

Supplemental Report to the

GEOLOGIC REPORT

PROPOSED KAISER LAKE UNIT

EDDY COUNTY, NEW MEXICO

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION

EXHIBIT NO. 1

CASE NO. 5041

Submitted by WT Wy44

Hearing Date 8-9-73

LOCATION:

The proposed unit area encompasses approximately 960 acres, namely: the S/2 of the SE/4 of Section 25 and the NE/4 of Section 36, T-18-S, R-26-E, and the W/2 of the SW/4 of Section 29, the S/2 of the NE/4 and the S/2 of Section 30 and the N/2 of the NE/4 and the NW/4 of Section 31, T-18-S, R-27-E,

DISCUSSION:

In reference to Enclosure 2, "Subsurface Structure Map, on the Top of Abo", it will be noted that the E/2 of the NW/4 of Section 36, T-18-S, R-26-E, was not included in the unit-area-application, despite the fact that most of it is shown to be above the possible oil-water contact. This omission was intentional. The Kimbell #1 Bassett & Burney is located on this 80 acre tract, 1980' FW & 330' FNL of said Section 36. As is shown on Page 6 of this report, the total oil production from this well amounted to 31,887 barrels, in 14 years, which is a non-profitable figure, considering the costs of acquisition, drilling, completing and operating a well for this period of time.

Another, more subtle but none the less significant, influence was the position of this 80 acre tract at the regional up-dip limit of the prospect reservoir (in this case, on the southwest edge of the unit). Consistent with the irregular traverse of the Abo shelf margin, the regional dip is generally from the west to the east. The regional up-dip limit of the Empire Abo Field, shown on the map herein above referred to, is actually on the south side of the westernmost extension of said field. It will be noted, on Enclosure 5, that the

wells in this vicinity are the weakest in the field. This analogy has been applied to the Kaiser Lake prospect.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read 'W. T. Wynn', with a stylized, cursive script.

W. T. Wynn

GEOLOGIC REPORT

PROPOSED KAISER LAKE UNIT

EDDY COUNTY, NEW MEXICO

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSIONEXHIBIT NO. 2CASE NO. 5041Submitted by W T WynnHearing Date 8-9-73LOCATION:

The Kaiser Lake prospect is located about 10 miles southeast of the town of Artesia, in Township 18 South, Ranges 26 & 27 East. The unit area encompasses the S/2 of the SE/4 of Section 25 and the NE/4 of Section 36, T-18-S, R-26-E, and the W/2 of the SW/4 of Section 29, the S/2 of the NE/4 and the S/2 of Section 30 and the N/2 of the NE/4 and the NW/4 of Section 31, T-18-S, R-27-E. The unit area contains approximately 960 acres.

PROPOSAL:

To initiate orderly, timely and beneficial development of the subject area, in keeping with prescribed stipulations, it is proposed that a 6300' hole should be drilled to test the Abo dolomite (shelf facies member of the lower Leonard formation, of the Permian series).

ENCLOSURES:

- (1) Permian Basin Field Map, showing location of Kaiser Lake Unit, in relation to cities and to oil & gas production.
- (2) A subsurface structure map (1" = 4000'), labeled "Kaiser Lake Prospect" and contoured, at 100' intervals, on the top of Abo.
- (3) Northwest by Southeast Cross Section (Vert. scale 1" = 600') Kaiser Lake Unit.
- (4) Plat showing outline and lease ownership (1" = 2000') of Kaiser Lake Unit (Exhibit "A").
- (5) Kaiser Lake Unit and its regional relationship to Abo Fields, showing cumulative oil production.

DISCUSSION:

The prospect area is located on the Northwest Shelf of the Permian Basin of West Texas and New Mexico and, more specifically, in the northwestern arc of the shelf that borders the lower Leonard basin.

The dissimilar lithologies of the basin and shelf sediments of the Abo member of the lower Leonard are separated by a dolomite reef facies. The prospect lies athwart the leading shelf-edge of the Abo, between the southwestern extremity of the Empire Abo field and the eastern edge of the Dayton Abo field, both of which produce oil from dolomite reservoirs in the leading shelf-edge of the Abo.

The Kimbell (originally: E. P. Campbell) #1 Bassett & Burney, 1980' FW & 330' FNL of Section 36, T-18-S, R-26-E, is a west offset to the proposed unit. It encountered the top of Abo dolomite at 5835' (-2544') and was completed on July 8, 1959, after acidizing through perforations from 5840 to 5848' with 20,500 gallons. The initial potential was 50 BOPD (47.0° gravity), flowing through an 18/64" choke, with 450# tubing pressure. This well continues to flow on an intermitter. During 1972, total production amounted to 1524 BO, with 2,272,000 CF of gas, to bring the cumulative totals to 31,908 BO and 45,351,000 CF of gas, at the end of 1972. It is noted that the average GOR, over a period of nearly 14 years, has been 1421:1.

Although the Kimbell #1 Bassett & Burney is carried in the Dayton Abo field, on the production schedule, it is herein considered to be producing from a separate reservoir, for the reasons which follow:

(1) All producing wells in the Dayton Abo field encountered the top of the Abo at a datum of -2174', or higher, except the Kimbell #1 Bassett & Burney which, at -2544', was 370' lower.

(2) One to one and one-half miles to the north and west of the Kimbell #1 Bassett & Burney and lying between it and the other producing wells in the Dayton Abo field are two dry holes which are 264', or more, higher than the #1 Bassett & Burney.

(3) The size of the treatment (20,500 gallons of acid) & the subsequent small but uniform gas-lifted oil production (see Page 6, DAYTON ABO FIELD, ANNUAL PRODUCTION) appear to indicate, as the map shows, that the Kimbell #1 Bassett & Burney is located near an up-dip permeability barrier which separates this well from other producing wells in the Dayton Abo field.

Read & Stevens #1-Y Scoggin Draw Deep Unit, 766' FS & 2086' FEL of Section 31, T-18-S, R-27-E, was plugged and abandoned on July 16, 1971, at a total depth of 10,059', after penetrating 111' of lower Mississippian limestone. This test found the top of Abo at 6540' (-3252'), 708' structurally lower than the Kimbell #1 Bassett & Burney, 1-1/2 miles to the northwest.

It will be noted on the enclosed subsurface structure map that, in the vicinity of the Read & Stevens #1-Y Scoggin Draw, a uniform rate of dip, consistent with that determined by field development along the basin flank of the Empire Abo field, about 3 1/2 miles to the north by northeast, has been used. By the time the -2500' interval is reached, (in the process of contouring the map), there remains an area of flattening, which is about 1/2 mile wide and 1 3/4 miles long. The boundaries of the proposed unit are compatible with this feature, which is believed to represent a reef prominence in the Abo, and is so shown on the map. The -2700' contour line has been used as a possible oil-water contact and the northeast, southeast and southwest boundaries of the unit have been principally determined by the position of this line (-2700') on the map. The up-dip limit of the prospect and the northwestern boundary of the unit are indicated on the map by a line which represents an impermeable barrier that traverses the southeast

part of Section 25, T-18-S, R-26-E, and the northern part of Section 30, T-18-S, R-27-E, in a northeast by southwest direction.

At a typical location within the unit, e.g. 660' FN & WL lines of Section 31, T-18-S, R-27-E, with a probable elevation of 3290' K.B., it is expected that formation markers may be encountered at approximate depths, as follows:

Top Bowers sand	325' (+2965')
Top Queen sand	555' (+2735')
Top Grayburg	945' (+2435')
Top San Andres	1285' (+2005')
Top Glorieta	2850' (+ 440')
Top Bone Spring limestone	3533' (- 243')
Top Abo dolomite	5590' (-2300')
Top Wolfcamp	6300' (-3010')

CONCLUSIONS:

Within the unit area, a structural anomaly at the top of Abo is considered to represent a stratigraphic trap in shelf-edge reef dolomite, expected at a depth of about 5590'. The base of the lower Leonard/top of Wolfcamp should be encountered at about 6300'.

The prospect is separated from the prolific Empire Abo field, 2 miles to the northeast, by a structural re-entrant and from the rather featureless Dayton Abo field, 1/2 to 1 1/4 miles to the northwest and west, by two Abo dry holes. On the basis of production history and subsurface structural data, it is believed that the Kimbell #1 Bassett & Burney, in Section 36, T-18-S, R-26-E,

a direct west offset to the unit and nominally carried as a producer in the Dayton Abo Field, is producing from the reservoir which this application seeks to unitize. It is expected that the features which will limit production will be an up-dip impermeable barrier, along the northwestern border of the unit, and a down-dip oil-water contact at about -2700', along the basinward flanks of the unit.

If the initial test on this unit develops commercial production from the Abo, it is expected that about twenty-four - forty acre locations could be productive. It should be noted that the Field Rules, of the New Mexico Oil Conservation Commission, call for forty acre spacing of all oil wells, unless it can be shown (in a Special Hearing) that one well will drain more than forty acres.


No recommendation is made to core the Abo, although such an operation might be deemed beneficial, in the course of penetrating this formation.

A secondary but, none the less, interesting possibility for production is the Premier section of the Grayburg, which produces oil in the "Dayton Grayburg, East" Field, in Sections 28 & 29, T-18-S, R-27-E. To January 1, 1973, the best two wells, in this Field, had produced a total of 23,555 BO and 14,543 BO, respectively. Four other wells, in the Field, had produced between 8022 and 9986 BO, with an average of 9248 BO each. The average depth to the bottom of the pay, for the Field, is 1588'.

It is recommended that a core should be cut from 1200 to 1300', to examine the reservoir characteristics of the Premier.

The upper 200' of the Yeso dolomite is expected at about 3000 to 3200'. This section has had some stain and porosity in nearby wells and should be carefully examined for potential production.

Respectfully submitted,


W. T. WYNN

WTW:lw

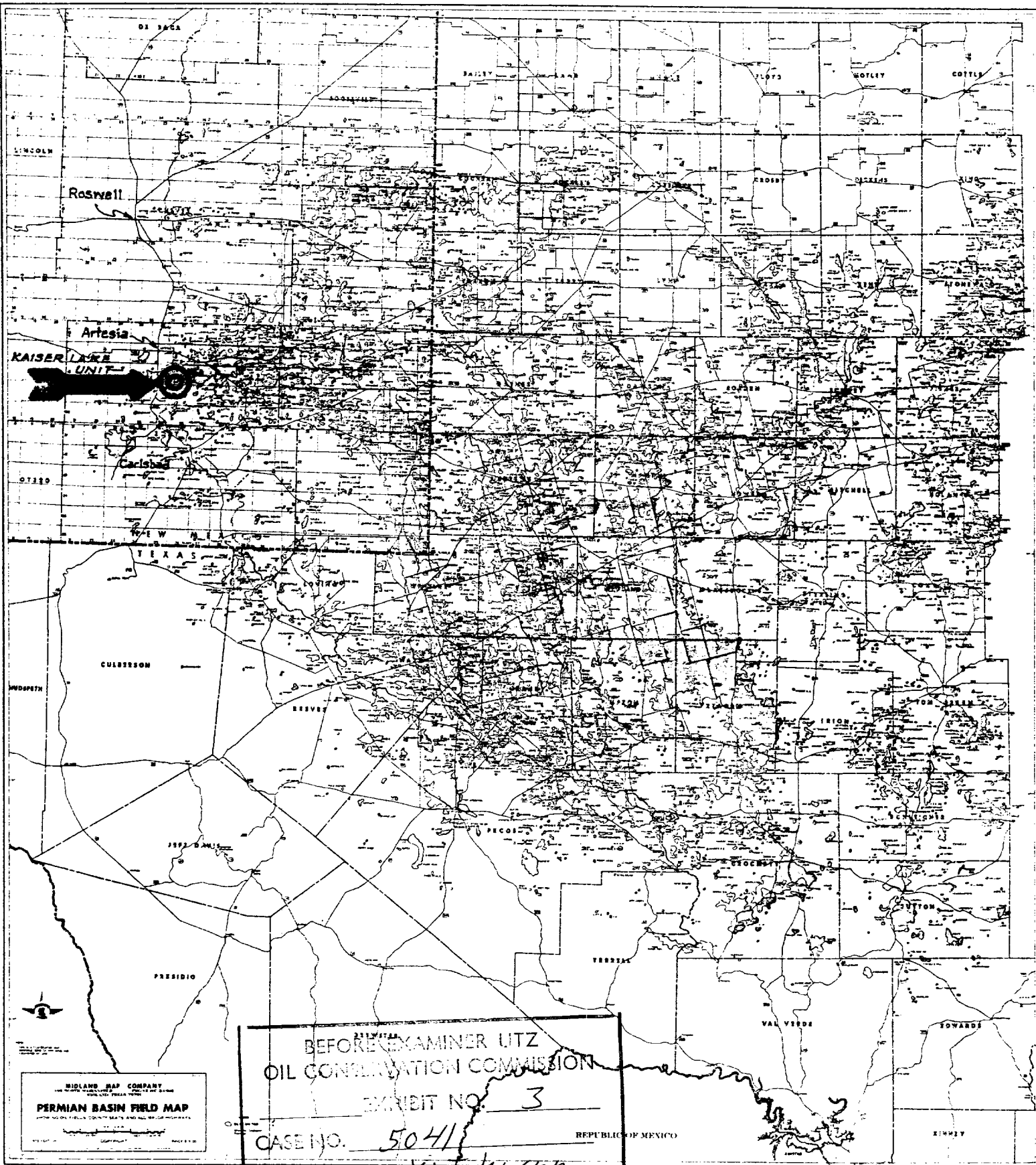
Encls.

DAYTON ABO FIELD,

ANNUAL PRODUCTION

(O = bbls. oil; G = MCF gas; W = bbls. water) (F = flow; P = pump)

Continental- Emco #1 Nix & Curtis (was Tri-Service; originally: Campbell) 25-18S-26E 7/8/59	O	1958	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
			1132F	2454F	1173F	-	-	510F	343F	265F	239F	222P	206P	203P	190F	160F
	G			1713	7701	-	-	7771	8056	5048	12802	4564	9527	4118	3837	4804
	W		-	-	-	-	-	154	129	117	126	112	139	120	85	83
Bearing #1 Platt (was Swartz; orig.: G Western) 26-18S-26E 11/10/59	O		251F	1638F	403F	630F	558F	305F	158F	60F	-	-	-	-	-	1141F
	G		-	226	1279	167	1624	2585	665	336	-	-	-	-	-	-
	W		-	-	-	21	143	-	-	63	-	-	-	-	-	-
Blaum #1-A Kleeman (was Swartz; orig.: G Campbell) 27-18S-26E 5/1/59	O		667P	385P	-	90F	123P	119F	52F	95F	80F	18F	-	-	-	-
	G		-	43	-	-	-	-	-	-	-	-	-	-	-	-
	W		-	-	-	20	42	25	16	36	33	22	-	-	-	-
Campbell #1 Cockerham 34-18S-26E 10/1/58	O	4199F	10475F	6371F	5220F	4838F	3966F	3318F	3176F	2816F	2742F	2312F	2640F	2330F	1913F	2083P
	G	-	-	2225	12320	9470	5650	5320	5810	7129	7097	6218	6518	5860	5224	7841
	W	-	-	-	12	-	768	819	865	768	748	535	236	707	530	256
Latch #1 Goodrich (orig.: Foster) 35-18S-26E 12/16/58	O	350F	12564F	4552F	7441F	5080P	3787P	3250P	2940P	2583P	2362P	2175P	2185P	2047P	1869P	1851P
	G	-	-	4321	5131	3453	7986	6854	6184	5463	4742	4301	2782	2765	3812	3696
	W	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Kimbell #1 Bassett & Burney (orig.: G Campbell) 36-18S-26E 7/8/59	O		1297F	2554F	2440F	2483F	2493F	2361F	2381F	2435F	2368F	2370F	2386F	2436F	2359F	1524F
	G		-	999	3471	3523	5176	4668	4112	3174	4244	3649	3351	3322	3390	2272
	W		-	-	24	325	352	354	362	364	365	244	-	-	-	-



BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION

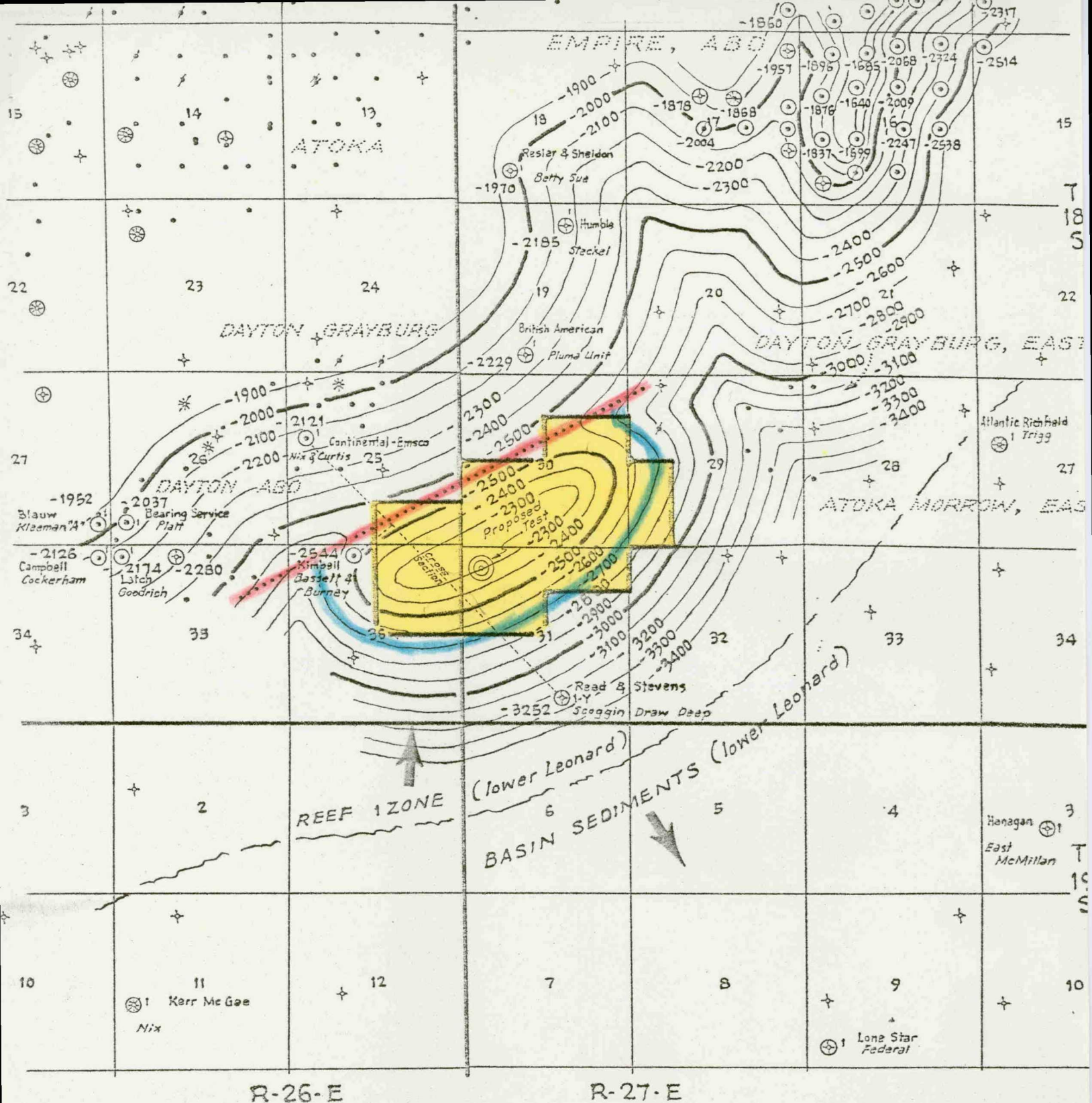
EXHIBIT NO. 3

CASE NO. 5041

Submitted by W F Wynn

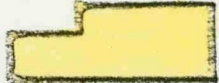
Hearing Date 8-9-73

ENCLOSURE 1



Symbols:

- oil well
- * gas well
- + plugged & abandoned
- wells drilled to Abo or deeper.



unit outline



Impermeable barrier



Possible Oil-Water contact

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION

EXHIBIT NO. 4

CASE NO. 5041

Submitted by W.T. Wygn

Hearing Date 8-9-73

operator:

KAISER LAKE UNIT
Eddy County, N. M.

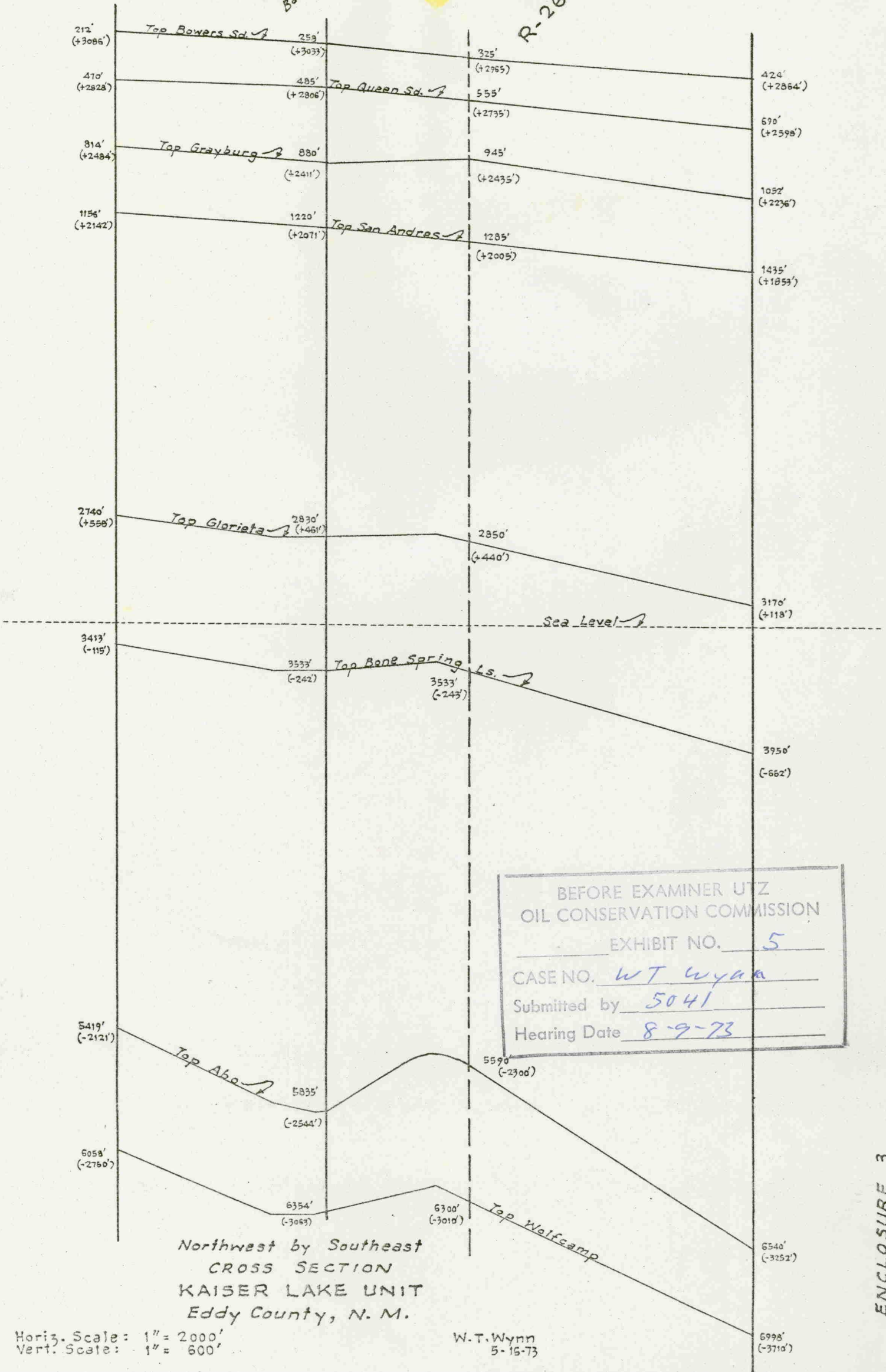
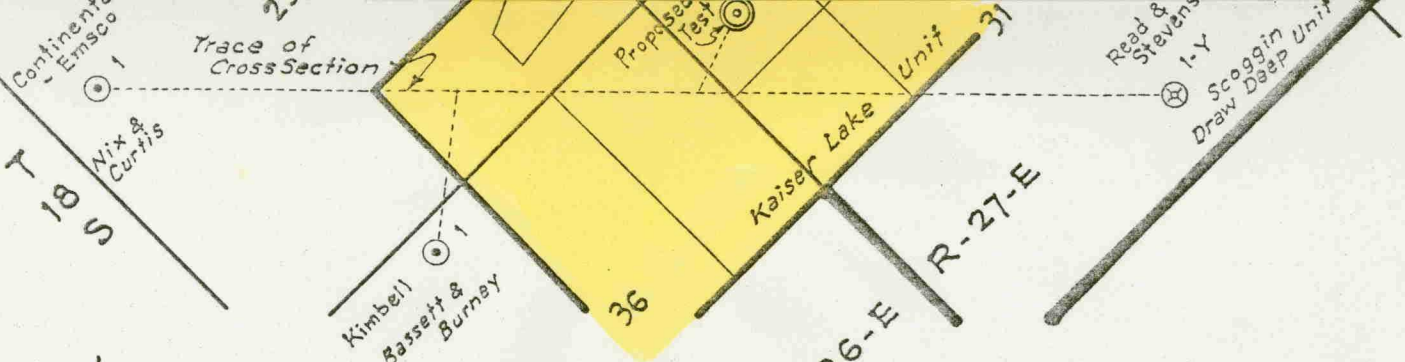
Subsurface Structure Map

Contoured on : Top of Abo
Contour Interval : 100 Feet
Horizontal Scale : 1" = 4000'

W.T. Wygn

4-20-73

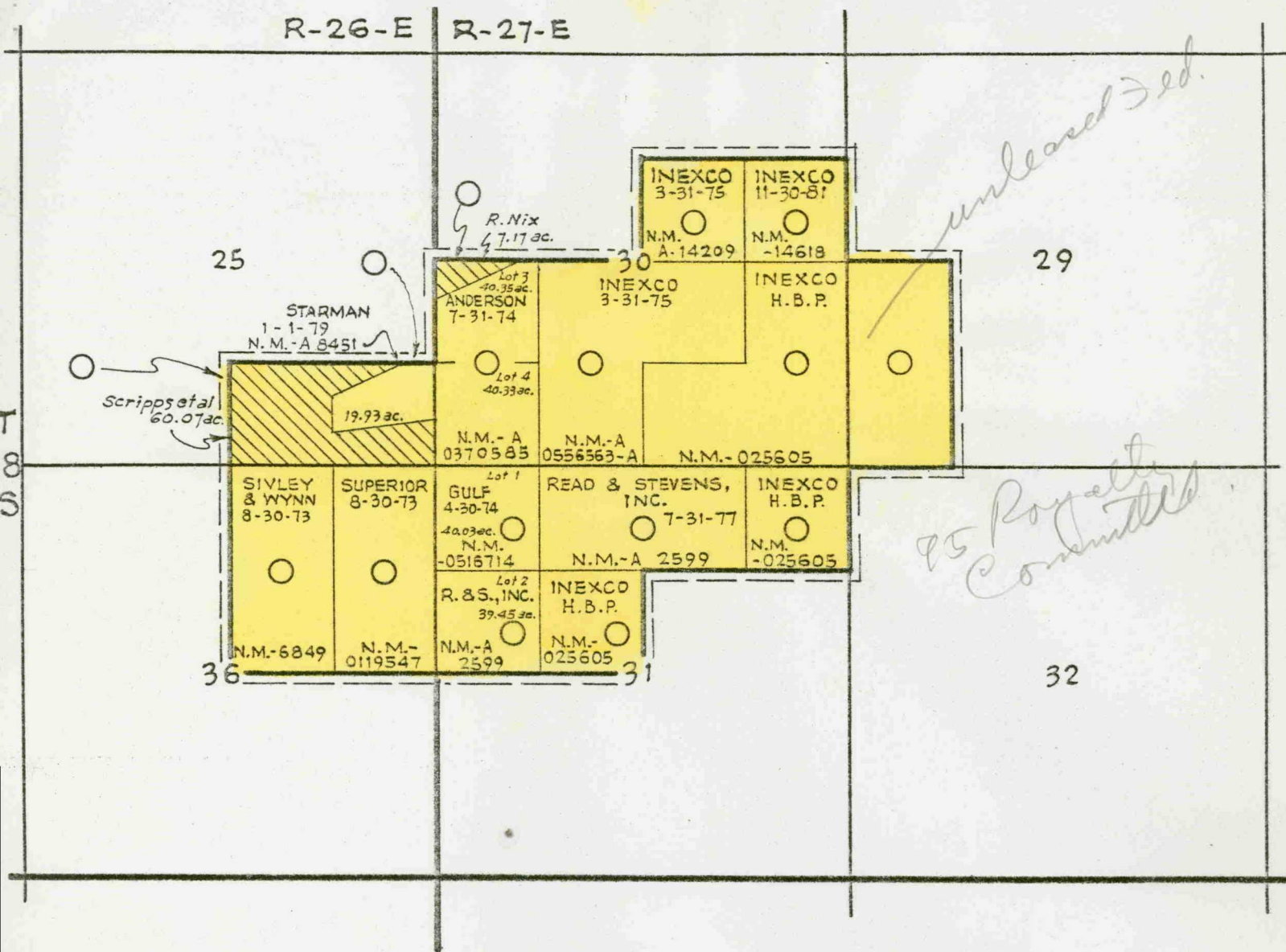
ENCLOSURE 2



BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. 5
CASE NO. WT Wynn
Submitted by 5041
Hearing Date 8-9-73

Horiz. Scale: 1" = 2000'
Vert. Scale: 1" = 600'
W.T. Wynn
5-15-73

ENCLOSURE 3



KAISER LAKE UNIT AREA EDDY COUNTY, NEW MEXICO

ENCLOSURE 4

Unit Outline
Tract Number

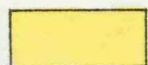
BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION

EXHIBIT NO. 6

CASE NO. 5041

Submitted by W T Wyman

Hearing Date 8-5-73



Federal Lands 892.92 Acres = 92.997 % of Unit Area



Fee Lands 67.24 Acres = 7.003 % of Unit Area

Total 960.16 Acres = 100.000 % of Unit Area

EXHIBIT "A"

BEFORE EXAMINER UT
OIL CONSERVATION COMMISSION

EXHIBIT NO. 7

CASE NO. 5041
Submitted by W.T. Wynn
Hearing Date 8-9-73

R-26-E

Continental-Emasco

Nix & Curtis

DAYTON ABO

Kimball
Bassett &
Burney

DAYTON ABO

KAISER LAKE UNIT

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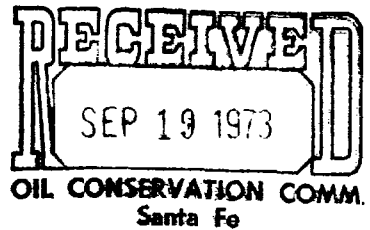
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CERTIFICATION--DETERMINATION

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

A. Approve the attached agreement for the development and operation of the Kaiser Lake Unit Area, State of New Mexico.

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

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

Dated AUG 30 1973.


Acting Area Oil and Gas Supervisor
United States Geological Survey

Contract Number 14-08-0001-12407

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
KAISER LAKE UNIT AREA
COUNTY OF EDDY, STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 25th day of June, 1973, by
and between the parties subscribing, ratifying, or consenting hereto, and
herein referred to as the "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 Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as
amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their
representatives to unite with each other, or jointly or separately with
others in collectively adopting and operating a cooperative or unit plan
of development or operation of any oil or gas pool, field, or like area, or
any part thereof for the purpose of more properly conserving the natural re-
sources thereof whenever determined and certified by the Secretary of the
Interior to be necessary or advisable in the public interest; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is
authorized by an Act of the Legislature (Chapter 72, Laws of 1935, as amended
by Chapter 193, Laws of 1937; Chapter 166, Laws of 1941; and Chapter 168,
Laws of 1949) to approve this agreement and the conservation provisions here-
of; and

WHEREAS, the parties hereto hold sufficient interests in the Kaiser Lake
Unit Area covering the land hereinafter described to give reasonably effec-
tive control of operations therein; and

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

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

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

2. UNIT AREA. The area specified on the map attached hereto marked exhibit A is hereby designated and recognized as constituting the unit area, containing 960.16 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and indentities 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 land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor" and not less than five (5) copies of the revised exhibits shall be filed with the Supervisor and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

The above-described unit area shall, when practicable, be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

1 (a) Unit Operator, on its own motion or on demand of the Director of 1
2 the Geological Survey, hereinafter referred to as "Director," after pre- 2
3 liminary concurrence by the Director, shall prepare a notice of proposed 3
4 expansion or contraction describing the contemplated changes in the 4
5 boundaries of the unit area, the reasons therefor, and the proposed effec- 5
6 tive date thereof, preferably the first day of a month subsequent to the 6
7 date of notice. 7

8 (b) Said notice shall be delivered to the Supervisor and the State Com- 8
9 mission, and copies thereof mailed to the last known address of each working- 9
10 interest owner, lessee, and lessor whose interests are affected, advising 10
11 that thirty (30) days will be allowed for submission to the Unit Operator of 11
12 any objections. 12

13 (c) Upon expiration of the 30-day period provided in the preceding item 13
14 (b) hereof, Unit Operator shall file with the Supervisor and the State Com- 14
15 mission, evidence of mailing of the notice of expansion or contraction and 15
16 a copy of any objections thereto which have been filed with the Unit Oper- 16
17 ator, together with an application in sufficient number, for approval of 17
18 such expansion or contraction and with appropriate joinders. 18

19 (d) After due consideration of all pertinent information, the expan- 19
20 sion or contraction shall, upon approval by the Supervisor, become effective 20
21 as of the date prescribed in the notice thereof. 21

22 (e) All legal subdivisions of lands (i.e., 40 acres by Government sur- 22
23 vey or its nearest lot or tract equivalent; in instances of irregular sur- 23
24 veys, unusually large lots or tracts shall be considered in multiples of 24
25 40 acres or the nearest aliquot equivalent thereof), no parts of which are 25
26 entitled to be in a participating area on or before the fifth anniversary 26
27 of the effective date of the first initial participating area established 27
28 under this unit agreement, shall be eliminated automatically from this 28
29 agreement, effective as of said fifth anniversary, and such lands shall no 29
30 longer be a part of the unit area and shall no longer be subject to this 30
31 agreement, unless diligent drilling operations are in progress on unitized 31
32 lands not entitled to participation on said fifth anniversary, in which 32
event all such lands shall remain subject hereto for so long as such

drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid 5-year period shall become participating in the same manner as during said 5-year period. However, when such diligent drilling operations cease, all nonparticipating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2(e), a single extension of not to exceed 2 years may be accomplished by consent of the owners of 90% of the working interests in the current nonparticipating unitized lands and the owners of 60% of the basic royalty interests (exclusive of the basic royalty interests of the United States) in nonparticipating unitized lands with approval of the Director, provided such extension application is submitted to the Director not later than 60 days prior to the expiration of said 10-year period.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be considered automatic commitment or recommitment of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement." All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

4. UNIT OPERATOR. HONDO DRILLING COMPANY is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees

1 and consents to accept the duties and obligations of Unit Operator for the 1
2 discovery, development, and production of unitized substances as herein 2
3 provided. Whenever reference is made herein to the Unit Operator, such 3
4 reference means the Unit Operator acting in that capacity and not as an own- 4
5 er of interest in unitized substances, and the term "working interest owner" 5
6 when used herein shall include or refer to Unit Operator as the owner of a 6
7 working interest when such an interest is owned by it. 7

8 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have 8
9 the right to resign at any time prior to the establishment of a participat- 9
10 ing area or areas hereunder, but such resignation shall not become effective 10
11 so as to release Unit Operator from the duties and obligations of Unit 11
12 Operator and terminate Unit Operator's rights as such for a period of 6 12
13 months after notice of intention to resign has been served by Unit Operator 13
14 on all working interest owners and the Supervisor, and until all wells then 14
15 drilled hereunder are placed in a satisfactory condition for suspension or 15
16 abandonment, whichever is required by the Supervisor and the State Commission 16
17 as to other lands, unless a new Unit Operator shall have been selected and 17
18 approved and shall have taken over and assumed the duties and obligations of 18
19 Unit Operator prior to the expiration of said period. 19

20 Unit Operator shall have the right to resign in like manner and 20
21 subject to like limitations as above provided at any time a participating 21
22 area established hereunder is in existence, but, in all instances of resig- 22
23 nation or removal, until a successor unit operator is selected and approved 23
24 as hereinafter provided, the working interest owners shall be jointly 24
25 responsible for performance of the duties of unit operator, and shall not 25
26 later than 30 days before such resignation or removal becomes effective 26
27 appoint a common agent to represent them in any action to be taken hereunder. 27

28 The resignation of Unit Operator shall not release Unit Operator 28
29 from any liability for any default by it hereunder occurring prior to the 29
30 effective date of its resignation. 30

31 The Unit Operator may, upon default or failure in the performance 31
32 of its duties or obligations hereunder, be subject to removal by the same 32

percentage vote of the owners of working interests as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Supervisor.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the new duly qualified successor Unit Operator or to the common agent, 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. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until

(a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been approved by the Supervisor.

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

1 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit 1
2 Operator is not the sole owner of working interests, costs and expenses 2
3 incurred by Unit Operator in conducting unit operations hereunder shall be 3
4 paid and apportioned among and borne by the owners of working interests, 4
5 all in accordance with the agreement or agreements entered into by and be- 5
6 tween the Unit Operator and the owners of working interests, whether one or 6
7 more, separately or collectively. Any agreement or agreements entered into 7
8 between the working interest owners and the Unit Operator as provided in 8
9 this section, whether one or more, are herein referred to as the "unit 9
10 operating agreement." Such unit operating agreement shall also provide the 10
11 manner in which the working interest owners shall be entitled to receive 11
12 their respective proportionate and allocated share of the benefits accruing 12
13 hereto in conformity with their underlying operating agreements, leases, 13
14 or other independent contracts, and such other rights and obligations as 14
15 between Unit Operator and the working interest owners as may be agreed upon 15
16 by Unit Operator and the working interest owners; however, no such unit 16
17 operating agreement shall be deemed either to modify any of the terms and 17
18 conditions of this unit agreement or to relieve the Unit Operator of any 18
19 right or obligation established under this unit agreement, and in case of 19
20 any inconsistency or conflict between this unit agreement and the unit 20
21 operating agreement, this unit agreement shall govern. Three true copies 21
22 of any unit operating agreement executed pursuant to this section should be 22
23 filed with the Supervisor, prior to approval of this unit agreement. 23

24 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise 24
25 specifically provided herein, the exclusive right, privilege, and duty of 25
26 exercising any and all rights of the parties hereto which are necessary or 26
27 convenient for prospecting for, producing, storing, allocating, and dis- 27
28 tributing the unitized substances are hereby delegated to and shall be 28
29 exercised by the Unit Operator as herein provided. Acceptable evidence of 29
30 title to said rights shall be deposited with said Unit Operator and, 30
31 together with this agreement, shall constitute and define the rights, privi- 31
32 leges, and obligations of Unit Operator. Nothing herein, however, shall be 32

1 construed to transfer title to any land or to any lease or operating agree- 1
2 ment, it being understood that under this agreement the Unit Operator, in 2
3 its capacity as Unit Operator, shall exercise the rights of possession and 3
4 use vested in the parties hereto only for the purposes herein specified. 4

5 9. DRILLING TO DISCOVERY. Within 6 months after the effective date 5
6 hereof, the Unit Operator shall begin to drill an adequate test well at a 6
7 location approved by the Supervisor, unless on such effective date a well is 7
8 being drilling conformably with the terms hereof, and thereafter continue 8
9 such drilling diligently until the Abo forma- 9
10 tion has been tested or until at a lesser depth unitized substances shall be 10
11 discovered which can be produced in paying quantities (to-wit: quantities 11
12 sufficient to repay the costs of drilling, completing, and producing opera- 12
13 tions, with a reasonable profit) or the Unit Operator shall at any time es- 13
14 tablish to the satisfaction of the Supervisor that further drilling of said 14
15 well would be unwarranted or impracticable, provided, however, that Unit 15
16 Operator shall not in any event be required to drill said well to a depth in 16
17 excess of 6,300 feet. Until the discovery of a deposit of unitized sub- 17
18 stances capable of being produced in paying quantities, the Unit Operator 18
19 shall continue drilling one well at a time, allowing not more than 6 months 19
20 between the completion of one well and the beginning of the next well, until 20
21 a well capable of producing unitized substances in paying quantities is 21
22 completed to the satisfaction of the Supervisor or until it is reasonably 22
23 proved that the unitized land is incapable of producing unitized substances 23
24 in paying quantities in the formations drilled hereunder. Nothing in this 24
25 section shall be deemed to limit the right of the Unit Operator to resign 25
26 as provided in Section 5, hereof, or as requiring Unit Operator to commence 26
27 or continue any drilling during the period pending such resignation becom- 27
28 ing effective in order to comply with the requirements of this section. 28
29 The Supervisor may modify the drilling requirements of this section by 29
30 granting reasonable extensions of time when, in his opinion, such action 30
31 is warranted. 31

1 Upon failure to commence any well provided for in this section 1
2 within the time allowed, including any extension of time granted by the 2
3 Supervisor, this agreement will automatically terminate; upon failure to 3
4 continue drilling diligently any well commenced hereunder, the Supervisor 4
5 may, after 15-days notice to the Unit Operator, declare this unit agreement 5
6 terminated. 6

7 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after 7
8 completion of a well capable of producing unitized substances in paying 8
9 quantities, the Unit Operator shall submit for the approval of the Super- 9
10 visor an acceptable plan of development and operation for the unitized land 10
11 which, when approved by the Supervisor, shall constitute the further drill- 11
12 ing and operating obligations of the Unit Operator under this agreement for 12
13 the period specified therein. Thereafter, from time to time before the 13
14 expiration of any existing plan, the Unit Operator shall submit for the 14
15 approval of the Supervisor a plan for an additional specified period for the 15
16 development and operation of the unitized land. 16

17 Any plan submitted pursuant to this section shall provide for the 17
18 exploration of the unitized area and for the diligent drilling necessary for 18
19 determination of the area or areas thereof capable of producing unitized 19
20 substances in paying quantities in each and every productive formation and 20
21 shall be as complete and adequate as the Supervisor may determine to be 21
22 necessary for timely development and proper conservation of the oil and gas 22
23 resources of the unitized area and shall: 23

24 (a) specify the number and locations of any wells to be 24
25 drilled and the proposed order and time for such drilling; 25
26 and 26

27 (b) to the extent practicable specify the operating 27
28 practices regarded as necessary and advisable for proper 28
29 conservation of natural resources. 29

30 Separate plans may be submitted for separate productive zones, subject to 30
31 the approval of the Supervisor. 31

32 Plans shall be modified or supplemented when necessary to meet 32
33 changed conditions or to protect the interests of all parties to this 33

1 agreement. Reasonable diligence shall be exercised in complying with the 1
2 obligations of the approved plan of development. The Supervisor is auth- 2
3 orized to grant a reasonable extension of the 6-month period herein prescrib- 3
4 ed for submission of an initial plan of development where such action is 4
5 justified because of unusual conditions or circumstances. After completion 5
6 hereunder of a well capable of producing any unitized substance in paying 6
7 quantities, no further wells, except such as may be necessary to afford pro- 7
8 tection against operations not under this agreement and such as may be 8
9 specifically approved by the Supervisor, shall be drilled except in accord- 9
10 ance with a plan of development approved as herein provided. 10

11 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable 11
12 of producing unitized substances in paying quantities or as soon thereafter 12
13 as required by the Supervisor, the Unit Operator shall submit for approval 13
14 by the Supervisor a schedule, based on subdivisions of the public-land 14
15 survey or aliquot parts thereof, of all land then regarded as reasonably 15
16 proved to be productive in paying quantities; all lands in said schedule on 16
17 approval of the Supervisor to constitute a participating area, effective as 17
18 of the date of completion of such well or the effective date of this unit 18
19 agreement, whichever is later. The acreages of both Federal and non-Federal 19
20 lands shall be based upon appropriate computations from the courses and 20
21 distances shown on the last approved public-land survey as of the effective 21
22 date of each initial participating area. Said schedule shall also set forth 22
23 the percentage of unitized substances to be allocated as herein provided to 23
24 each tract in the participating area so established, and shall govern the 24
25 allocation of production commencing with the effective date of the partici- 25
26 pating area. A separate participating area shall be established for each 26
27 separate pool or deposit of unitized substances or for any group thereof 27
28 which is produced as a single pool or zone, and any two or more participat- 28
29 ing areas so established may be combined into one, on approval of the 29
30 Supervisor. When production from two or more participating areas, so estab- 30
31 lished, is subsequently found to be from a common pool or deposit said 31
32 participating areas shall be combined into one effective as of such 32
33 appropriate date as may be approved or prescribed by the Supervisor. The 33

1 participating area or areas so established shall be revised from time to 1
2 time, subject to like approval, to include additional land then regarded as 2
3 reasonably proved to be productive in paying quantities or necessary for 3
4 unit operations, or to exclude land then regarded as reasonably proved not 4
5 to be productive in paying quantities and the schedule of allocation percent- 5
6 ages shall be revised accordingly. The effective date of any revision shall 6
7 be the first of the month in which is obtained the knowledge or information 7
8 on which such revision is predicated, provided, however, that a more appro- 8
9 priate effective date may be used if justified by the Unit Operator and 9
10 approved by the Supervisor. No land shall be excluded from a participating 10
11 area on account of depletion of the unitized substances, except that any 11
12 participating area established under the provisions of this unit agreement 12
13 shall terminate automatically whenever all completions in the formation on 13
14 which the participating area is based are abandoned. 14

15 It is the intent of this section that a participating area shall 15
16 represent the area known or reasonably estimated to be productive in paying 16
17 quantities; but, regardless of any revision of the participating area, 17
18 nothing herein contained shall be construed as requiring any retroactive ad- 18
19 justment for production obtained prior to the effective date of the revision 19
20 of the participating area. 20

21 In the absence of agreement at any time between the Unit Operator 21
22 and the Supervisor as to the proper definition or redefinition of a partici- 22
23 pating area, or until a participating area has, or areas have, been estab- 23
24 lished as provided herein, the portion of all payments affected thereby 24
25 shall be impounded in a manner mutually acceptable to the owners of working 25
26 interests and the Supervisor. Royalties due the United States shall be 26
27 determined by the Supervisor and the amount thereof shall be deposited, as 27
28 directed by the Supervisor, to be held as unearned money until a participat- 28
29 ing area is finally approved and then applied as earned or returned in 29
30 accordance with a determination of the sum due as Federal royalty on the 30
31 basis of such approved participating area. 31

32 Whenever it is determined, subject to the approval of the Supervisor, 32
33 that a well drilled under this agreement is not capable of production in 33

1 paying quantities and inclusion of the land on which it is situated in a 1
2 participating area is unwarranted, production from such well shall, for the 2
3 purposes of settlement among all parties other than working interest owners, 3
4 be allocated to the land on which the well is located unless such land is 4
5 already within the participating area established for the pool or deposit 5
6 from which such production is obtained. Settlement for working interest 6
7 benefits from such a well shall be made as provided in the unit operating 7
8 agreement. 8

9 12. ALLOCATION OF PRODUCTION. All unitized substances produced from 9
10 each participating area established under this agreement, except any part 10
11 thereof used in conformity with good operating practices within the unitized 11
12 area for drilling, operating, camp and other production or development pur- 12
13 poses, for repressuring or recycling in accordance with a plan of develop- 13
14 ment approved by the Supervisor, or unavoidably lost, shall be deemed to be 14
15 produced equally on an acreage basis from the several tracts of unitized 15
16 land of the participating area established for such production and, for the 16
17 purpose of determining any benefits accruing under this agreement, each such 17
18 tract of unitized land shall have allocated to it such percentage of said 18
19 production as the number of acres of such tract included in said participat- 19
20 ing area bears to the total acres of unitized land in said participating 20
21 area, except that allocation of production hereunder for purposes other than 21
22 for settlement of the royalty, overriding royalty, or payment out of pro- 22
23 duction obligations of the respective working interest owners, shall be on the 23
24 basis prescribed in the unit operating agreement whether in conformity with 24
25 the basis of allocation herein set forth or otherwise. It is hereby agreed 25
26 that production of unitized substances from a participating area shall be 26
27 allocated as provided herein regardless of whether any wells are drilled on 27
28 any particular part or tract of said participating area. If any gas 28
29 produced from one participating area is used for repressuring or recycling 29
30 purposes in another participating area, the first gas withdrawn from such 30
31 last-mentioned participating area for sale during the life of this agreement 31
32 shall be considered to be the gas so transferred until an amount equal to 32

1 that transferred shall be so produced for sale and such gas shall be allo- 1
2 cated to the participating area from which initially produced as such area 2
3 was last defined at the time of such final production. 3

4 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. 4

5 Any party hereto owning or controlling the working interest in any unitized 5
6 land having thereon a regular well location may with the approval of the 6
7 Supervisor, at such party's sole risk, costs, and expense, drill a well to 7
8 test any formation for which a participating area has not been established 8
9 or to test any formation for which a participating area has been established 9
10 if such location is not within said participating area, unless within 90 days 10
11 of receipt of notice from said party of his intention to drill the well the 11
12 Unit Operator elects and commences to drill such a well in like manner as 12
13 other wells are drilled by the Unit Operator under this agreement. 13

14 If any well drilled as aforesaid by a working interest owner 14
15 results in production such that the land upon which it is situated may proper- 15
16 ly be included in a participating area, such participating area shall be 16
17 established or enlarged as provided in this agreement and the well shall 17
18 thereafter be operated by the Unit Operator in accordance with the terms of 18
19 this agreement and the unit operating agreement. 19

20 If any well drilled as aforesaid by a working interest owner obtains 20
21 production in quantities insufficient to justify the inclusion of the land 21
22 upon which such well is situated in a participating area, such well may be 22
23 operated and produced by the party drilling the same subject to the conser- 23
24 vation requirements of this agreement. The royalties in amount or value of 24
25 production from any such well shall be paid as specified in the underlying 25
26 lease and agreements affected. 26

27 14. ROYALTY SETTLEMENT. The United States and any State and any 27
28 royalty owner who, is entitled to take in kind a share of the substances 28
29 now unitized hereunder shall hereafter be entitled to the right to take in 29
30 kind its share of the unitized substances, and Unit Operator, or the working 30
31 interest owner in case of the operation of a well by a working interest 31
32 owner as herein provided for in special cases, shall make deliveries of such 32

1 royalty share taken in kind in conformity with the applicable contracts, 1
2 laws, and regulations. Settlement for royalty interest not taken in kind 2
3 shall be made by working interest owners responsible therefor under existing 3
4 contracts, laws and regulations, or by the Unit Operator on or before the 4
5 last day of each month for unitized substances produced during the preceding 5
6 calendar month; provided, however, that nothing herein contained shall oper- 6
7 ate to relieve the lessees of any land from their respective lease obliga- 7
8 tions for the payment of any royalties due under their leases. 8

9 If gas obtained from lands not subject to this agreement is intro- 9
10 duced into any participating area hereunder, for use in repressuring, 10
11 stimulation of production, or increasing ultimate recovery, in conformity 11
12 with a plan of operations approved by the Supervisor, a like amount of gas, 12
13 after settlement as herein provided for any gas transferred from any other 13
14 participating area and with appropriate deduction for loss from any cause, 14
15 may be withdrawn from the formation into which the gas is introduced, 15
16 royalty free as to dry gas, but not as to any products which may be extracted 16
17 therefrom; provided that such withdrawal shall be at such time as may be 17
18 provided in the approved plan of operations or as may otherwise be consented 18
19 to by the Supervisor as conforming to good petroleum engineering practice; 19
20 and provided further, that such right of withdrawal shall terminate on the 20
21 termination of this unit agreement. 21

22 Royalty due the United States shall be computed as provided in the 22
23 operating regulations and paid in value or delivered in kind as to all 23
24 unitized substances on the basis of the amounts thereof allocated to unitiz- 24
25 ed Federal land as provided herein at the rates specified in the respective 25
26 Federal leases, or at such lower rate or rates as may be authorized by law 26
27 or regulation; provided, that for leases on which the royalty rate depends 27
28 on the daily average production per well, said average production shall be 28
29 determined in accordance with the operating regulations as though each 29
30 participating area were a single consolidated lease. 30

31 15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases 31
32 committed hereto shall be paid by working interest owners responsible 32
33 therefor under existing contracts, laws, and regulations, provided that 33

1 nothing herein contained shall operate to relieve the lessees of any land 1
2 from their respective lease obligations for the payment of any rental or 2
3 minimum royalty due under their leases. Rental or minimum royalty for lands 3
4 of the United States subject to this agreement shall be paid at the rate 4
5 specified in the respective leases from the United States unless such rental 5
6 or minimum royalty is waived, suspended, or reduced by law or by approval of 6
7 the Secretary or his duly authorized representative. 7

8 With respect to any lease on non-Federal land containing provisions 8
9 which would terminate such lease unless drilling operations are commenced 9
10 upon the land covered thereby within the time therein specified or rentals 10
11 are paid for the privilege of deferring such drilling operations, the 11
12 rentals required thereby shall, notwithstanding any other provision of this 12
13 agreement, be deemed to accrue and become payable during the term thereof as 13
14 extended by this agreement and until the required drilling operations are 14
15 commenced upon the land covered thereby or until some portion of such land 15
16 is included within a participating area. 16

17 16. CONSERVATION. Operations hereunder and production of unitized 17
18 substances shall be conducted to provide for the most economical and 18
19 efficient recovery of said substances without waste, as defined by or pur- 19
20 suant to State or Federal law or regulation. 20

21 17. DRAINAGE. The Unit Operator shall take such measures as the 21
22 Supervisor deems appropriate and adequate to prevent drainage of unitized 22
23 substances from unitized land by wells on land not subject to this agreement. 23

24 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, condi- 24
25 tions, and provisions of all leases, subleases, and other contracts relating 25
26 to exploration, drilling, development, or operation for oil or gas on lands 26
27 committed to this agreement are hereby expressly modified and amended to the 27
28 extent necessary to make the same conform to the provisions hereof, but 28
29 otherwise to remain in full force and effect; and the parties hereto hereby 29
30 consent that the Secretary shall and by his approval hereof, or by the 30
31 approval hereof by his duly authorized representative, does hereby establish, 31
32 alter, change, or revoke the drilling, producing, rental, minimum royalty, 32
33 and royalty requirements of Federal leases committed hereto and the regula- 33
34 tions in respect thereto to conform said requirements to the provisions of 34

1 this agreement, and, without limiting the generality of the foregoing, all
2 leases, subleases, and contracts are particularly modified in accordance
3 with the following:

4 (a) The development and operation of lands subject to this agreement
5 under the terms hereof shall be deemed full performance of all obli-
6 gations for development and operation with respect to each and every
7 separately owned tract subject to this agreement, regardless of
8 whether there is any development of any particular tract of the
9 unit area.

10 (b) Drilling and producing operations performed hereunder upon
11 any tract of unitized lands will be accepted and deemed to be
12 performed upon and for the benefit of each and every tract of
13 unitized land, and no lease shall be deemed to expire by reason
14 of failure to drill or produce wells situated on the land there-
15 in embraced.

16 (c) Suspension of drilling or producing operations on all unitized
17 lands pursuant to direction or consent of the Secretary or his duly
18 authorized representative shall be deemed to constitute such
19 suspension pursuant to such direction or consent as to each and
20 every tract of unitized land. A suspension of drilling or pro-
21 ducing operations limited to specified lands shall be applicable
22 only to such lands.

23 (d) Each lease, sublease or contract relating to the exploration,
24 drilling, development or operation for oil or gas of lands other
25 than those of the United States committed to this agreement, which,
26 by its terms might expire prior to the termination of this agree-
27 ment, is hereby extended beyond any such terms so provided therein
28 so that it shall be continued in full force and effect for and
29 during the term of this agreement.

30 (e) Any Federal lease for a fixed term of twenty (20) years or
31 any renewal thereof or any part of such lease which is made sub-
32 ject to this agreement shall continue in force beyond the term

1 provided therein until the termination hereof. Any other Federal
2 lease committed hereto shall continue in force beyond the term so
3 provided therein or by law as to the land committed so long as
4 such lease remains subject hereto, provided that production is
5 had in paying quantities under this unit agreement prior to the
6 expiration date of the term of such lease, or in the event actual
7 drilling operations are commenced on unitized land, in accordance
8 with the provisions of this agreement, prior to the end of the
9 primary term of such lease and are being diligently prosecuted
10 at that time, such lease shall be extended for two years and so
11 long thereafter as oil or gas is produced in paying quantities in
12 accordance with the provisions of the Mineral Leasing Act Revision
13 of 1960.

14 (f) Each sublease or contract relating to the operation and
15 development of unitized substances from lands of the United States
16 committed to this agreement, which by its terms would expire prior
17 to the time at which the underlying lease, as extended by the
18 immediately preceding paragraph, will expire, is hereby extended
19 beyond any such term so provided therein so that it shall be
20 continued in full force and effect for and during the term of the
21 underlying lease as such term is herein extended.

22 (g) The segregation of any Federal lease committed to this agree-
23 ment is governed by the following provision in the fourth paragraph
24 of Sec. 17(j) of the Mineral Leasing Act, as amended by the Act
25 of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease
26 heretofore or hereafter committed to any such (unit) plan embrac-
27 ing lands that are in part within and in part outside of the area
28 covered by any such plan shall be segregated into separate leases
29 as to the lands committed and the lands not committed as of the
30 effective date of unitization: Provided, however, That any such
31 lease as to the nonunitized portion shall continue in force and
32 effect for the term thereof but for not less than two years from
33 the date of such segregation and so long thereafter as oil or
34 gas is produced in paying quantities."

1 (h) Any lease, other than a Federal lease, having only a portion 1
2 of its lands committed hereto shall be segregated as to the portion 2
3 committed and the portion not committed, and the provisions of such 3
4 lease shall apply separately to such segregated portions commencing 4
5 as of the effective date hereof. In the event any such lease pro- 5
6 vides for a lump-sum rental payment, such payment shall be prorated 6
7 between the portions so segregated in proportion to the acreage of 7
8 the respective tracts. 8

9 19. COVENANTS RUN WITH LAND. The covenants herein shall be construed 9
10 to be covenants running with the land with respect to the interest of the 10
11 parties hereto and their successors in interest until this agreement termi- 11
12 nates, and any grant, transfer, or conveyance, of interest in land or 12
13 leases subject hereto shall be and hereby is conditioned upon the assumption 13
14 of all privileges and obligations hereunder by the grantee, transferee, or 14
15 other successor in interest. No assignment or transfer of any working 15
16 interest, royalty, or other interest subject hereto shall be binding upon 16
17 Unit Operator until the first day of the calendar month after Unit Operator 17
18 is furnished with the original, photostatic, or certified copy of the instru- 18
19 ment of transfer. 19

20 20. EFFECTIVE DATE AND TERM. This agreement shall become effective 20
21 upon approval by the Secretary or his duly authorized representative and 21
22 shall terminate five (5) years from said effective date unless 22

23 (a) such date of expiration is extended by the Director, or 23

24 (b) it is reasonably determined prior to the expiration of fixed 24
25 term or any extension thereof that the unitized land is incapable 25
26 of production of unitized substances in paying quantities in the 26
27 formations tested hereunder and after notice of intention to 27
28 terminate the agreement on such ground is given by the Unit 28

29 Operator to all parties in interest at their last known addresses, 29
30 the agreement is terminated with the approval of the Supervisor, or 30

31 (c) a valuable discovery of unitized substances has been made 31
32 or accepted on unitized land during said initial term or any exten- 32
33 sion thereof, in which event the agreement shall remain in effect 33

1 for such term and so long as unitized substances can be produced 1
2 in quantities sufficient to pay for the cost of producing same 2
3 from wells on unitized land within any participating area estab- 3
4 lished hereunder and, should production cease, so long thereafter 4
5 as diligent operations are in progress for the restoration of 5
6 production or discovery of new production and so long thereafter 6
7 as unitized substances so discovered can be produced as aforesaid, 7
8 or 8

9 (d) it is terminated as heretofore provided in this agree- 9
10 ment. 10

11 This agreement may be terminated at any time by not less than 75 per centum, 11
12 on an acreage basis, of the working interest owners signatory hereto, with 12
13 the approval of the Supervisor; notice of any such approval to be given by 13
14 the Unit Operator to all parties hereto. 14

15 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is 15
16 hereby vested with authority to alter or modify from time to time in his 16
17 discretion the quantity and rate of production under this agreement when 17
18 such quantity and rate is not fixed pursuant to Federal or State law or does 18
19 not conform to any state-wide voluntary conservation or allocation program, 19
20 which is established, recognized, and generally adhered to by the majority 20
21 of operators in such State, such authority being hereby limited to altera- 21
22 tion or modification in the public interest, the purpose thereof and the 22
23 public interest to be served thereby to be stated in the order of alteration 23
24 or modification. Without regard to the foregoing, the Director is also 24
25 hereby vested with authority to alter or modify from time to time in his 25
26 discretion the rate of prospecting and development and the quantity and rate 26
27 of production under this agreement when such alteration or modification is 27
28 in the interest of attaining the conservation objectives stated in this 28
29 agreement and is not in violation of any applicable Federal or State law. 29

30 Powers in this section vested in the Director shall only be exercised 30
31 after notice to Unit Operator and opportunity for hearing to be held not less 31
32 than 15 days from notice. 32

1 22. APPEARANCES. Unit Operator shall, after notice to other parties 1
2 affected, have the right to appear for and on behalf of any and all 2
3 interests affected hereby before the Department of the Interior and to appeal 3
4 from orders issued under the regulations of said Department or to apply for 4
5 relief from any of said regulations or in any proceedings relative to opera- 5
6 tions before the Department of the Interior or any other legally constituted 6
7 authority; provided, however, that any other interested party shall also 7
8 have the right at his own expense to be heard in any such proceeding. 8

9 23. NOTICES. All notices, demands or statements required hereunder to 9
10 be given or rendered to the parties hereto shall be deemed fully given if 10
11 given in writing and personally delivered to the party or sent by postpaid 11
12 registered or certified mail, addressed to such party or parties at their 12
13 respective addresses set forth in connection with the signatures hereto or 13
14 to the ratification or consent hereof or to such other address as any such 14
15 party may have furnished in writing to party sending the notice, demand or 15
16 statement. 16

17 24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained 17
18 shall be construed as a waiver by any party hereto of the right to assert 18
19 any legal or constitutional right or defense as to the validity or invalidity 19
20 of any law of the State wherein said unitized lands are located, or of the 20
21 United States, or regulations issued thereunder in any way affecting such 21
22 party, or as a waiver by any such party of any right beyond his or its 22
23 authority to waive. 23

24 25. UNAVOIDABLE DELAY. All obligations under this agreement requiring 24
25 the Unit Operator to commence or continue drilling or to operate on or pro- 25
26 duce unitized substances from any of the lands covered by this agreement 26
27 shall be suspended while the Unit Operator, despite the exercise of due care 27
28 and diligence, is prevented from complying with such obligations, in whole 28
29 or in part, by strikes, acts of God, Federal, State, or municipal law or 29
30 agencies, unavoidable accidents, uncontrollable delays in transportation, 30
31 inability to obtain necessary materials in open market, or other matters 31
32 beyond the reasonable control of the Unit Operator whether similar to matters 32

1 herein enumerated or not. No unit obligation which is suspended under this 1
2 section shall become due less than thirty (30) days after it has been 2
3 determined that the suspension is no longer applicable. Determination of 3
4 creditable "Unavoidable Delay" time shall be made by the unit operator sub- 4
5 ject to approval of the Supervisor. 5

6 26. NONDISCRIMINATION. In connection with the performance of work 6
7 under this agreement, the operator agrees to comply with all the provisions 7
8 of Section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), 8
9 which are hereby incorporated by reference in this agreement. 9

10 27. LOSS OF TITLE. In the event title to any tract of unitized land 10
11 shall fail and the true owner cannot be induced to join in this unit agree- 11
12 ment, such tract shall be automatically regarded as not committed hereto and 12
13 there shall be such readjustment of future costs and benefits as may be re- 13
14 quired on account of the loss of such title. In the event of a dispute as 14
15 to title as to any royalty, working interest, or other interests subject 15
16 thereto, payment or delivery on account thereof may be withheld without 16
17 liability for interest until the dispute is finally settled; provided, that, 17
18 as to Federal land or leases, no payments of funds due the United States 18
19 should be withheld, but such funds shall be deposited as directed by the 19
20 Supervisor to be held as unearned money pending final settlement of the title 20
21 dispute, and then applied as earned or returned in accordance with such 21
22 final settlement. 22

23 Unit Operator as such is relieved from any responsibility for any 23
24 defect or failure of any title hereunder. 24

25 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substan- 25
26 tial interest in a tract within the unit area fails or refuses to subscribe 26
27 or consent to this agreement, the owner of the working interest in that 27
28 tract may withdraw said tract from this agreement by written notice delivered 28
29 to the Supervisor and the Unit Operator prior to the approval of this agree- 29
30 ment by the Supervisor. Any oil or gas interests in lands within the unit 30
31 area not committed hereto prior to submission of this agreement for final 31
32 approval may thereafter be committed hereto by the owner or owners thereof 32

1 subscribing or consenting to this agreement, and, if the interest is a work- 1
2 ing interest, by the owner of such interest also subscribing to the unit 2
3 operating agreement. After operations are commenced hereunder, the right of 3
4 subsequent joinder, as provided in this section, by a working interest own- 4
5 er is subject to such requirements or approvals, if any, pertaining to such 5
6 joinder, as may be provided for in the unit operating agreement. After 6
7 final approval hereof, joinder by a non-working interest owner must be con- 7
8 sented to in writing by the working interest owner committed hereto and 8
9 responsible for the payment of any benefits that may accrue hereunder in 9
10 behalf of such non-working interest. A non-working interest may not be 10
11 committed to this unit agreement unless the corresponding working interest 11
12 is committed hereto. Joinder to the unit agreement by a working-interest 12
13 owner, at any time, must be accompanied by appropriate joinder to the unit 13
14 operating agreement, if more than one committed working-interest owner is 14
15 involved, in order for the interest to be regarded as committed to this unit 15
16 agreement. Except as may otherwise herein be provided, subsequent joinders 16
17 to this agreement shall be effective as of the first day of the month 17
18 following the filing with the Supervisor of duly executed counterparts of 18
19 all or any papers necessary to establish effective commitment of any tract 19
20 to this agreement unless objection to such joinder is duly made within 60 20
21 days by the Supervisor. 21

22 29. COUNTERPARTS. This agreement may be executed in any number of 22
23 counterparts no one of which needs to be executed by all parties or may be 23
24 ratified or consented to by separate instrument in writing specifically 24
25 referring hereto and shall be binding upon all those parties who have exe- 25
26 cuted such a counterpart, ratification, or consent hereto with the same 26
27 force and effect as if all such parties had signed the same document and 27
28 regardless of whether or not it is executed by all other parties owning or 28
29 claiming an interest in the lands within the above-described unit area. 29

30 30. SURRENDER. Nothing in this agreement shall prohibit the exercise 30
31 by any working interest owner of the right to surrender vested in such 31
32 party by any lease, sublease, or operating agreement as to all or any part 32

1 of the lands covered thereby, provided that each party who will or might ac- 1
2 quire such working interest by such surrender or by forfeiture as hereafter 2
3 set forth, is bound by the terms of this agreement. 3

4 If as a result of any such surrender the working interest rights as to 4
5 such lands become vested in any party other than the fee owner of the 5
6 unitized substances, said party may forfeit such rights and further benefits 6
7 from operation hereunder as to said land to the party next in the chain of 7
8 title who shall be and become the owner of such working interest. 8

9 If as the result of any such surrender or forfeiture working interest 9
10 rights become vested in the fee owner of the unitized substances, such 10
11 owner may: 11

12 (1) Accept those working interest rights subject to this agreement 12
13 and the unit operating agreement; or 13

14 (2) Lease the portion of such land as is included in a participating 14
15 area established hereunder subject to this agreement and the unit 15
16 operating agreement. 16

17 (3) Provide for the independent operation of any part of such land 17
18 that are not then included within a participating area established 18
19 hereunder. 19

20 If the fee owner of the unitized substances does not accept the working 20
21 interest rights subject to this agreement and the unit operating agreement 21
22 or lease such lands as above provided within six (6) months after the 22
23 surrendered or forfeited working interest rights become vested in the fee 23
24 owner, the benefits and obligations of operations accruing to such lands 24
25 under this agreement and the unit operating agreement shall be shared by the 25
26 remaining owners of unitized working interests in accordance with their 26
27 respective working interest ownerships, and such owners of working interests 27
28 shall compensate the fee owner of unitized substances in such lands by pay- 28
29 ing sums equal to the rentals, minimum royalties, and royalties applicable 29
30 to such lands under the lease in effect when the lands were unitized. 30

31 An appropriate accounting and settlement shall be made for all benefits 31
32 accruing to or payments and expenditures made or incurred on behalf of such 32

1 surrendered or forfeited working interest subsequent to the date of surren- 1
2 der or forfeiture, and payment of any moneys found to be owing by such an 2
3 accounting shall be made as between the parties within thirty (30) days. In 3
4 the event no unit operating agreement is in existence and a mutually accept- 4
5 able agreement between the proper parties thereto cannot be consummated, the 5
6 Supervisor may prescribe such reasonable and equitable agreement as he deems 6
7 warranted under the circumstances. 7

8 The exercise of any right vested in a working interest owner to re- 8
9 assign such working interest to the party from whom obtained shall be subject 9
10 to the same conditions as set forth in this section in regard to the exercise 10
11 of a right to surrender. 11

12 31. TAXES. The working interest owners shall render and pay for their 12
13 account and the account of the royalty owners all valid taxes on or measured 13
14 by the unitized substances in and under or that may be produced, gathered 14
15 and sold from the land subject to this contract after the effective date of 15
16 this agreement, or upon the proceeds or net proceeds derived therefrom. The 16
17 working interest owners on each tract shall and may charge the proper pro- 17
18 portion of said taxes to the royalty owners having interests in said tract, 18
19 and may currently retain and deduct sufficient of the unitized substances or 19
20 derivative products, or net proceeds thereof from the allocated share of 20
21 each royalty owner to secure reimbursement for the taxes so paid. No such 21
22 taxes shall be charged to the United States or the State of New Mexico or 22
23 to any lessor who has a contract with his lessee which requires the lessee 23
24 to pay such taxes. 24

25 32. NO PARTNERSHIP. It is expressly agreed that the relation of the 25
26 parties hereto is that of independent contractors and nothing in this agree- 26
27 ment contained, expressed or implied, nor any operations conducted hereunder, 27
28 shall create or be deemed to have created a partnership or association be- 28
29 tween the parties hereto or any of them. 29
30
31
32

33. RECLAMATION LANDS. Nothing in this Agreement shall modify the special Federal Lease stipulations applicable to lands under the jurisdiction of the Bureau of Reclamation.

34. 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 right hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the working-interest owners, or any of them, are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Commission, agree that all powers and authority vested in the State Commission in and by any provisions of this agreement are vested in the State Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

HONDO DRILLING COMPANY

DATE: August 17, 1973

ATTEST:

Address: 3

BY: [Signature]

UNIT OPERATOR

STATE OF Texas)
COUNTY OF Midland) ss

The foregoing instrument was acknowledged before me this 17th day of August, 1973, by N. W. Outlaw, who is President of HONDO DRILLING COMPANY, a New Mexico corporation, on behalf of said corporation.

My Commission Expires:
June 1, 1975

[Signature]
Notary Public Joyce Wood

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST:

INEXCO OIL COMPANY

Robert E. Lee
Assistant Secretary

William G. Goodwin
Vice President

INDIVIDUAL

1-5-7-10

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____ and _____, his wife.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF TEXAS)
COUNTY OF HARRIS) ss

The foregoing instrument was acknowledged before me this 20 day of

August, 1973, by William G. Goodwin, who is Vice

President of INEXCO OIL COMPANY, a Delaware

Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

6/1/75

Donna S. Burgess
Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

P. O. Box 1900

Midland, Texas 79701

AUG 24 1973

THE SUPERIOR OIL COMPANY

By Don Mathews
Vice President

Attest: James C. Reed Jr.
Assistant Secretary

INDIVIDUAL

2

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____ and _____, his wife.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF TEXAS)
COUNTY OF HARRIS) ss

The foregoing instrument was acknowledged before me this 24th day of

August, 1973, by Don Mathews, who is Vice President of THE SUPERIOR OIL COMPANY, a Nevada

Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CORINNE STEELE
Notary Public in and for Harris County, Texas

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

Gulf Oil Corporation hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledges that it has read the same and is familiar with the terms and conditions thereof. Gulf Oil Corporation, also being the owner of leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of its said interests to the Kaiser Lake Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if it had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the acknowledgment.

ATTEST:

GULF OIL CORPORATION

m B maulby
Assistant Secretary

By W B Hopkins
Attorney-in-Fact

THE STATE OF TEXAS X
 X
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this 24th day of August, 1973, by W. B. HOPKINS, who is an Attorney-in-Fact for Gulf Oil Corporation, a Pennsylvania corporation, for and on behalf of said corporation.

My Commission Expires:
My commission expires
June 1, 1975

Betty Berthiaume
Notary Public in and for
Midland County, Texas

BETTY BERTHIAUME, Notary Public
In and for Midland County, Texas

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

T.J. Sivley
Mary Ray Sivley
4

INDIVIDUAL

STATE OF New Mexico)
COUNTY OF Eddy) ss

The foregoing instrument was acknowledged before me this 17th day of August, 1973, by T.J. Sivley and Mary Ray Sivley, his wife.

MY COMMISSION EXPIRES:

June 9, 1977

Nancy King
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____, who is _____ of _____, a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

W. J. Chapman Margaret Chapman

_____ 4-12-73

INDIVIDUAL

STATE OF New Mexico)
COUNTY OF Eddy) ss

The foregoing instrument was acknowledged before me this 17th day of

Aug., 1973, by W. J. Chapman and
Margaret Chapman, his wife.

MY COMMISSION EXPIRES:

7-5-75

Marion Chapman
Notary Public

CORPORATE

STATE OF N)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of

_____, 1973, by _____, who is _____

_____ of _____, a _____

_____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

_____ 6

INDIVIDUAL

STATE OF OKLAHOMA)
COUNTY OF OKLAHOMA) ss

The foregoing instrument was acknowledged before me this 24 day of August, 1973, by JOHN M. BEARD and _____, his wife.

MY COMMISSION EXPIRES:

1-4-76

Elizabeth R. McFar
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____, who is _____ of _____, a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

_____ *Paul Anderson*
Jacqueline Anderson
6

INDIVIDUAL

STATE OF Texas)
COUNTY OF Harris) ss

The foregoing instrument was acknowledged before me this 20th day of August, 1973, by Bruce Anderson and Jacqueline Anderson, his wife.

MY COMMISSION EXPIRES:
6-1-75

Jean Lundgren
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____, who is _____ of _____, a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Attest:

L. S. Dodson
Secretary

BEARD OIL COMPANY

By J. K. Caskey
J. K. Caskey
Vice President

INDIVIDUAL

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of

_____, 1973, by _____ and

_____, his wife.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF OKLAHOMA)
COUNTY OF OKLAHOMA) ss

The foregoing instrument was acknowledged before me this 16th day of

August, 1973, by J. K. Caskey, who is Vice President

of BEARD OIL COMPANY, a Delaware corporation

~~Representative~~, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

11-5-74

Thomasine L. Garrett
Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

ATTEST:

READ & STEVENS, INC.

John L. Anderson Jr.
SECRETARY

by Charles B. Read
PRESIDENT

INDIVIDUAL

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____ and _____, his wife.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF New Mexico)
COUNTY OF Chaves) ss

The foregoing instrument was acknowledged before me this 23 day of August, 1973, by Charles B. Read, who is President of Read & Stevens, Inc., a Delaware Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Nov. 30 1973

Carla S. Shilling
Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Patricia B. Richardson

Randolph M. Richardson

12

INDIVIDUAL

STATE OF New Mexico)
COUNTY OF Chaves) ss

The foregoing instrument was acknowledged before me this 23rd day of August, 1973, by Randolph M. Richardson and Patricia B. Richardson, his wife.

MY COMMISSION EXPIRES:
8-22-76

Susan B. Mullins
Notary Public

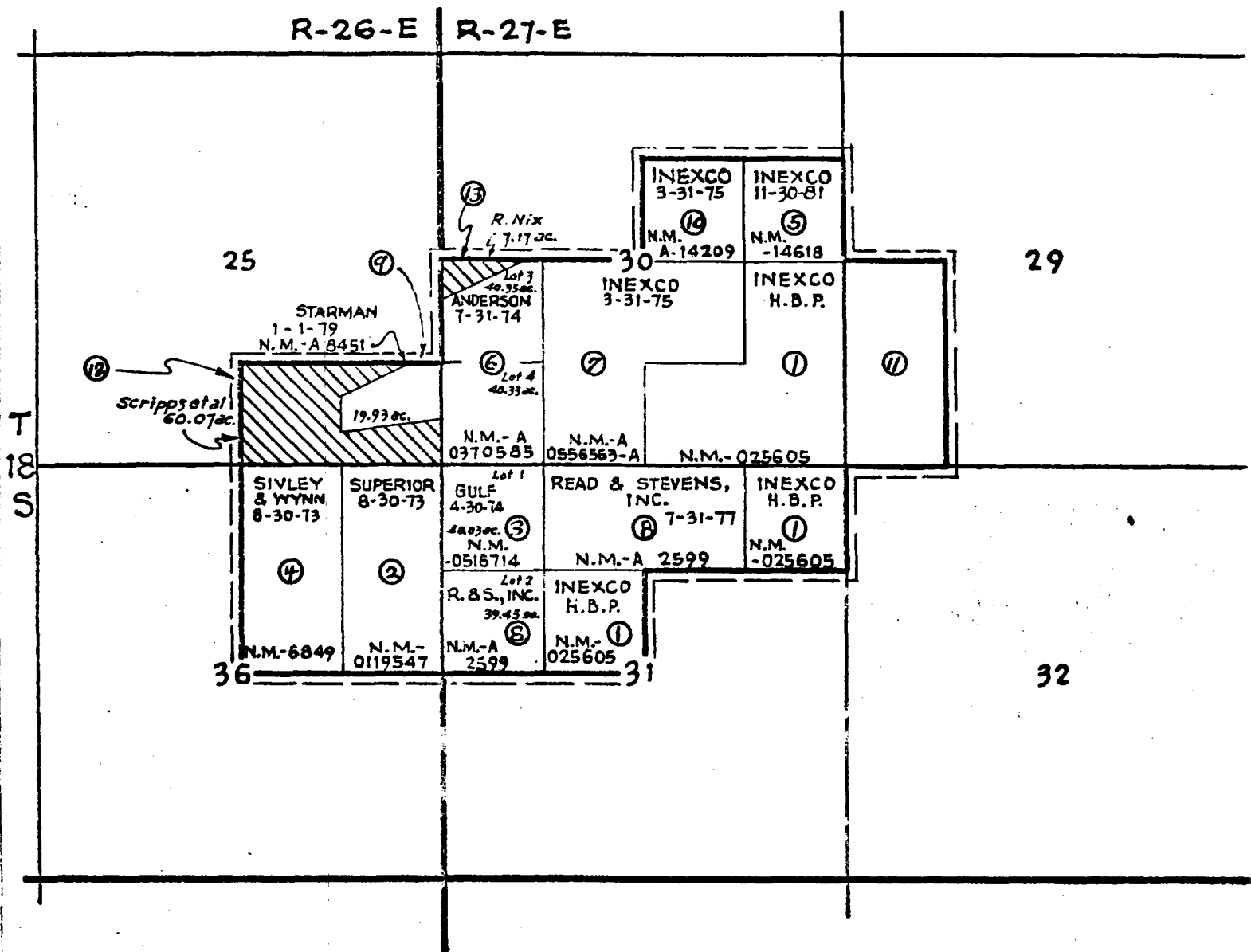
CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____, who is _____ of _____, a _____ Corporation, for and on behalf of said corporation.

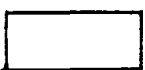
MY COMMISSION EXPIRES:

Notary Public



KAISER LAKE UNIT AREA EDDY COUNTY, NEW MEXICO

Unit Outline
Tract Number



Federal Lands 892.92 Acres = 92.997 % of Unit Area



Fee Lands 67.24 Acres = 7.003 % of Unit Area

Total 960.16 Acres = 100.000 % of Unit Area

EXHIBIT "A"

SCHEDULE SHOWING OWNERSHIP OF ALL LANDS WITHIN THE KAISER LAKE UNIT AREA
EDDY COUNTY, NEW MEXICO - TOWNSHIP 18 SOUTH, RANGE 26 EAST & TOWNSHIP 18 SOUTH, RANGE 27 EAST

TRACT NO.	DESCRIPTION	ACRES	LEASE NO. & EXP. DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1.	T-18-S, R-27-E Sec. 30; SW/4 NE/4SE/4 Sec. 31; NE/4NE/4 SE/4NW/4	200.00	NM-025605 H.B.P.	USA - All Schedule "D"	Inexco Oil Company	Walter H. Gant 5.00%	Inexco Oil Company 100%
2.	T-18-S, R-26-E Sec. 36; E/4NE/4	80.00	NM-0119547 8-30-73	USA - All 12.5%	The Superior Oil Co.	Mary L. Tuttle 1.2750% Lloyd Powers 1.2750% L.K. Reece 0.2250% John W. Gates 0.1125% Robt. B. Gates 0.1125%	The Superior Oil Co. 100%
3.	T-18-S, R-27-E Sec. 31; Lot 1	40.03	NM-0516714 4-30-74	USA - All 12.5%	Gulf Oil Corporation	Nancy S. Hurd 5.00%	<i>Gulf Oil Corp.</i> Hondo Drilling Company 100%
4.	T-18-S, R-26-E Sec. 36; W/4NE/4	80.00	NM-6849 8-30-73	USA - All Schedule "B"	T.J. Sivley 3/4 W.T. Wynn 1/4	None	T.J. Sivley 75% W. T. Wynn 25%
5.	T-18-S, R-27-E Sec. 30; SE/4NE/4	40.00	NM-14618 11-30-81	USA - All Schedule "D"	Inexco Oil Company	Walter H. Gant 5.00%	Inexco Oil Company 100%
6.	T-18-S, R-27-E Sec. 30; Lot 4 and a tract of land in the NW/4SW/4 described by metes & bounds (see description on Page 4, this Exhibit)	73.51	NMA-0370585 7-31-74	USA - All 12.5%	Bruce Anderson	None	Bruce Anderson 50.0% Beard Oil Co. 37.5% John M. Beard 12.5%

** Operating Rights to be assigned to Unit Operator (Hondo Drilling Company) subsequent to completion of the Initial Test Well pursuant to Contribution Agreement.

7.	<u>T-18-S, R-27-E</u> <u>Sec. 30; NW1/4SE1/4,</u> <u>E/SW1/4</u>	120.00	NMA-0556563-A 3-31-75	USA - All 12.5%	Inexco Oil Co.	John F. Simms & Billie Robinson- \$1,000 per acre out of ----- 3.0%	Inexco Oil Company	100%
8.	<u>T-18-S, R-27-E</u> <u>Sec. 31; Lot 2,</u> <u>NW1/4NE1/4, NE1/4NW1/4</u>	119.45	NMA-2599 7-31-77	USA - All 12.5%	Read & Stevens, Inc.	Ross M. Sams 5.0% Jake W. Hodges .4167% Robert L. Parker 1.25% William H. Deso .4167% William T. Slater .4166% None	Read & Stevens, Inc.	100%
9.	<u>T-18-S, R-26-E</u> <u>Sec. 25; A tract of</u> <u>land in the SE1/4SE1/4</u> <u>& bounds by metes</u> <u>& bounds (See de-</u> <u>scription on Page 4</u> <u>of this Exhibit)</u>	19.93	NMA-8451 1-1-79	USA - All 12.5%	Sanford Starman		Sanford Starman	100%
10.	<u>T-18-S, R-27-E</u> <u>Sec. 30; SW1/4NE1/4</u>	40.00	NMA-14209 3-31-75	USA - All 12.5%	Inexco Oil Company	John F. Simms & Billie Robinson- \$1,000.00 per acre out of 3.00%	Inexco Oil Company	100%
11.	<u>T-18-S, R-27-E</u> <u>Sec. 29; W1/2SW1/4</u>	80.00	Unleased					
Total: 892.92 Acres Federal Land = 92.997% of Unit Area								
PATENT LAND								
12.	<u>T-18-S, R-26-E</u> <u>Sec. 25; S1/2SE1/4 except</u> <u>19.93 ac. described by</u> <u>metes & bounds (See</u> <u>description on Page 4</u> <u>of this Exhibit)</u>	60.07	Patented 8-20-74	John L. Scripps 3.1250% Betty S. Davis 3.1250% Geo. L. Scripps 3.1250% Mary Musselman 4.6875% T. M. Downing 4.6875% Leland Fikes 6.2500%	W. T. Wynn 50% Randolph M. Richardson 50%	None None	W. T. Wynn Randolph M. Richardson	50% 50%
		TOTAL	25.0000%					

13.	<u>T-18-S, R-27-E</u>	7.17	Patented	Essie Nix	8.750%	W. T. Wynn	None	W. T. Wynn	100%
	Sec. 30; 7.17 acres		8-17-74	Ralph Nix	4.375%				
	out of NW corner of		8-17-78	Martin Yates, III	4.375%				
	Lot 3.			Total	<u>17.500%</u>				

Total: 67.24 Acres Patent Lands = 7.003% of Unit Area

RECAPITULATION:

892.92 Acres Federal Land = 92.997%
67.24 Acres Patent Land = 7.003%
TOTAL: 960.16 Acres = 100.00%

METES AND BOUNDS DESCRIPTION OF TRACTS 6 and 9
REFERRED TO IN PRECEDING EXHIBIT "B", Pages 1-3

Tract 6:

T-18-S, R-27-E

Sec. 30: Lot 4, and a tract of land in the NW $\frac{1}{4}$ SW $\frac{1}{4}$ described as follows: Beginning at the Southwest corner of the Northwest quarter of the Southwest quarter of Section 30, T-18-S, R-27-E, N.M.P.M., thence North 2 degrees West 802.3 feet on Section line between Sec. 25, T-18-S, R-26-E, N.M.P.M., and Sec. 30, T-18-S, R-27-E, N.M.P.M., to pipe number 123; thence North 64 degrees 59 minutes East 1232.6 feet to pipe number 124; thence South 89 degrees 50 minutes East on Subdivision line 202.3 feet to the Northeast corner of the Northwest quarter of the Southwest quarter of said Sec. 30; thence South 1 minute West 1324.1 feet on Subdivision line to the Southeast corner of the NW $\frac{1}{4}$ SW $\frac{1}{4}$ of said Sec. 30; thence North 89 degrees 53 minutes West 1318.3 feet on Subdivision line to the point of beginning. Containing 73.51 acres, more or less.

Tract 9:

T-18-S, R-26-E

Sec. 25: A tract of land in the SE $\frac{1}{4}$ SE $\frac{1}{4}$ described as follows: (Parcel #14, G.H. Schripps Tract) Beginning at the Northeast quarter corner of the SE $\frac{1}{4}$ SE $\frac{1}{4}$ of Sec. 25, T-18-S, R-26-E, N.M.P.M., thence South 2 minutes East 711.2 feet on section line between Sec. 30, T-18-S, R-27-E, N.M.P.M. and Sec. 25, T-18-S, R-26-E, N.M.P.M., to pipe number 117; thence South 81 degrees 52 minutes West 1342.1 feet to pipe number 118; thence North 1 minute East 483.7 feet on Subdivision line to pipe number 120; thence North 64 degrees 55 minutes East 981.2 feet; thence North 89 degrees 52 minutes East 438.7 feet on Subdivision line to point of beginning. Containing 19.93 acres, more or less.

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

_____ Mary L. Tuttle, a widow

_____ 2

INDIVIDUAL

STATE OF Wyoming)
COUNTY OF Laramie) ss

The foregoing instrument was acknowledged before me this 18th day of August, 1973, by Mary L. Tuttle and _____, his wife.

MY COMMISSION EXPIRES:

1-2-76

Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____, who is _____ of _____, a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Lloyd Powers
Reva R. Powers
2

INDIVIDUAL

STATE OF COLORADO)
COUNTY OF DENVER) ss

The foregoing instrument was acknowledged before me this 22nd day of August, 1973, by Lloyd Powers and Reva R. Powers, his wife.

MY COMMISSION EXPIRES:

May 15, 1977

Lute M. Payson
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____, who is _____ of _____, a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

John H. Dales
Jean M. Dales
2

INDIVIDUAL

STATE OF New Mexico)
COUNTY OF Eddy) ss

The foregoing instrument was acknowledged before me this 13th day of Aug., 1973, by John H. Dales and Jean M. Dales, his wife.

MY COMMISSION EXPIRES:

7-5-75

Marion Chapman
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____, who is _____ of _____, a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

_____ John S. Hurd
_____ Nancy S. Hurd
_____ 3

INDIVIDUAL

STATE OF TEXAS)
COUNTY OF WEBB) ss

The foregoing instrument was acknowledged before me this 20 day of August, 1973, by John G. Hurd and Nancy S. Hurd, his wife.

MY COMMISSION EXPIRES:

6-1-75

Kathy B. Halley
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____, who is _____ of _____, a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

_____ Ross M. Sams
_____ Mrs. Ross M. Sams
_____ 2

INDIVIDUAL

STATE OF TEXAS)
COUNTY OF MCCLENNAN) ss

The foregoing instrument was acknowledged before me this 13TH day of AUGUST, 1973, by ROSS M. SAMs and MRS. ROSS M. SAMs, his wife.

MY COMMISSION EXPIRES:

JUNE 1, 1975

Conrad Robinson
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____, who is _____ of _____, a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

_____ William P. Slater
Janet H. Slater
8

INDIVIDUAL

STATE OF TEXAS)
COUNTY OF MIDLAND) ss

The foregoing instrument was acknowledged before me this 15th day of AUGUST, 1973, by WILLIAM P. SLATER and JANET H. SLATER, his wife.

MY COMMISSION EXPIRES:

7-1-75

Charles W. Smith
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____, who is _____ of _____, a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

_____ 8

INDIVIDUAL

STATE OF Texas)
COUNTY OF Midland) ss

The foregoing instrument was acknowledged before me this 13th day of August, 1973, by William D. Dese and Teresa F. Dese, his wife.

MY COMMISSION EXPIRES:

7-1-75

Charles N. Pruitt
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____, who is _____ of _____, a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Jake W. Hodges _____
Edna Hodges _____
_____ 8 _____

INDIVIDUAL

STATE OF Texas)
COUNTY OF Midland) ss

The foregoing instrument was acknowledged before me this 17 day of
August, 1973, by Jake W. Hodges and
Edna Hodges, his wife.

MY COMMISSION EXPIRES:

June 1, 1975

Martine Rowland
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of
_____, 1973, by _____, who is _____
_____ of _____, a _____
_____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
KAISER LAKE UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the development and operation of the Kaiser Lake Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 25th day of June, 1973, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Kaiser Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

Robert B. Gates _____
Nada S. Gates _____

INDIVIDUAL

STATE OF New Mexico)
COUNTY OF Eddy) ss

The foregoing instrument was acknowledged before me this 27th day of August, 1973, by Robert B. Gates and Nada S. Gates, his wife.

MY COMMISSION EXPIRES:

2-19-75

Wanda Boyer
Notary Public

CORPORATE

STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973, by _____, who is _____ of _____, a _____ Corporation, for and on behalf of said corporation.

MY COMMISSION EXPIRES:

Notary Public

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE NO. 5041
Order No. R-4615

APPLICATION OF W. T. WYNN FOR
APPROVAL OF THE KAISER LAKE
UNIT AGREEMENT, EDDY COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
August 9, 1973, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this 23rd day of August, 1973, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, W. T. Wynn, seeks approval of the
Kaiser Lake Unit Agreement covering 960.16 acres, more or less,
of Federal and Fee lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 18 SOUTH, RANGE 26 EAST, NMPM
Section 25: S/2 SE/4
Section 36: NE/4

TOWNSHIP 18 SOUTH, RANGE 27 EAST, NMPM
Section 29: W/2 SW/4
Section 30: S/2 NE/4 and S/2
Section 31: N/2 NE/4 and NW/4

(3) That approval of the proposed unit agreement should
promote the prevention of waste and the protection of correlative
rights within the unit area.

IT IS THEREFORE ORDERED:

- (1) That the Kaiser Lake Unit Agreement is hereby approved.
- (2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.
- (3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.
- (4) That this order shall become effective upon the approval of said unit agreement by the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.
- (5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

dr/