the land committed hereto, shall be segregated as to that portion committed and that portion not committed, and the terms of such leases shall apply separately 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 land committed hereto shall continue in full force and effect beyond the term

provided therein as to all lands embraced in such lease (whether within or without the unit area), (1) if, and for so long as oil or gas are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement; or (2) if, and for so long as some part of the lands embraced in such lease committed to this agreement are allocated Unitized Substances; or (3) 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 and for so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas said lease shall continue in full force and effect as to all the lands embraced therein so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

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

15. 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 an interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any working, royalty or other interest subject hereto shall be binding upon unit operator until the first day of the calendar month after the unit operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

16. EFFECTIVE DATE AND TERM: This agreement shall become effective at 7:00 a.m. on the first day of the month following approval by the Commissioner and shall remain in effect so long as Unitized Substances are capable of being produced in quantities sufficient to pay the costs of operation and should production cease, so long thereafter as diligent drilling, reworking or other operations (including secondary recovery operations) are in progress on the Unitized Land and so long thereafter as Unitized Substances so established or restored can be produced as aforesaid. This agreement may also be terminated at any time by not less than seventy-five percent (75%) of the total participating working interests signatory hereto with the approval of the Commissioner.

17. 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.

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

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

20. 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, war, acts of God, federal, state or municipal law or agencies, unavoidable accidents, uncontrollable

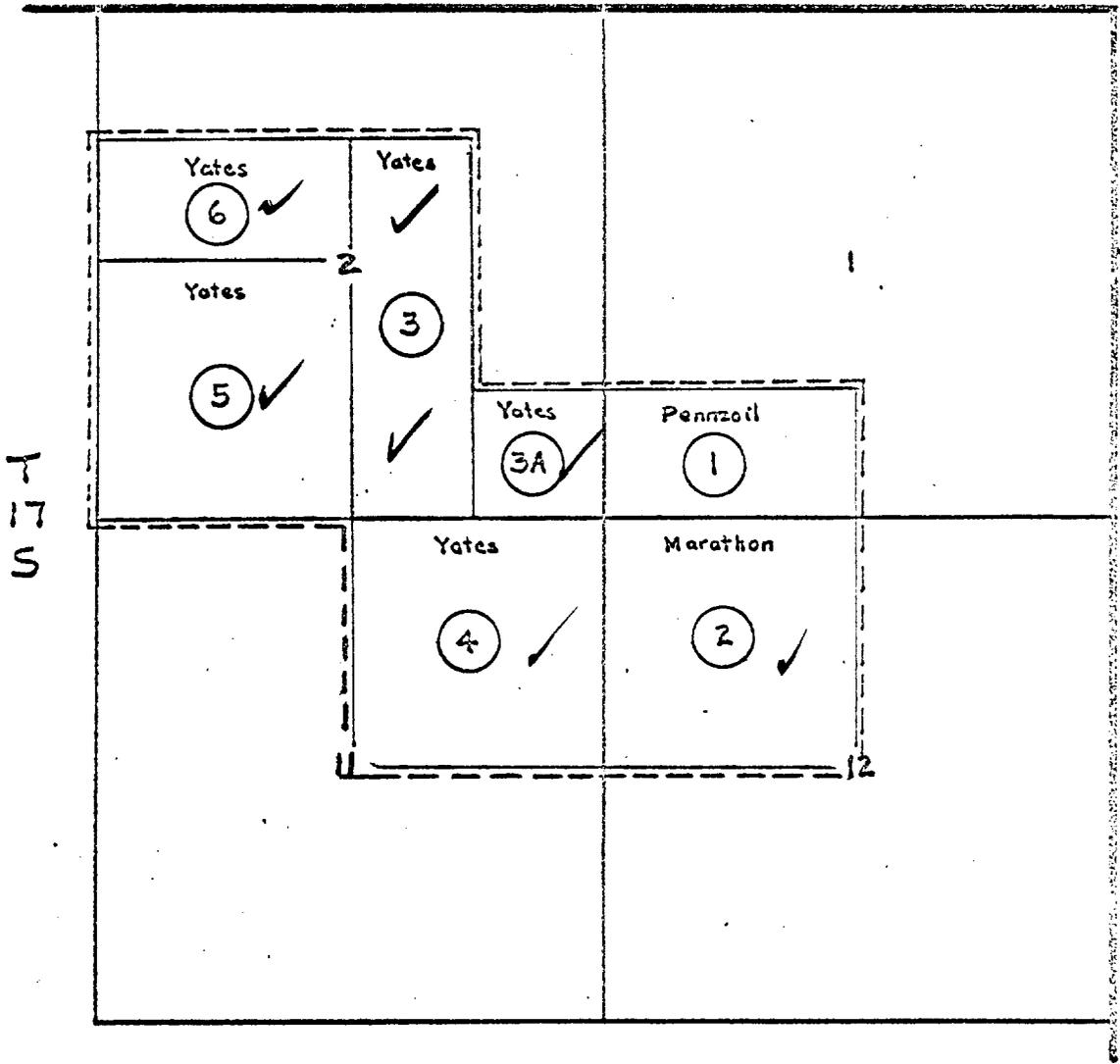
delays in transportaion, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the unit operator whether similar to matters herein enumerated or not.

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

22. SUBSEQUENT JOINDER: Joinder of any overriding royalty or other similar nonoperating interest owner, at any time, must be accompanied by joinder and consent of the corresponding working interest owner in order for such overriding royalty or other similar nonoperating interest to be regarded as effectively committed hereto. Joinder of any working interest owner, at any time, must be accompanied by his appropriate joinder to the Operating Agreement in order for



R-34-E



### EXHIBIT "A"

YATES NORTH VACUUM (SAN ANDRES) UNIT

YATES DRILLING COMPANY

Lea County, New Mexico

① Tract Number

--- Unit Area

40  
20  
---  
800

EXHIBIT "B"  
 Schedule of Tract Numbers, Ownership and Participation  
 YATES NORTH VACUUM (SAN ANDRES) UNIT, LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION	ACRES	LEASE NO.	LEASEE OF RECORD	OVERRIDE OR PRODUCTION PAYMENT & PERCENTAGE	WORKING INTEREST OWNER - PERCENTAGE	PERCENTAGE OF UNIT PARTICIPATION	
1	T-17-S, R-34-E Sec. 1: S $\frac{1}{2}$ SW $\frac{1}{4}$	80.00	E-5765-4	Pennzoil United	None	Pennzoil Atapaz	82.93615% 17.06385%	3.517820% .723780%
2	T-17-S, R-34-E Sec. 12: NW $\frac{1}{4}$	160.00	B-2244	Marathon Oil Co.	None	Marathon	100.00000%	16.850000%
3	T-17-S, R-34-E Sec. 2: W $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$	120.00	E-754-5	Yates Drlg. Co.	Cities Ser. 9.375% M.Yates III 1.625% C.K.Johnson .500% E.H. Ward .500% YatesDrlg. .500%	YatesDrlg. J.A. Yates	97.9167% 2.0833%	8.418192% .179108%
3A	T-17-S, R-34-E Sec. 2: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	E-754-5	Yates Drlg. Co.	M.Yates III 1.625% C.K.Johnson 2.000% E. H. Ward 1.000% YatesDrlg. 1.625%	YatesDrlg. J.A. Yates	97.0000% 3.0000%	4.382460% .135540%
4	T-17-S, R-34-E Sec. 11: NE $\frac{1}{4}$	160.00	E-580	Gulf Oil	Gulf Oil 5.46875% M.YatesIII 1.63671875% C.K.Johnson 1.00000000% YatesDrlg. .87890625%	Yates Drlg. Runyan Bros J.A. Yates	74.5000% 22.5000% 3.0000%	22.079120% 6.668190% .839090%

EXHIBIT "B"

NORTH VACUUM UNIT, LEA COUNTY, NEW MEXICO

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TRACT NO.	DESCRIPTION	ACRES	LEASE NO.	LEASEE OF RECORD	OVERRIDE OR PRODUCTION PAYMENT & PERCENTAGE	WORKING INTEREST OWNER - PERCENTAGE	PERCENTAGE OF UNIT PARTICIPATION
5	T-17-S, R-34-E Sec. 2: SW $\frac{1}{4}$	160.00	E-619-5	Yates Drlg. Co.	Marathon	Yates Drlg. Co.	22.229610%
					M. Yates III	J. A. Yates	.589490%
					BryanRunyan		
					E. H. Ward		
	YatesDrlg.		1.0234375%				
6	T-17-S, R-34-E Sec. 2: S $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	E-619-5	Yates Drlg. Co.	Marathon	Yates Drlg. Co.	12.326170%
					M. Yates III	J. A. Yates	1.011430%
					E. H. Ward		
					J. B. Runyan		
	YatesDrlg.		1.0234375%				
TOTAL ACREAGE		800.00					
			100.0000000%				

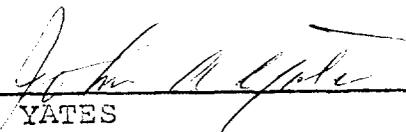
RATIFICATION AND JOINDER OF UNIT AGREEMENT AND  
UNIT OPERATING AGREEMENT  
YATES NORTH VACUUM (SAN ANDRES) UNIT AREA

In consideration of the execution of the Unit Agreement for the Development and Operation of the Yates North Vacuum (San Andres) Unit Area, County of Lea, State of New Mexico, dated February 16, 1970, in form approved on behalf of the Commissioner of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instruments.

This ratification and joinder shall be effective as to the undersigned's interest in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interest in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This ratification and joinder shall be binding upon the undersigned, its heirs, devisees, assigns, or successor in interest.

EXECUTED this 17<sup>th</sup> day of February, 1970.

  
\_\_\_\_\_  
JOHN A. YATES

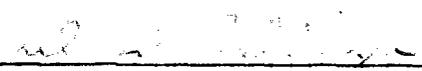
207 S. 4th Street  
Artesia, New Mexico 88210

Date: Feb. 17, 1970

STATE OF NEW MEXICO    )  
                                  : ss  
COUNTY OF EDDY        )

The foregoing instrument was acknowledged before me this 17<sup>th</sup> day of February, 1970, by JOHN A. YATES.

My Commission expires:  
Nov. 30, 1973

  
\_\_\_\_\_  
Notary Public

RATIFICATION AND JOINDER OF UNIT AGREEMENT AND  
UNIT OPERATING AGREEMENT  
YATES NORTH VACUUM (SAN ANDRES) UNIT AREA

In consideration of the execution of the Unit Agreement for the Development and Operation of the Yates North Vacuum (San Andres) Unit Area, County of Lea, State of New Mexico, dated February 16, 1970, in form approved on behalf of the Commissioner of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instruments.

This ratification and joinder shall be effective as to the undersigned's interest in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interest in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This ratification and joinder shall be binding upon the undersigned, its heirs, devisees, assigns, or successor in interest.

EXECUTED this 12th day of March, 1970.

ATTEST:

PENNZOIL UNITED, INC.

Lanille McBride  
Assistant Secretary

BY

F. Clinton Edwards  
Vice President

Date: March 12, 1970

P. O. Drawer 1828  
Midland, Texas 79701

STATE OF TEXAS                    )  
  : ss---  
COUNTY OF MIDLAND            )

The foregoing instrument was acknowledged before me this 12th day of March, 1970, by F. Clinton Edwards, Vice President of PENNZOIL UNITED, INC., a Delaware corporation.

My Commission expires:  
June 1, 1971

Velma Jeffrey  
Notary Public



RATIFICATION AND JOINDER OF UNIT AGREEMENT AND  
UNIT OPERATING AGREEMENT  
YATES NORTH VACUUM (SAN ANDRES) UNIT AREA

In consideration of the execution of the Unit Agreement for the Development and Operation of the Yates North Vacuum (San Andres) Unit Area, County of Lea, State of New Mexico, dated February 16, 1970, in form approved on behalf of the Commissioner of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporary Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instruments.

This ratification and joinder shall be effective as to the undersigned's interest in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interest in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This ratification and joinder shall be binding upon the undersigned, its heirs, devisees, assigns, or successor in interest.

EXECUTED this 23 day of March, 1970.

RUNYAN BROTHERS, a partnership

By J. B. Runyan  
Partner

Date: Mar 23/70 Hope, New Mexico

STATE OF NEW MEXICO     )  
                                      : ss  
COUNTY OF EDDY         )

The foregoing instrument was acknowledged before me this 23<sup>rd</sup> day of MARCH, 1970, by J. B. RUNYAN, partner, on behalf of RUNYAN BROTHERS, a partnership.

My Commission expires:  
NOV 30 1973

Carl A. Schellinger  
Notary Public

RATIFICATION AND JOINDER OF UNIT AGREEMENT AND  
UNIT OPERATING AGREEMENT  
YATES NORTH VACUUM (SAN ANDRES) UNIT AREA

In consideration of the execution of the Unit Agreement for the Development and Operation of the Yates North Vacuum (San Andres) Unit Area, County of Lea, State of New Mexico, dated February 16, 1970, in form approved on behalf of the Commissioner of Public Lands, and in consideration of the execution or ratification by other working interest owners of the contemporaneous Unit Operating Agreement which relates to said Unit Agreement, the undersigned hereby expressly ratifies, approves and adopts said Unit Agreement, and also said Unit Operating Agreement as fully as though the undersigned had executed the original instruments.

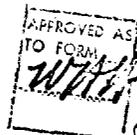
This ratification and joinder shall be effective as to the undersigned's interest in any lands and leases, or interests therein, and royalties presently held or which may arise under existing option agreements or other interest in unitized substances, covering any lands within the unit area in which the undersigned may be found to have an oil or gas interest.

This ratification and joinder shall be binding upon the undersigned, its devisees, assigns, or successor in interest.

EXECUTED this 3rd day of April, 1970.

MARATHON OIL COMPANY

By L. H. Shearer  
L. H. Shearer,  
Division Operations Manager



*BEW  
Hon*

Date: 4-3-70

STATE OF TEXAS     )  
                              : ss  
COUNTY OF HARRIS )

The foregoing instrument was acknowledged before me this 3rd day of April, 1970, by L. H. Shearer, Division Operations Manager of MARATHON OIL COMPANY, an Ohio Corporation.

My commission expires:

June 1, 1971

Gloria J. Fisher  
Notary Public

GLORIA J. FISHER  
Notary Public in and for Harris County, Texas  
My Commission Expires June 1, 1971











bcd

Unit Name YATES NORTH VACUUM (SAN ANDRES ) UNIT-WATERFLOOD  
Operator YATES DRILLING COMPANY  
County IEA

DATE	OCC CASE NO.	4347	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.	R-3961	6-1-70	800.00	800.00	-0-	-0-	Yes	so long as
5-6-70			May 12, 1970						

UNIT AREA

TOWNSHIP 17 SOUTH, RANGE 34 EAST, N.M.P.M.  
Sec. 1: S/2SW/4  
Sec. 2: SW/4NE/4, S/2NW/4, SW/4, W/2SE/4, SE/4SE/4  
Sec. 11: NE/4  
Sec. 12: NW/4

**TERMINATED**  
EFFECTIVE DATE 4-30-86  
APPROVAL DATE 4-30-86  
UNIT WAS VOLUNTARILY  
TERMINATED

Unit Name YATES NORTH VACUUM (SAN ANDRES) UNIT- Waterflood  
 Operator YATES DRILLING COMPANY  
 County LEA

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACRES	ACREAGE		LESSEE
							DATE	ACRES		NOT RATIFIED	RATIFIED	
1	E-5765-4	M.I.	1	17S	34E	S/2SW/4	3-12-70	80.00				Pennzoil United
2	B-2244	C.S.	12	17S	34E	NW/4	4-3-70	160.00				Marathon Oil Co.
3	E-754-5	C.S.	2	17S	34E	W/2SE/4, SW/4NE/4	2-16-70	120.00				Yates Drlg. Company
3-A	E-754-5	C.S.	2	17S	34E	SE/4SE/4	2-16-70	40.00				Yates Drlg. Company
4	E-580	C.S.	11	17S	34E	NE/4	3-26-70	160.00				Gulf Oil Corporation
5	E-619-5	C.S.	2	17S	34E	SW/4	2-16-70	160.00				Yates Drlg. Company
6	E-619-5	C.S.	2	17S	34E	S/2NW/4	2-16-70	80.00				Yates Drlg. Company

**TERMINATED**  
 EFFECTIVE DATE 4-30-86  
 APPROVAL DATE 4-30-86

State of New Mexico

# 4347



JIM BACA  
COMMISSIONER

Commissioner of Public Lands

April 30, 1986

P.O. BOX 1148  
SANTA FE, NEW MEXICO 87504-1148  
Express Mail Delivery Used  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87501

Yates Drilling Company  
Attn: Mr. T. L. Rhodes  
207 South Fourth Street  
Artesia, New Mexico 88210

Re: Yates North Vacum San Andres  
Waterflood Unit  
Section 1,2,11,12-T12S-R34E  
Lea County, New Mexico

This office is in receipt of your letter of April 21, 1986, wherein as unit operator of the Yates North Vacum San Andres unit area, you have advised that approval has been granted by 76.4818% of the working interest owners to cease operation of the unit and terminate the Unit Agreement and have also subsequently requested our approval.

In view of the above the Commissioner of Public Lands has this date terminated the North Vacum San Andres Unit Agreement effective as of April 30, 1986, as per Section 16 of said unit.

Please advise all interested parties of this action.

If we may be of further help please do not hesitate to call on us.

Very truly yours,

JIM BACA  
COMMISSIONER OF PUBLIC LANDS

BY: *Floyd O. Prando*  
FLOYD O. PRANDO, Director  
Oil and Gas Division  
(505) 827-5744

JB/FOP/pm  
encls.

cc: OCD-Santa Fe, New Mexico  
OGAD-Santa Fe, New Mexico

MAIN OFFICE 3000  
May 9 AM 8 20

4347

May 6, 1970

Yates Drilling Company  
207 South 4th Street  
Artesia, New Mexico 88210

Re: Yates North Vacuum San Andres  
Unit  
Lea County, New Mexico

ATTENTION: Mr. Eddie M. Mahfood

Gentlemen:

The Commissioner of Public Lands has this date approved your Yates North Vacuum San Andres Unit, Lea County, New Mexico. This approval is contingent upon approval by the New Mexico Oil Conservation Commission.

Enclosed are five (5) Certificates of Approval.

The effective date to be June 1, 1970, as per Section 16 of the Unit Agreement.

Very truly yours,

Ted Bilberry, Director  
Oil and Gas Department

TR/ML/s  
encls.  
cc: OCC-Santa Fe, New Mexico

C  
O  
P  
Y

