

UNIT AGREEMENT  
FOR THE OPERATION  
OF THE NORTH EL MAR UNIT  
LEA COUNTY, NEW MEXICO

BEFORE ME, the undersigned authority, on this day personally appeared *lyon*, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

*5060*  
*CONOCO*  
*5 Sep 73*

6-25-73

UNIT AGREEMENT  
FOR THE OPERATION  
OF THE NORTH EL MAR UNIT  
LEA COUNTY, NEW MEXICO

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>Lyon</i>	<i>1</i>
Case No.	<i>5060</i>
Subject	<i>Conoco</i>
Hearing Date	<i>5 Sep 73</i>

6-25-73

U N I T A G R E E M E N T

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UNIT AGREEMENT  
FOR THE OPERATION  
OF THE  
NORTH EL MAR UNIT  
COUNTY OF LEA  
STATE OF NEW MEXICO

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",

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil interests in the Unit Area subject to this Agreement; and

WHEREAS, the term "Working Interest" as used herein shall mean the interest held in Unitized Substances or in lands containing Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, which is chargeable with and obligated to pay or bear all or a portion of the costs of drilling, developing, producing, and operating the land under the unit or cooperative agreement. "Royalty Interest" as used herein shall mean a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. Secs. 181 et seq., authorized 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 resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico hereinafter referred to as "Commissioner", is authorized by an Act of the Legislature (Sec. 1, Chap. 88, Laws of 1943 as amended by Sec. 1 of Chap. 176, Laws of 1961, Chap. 7 Art. 11, Section 39, N.M.S. 1953 anno) to consent to or approve this Agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws of 1943 as amended by Sec. 1 of Chap. 176, Laws of 1961, Chap. 7 Art. 11, Section 39, N.M.S. 1953 anno) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such unitized development and operation of State lands; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico hereinafter referred to as "Commission" is authorized by law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949, Chap. 65, Art. 3, Sec. 14, N.M.S., 1953 anno) to approve this Agreement, and the conservation provisions hereof, and

WHEREAS, the parties hereto hold sufficient interests in the North El Mar Unit Area covering the land hereinafter described to give reasonably effective control of operations herein; and

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

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

1. 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 plat attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the Unit Area, containing 2361.13 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the Unit, the boundaries and identity of tracts and leases in said Unit 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 interests in all land in the Unit Area. Exhibit "C" attached hereto, is a schedule showing the percentage of participation credited to each Tract in the Unit Area based upon a presumed one hundred percent (100%) commitment. (Tract means each parcel of land described as such and given a Tract Number in Exhibit "B".) However, nothing herein or in said schedule or map shall be construed as a representation by any party 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 Commissioner or by the Oil and Gas Supervisor, hereinafter

referred to as "Supervisor", and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor and at least two copies shall be filed with the Commissioner.

3. EXPANSION OF UNIT AREA. It is recognized that at some time or times in the future it might be desirable and beneficial to expand the Unit Area to include therein additional Tracts of land. The Unit Area may, therefore, with the approval of the Commissioner, and the Director of the United States Geological Survey, hereinafter referred to as "Director", be expanded to include therein any additional Tract or Tracts, whenever such expansion is necessary or advisable to conform with the purposes of this Agreement, and Unit Operator, acting on behalf of the Working Interest Owners collectively, after being duly authorized by them as provided for in the Unit Operating Agreement, has negotiated an agreement or agreements with the owners of such Tract or Tracts fixing the tract participation of each such Tract and committing such owners to this Agreement and to the Unit Operating Agreement. Whenever the Unit Area is enlarged so as to admit additional land qualified for participation, Exhibit "C" shall be revised as set forth in Section 12, Participation and Allocation of Production. Any such expansion shall be effected in the following manner:

(a) Unit Operator, on its own motion, after preliminary concurrence by the Director and Commissioner, shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reasons therefore, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor and Commissioner, and copies thereof mailed to the last known address of each Working Interest Owner, Lessee, and Lessor whose interests are affected, advising that thirty (30)

days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the thirty (30) day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor and Commissioner evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion and with appropriate joinders.

(d) After due consideration of all pertinent information, the expansion shall, upon approval by the Supervisor and Commissioner become effective as of the date prescribed in the notice thereof.

4. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this Agreement as provided in Section 5, Tracts Qualified for Participation, as to the Unitized formation defined immediately below, shall constitute land referred to herein as "Unitized Land" or "land subject to this Agreement". All oil, gas, gaseous substances, sulphur contained in gas, condensate, and all associated and constituent liquid or liquefiable hydrocarbons in the Unitized Formation are unitized under the terms of this Agreement and herein are called "Unitized Substances".

"Unitized Formation" is defined as the Delaware Sand formation found between the depths of 4672' and 4782' in the Continental Oil Company Payne No. 11 well, located 1650' FWL and 660' FSL, Section 30, Township 26 South, Range 33 East, on the Gamma Ray-Sonic log of said well run on July 21, 1960.

5. TRACTS QUALIFIED FOR PARTICIPATION. Inasmuch as the objective of this Agreement is to have lands in the Unit Area operated and entitled to participation under the terms hereof, no joinder shall be considered a commitment to this Agreement unless the Tract involved is qualified under this Section. On or after the effective date

hereof, the Tracts within the Unit Area which shall be entitled to participation in the production of Unitized Substances therefrom shall be those Tracts within the Unit Area more particularly described in Exhibit "B" that are qualified as follows (for the purposes of this section, the record interest shall replace the royalty interest as to Federal Land):

(a) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have signed or ratified this Agreement and the Unit Operating Agreement, and Royalty Owners owning seventy-five percent (75%) or more of the royalty created by the basic leases have signed or ratified this Agreement;

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have signed or ratified this Agreement and the Unit Operating Agreement, and Royalty Owners owning less than seventy-five percent (75%) of the royalty interests created by the basic leases have signed or ratified this agreement, and as to which (1) all Working Interest Owners in such Tract join in a request for inclusion of such Tract in Unit Participation upon the basis of such commitment status, and further as to which (2) seventy-five percent (75%) or more of the combined voting interests of Working Interest Owners in all Tracts which meet the requirements of Subsection 5(a) vote in favor of the acceptance of such Tract as qualified. For the purpose of this Subsection 5(b), the voting interest of each Working Interest Owner shall be equal to the ratio (expressed in percentage) which the total of such Working Interest Owner's percentage participation in all Tracts which qualify under Subsection 5(a), bears to the total percentage participation of all Working Interest Owners in all Tracts which qualify under said Subsection 5(a) as such percentages are shown on Exhibit "C";

(c) Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have signed or ratified this Agreement and the Unit Operating Agreement, regardless of the percentage of royalty interest therein that is committed hereto, and as to which (1) the Working Interest Owners who operate the Tract and all of the other subscribing Working Interest Owners in such Tract have joined in a request for inclusion of such Tract in Unit participation upon the basis of such commitment status and have tendered and executed and delivered an indemnity agreement, indemnifying and agreeing to hold the owners of the working interests in the other qualified Tracts harmless from and against any and all claims and demands that may be made by the non-subscribing Working Interest Owners in such Tract on account of the inclusion of the same in Unit participation, and further as to which (2) seventy-five percent (75%) or more of the combined voting interests of the Working Interest Owners in all Tracts which meet the requirements of Subsections 5(a) and 5(b) above, vote in favor of the inclusion of such Tract. For the purpose of this Subsection 5(c), the voting interest of each Working Interest Owner shall be equal to the ratio (expressed in percentage) which the total of such Working Interest Owner's percentage participation attributed to Tracts which qualify under Subsections 5(a) and 5(b) bears to the total percentage of all Working Interest Owners attributed to all Tracts which qualify under Subsections 5(a) and 5(b), as such percentages are set out in Exhibit "C".

6. UNIT OPERATOR. Continental Oil Company is hereby designated as Unit Operator, and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the development and production of Unitized Substances as herein provided.

Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

7. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate that Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners, the Supervisor and the Commissioner, and until all wells are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor, or the Commission, unless a new Unit Operator shall have been selected and accepted and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by an affirmative vote of a majority of the Working Interest Owners representing at least ninety percent (90%) of the voting interest remaining after excluding the voting interest of the Unit Operator. Such removal shall be effective upon notice thereof to the Supervisor and the Commissioner. In all such instances of resignation or removal, until a successor Unit Operator is selected and accepted as hereinafter provided, the Working Interest Owners shall be jointly responsible for performance of the duties of Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a common agent to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its rights, 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 and owned by the Working Interest Owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting Unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

8. 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, a successor Unit Operator shall be selected by Working Interest Owners voting according to their respective Tract participation in all unitized land by a majority vote; provided, that, if a majority but less than 80 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 and the Commissioner.

If no successor Unit Operator is selected and qualified as herein provided, the Director or Commissioner at their election may declare this Agreement terminated.

9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

If the Unit Operator is not the sole owner of Working Interest, costs

and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be paid and apportioned among and borne by the owners of Working Interests, all in accordance with the agreement or agreements, whether one or more, separately or collectively, entered into by and between the Unit Operator and the owners of Working Interests. Any agreement or agreements, whether one or more, entered into between the Working Interest Owners and the Unit Operator as provided in this section are herein referred to as the "Unit Operating Agreement".

Such Unit Operating Agreement shall also set forth such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Agreement or to relieve the Unit Operator of any right or obligation established under this Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Three (3) true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the Supervisor prior to approval of this Agreement, and thereafter promptly after any revision or amendment.

10. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto, including surface rights, which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator upon his request and, together with this Agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement,

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

11. PLAN OF OPERATION. It is recognized and agreed by the parties hereto that the Unit Area is developed and productive, and only such drilling as is incidental to a secondary recovery or pressure maintenance program is contemplated.

Inasmuch as the primary purpose of this Agreement is to permit the institution and consummation of a secondary recovery or pressure maintenance program for the maximum economic production of Unitized Substances consistent with good engineering and conservation practices, Unit Operator, concurrently with the filing of this Agreement for approval shall submit to the Supervisor and Commissioner, a Plan of Operation for the Unitized Land, and upon approval thereof such plan shall constitute the future operating obligations of the Unit Operator under this Agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period of operation; said plan or plans shall be modified or supplemented when necessary to meet changed conditions, or to protect the interest of all parties to this Agreement. Reasonable diligence shall be exercised in complying with the obligations of any approved Plan of Operation.

Unit Operator shall have the right to inject into the Unitized Formation any substances for secondary recovery or pressure maintenance purposes in accordance with a Plan of Operation approved by the Supervisor and Commissioner, including the right to drill and maintain injection wells on the Unitized Land and completed in the Unitized Formation, and to use abandoned well or wells producing from the Unitized Formation for said purpose, and the parties

hereto, to the extent of their rights and interests, hereby grant to the Unit Operator the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for the operation and the development of the Unit Area hereunder. Unit Operator shall have free use of water from the Unitized Land for operations hereunder and for operations on adjacent lands except water from Surface Owner's and Royalty Owner's fresh water wells, private lakes, ponds or irrigation ditches.

12. TRACT PARTICIPATION. In Exhibit "C" attached hereto there are listed and numbered the various Tracts within the Unit Area, and set forth opposite each Tract is the Tract Participation of each Tract in the Unit Area during Phase I and Phase II, as hereinafter defined, calculated on the basis of 100 percent commitment.

(a) Phase I Participation. Beginning on the effective date hereof and remaining in effect until the first day of the month following the date when the cumulative amount of oil produced from the Unitized Formation underlying all of the Tracts described in Exhibit "B" from and after January 1, 1972, equals 609,560 barrels, the Tract Participation of each Tract shall be as shown on Exhibit "C" (see column headed Phase I). The following formula was used to compute the Tract Participation percentages shown for Phase I.

$$50\% \frac{\text{Tract Remaining Primary estimated as of 1-1-72}}{\text{Remaining Primary estimated as of 1-1-72 - Unit Area}}$$

$$50\% \frac{\text{Tract Current Oil Producing Rate (2nd half of 1971)}}{\text{Current Oil Producing Rate - Unit Area (2nd half of 1971)}}$$

The factors referred to in the above formula are contained in Table No. 8, of the El Mar Pool Study as revised February 25, 1972, prepared by the engineering sub-committee.

(b) Phase II Participation. Beginning on the first day of the month following the date the last of the 609,560 barrels referred to above shall have been produced, the Tract Participation of each Tract shall be as shown on Exhibit "C"

(see column headed Phase II). The following formula was used to compute the Tract Participation percentages shown for Phase II.

$$75\% \frac{\text{Tract Ultimate Primary}}{\text{Ultimate Primary - Unit Area}}$$

$$25\% \frac{\text{Tract Oil-In-Place}}{\text{Oil-In-Place - Unit Area}}$$

The factors referred to in the Phase II formula for participation are also contained in Table No. 8 described above for Phase I.

Promptly after approval of this Agreement, if all Tracts are not qualified hereto, Unit Operator shall revise Exhibit "C" to show all Tracts qualified for participation under this Agreement by setting forth opposite each Tract a revised Tract Participation therefor, which shall be calculated by using the same Tract factors and formulas which were used to arrive at the Tract Participation of each Tract as set out in the original Exhibit "C" but applying the same only to those Tracts which are qualified for participation as of the effective date of this Agreement. Said revised Exhibit "C" shall be subject to approval by the Supervisor and Commissioner and shall be effective as of the effective date of this Agreement.

If after the effective date of this Agreement any Tract or Tracts are subsequently committed hereto because of expansion of the Unit Area under Section 3, Expansion of Unit Area, or under the provisions of Section 30, Subsequent Joinder, or if any Tract is eliminated from this Agreement as provided in Section 29, Loss of Title, the schedule of participation as shown in Exhibit "C" shall be revised by the Unit Operator to show the new Tract Participations of all the then qualified Tracts, and the revised Exhibit "C", upon approval by the Commissioner and by the Supervisor, shall govern the allocation of production from the effective date thereof until a new schedule is so approved. In any such revised Exhibit "C", pursuant to this paragraph, the Tract Participation of the

previously qualified Tracts shall remain in the same ratio one to the other.

On the effective date of this Agreement, and thereafter, all Unitized Substances produced hereunder (except any part thereof used in conformity with good operating practices for drilling, operating, camp and other production or development purposes, for pressure maintenance or secondary recovery operations in accordance with a plan of operation approved by the Supervisor and Commissioner, or unavoidably lost), shall be deemed to be produced from the several Tracts of Unitized Land, and for the purpose of determining any benefits accruing under this Agreement each such Tract shall have allocated to it that percentage of said production equal to its Tract Participation effective hereunder during the respective period such Unitized Substances were produced, as set out in Exhibit "C".

The amount of Unitized Substances allocated to each Tract shall be deemed to be produced from such Tract irrespective of the location of the wells from which the same is produced and regardless of depletion of wells or Tracts. In the absence of a controlling contract or agreement to the contrary, when two or more leases, or part or parts thereof, have been combined into a single Tract, the percentage participation assigned to such Tract shall for all purposes be divided among the separate leases, or part or parts thereof which has been put into such Tract, in proportion to the number of surface acres of the lease, or part or parts thereof contained in such Tract, to the total surface acres contained in said Tract.

13. ROYALTY SETTLEMENT. The State of New Mexico, the United States and all Royalty Owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such royalty share taken in kind in conformity with the applicable con-

tracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefore under existing contracts, laws and regulations on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands or formations not subject to this Agreement is introduced into the Unitized Formation hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, a like amount of gas less appropriate deduction for loss or depletion from any cause, may be withdrawn from the Unitized Formation, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved Plan of Operation or as may otherwise be consented to by the Supervisor and Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this Agreement.

If natural gasoline, liquid petroleum gas fractions or other liquid hydrocarbon substances (herein collectively called "LPG's") which were not extracted from gas produced from the Unitized Formation are injected into the Unitized Formation, which shall be in conformity with a Plan of Operation first approved as provided above, Working Interest Owners shall be entitled to recover, royalty free, part or all of such "LPG's" pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and Commission.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered in kind as to all Unitized Substances on the basis of the amounts

thereof allocated to unitized Federal land as provided herein at the rates specified in the respective Federal leases, or at such lower rates as may be authorized by law or regulation; provided that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though the Unitized Lands were a single consolidated lease.

Royalty due the State of New Mexico shall be computed and paid on the basis of the amounts allocated to Unitized State Land as provided herein at the rate specified in the State Oil and Gas Lease.

Each Royalty Owner (other than the State of New Mexico and the United States of America) that executes this Agreement represents that it is the owner of a Royalty Interest in the Tract or Tracts within the Unit Area as its interest appears in Exhibit "B" attached hereto. If any Royalty Interest in a Tract or Tracts should be lost by title failure or otherwise, in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties in the affected Tract or Tracts shall be adjusted accordingly.

14. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefore under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental for lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental and minimum royalty for lands of the United States subject to this Agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended or reduced

by law or by approval of the Secretary of the Interior of the United States hereinafter referred to as "Secretary", or his duly authorized representative.

15. CONSERVATION. Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulation.

16. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from Unitized Land by wells on land not subject to this Agreement or, with prior consent of the Director pursuant to applicable regulations, pay a fair and reasonable compensatory royalty as determined by the Supervisor. In the event compensatory royalty is so paid, it shall be treated in the same manner as Unitized Substances.

17. GAUGE OF MERCHANTABLE OIL. Unit Operator shall make a proper and timely gauge of all leases and other tanks within the Unit Area and associated with the operation of Unitized Land in order to ascertain the amount of merchantable oil above the pipeline connections in such tanks on the effective date hereof. All such oil shall be and remain the property of the parties entitled thereto the same as if this Agreement had not been made effective; and such parties shall promptly remove said oil from said tanks. Any such oil not so removed shall be sold by Unit Operator for the account of parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the terms and provisions of the applicable lease, leases, or other contracts. If, as of the effective date hereof, any Tract of Unitized Land is overproduced with respect to the allowable of the wells on such Tract and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the effective date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

18. LEASE AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas of lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary shall and by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing rental, minimum royalty, and royalty requirements of Federal leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement. Without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this Agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned Tract subject to this Agreement, regardless of whether there is any development of any particular part or Tract of the Unitized Land, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any Tract of Unitized Land will be accepted and deemed to be performed upon and for the benefit of each and every Tract of Unitized Land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all

Unitized Land pursuant to direction or consent of the Secretary or his duly authorized representative shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every Tract of Unitized Land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands committed to this Agreement which, by its terms might expire prior to the termination of this Agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this Agreement.

(e) Termination of this Agreement shall not affect any lease which, pursuant to the terms thereof or any applicable laws, shall continue in force and effect thereafter.

(f) Any lease embracing lands of the State of New Mexico which is made subject to this Agreement shall continue in force beyond the terms provided therein as to the lands committed hereto until the termination hereof.

(g) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto shall be segregated as to that portion committed and that not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. It is further provided, however, that notwithstanding any of the provisions of this Agreement to the contrary, such lease shall continue in full force and effect beyond the terms provided therein as to all lands embraced in such lease if oil or gas is, or has heretofore been, discovered in paying quantities on some part of the lands embraced in such lease committed to this Agreement or, so long as a portion of the Unitized Substances produced from the Unit

Area is, under the terms of this Agreement, allocated to the portion of the lands covered by such lease committed to this Agreement, or, at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or secondary recovery operations on any part of the lands embraced in such lease; then the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are diligently prosecuted, and, if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this Agreement terminates, and any grant, transfer, or conveyance, of interest in land or leases subject hereto shall be and hereby is

conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any Working Interest shall be binding upon Unit Operator nor shall any transfer of any Royalty Interest or other interest be binding on the Working Interest Owners responsible for payment or settlement thereof, until the first day of the calendar month after Unit Operator or the responsible Working Interest Owner, as the case may be, is furnished with the original, photostat or certified copy of the instrument of transfer.

20. EFFECTIVE DATE. This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective the first day of the calendar month next following the approval of this Agreement by the Commission, Commissioner and the Secretary or his duly authorized delegate; and provided further, that if this Agreement is not filed for approval on or before July 1, 1974, this Agreement shall ipso facto expire on said date (hereinafter called "expiration date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners whose voting interest as provided in Section 4.3.1 of the Unit Operating Agreement aggregate at least sixty percent (60%) and Working Interest Owners whose voting interests as above defined aggregate at least sixty percent (60%) of the Unit Area then committed to this Agreement have voted to extend such expiration date for a period not to exceed six (6) months. If said expiration date is so extended and this Agreement is not filed for approval by the Supervisor on or before said extended expiration date this Agreement shall ipso facto expire and thereafter be of no further force or effect.

Unit Operator shall within thirty (30) days after the effective date of this Agreement file for record in the office or offices where a counterpart of this Agreement is recorded, a certificate to the effect

that this Agreement has become effective according to its terms and stating further the effective date.

21. TERM. The term of this Agreement shall be for and during the time that Unitized Substances can be produced in quantities sufficient to pay for the cost of producing same from wells on Unitized Land and for as long thereafter as drilling, reworking or other operations are prosecuted on Unitized Land without cessation of more than ninety (90) consecutive days, and so long thereafter as Unitized Substances can be produced as aforesaid, unless sooner terminated by the Commissioner, or by the Director as provided in Section 8, Successor Unit Operator, or by Working Interest Owners as provided in Section 22, Termination by Working Interest Owners.

22. TERMINATION BY WORKING INTEREST OWNERS. This Agreement may be terminated at any time by Working Interest Owners owning ninety percent (90%) or more of the participation percentage in the Unitized Land with the approval of the Supervisor and Commissioner. Notice of any such termination shall be given by the Unit Operator to all parties hereto.

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

If not specified otherwise by the leases unitized under this Agreement, basic Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit operations.

Unit Operator shall, within thirty (30) days after the termination of this Agreement has been determined, pursuant to Section 8 or 22 hereof, file for record in the office or offices where a counterpart of this Agreement is recorded, a certificate setting forth the fact of such termination and the date thereof.

23. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is hereby vested with authority to alter or modify from

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23. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The Director is hereby vested with authority to alter or modify from

time to time in his discretion the quantity and rate of production under this Agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and within the limits made or fixed by the Commission, the quantity and rate of production under this Agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this Agreement and is not in violation of any applicable Federal or State law; provided that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this Agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

Powers in this section vested in the Director and Commissioner shall only be exercised after notice to Unit Operator and opportunity for hearing to be held no less than fifteen (15) days from notice.

24. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and to appeal from orders issued under the regulations of said Department or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior or any other legally constituted authority; provided,

however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

25. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing or personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party at the address such party has furnished to the party sending the notice, demand or statement.

26. NO WAIVER OF CERTAIN RIGHTS. Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State of New Mexico, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive; provided, however, each party hereto except the United States covenants that during the existence of this Agreement, such party shall not resort to any action at law or in equity to partition the Unitized Land or the facilities used in the development or operation thereof and to that extent waives the benefits of all laws authorizing such partition.

27. UNAVOIDABLE DELAY. All obligations under this Agreement, except the payment of money, shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

28. NON-DISCRIMINATION. In connection with the performance of work under this Agreement, the Unit Operator agrees to comply with all the provisions of Section 202 (1) to (7) inclusive, of

Executive Order 11246, 30 F.R. 12319, as amended, which are hereby incorporated by reference in this Agreement.

29. LOSS OF TITLE. In the event title to a Tract of Unitized Land shall fail so as to render the Tract inoperable under this Agreement and the true owner cannot be induced to join this Agreement, such Tract shall be regarded automatically as not committed hereto effective the first day of the calendar month in which such title failure is determined, and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any Royalty, Working Interest or other interest subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided that, as to State and Federal land or leases, no payment of funds due the State of New Mexico or the United States of America shall be withheld, but such funds shall be deposited as directed by the Commissioner or the Supervisor, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

30. SUBSEQUENT JOINDER. After the effective date of this Agreement, the commitment of any interest in any Tract within the Unit Area shall be upon such equitable terms as may be negotiated by Working Interest Owners and the owner of such interest and approved by the Director and the Commissioner. After the effective date hereof, joinder by a Royalty Owner must be consented to in writing by the Working Interest Owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such Royalty Interest. Joinder by any Royalty Owner at any time must be accompanied or preceded by appropriate joinder by the Owner of the corresponding Working Interest in order for the interest to be regarded as

effectively committed. Joinder to this Agreement by a Working Interest Owner at any time must be accompanied by appropriate joinder to the Unit Operating Agreement in order for the interest to be regarded as committed to this Agreement. Except as may otherwise herein be provided, subsequent joinders to this Agreement shall be effective as of the first day of the month following the filing with the Supervisor and Commissioner of duly executed counterparts of all or any papers necessary to establish commitment of any Tract to this Agreement unless objection to such joinder is made within sixty (60) days by the Supervisor or Commissioner.

31. COUNTERPARTS. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above-described Unit Area.

In the event any of the parties hereto own both Working Interests and Royalty Interests, as such interests are shown on Exhibit "B", it shall not be necessary for such party to execute this Agreement in both capacities in order to commit both classes of interest. Execution hereof by any such party in one capacity shall also constitute execution in the other capacity, provided said party also executes the Unit Operating Agreement as a Working Interest Owner.

32. ROYALTY OWNERS TAXES. Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the Unitized Land; provided, however, that, if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the

parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefore by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No taxes shall be charged to the United States, the State of New Mexico, or to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

33. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, nor any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

34. BORDER AGREEMENTS. Unit Operator, with concurrence of Working Interest Owners having a combined Unit Participation of seventy-five (75%) percent or more, may, subject to approval of the Supervisor, and Commissioner, enter into an agreement or agreements with the Working Interest Owners of adjacent lands with respect to the operations designed to increase ultimate recovery, conserve natural resources and to protect the parties and interest.

35. CORRECTION OF ERRORS. It is hereby agreed by all parties to this Agreement that Unit Operator is empowered to correct any mathematical or clerical errors which may exist in the pertinent exhibits to this Agreement; provided, however, that correction of any error other than mathematical or clerical shall be made by Unit Operator only after first having obtained approval of Working Interest Owners, the Commissioner and the Supervisor. If any such corrections are made, Unit Operator shall file the required number of copies of the corrected pages of this Agreement or of the Exhibits hereto with the Supervisor and Commissioner. Unit Operator shall also provide, in conformance with Section 25, Notices, such corrected pages to the parties hereto.

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

CONTINENTAL OIL COMPANY  
UNIT OPERATOR AND WORKING INTEREST OWNER

Date:

\_\_\_\_\_ BY \_\_\_\_\_

STATE OF \_\_\_\_\_ X

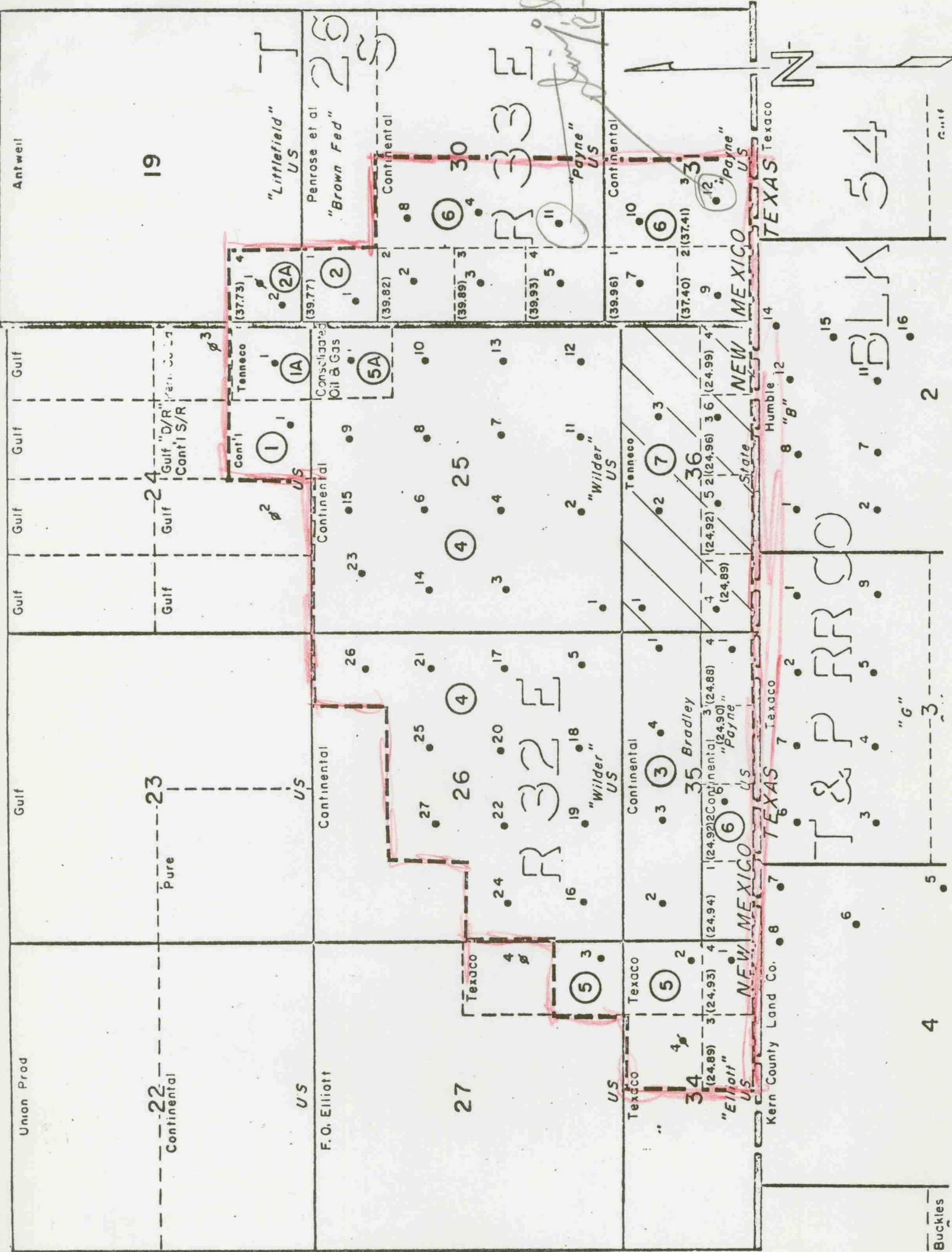
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1973, by \_\_\_\_\_ of \_\_\_\_\_, a corporation on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_ Notary Public  
\_\_\_\_\_ County, \_\_\_\_\_

Execution and acknowledgement page of Unit Agreement for operation of North El Mar Unit, Lea County, New Mexico.



 FEDERAL ACREAGE  
 STATE ACREAGE

**CONTINENTAL OIL CO.**  
 PRODUCTION DEPARTMENT HOBBS DIVISION  
 NORTH EL MAR UNIT  
 LEA COUNTY, NEW MEXICO  
 LOCATION PLAT  
 EXHIBIT "A"  
 TO  
 UNIT AGREEMENT

EXHIBIT 'B'  
TO THE UNIT AGREEMENT FOR NORTH EL MAR UNIT, LEA COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NUMBER	BASIC ROYALTY % PERCENTAGE	RECORD LESSEE AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
1	T-26S, R-32E Sec. 24: SW/4 SE/4	40	LC-065876-A	USA - A11 12.5%	Gulf Oil Corp. 100%	Albert Evans, Jr. Trust Charles P. & Iris Miller .75000%	Continental Oil Co. 100%
1A	T-26S, R-32E Sec. 24: SE/4 SE/4	40	LC-065876-A	USA - A11 12.5%	Gulf Oil Corp. 100%	Gulf Oil Co. 6.25000% Albert Evans, Jr. Trust 2.25000% Charles P. & Iris Miller .75000% Tenneco Oil Co. Acct. Kern County Land Co. 6.11330%	Tenneco Oil Co. 100%
2	T-26S, R-33E Sec. 30: Lot 1	39.77	LC-065880	USA - A11 12.5%	Porter Brown Est. 100%	Albert Evans, Jr. Trust 3.12500%	Penrose Prod. Co. 45.83333% J. M. Zachary Charles P. & Iris Miller 8.33333% John P. McNaughton 10.41667% Porter Brown Estate 12.50000% Ruth Halton Brown Agency 12.50000%
2A	T-26S, R-33E Sec. 19: Lot 4	37.73	LC-065880-A	USA - A11 12.5%	Porter Brown Est. 100%	Porter Brown Estate 1.50000% Ruth Halton Brown Agency 1.50000% Lewis B. Burlison 3.12500%* Jack Huff 3.12500%* Gulf Oil Co. 6.25000%**	Morris Antwell 25.00000% Jennings Drilling Co. 25.00000% C. M. Neal Estate 18.16403% Robert L. Summers 30.27347% Burton Veteto 1.56250%
3	T-26S, R-32E Sec. 35: N/2 N/2	160	LC-068777	USA - A11 12.5%	Continental Oil Co. 100%	Leota M. Hopp & Virgil O. Hopp 3.00000%	Continental Oil Co. 100%

\* When production averages less than 15 barrels oil per day per well on a monthly basis, this royalty is suspended.  
\*\* When production averages less than 15 barrels oil per day per well on a monthly basis, this royalty rate shall be reduced to 2.0%.

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NUMBER	BASIC ROYALTY & PERCENTAGE	RECORD LESSEE AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
4	T-26S, R-32E <u>Sec. 25: S/2, S/2 N/2, N/2 NW/4, NW/4 NE/4</u> Sec. 26: S/2, S/2 NE/4, NE/4 NE/4, SE/4 NW/4	1080	LC-069515	USA - All 12.5%	Continental Oil Co. 100%	State Nat'l Bank of El Paso Bonnie H. Morrison 2.50000%	Continental Oil Co. 100%
5	T-26S, R-32E <u>Sec. 27: SE/4 SE/4, Sec. 34: Lots 3, 4, N/2 NE/4</u>	169.82	LC-071985	USA - All 12.5%	Texaco, Inc. 100%	Elizabeth & F. O. Elliott 2.50000% O. R. Hall, Jr. 2.50000%	Texaco, Inc. Frank & Ruth Robinson 33.33333%
5A	T-26S, R-32E <u>Sec. 25: NE/4 NE/4</u>	40	LC-071985	USA - All 12.5%	Elizabeth & F. O. Elliott 100%	Ora R. Hall, Jr. 6.25000%# Elizabeth & F. O. Elliott 6.25000%# F. G. Breckenridge, et ux 2.57812%## Etoile M. Bennett 2.10938%##	Pioneer Production Consolidated O&G 75.00000%
6	T-26S, R-32E <u>Sec. 35: Lots 1, 2, 3, 4</u> <u>T-26S, R-33E</u> <u>Sec. 30: Lots 2, 3, 4, E/2 SW/4, SE/4 NW/4</u> <u>Sec. 31: Lots 1, 2, 3, NE/4 NW/4</u>	494.05	NM-02791-A	USA - All 12.5%	Continental Oil Co. 100%	Marguerite Payne .50000%	Continental Oil Co. 100%

9 FEDERAL TRACTS CONTAINING 2,101.37 ACRES, OR 89.00% OF THE UNIT AREA.

# When production averages less than 15 barrels oil per day per well on a monthly basis, this royalty rate is reduced to 2.500%.  
 ## Production payment until 60,000 barrels produced from this tract after 8/1/64, at which time this payment is increased by ratio of 8/3 until total of \$11,666.67 payment is completed.

<u>TRACT NO.</u>	<u>DESCRIPTION OF LAND</u>	<u>NO. OF ACRES</u>	<u>SERIAL NUMBER</u>	<u>BASIC ROYALTY &amp; PERCENTAGE</u>	<u>RECORD LESSEE AND PERCENTAGE</u>	<u>OVERRIDING ROYALTY AND PERCENTAGE</u>	<u>WORKING INTEREST OWNER AND PERCENTAGE</u>		
7	T-26S, R-32E Sec. 36: Lots 1, 2, 3, 4, N/2 N/2	259.76	E-6622-3	State of New Mexico - 12.5%	Kern County Land Company	100%	None	Tenneco Oil Co.	100%
1 STATE TRACT CONTAINING 259.76 ACRES, OR 11.00% OF THE UNIT AREA. TOTAL OF 10 TRACTS CONTAINING 2,361.13 ACRES.									

EXHIBIT "C" TO UNIT AGREEMENT  
NORTH EL MAR UNIT

TRACT NO.	DESCRIPTION	PARTICIPATION	
		PHASE I	PHASE II
1	Sec. 24 - T-26S, R-32E: SW/4 SE/4	0.18780	1.62370
1A	Sec. 24 - T-26S, R-32E: SE/4 SE/4	1.42381	1.03037
2	Sec. 30 - T-26S, R-33E: Lot 1	0.81221	1.74729
2A	Sec. 19 - T-26S, R-33E: Lot 4	0.32602	0.57339
3	Sec. 35 - T-26S, R-32E: N/2 N/2	0.06352	5.56515
4	Sec. 25 - T-26S, R-32E: S/2, S/2 N/2, N/2 NW/4, NW/4 NE/4	45.04939	48.52436
	Sec. 26 - T-26S, R-32E: S/2, S/2 NE/4, NE/4 NE/4, SE/4 NW/4		
5	Sec. 27 - T-26S, R-32E: SE/4 SE/4 Sec. 34 - T-26S, R-32E: Lots 3 and 4, N/2 NE/4	1.49492	4.16207
5A	Sec. 25 - T-26S, R-32E: NE/4 NE/4	1.60102	1.71763
6	Sec. 35 - T-26S, R-32E: Lots 1, 2, 3, and 4	19.80017	17.75980
7	Sec. 36 - T-26S, R-32E: Lots 1, 2, 3, and 4, N/2 N/2	<u>29.24114</u>	<u>17.29624</u>
		100.00000	100.00000

6-25-73

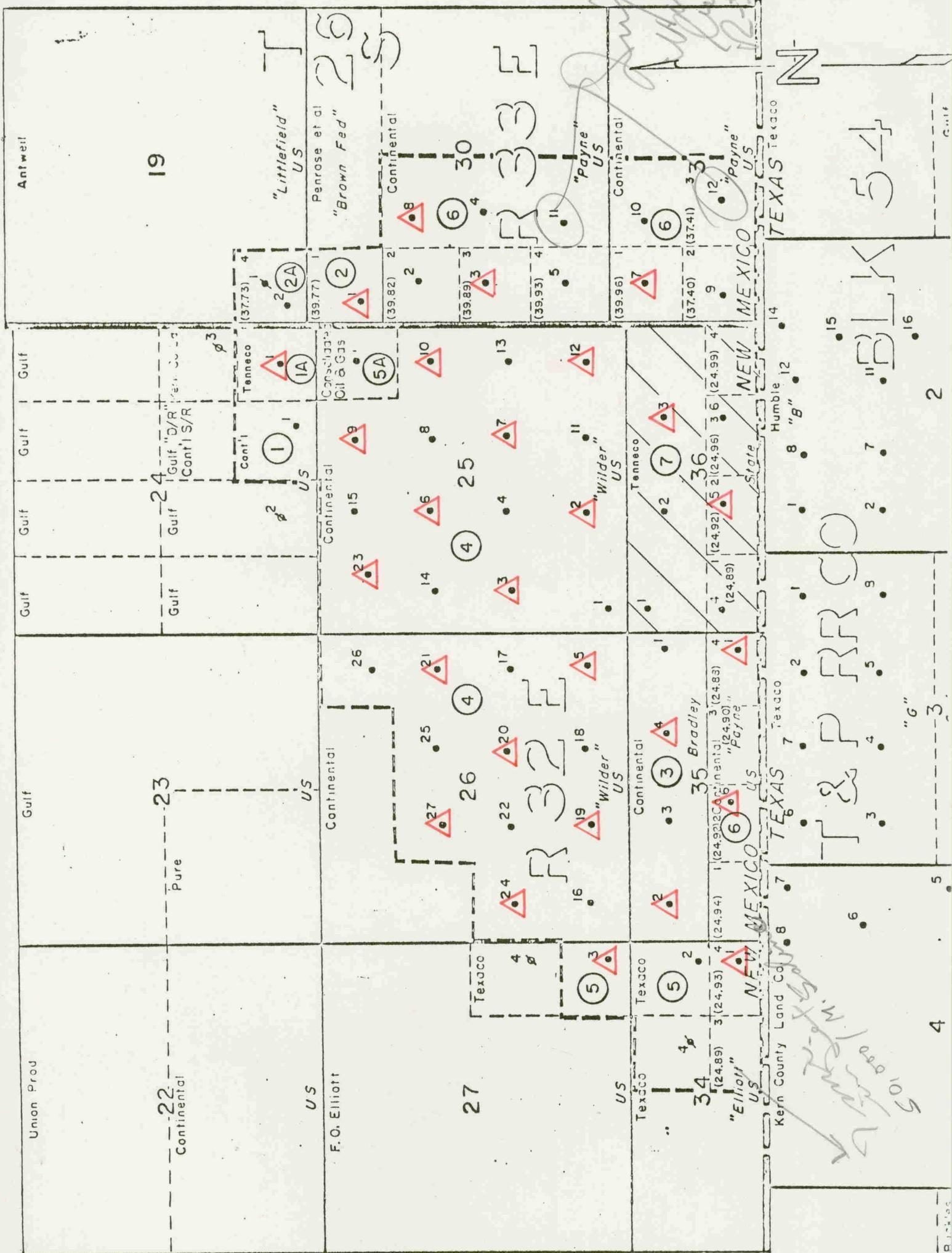
NORTH EL MAR UNIT  
PARTICIPATION SCHEDULE  
PHASE I PARTICIPATION

Operator Lease	Remaining Primary 1-1-72		Current Oil Rate 2nd Half 1971		Phase I Participation
	Bbls.	%	Bbls.	%	
<u>Antwell, M. R.</u>					
Littlefield DQ	720	0.11812	290	0.53392	0.26696
<u>Consolidated Oil &amp; Gas</u>					
Melissa Federal	8,060	1.32227	1,021	1.87978	0.93989
<u>Continental Oil Company</u>					
Bradley	0	0.00000	69	0.12704	0.06352
Littlefield DR Fed.	0	0.00000	204	0.37559	0.18780
Payne	115,200	18.89888	11,244	20.70146	10.35073
Wilder	277,000	45.44261	24,255	44.65617	22.32808
TOTAL	392,200	64.34149	35,772	65.86026	32.93013
<u>Penrose Production Company</u>					
Brown Federal	4,010	0.65785	525	0.96658	0.48329
<u>Tenneco Oil Company</u>					
Gulf Federal	7,740	1.26977	857	1.57783	0.78892
State 36	191,500	31.41610	14,701	27.06619	13.53309
TOTAL	199,240	32.68587	15,558	28.64402	14.32201
<u>Texaco, Inc.</u>					
F, O. Elliott Fed.	5,330	0.87440	1,149	2.11544	1.05772
UNIT TOTAL	609,560	100.00000	54,315	100.00000	50.00000

BEFORE EXAMINER USE	
OIL CONSERVATION COMMISSION	
Case No.	5060
Submitted by	Conoco
Hearing Date	5 Sep 73

NORTH EL MAR UNIT  
PARTICIPATION SCHEDULE  
PHASE II PARTICIPATION

Operator Lease	Ultimate Primary Production			Oil-In-Place			Phase II Participation
	Bbls	%	75% Wt.	Bbls	%	25% Wt.	
<u>Antweil, M. R.</u>							
Littlefield DQ Fed.	26,275	0.49624	0.37218	230,000	0.80483	0.20121	0.57339
<u>Consolidated Oil &amp; Gas</u>							
Hellissa Federal	90,999	1.71863	1.28897	499,000	1.71464	0.42866	1.71763
<u>Continental Oil Company</u>							
Bradley	280,270	5.29324	3.96993	1,823,500	6.38089	1.59522	5.56515
Littlefield DR Fed.	68,557	1.29478	0.97109	746,000	2.61045	0.65261	1.62370
Payne	931,421	17.59103	13.19327	5,220,000	18.26612	4.56653	17.75980
Wilder	2,584,557	48.81252	36.60939	13,620,000	47.65987	11.91497	48.52436
TOTAL	3,864,805	72.99157	54.74368	21,409,500	74.91733	18.72933	73.47301
<u>Penrose Production Company</u>							
Brown Federal	90,561	1.71035	1.28276	531,000	1.85810	0.46453	1.74729
<u>Tennessee Oil Company</u>							
UNIT Federa	57,673	1.08923	0.81692	244,000	0.85382	0.21345	1.03037
State 36	931,768	17.59814	13.19861	4,684,000	16.39052	4.09763	17.29624
TOTAL	989,441	18.68737	14.01553	4,928,000	17.24434	4.31108	18.32661
<u>Texaco, Inc.</u>							
F O. Elliott Fed.	232,754	4.39584	3.29688	989,000	3.46076	0.86519	4.16207
UNIT TOTAL	5,294,865	100.00000	75.00000	28,577,500	100.00000	25.00000	100.00000



 FEDERAL ACREAGE  
 STATE ACREAGE

BEFORE EXAMINER UTZ  
 OIL CONSERVATION COMMISSION  
 EXHIBIT NO. 2  
 CASE NO. 5060  
 Submitted by Continental Oil Co  
 Hearing Date Sept 5, 1973

CONTINENTAL OIL CO.  
 PRODUCTION DEPARTMENT HOBBS DIVISION

NORTH EL MAR UNIT  
 LEA COUNTY, NEW MEXICO  
 LOCATION PLAT

EXHIBIT 2  
 CASE 5060

EXHIBIT NO. 3

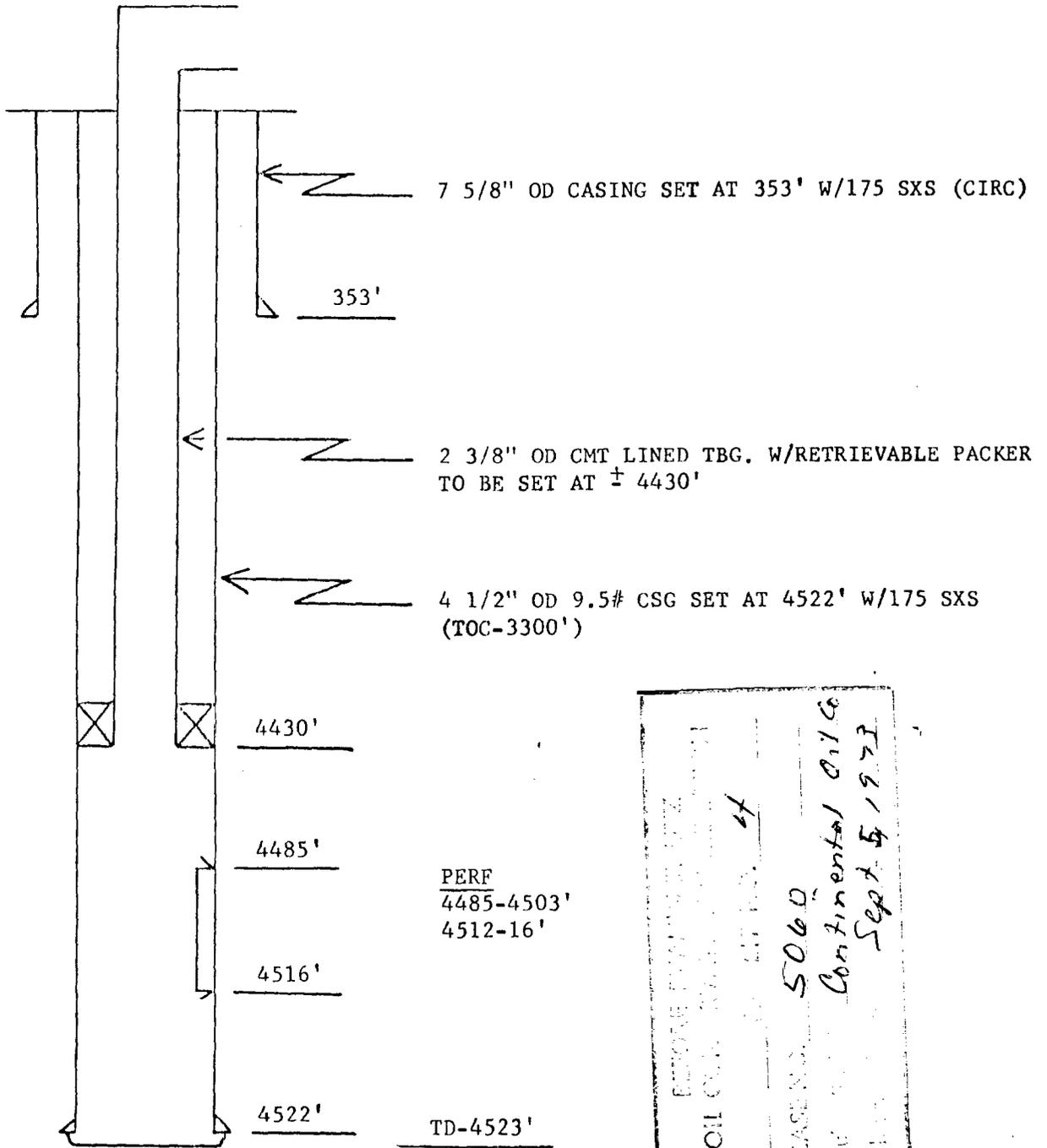
<u>Operator</u>	<u>Lease</u>	<u>Well No.</u>	<u>Footage Location</u>	<u>Unit Letter</u>	<u>Serial</u>
Continental	Bradley	2	660' FNL & 660' FWL	D	35-26-32
Continental	Bradley	4	660' FNL & 1650' FEL	B	✓ ✓ ✓
Continental	Payne	1	490' FSL & 330' FEL	H	✓ ✓ ✓
Continental	Payne	3	1980' FSL & 660' FWL	L	30-26-33
Continental	Payne	6	1650' FNL & 2310' FWL	F	35-26-32
Continental	Payne	7	660' FNL & 660' FWL	D	31-26-33
Continental	Payne	8	1880' FNL & 1650' FWL	F	30-26-33
Continental	Wilder	2	660' FSL & 1980' FWL	N	25-26-32
Continental	Wilder	3	1980' FSL & 660' FWL	L	✓ - ✓ - ✓
Continental	Wilder	5	660' FSL & 660' FEL	P	26 - ✓ - ✓
Continental	Wilder	6	1980' FNL & 1980' FWL	F	25 - 26-32
Continental	Wilder	7	1980' FSL & 1980' FEL	J	✓ ✓ ✓
Continental	Wilder	9	660' FNL & 1980' FEL	B	✓ ✓ ✓
Continental	Wilder	10	1980' FNL & 660' FEL	H	✓ ✓ ✓
Continental	Wilder	12	660' FSL & 660' FEL	P	✓ ✓ ✓
Continental	Wilder	19	660' FSL & 1980' FWL	N	26 - ✓ - ✓
Continental	Wilder	20	1980' FSL & 1980' FEL	J	✓ ✓ ✓
Continental	Wilder	21	1980' FNL & 660' FEL	H	✓ ✓ ✓
Continental	Wilder	23	990' FNL & 990' FWL	D	25 ✓ ✓
Continental	Wilder	24	1980' FSL & 660' FWL	L	26 ✓ ✓
Continental	Wilder	27	1980' FNL & 1980' FWL	F	26 ✓ ✓
Penrose	Brown Fed.	1	990' FNL & 330' FWL	D	30-26-33
Tenneco	Gulf Fed.	1	660' FSL & 660' FEL	P	24-26-32
Tenneco	State 36	3	534.6' FNL & 1448' FEL	B	36-26-32
Tenneco	State 36	5	543' FSL & 2108' FWL	F	✓ ✓ ✓
Texaco	Elliott Fed.1		330' FSL & 330' FEL	H	34 ✓ ✓
Texaco	Elliott Fed.3		330' FSL & 330' FEL	P	27-26-32

27 wells.

BEFORE EXAMINER USE	
OIL CONSERVATION COMMISSION	
by <u>Hyon</u>	EXHIBIT NO. <u>3</u>
CASE NO. <u>5060</u>	
Submitted by <u>Conoco</u>	
Hearing Date <u>5 Sep 73</u>	

CONTINENTAL - BRADLEY NO. 2

UNIT D, 660' FNL & 660' FWL  
SECTION 35, T-26S, R-32E  
Lea County, New Mexico  
Elev. - 3095' GL  
3106' DF



CONTINENTAL - BRADLEY NO. 4

1

Unit B, 660' FNL & 1650' FEL  
Section 35, T-26S, R-32E  
Lea County, New Mexico  
Elev. - 3097' GL  
3108' DF

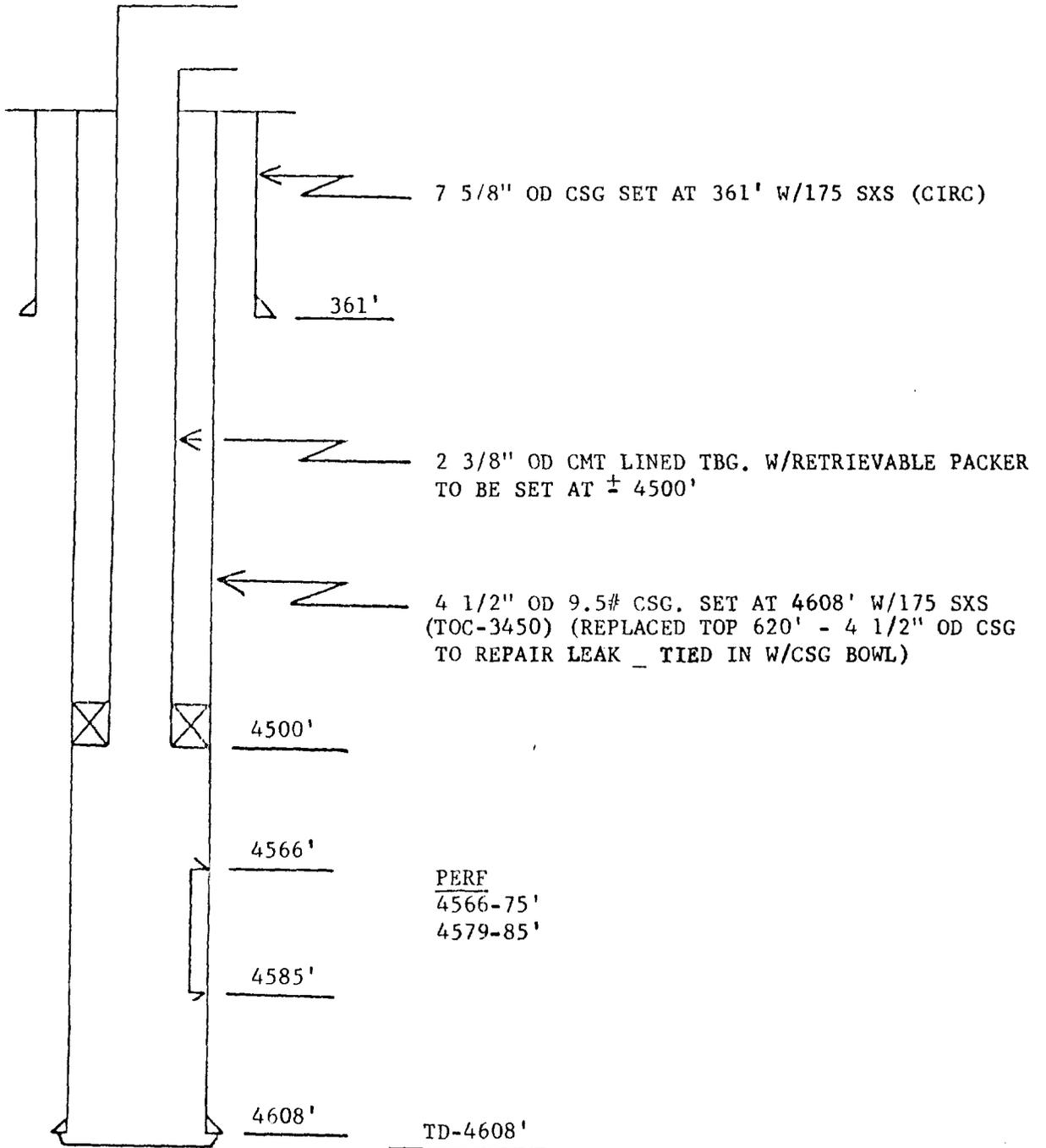
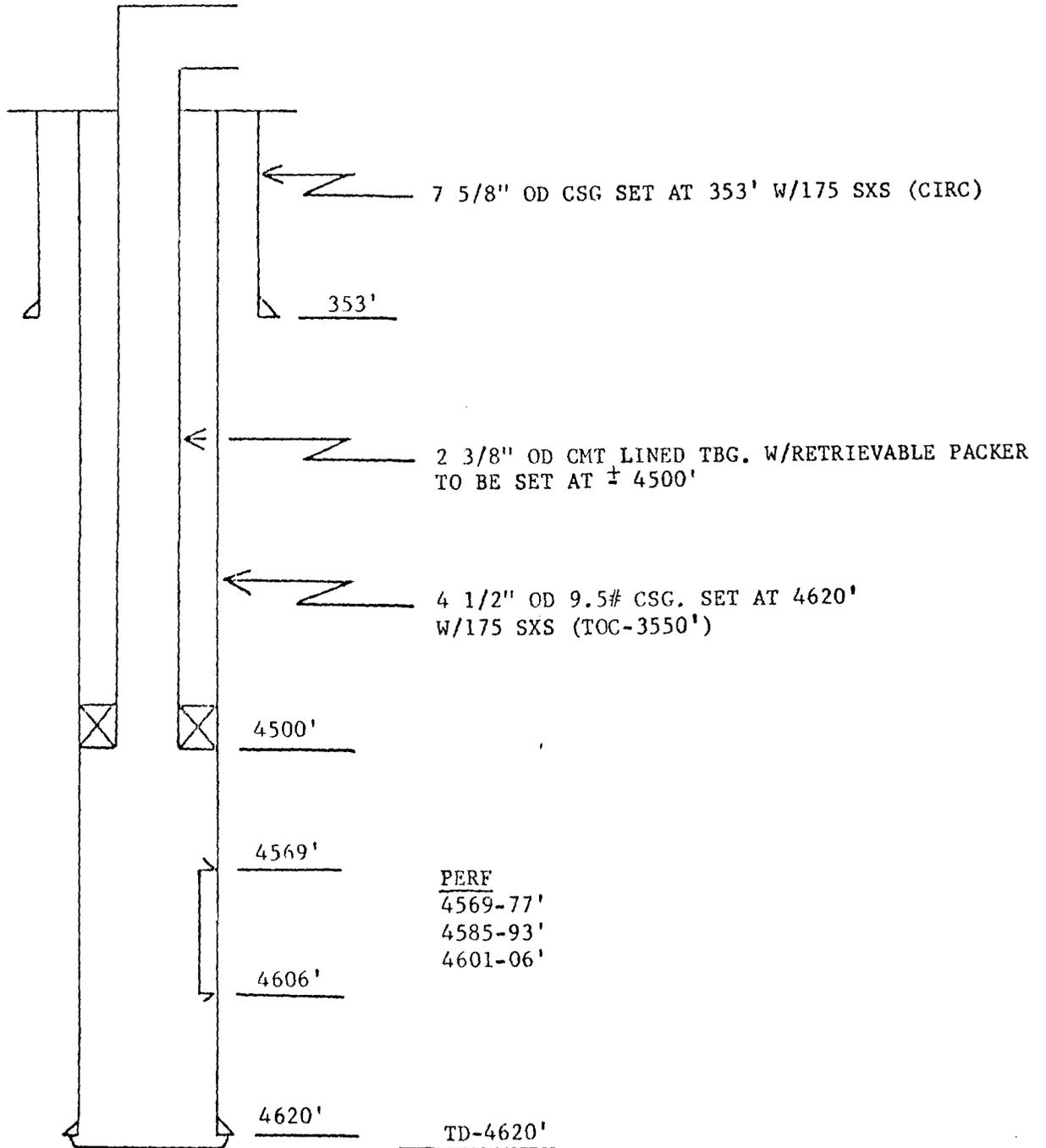


EXHIBIT 4-A

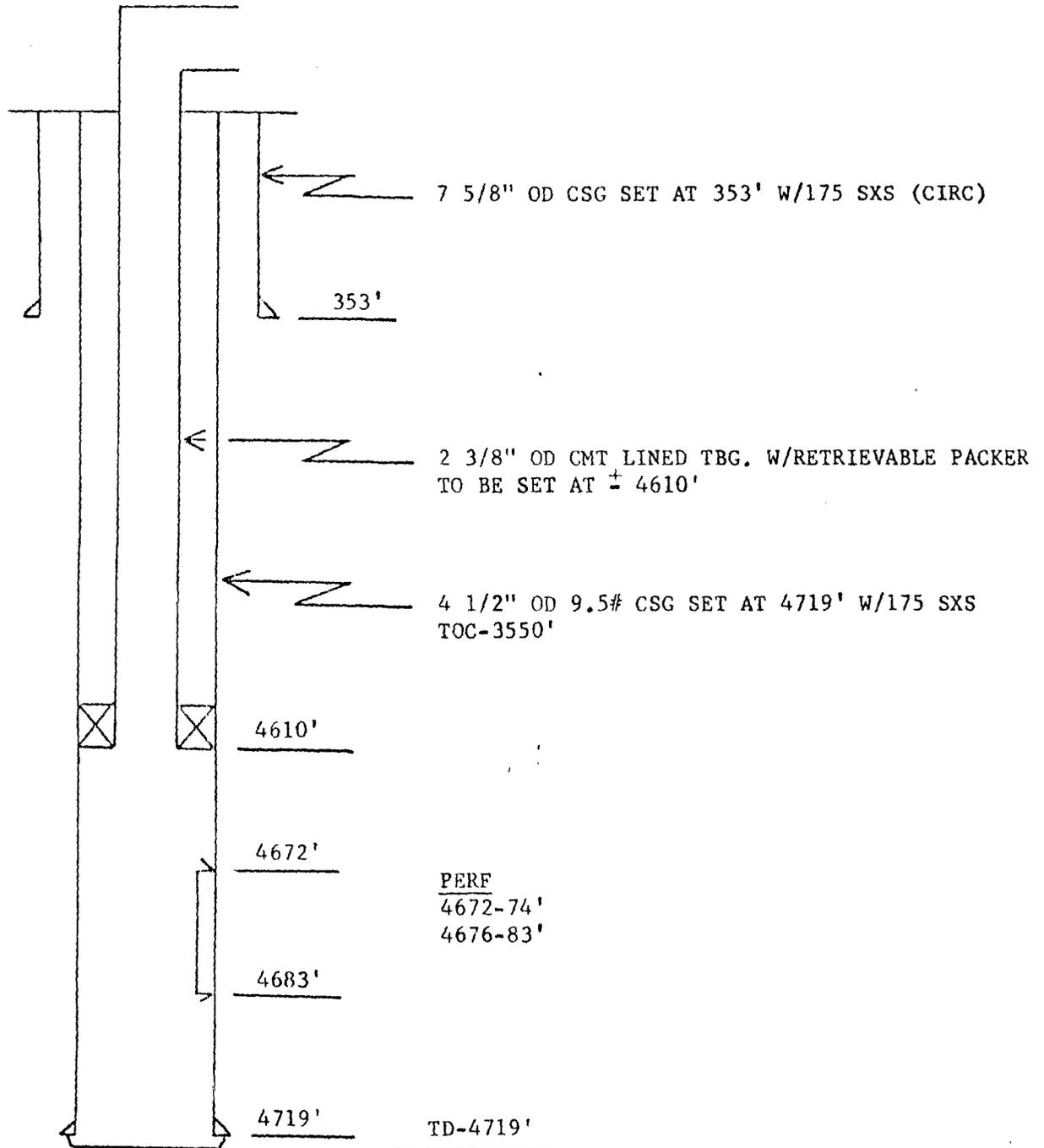
CONTINENTAL - PAYNE NO. 1

Unit II, 490' FSL & 330' FEL  
Section 35, T-26S, R-32E  
Lea County, New Mexico  
Elev. - 3086' GL  
3097' DF



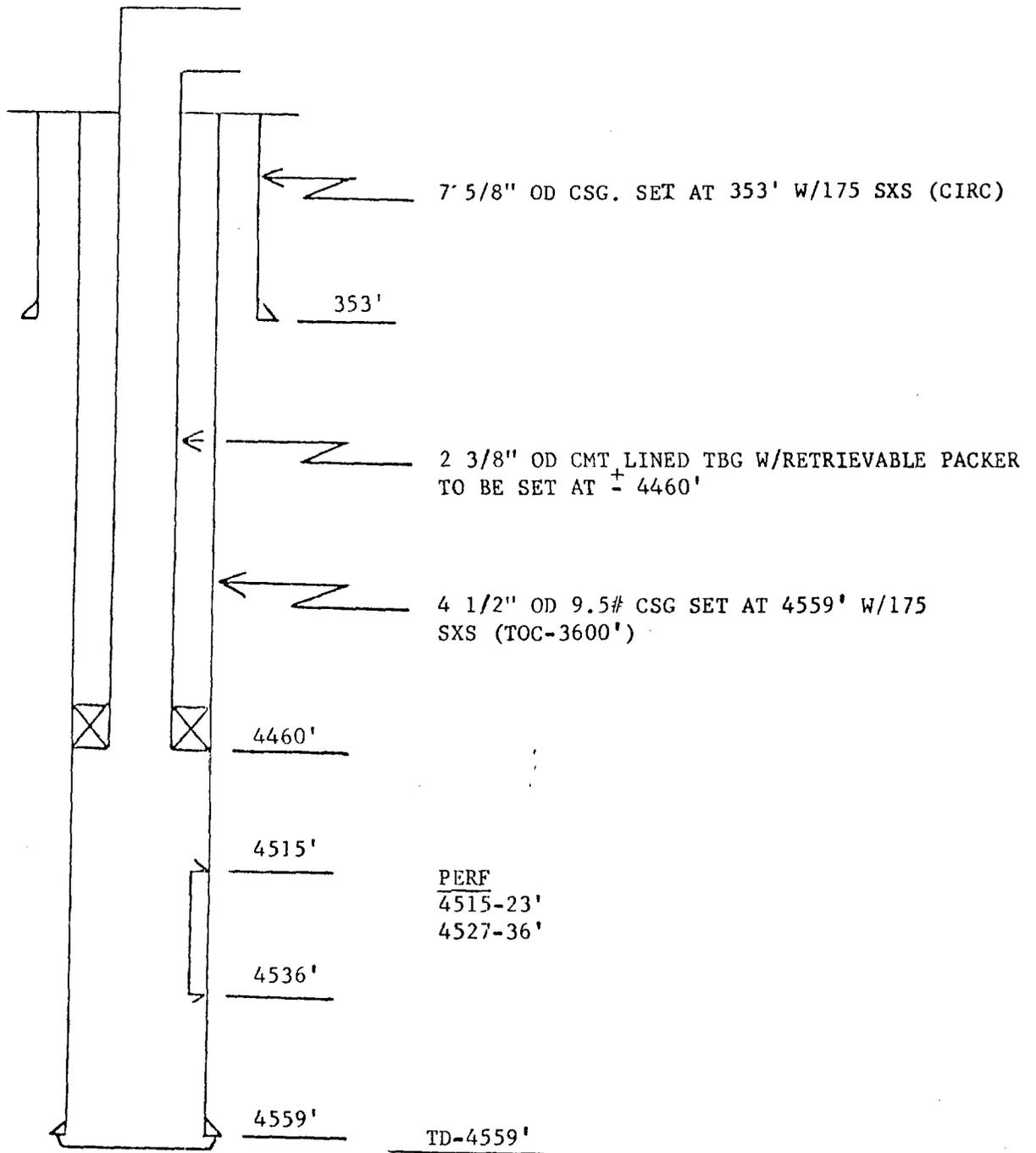
CONTINENTAL - PAYNE NO. 3

Unit L, 1980' FSL & 660' FWL  
Section 30, T-26S, R-33E  
Lea County, New Mexico  
Elev. - 3011' GL  
3022' DF



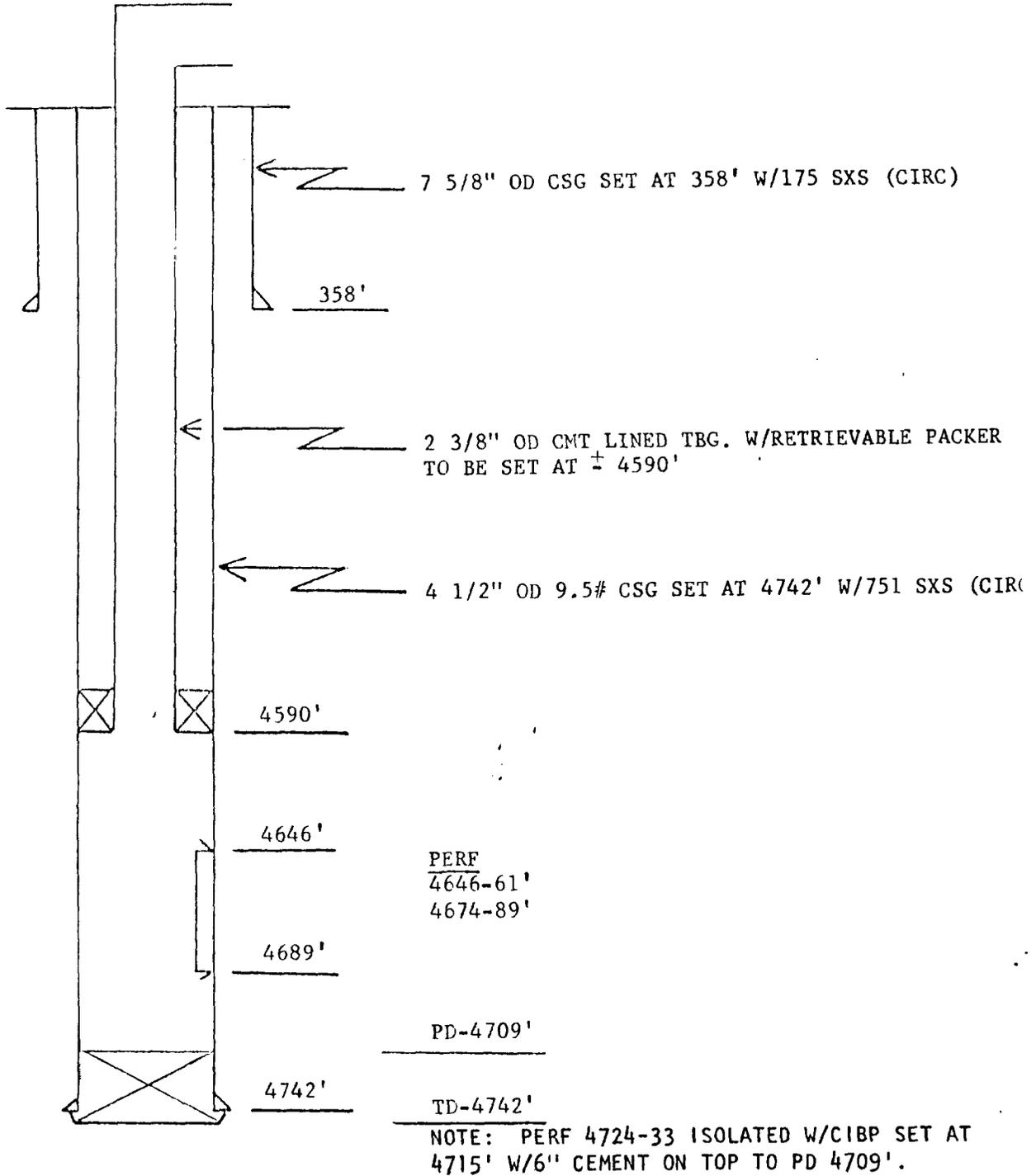
CONTINENTAL - PAYNE NO. 6

Unit F. 1650' FNL & 2310 FWL  
Section 35, T-26S, R-32E  
Lea County, New Mexico  
Elev. - 3101' GL  
3112' DF



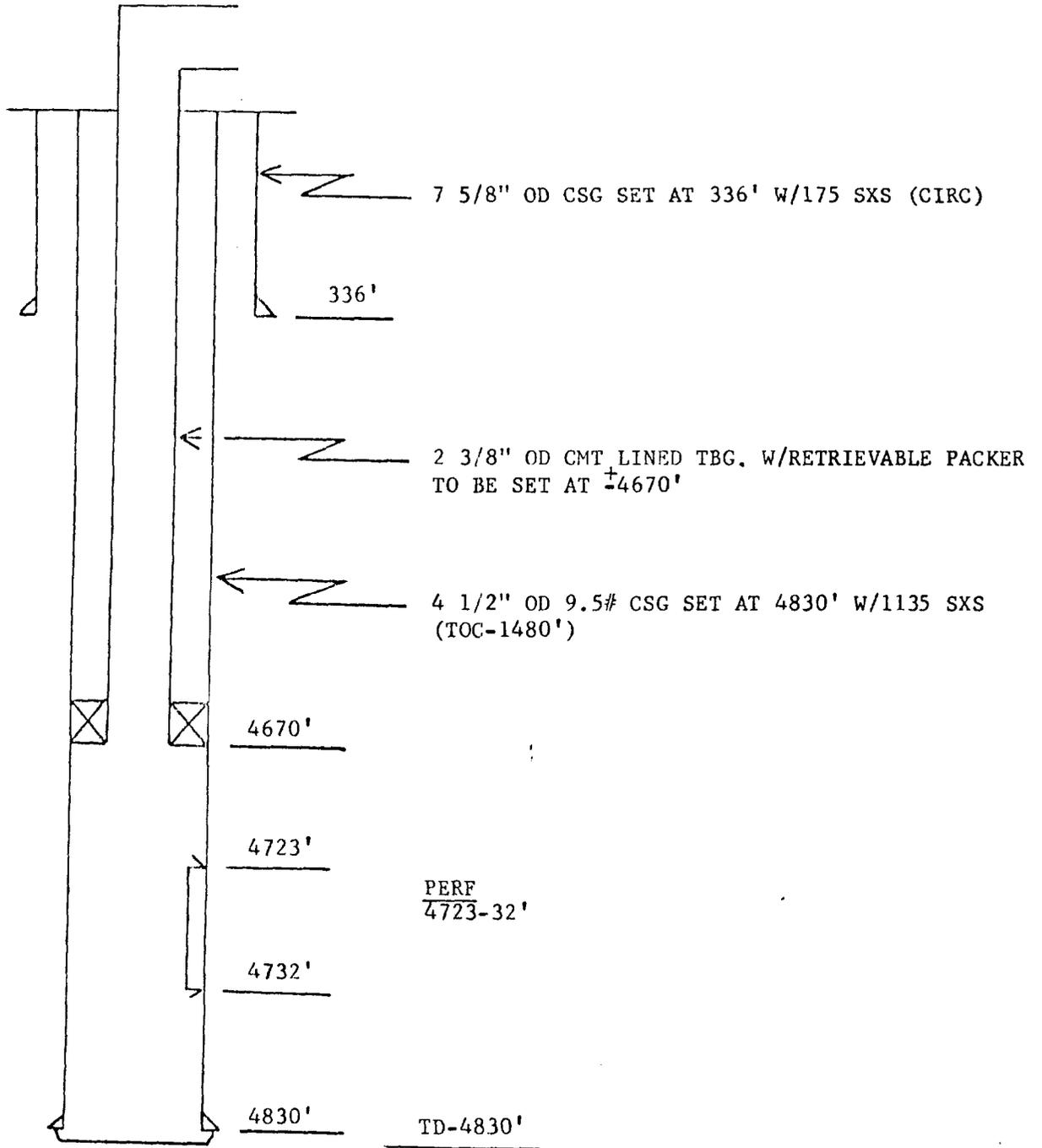
CONTINENTAL - PAYNE NO. 7

UNIT D, 660' FNL & 660' FWL  
SECTION 31, T-26S, R-33E  
LEA COUNTY, NEW MEXICO  
ELEV. - 3094' GL  
3105' DF



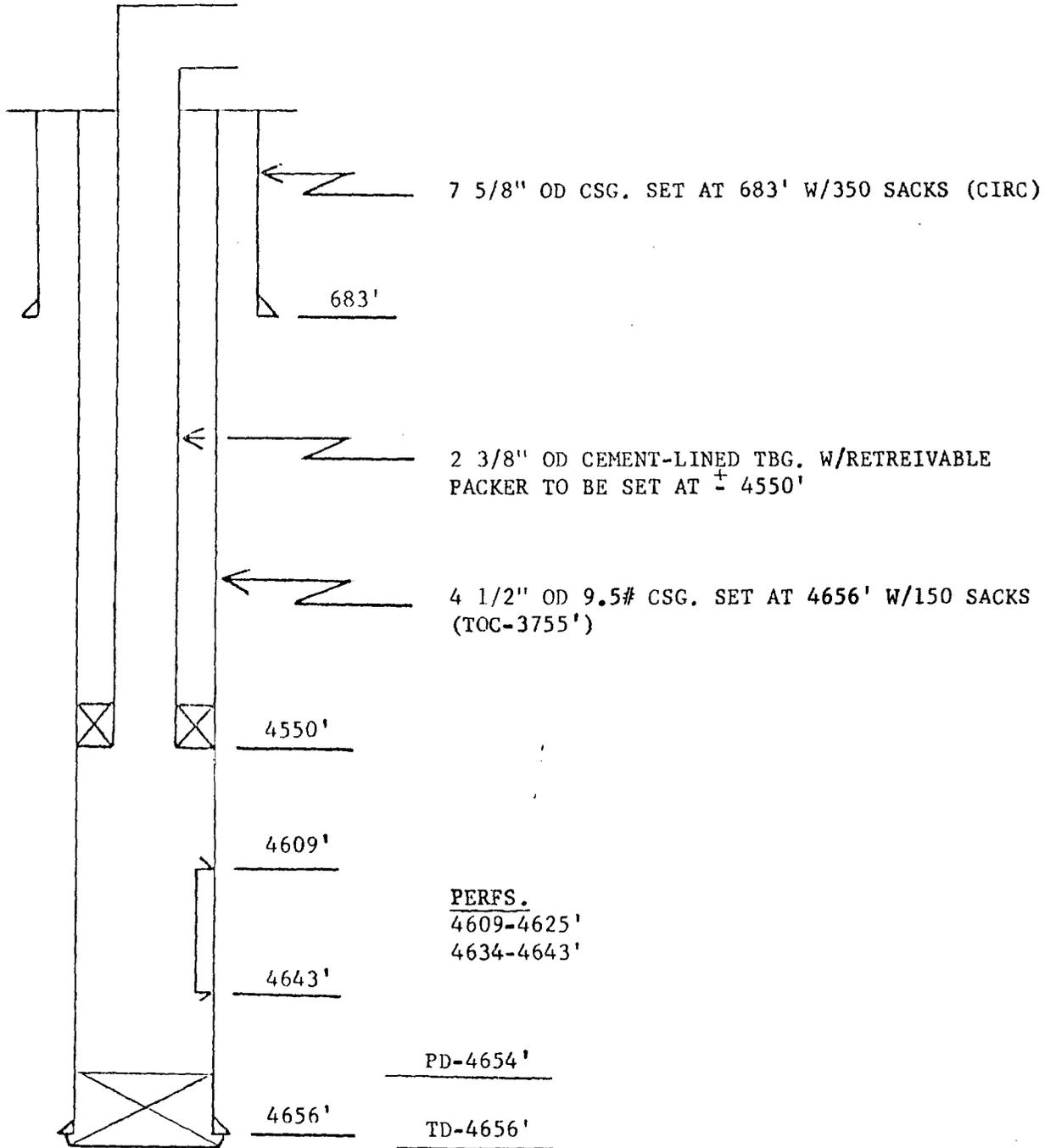
CONTINENTAL - PAYNE NO. 8

Unit F, 1880' FNL & 1650' FWL  
Section 30, T-26S, R-33E  
Lea County, New Mexico  
Elev. - 3126' GL  
3137' DF



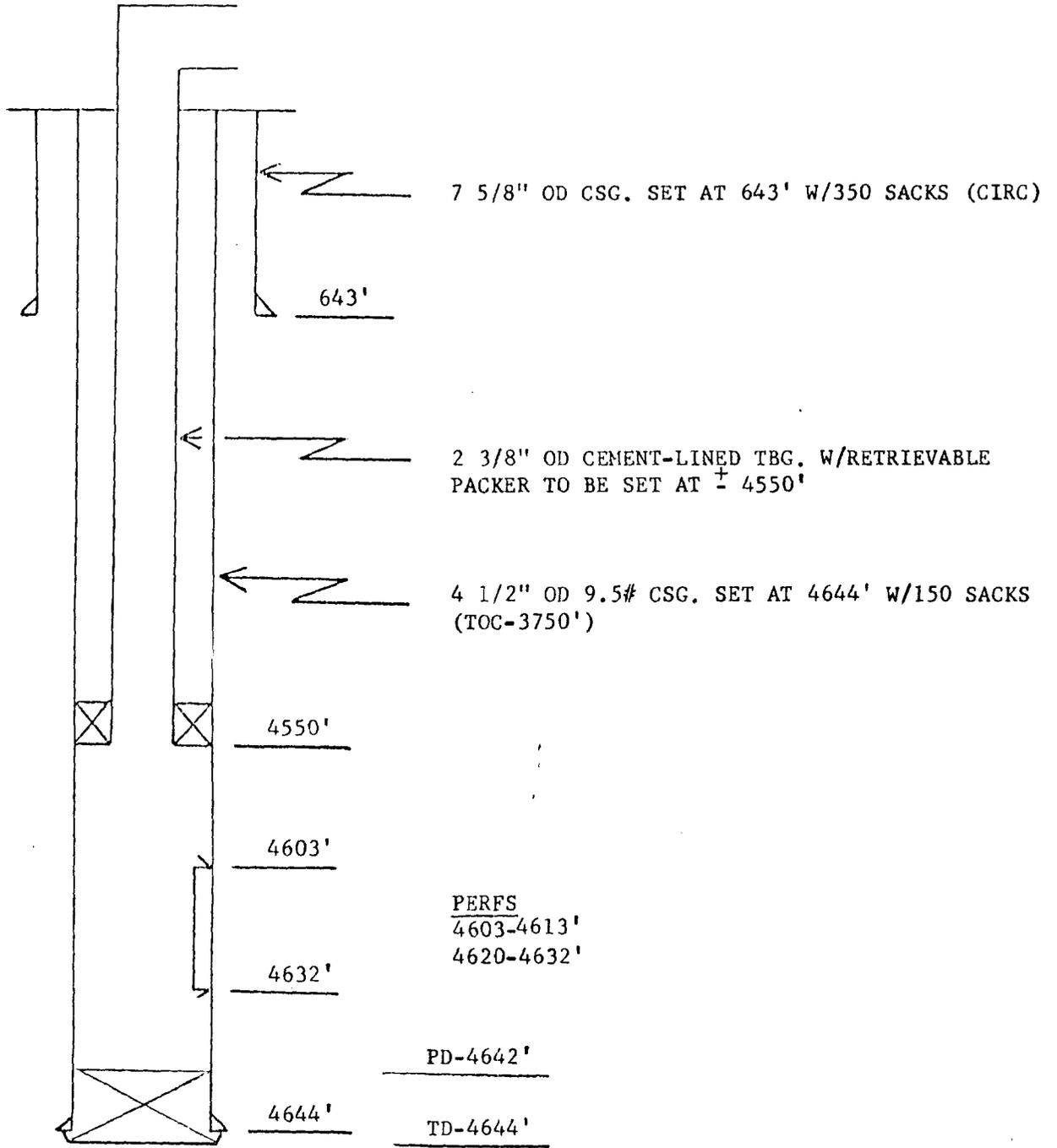
CONTINENTAL - WILDER NO. 2

UNIT N - 660' FSL & 1980' FWL  
SEC. 25, T-26S, R-32E  
LEA COUNTY, NEW MEXICO  
ELEV. - 3103' GL  
3114' DF



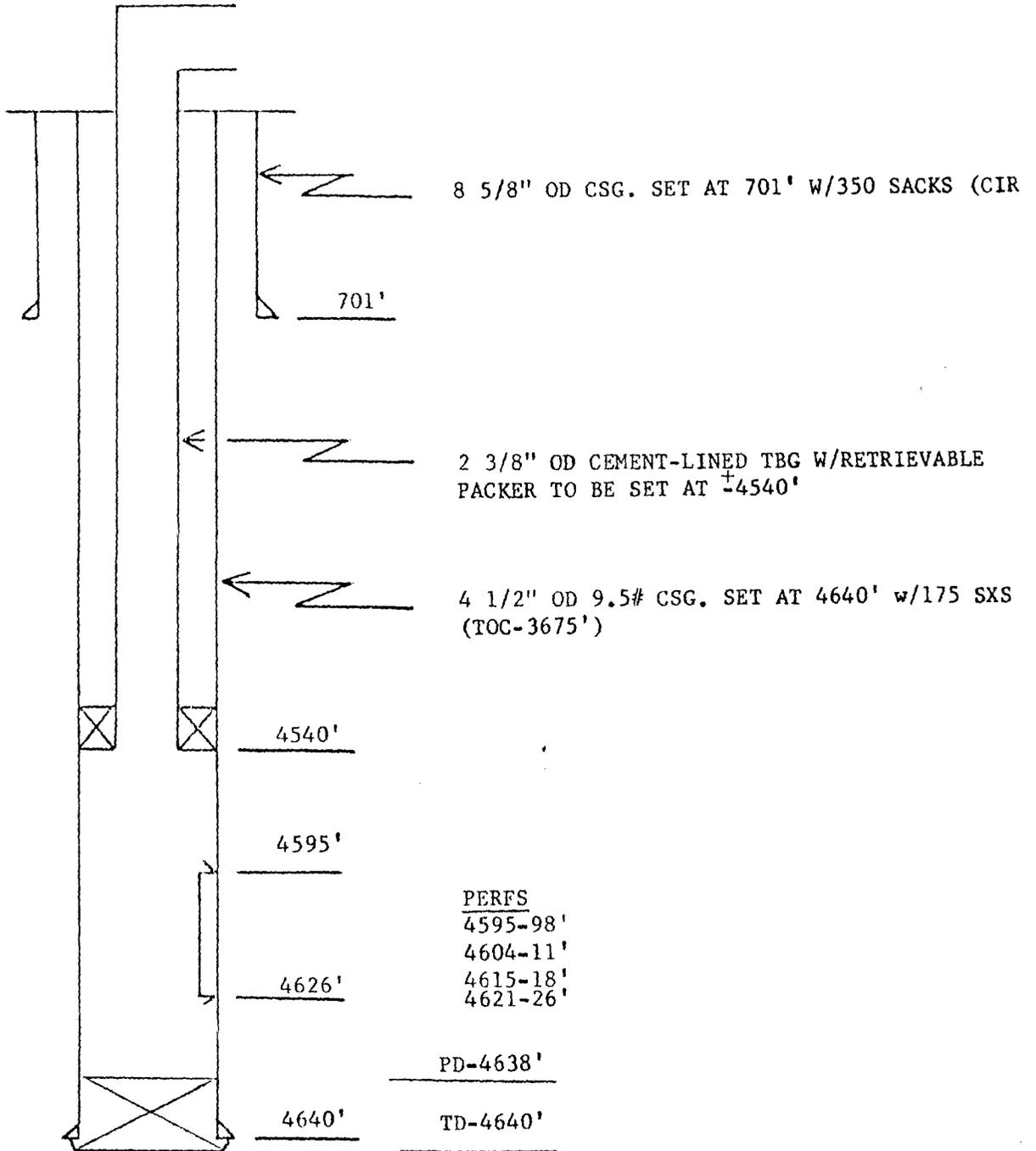
CONTINENTAL - WILDER NO. 3

UNIT L, 1980' FSL & 660' FWL  
SEC. 25, T-26S, R-32E  
LEA COUNTY, NEW MEXICO  
ELEV. - 3107' GL  
3118' DF



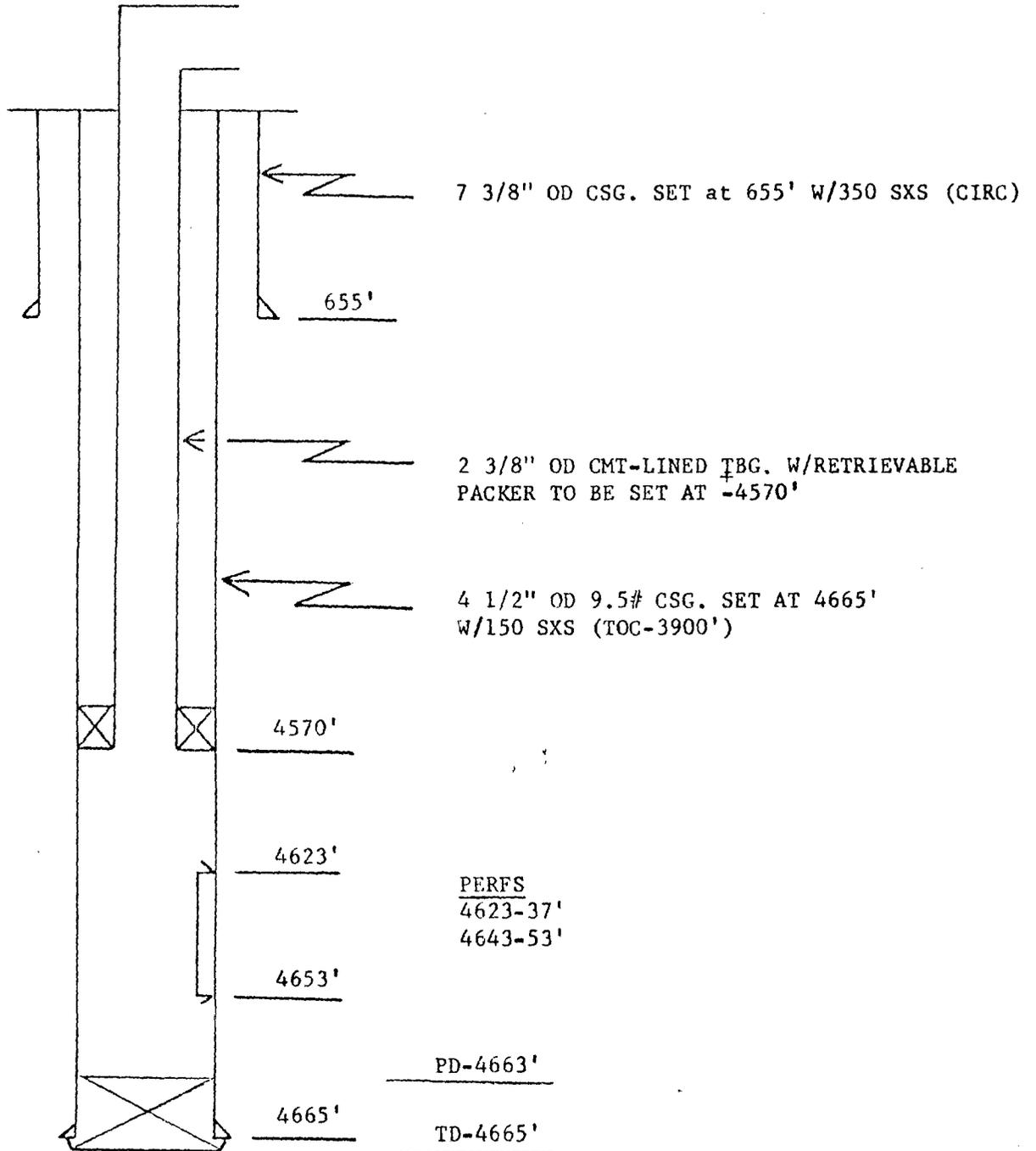
CONTINENTAL - WILDER NO. 5

UNIT P, 660' FSL & 660' FEL  
SEC 26, T-26S, R-32E  
LEA COUNTY, NEW MEXICO  
ELEV. 3102' GL  
3113' DF



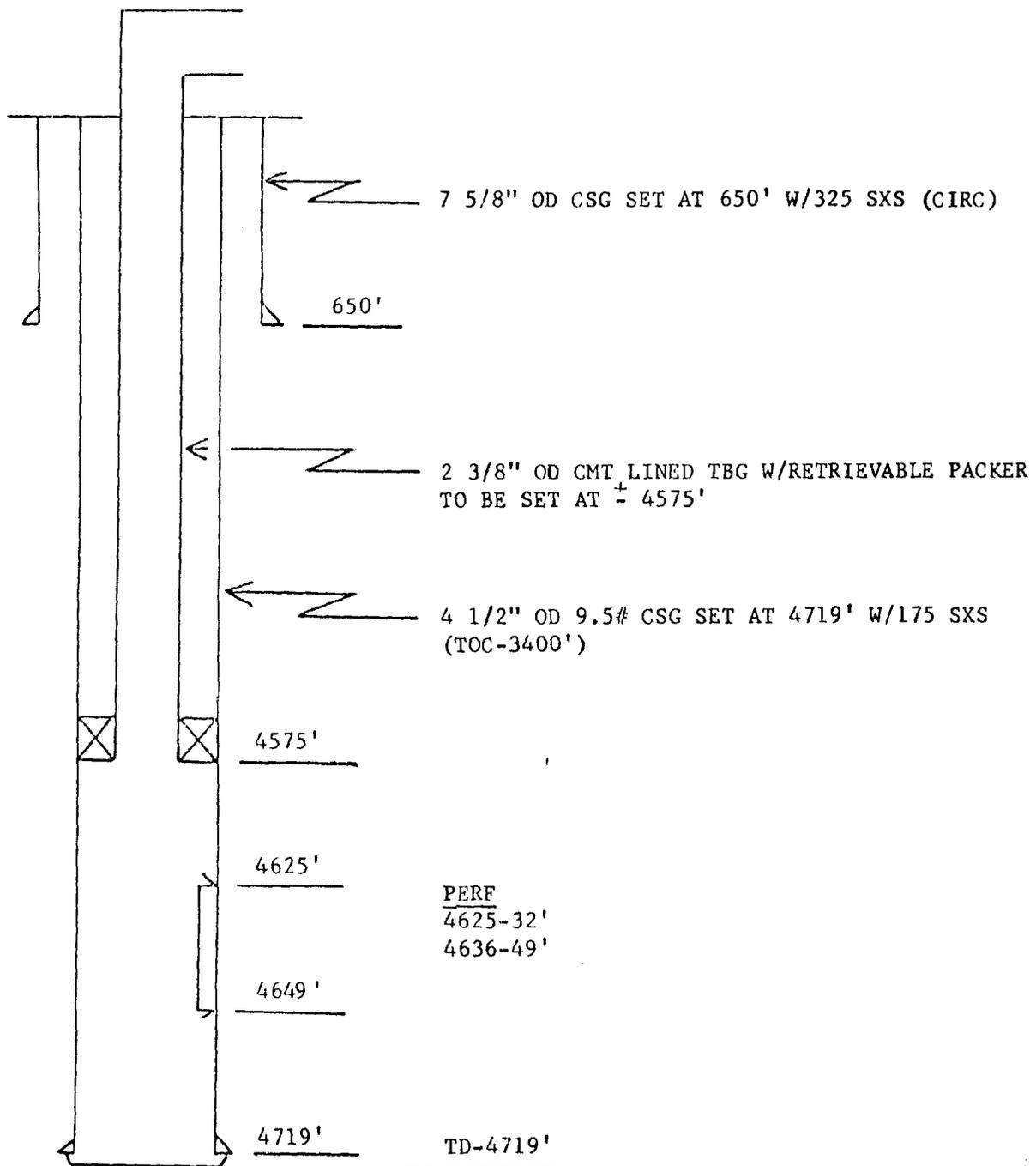
CONTINENTAL - WILDER NO. 6

UNIT F, 1980' FNL & 1980' FWL  
SEC. 25, T-26S, R-32E  
Lea County, New Mexico  
Elev. - 3135' GL  
3146' DF



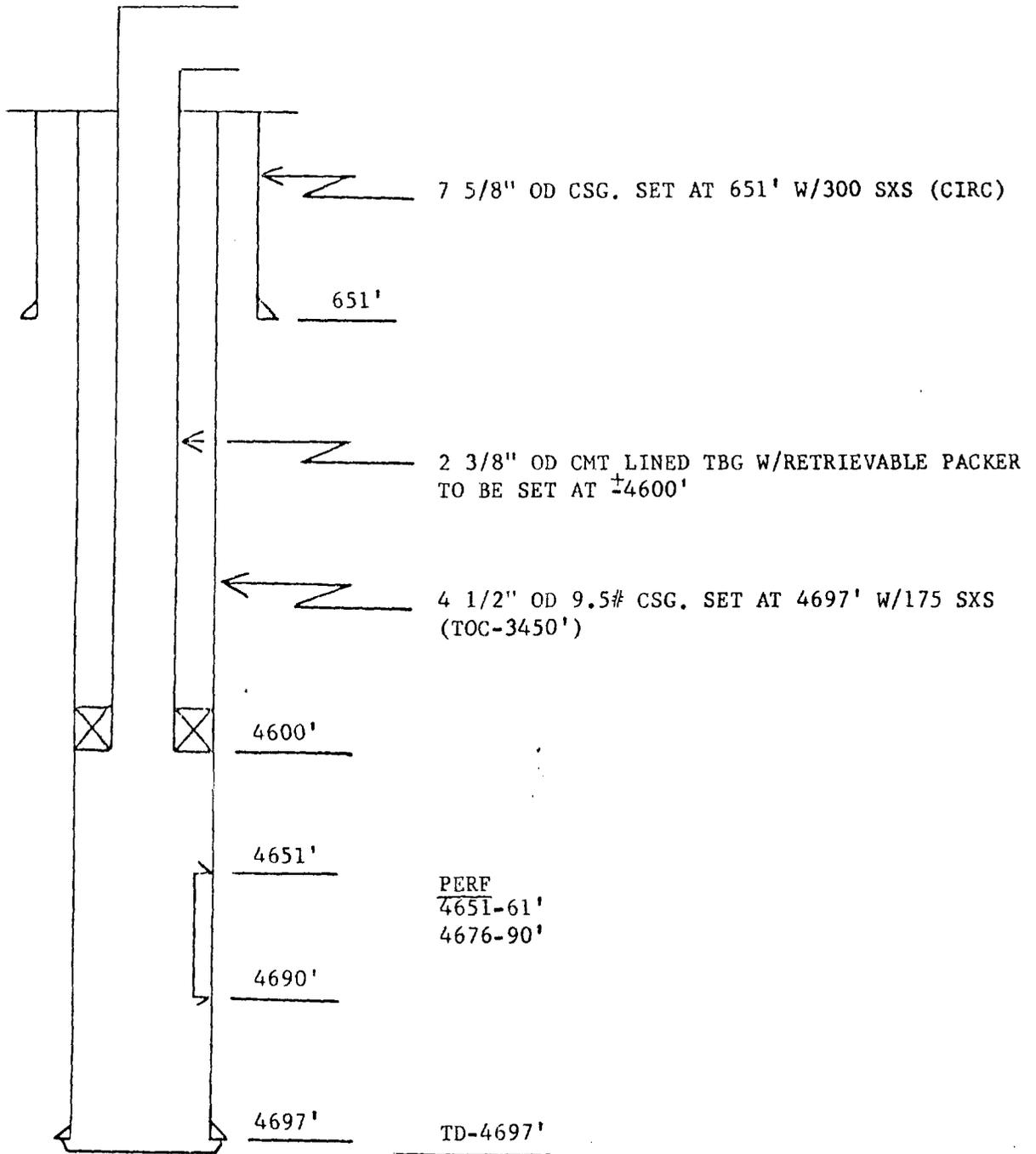
CONTINENTAL - WILDER NO. 7

Unit J, 1980' FSL & 1980' FEL  
Section 25, T-26S, R-32E  
Lea County, New Mexico  
Elev. - 3111' GL  
3122' DF



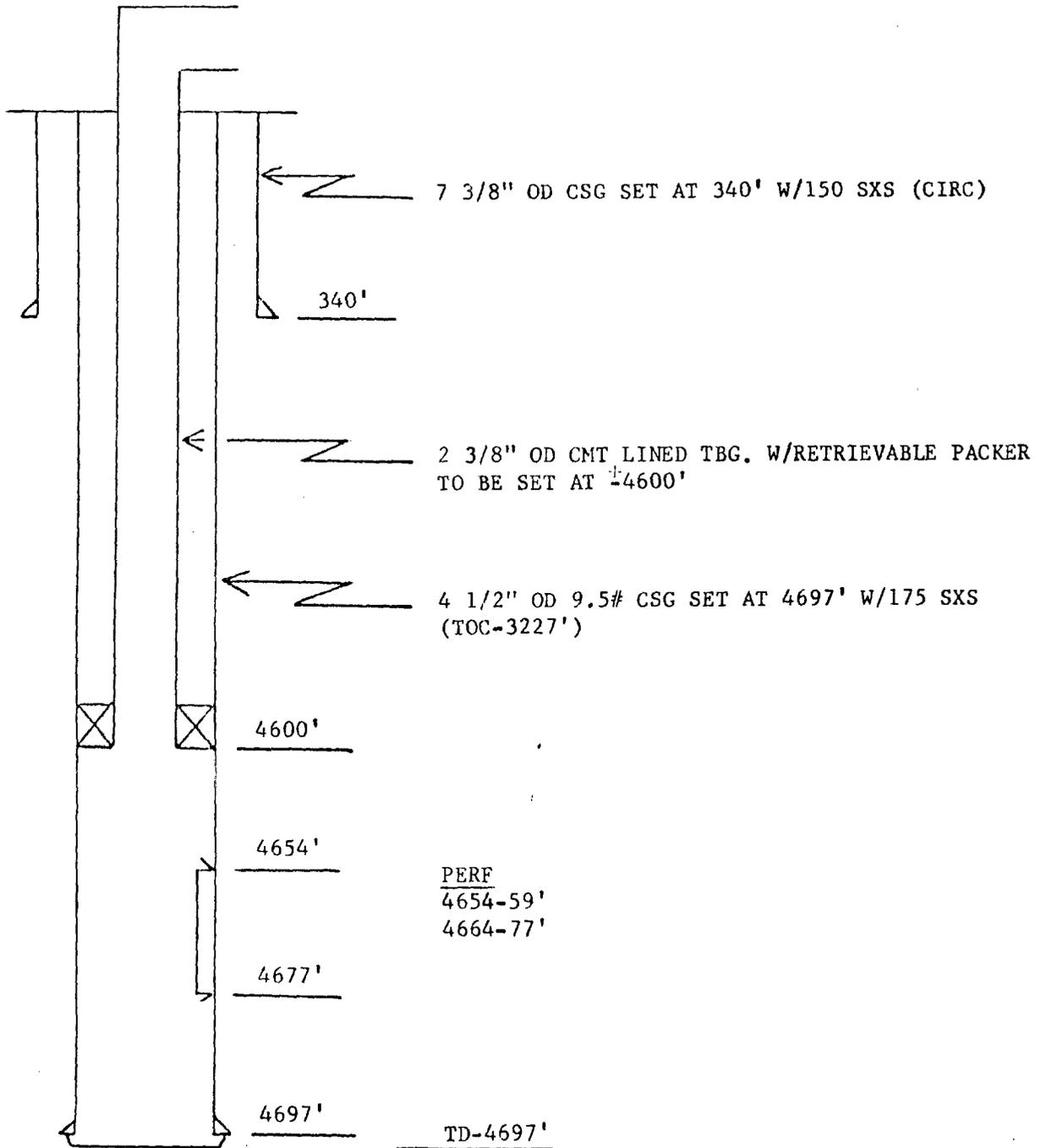
CONTINENTAL - WILDER NO. 9

Unit B, 660' FNL & 1980' FEL  
Section 25, T-26S, R-32E  
Lea County, New Mexico  
Elev. - 3119'  
3130'



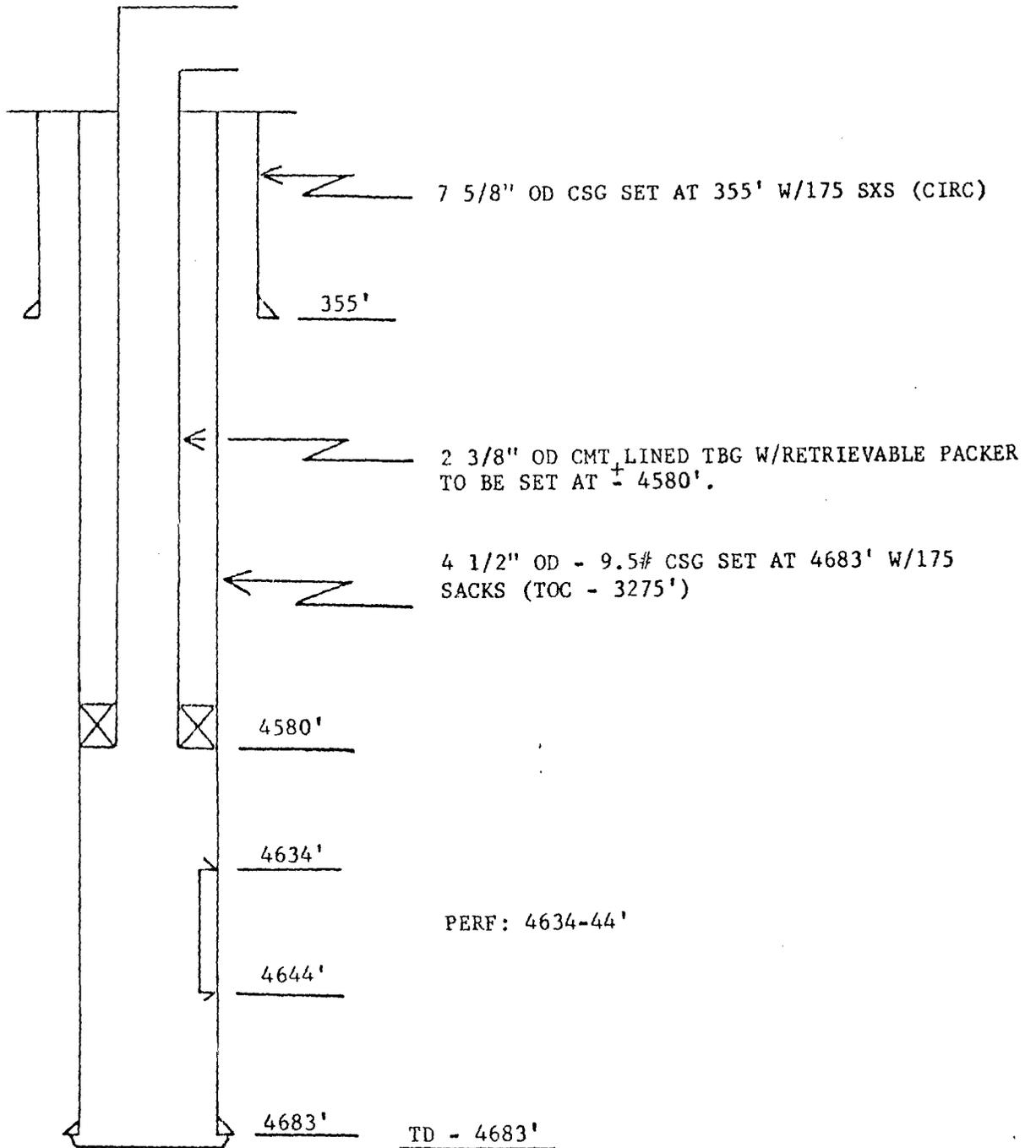
CONTINENTAL - WILDER NO. 10

Unit H, 1980' FNL & 660' FEL  
Section 25, T-26S, R-32E  
Lea County, New Mexico  
Elev. - 3119' GL  
3130' DF



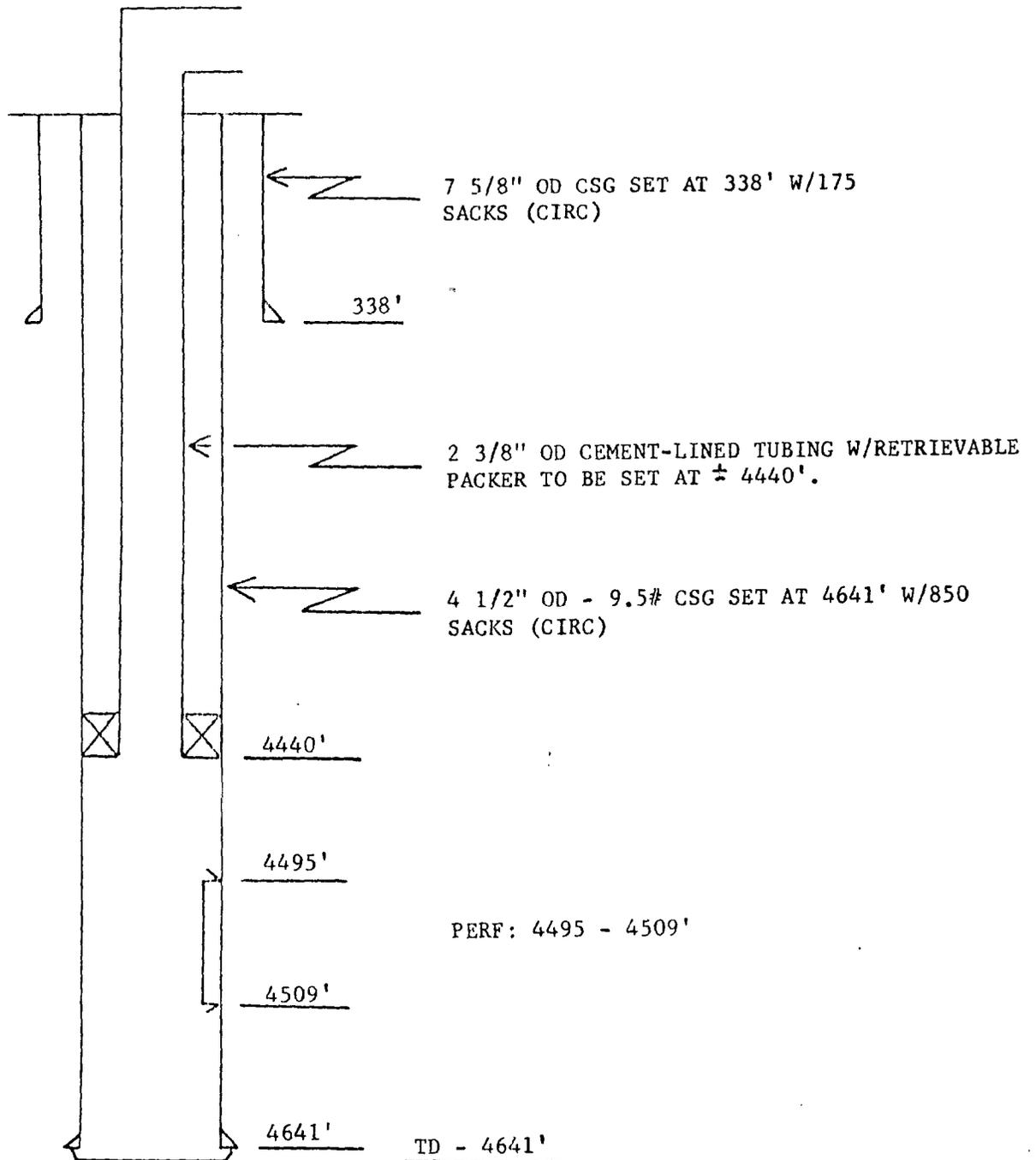
CONTINENTAL - WILDER NO. 12

Unit P, 660' FSL & 660' FEL.  
Section 25, T-26S, R-32E  
Lea County, New Mexico  
Elev. - 3102' GL  
3113' DF



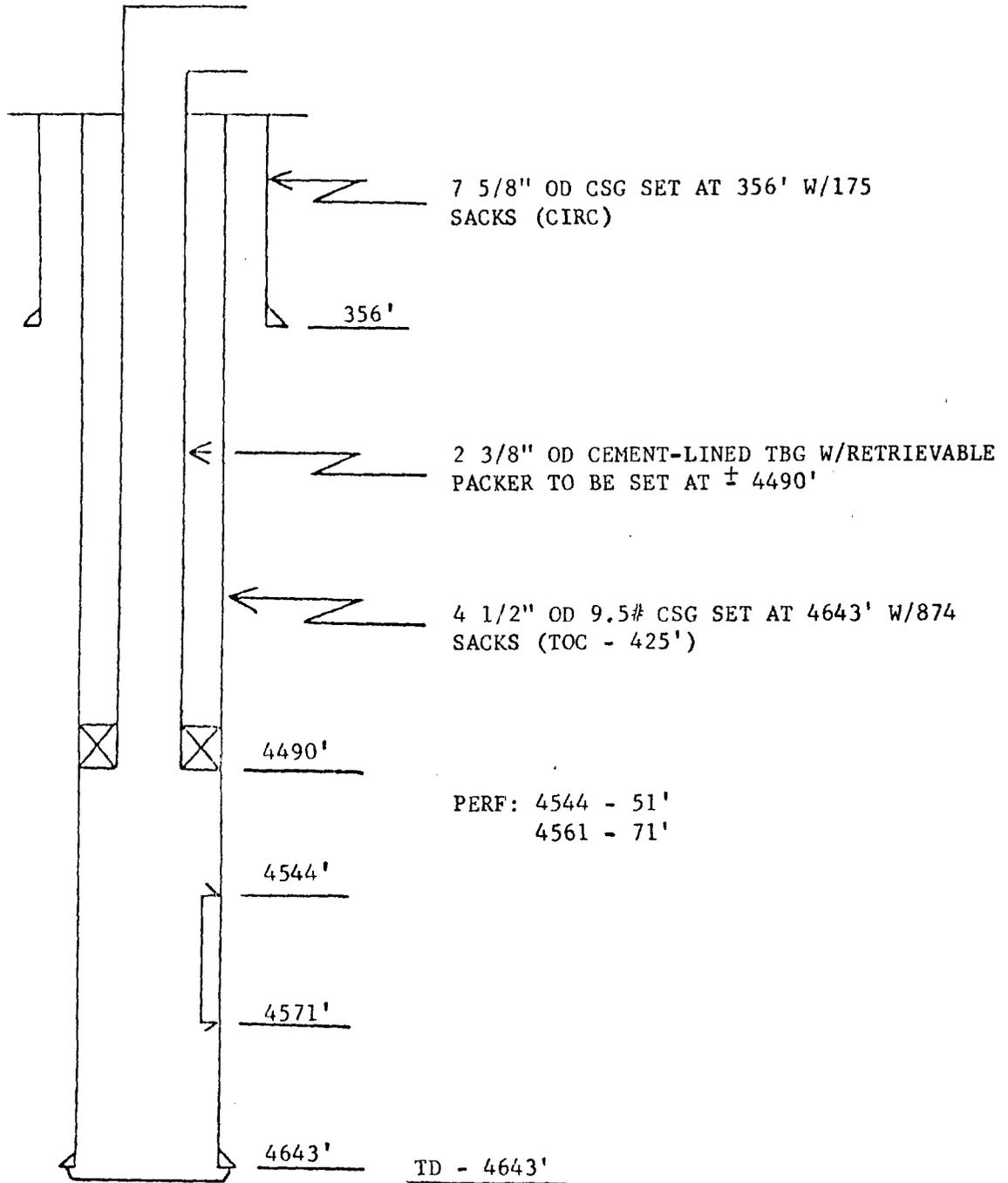
CONTINENTAL - WILDER NO. 19

Unit N, 660' FSL & 1980' FWL  
Section 26, T-26S, R-32E  
Lea County, New Mexico  
Elev - 3098' GL  
- 3109' DF



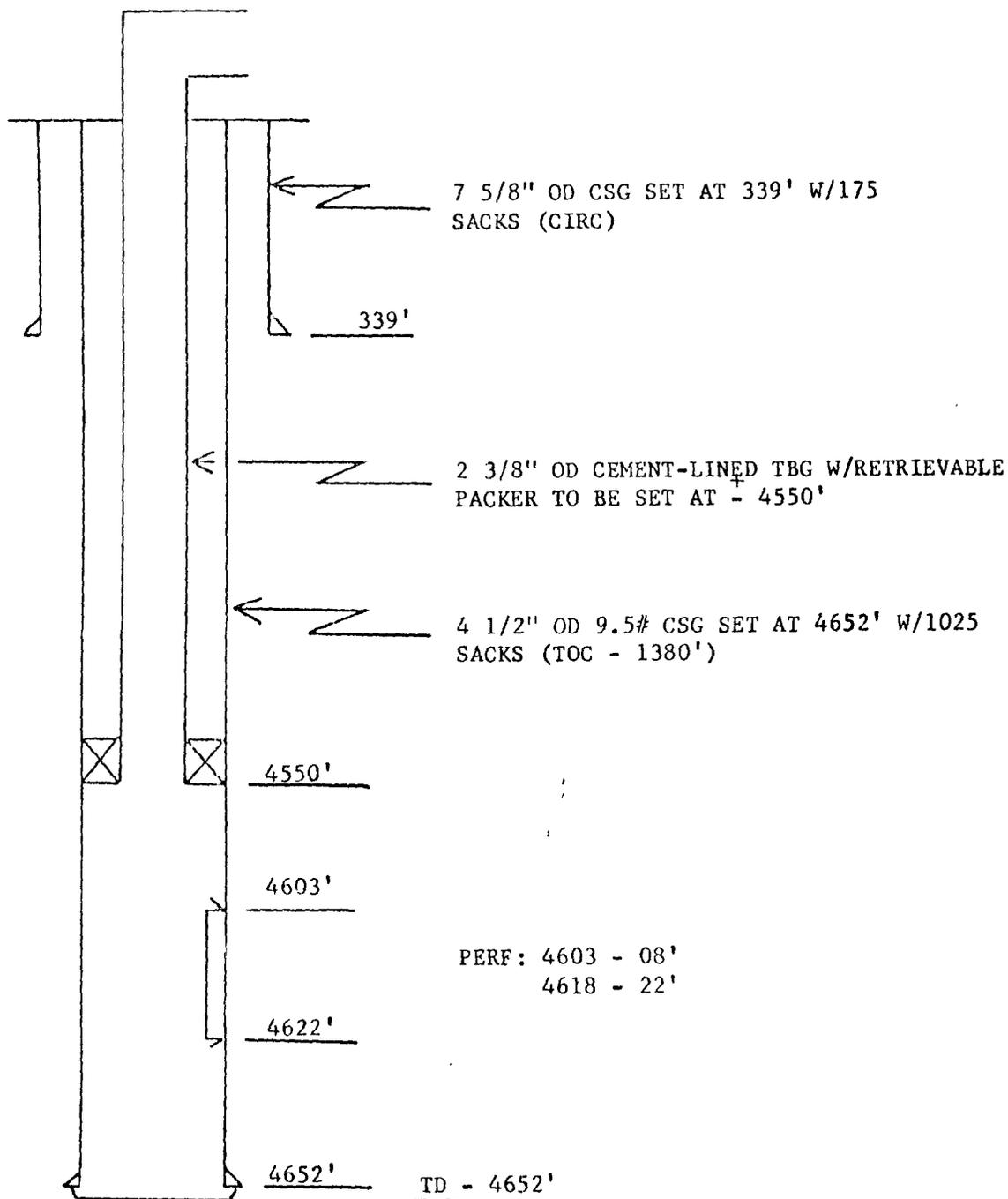
CONTINENTAL - WILDER NO. 20

Unit J, 1980' FSL & 1980' FEL  
Section 26, T-26S, R-32E  
Lea County, New Mexico  
Elev - 3101' GL  
- 3112' DF



CONTINENTAL - WILDER NO. 21

Unit H, 1980' FNL & 660' FEL  
Section 26, T-26S, R-32E  
Lea County, New Mexico  
Elev - 3110' GL  
- 3121' DF



CONTINENTAL - WILDER NO. 23

Unit D, 990' FNL & 990' FWL  
Section 25, T-26S, R-32E  
Lea County, New Mexico  
Elev - 3122' GL  
- 3133' DF

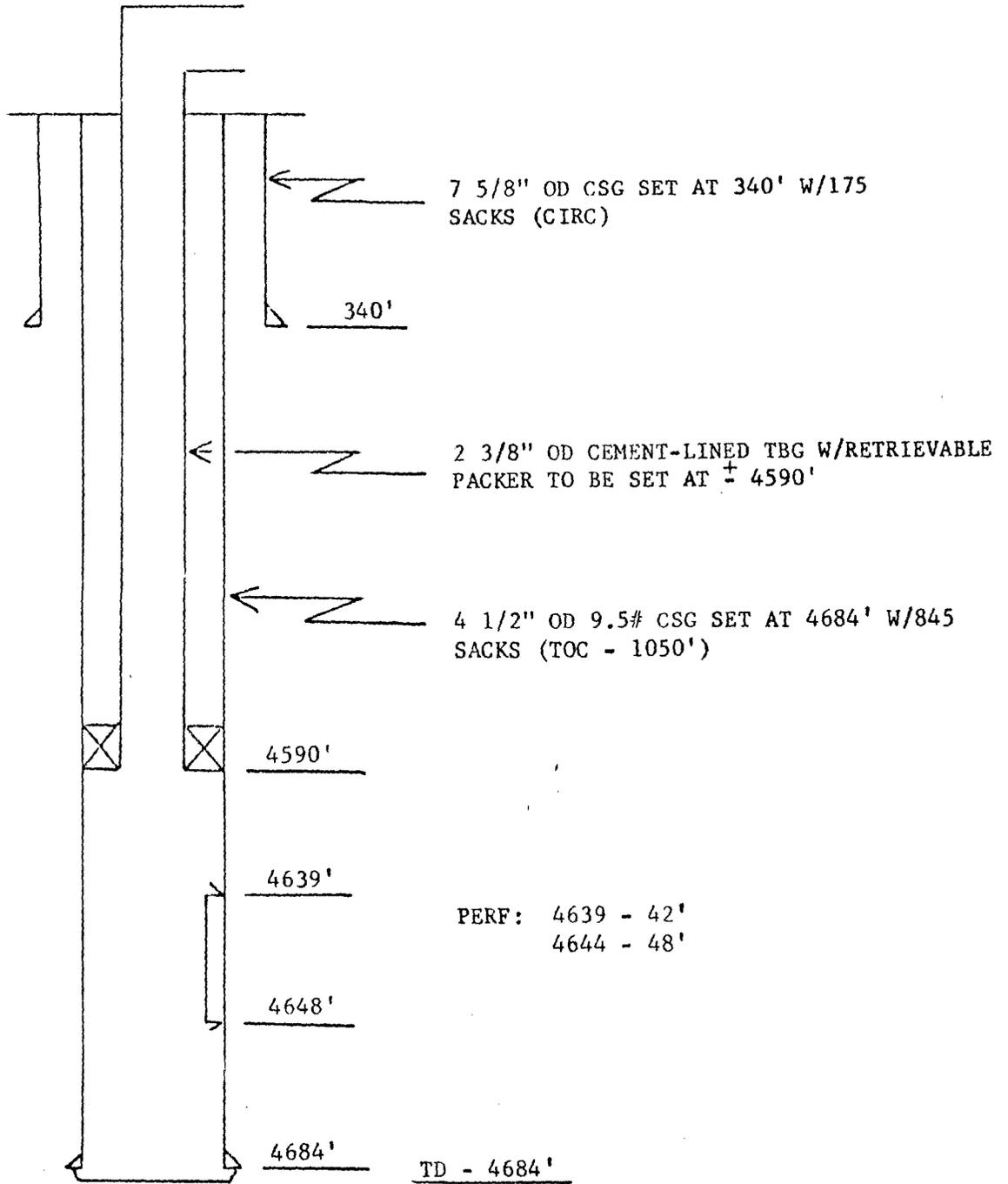
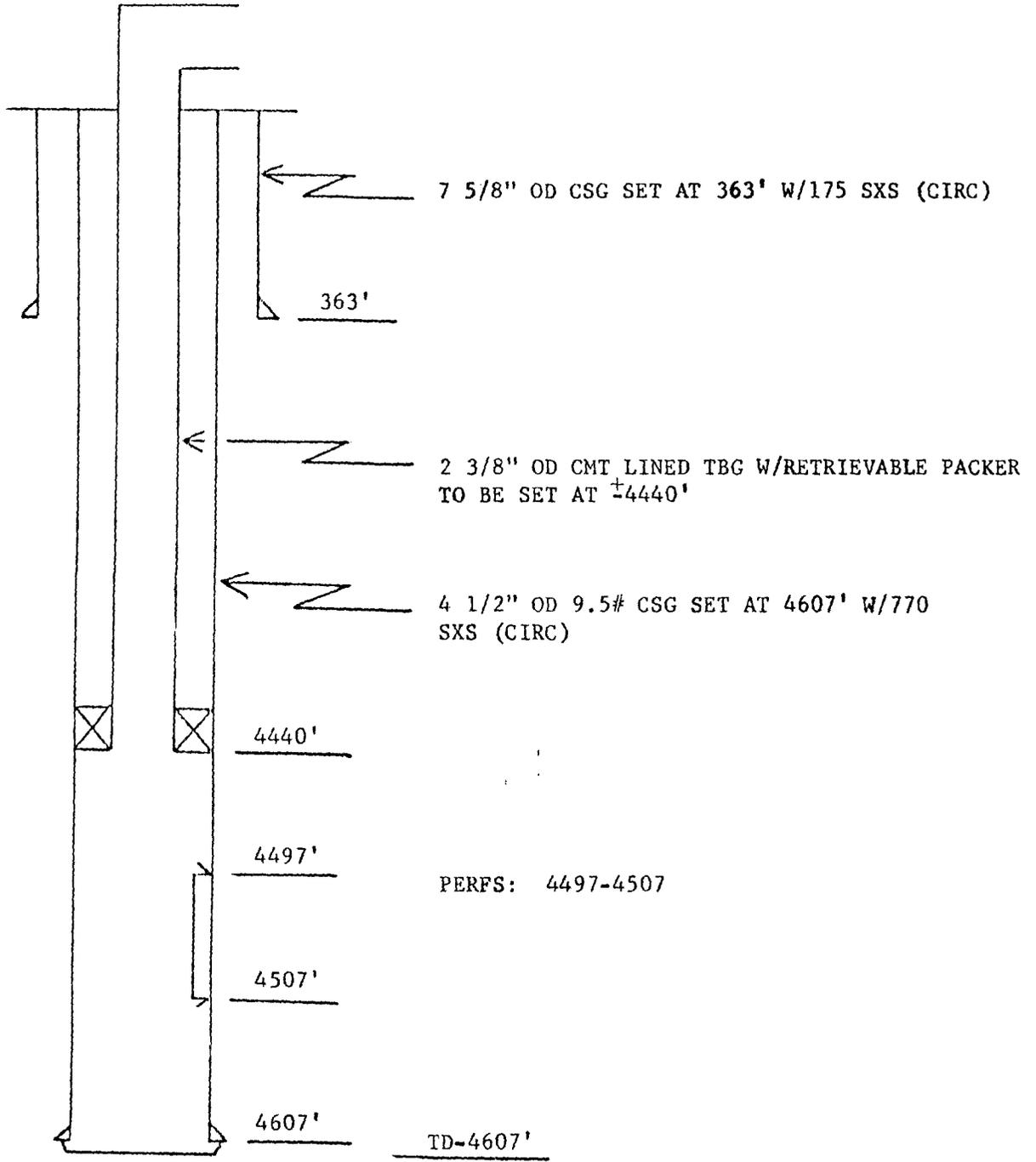


EXHIBIT 4-R

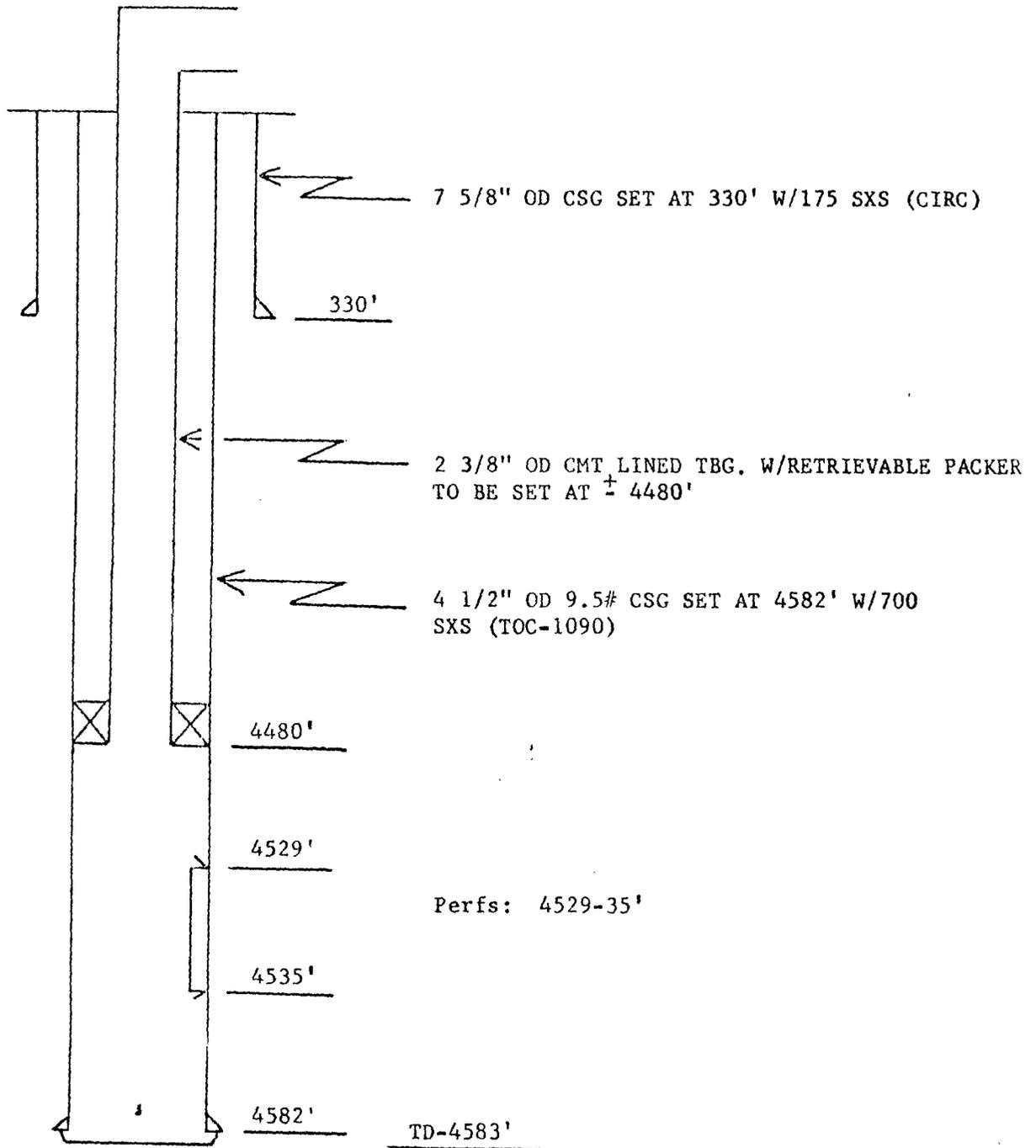
CONTINENTAL - WILDER NO. 24

Unit L, 1980' FSL & 660' FWL  
Section 26, T-26S, R-32E  
Lea County, New Mexico  
Elev. - 3093' GL  
3104' DF



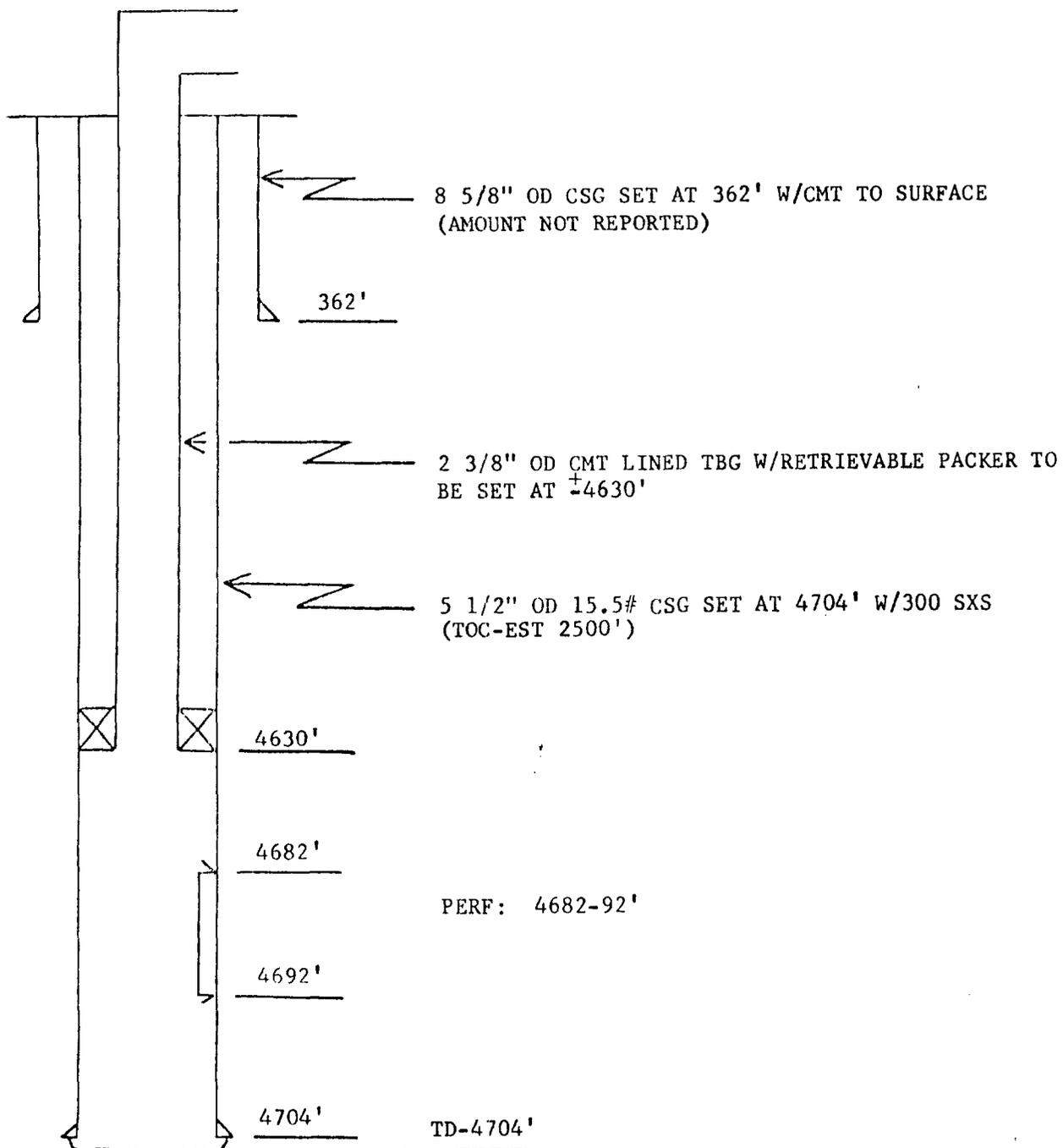
CONTINENTAL - WILDER NO. 27

Unit F, 1980' FNL & 1980' FWL  
Section 26, T-26S, R-32E  
Lea County, New Mexico  
Elev. - 3109' GL  
3120' DF

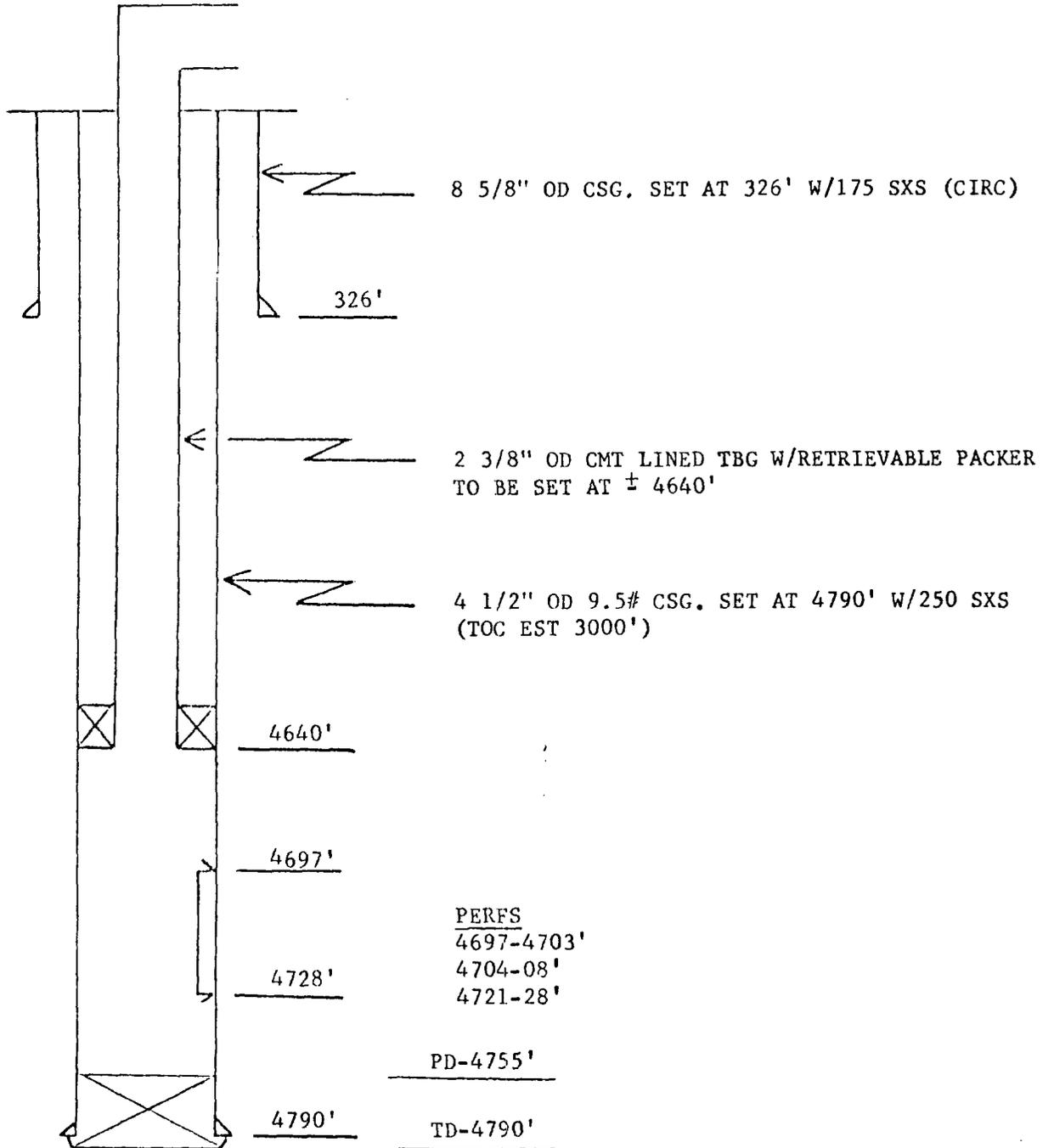


PENROSE-BROWN FEDERAL NO. 1

Unit D, 990' FNL & 330' FWL  
Section 30, T-26S, R-33E  
Lea County, New Mexico  
Elev. - 3145' DF

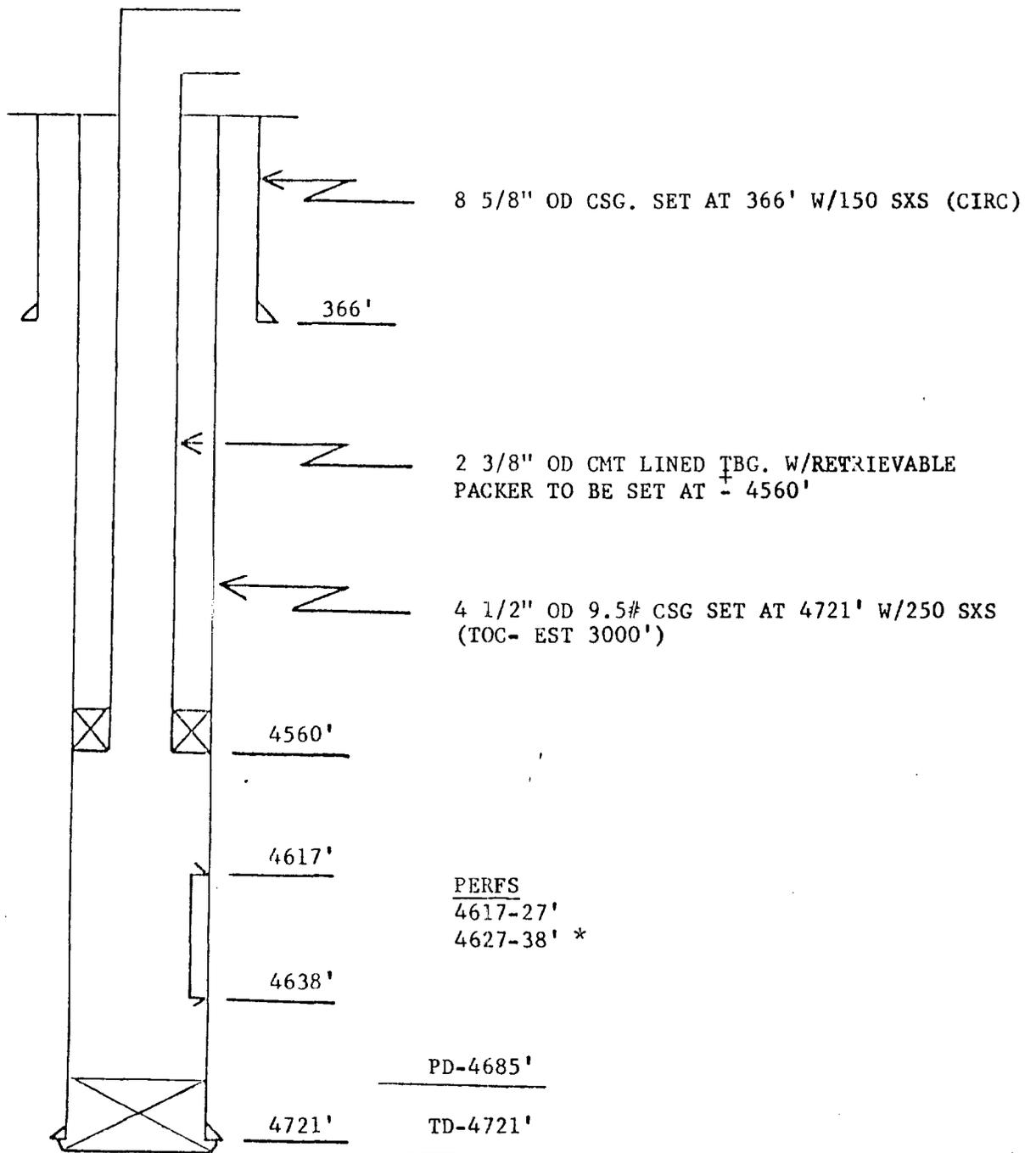


TENNECO - GULF FEDERAL NO. 1  
 UNIT P, 660' FSL & 660' FEL  
 SECTION 24, T-26S, R-32E  
 Lea County, NM  
 ELEV. 3149' DF  
 3139' GL



TENNECO - STATE 36 NO. 3

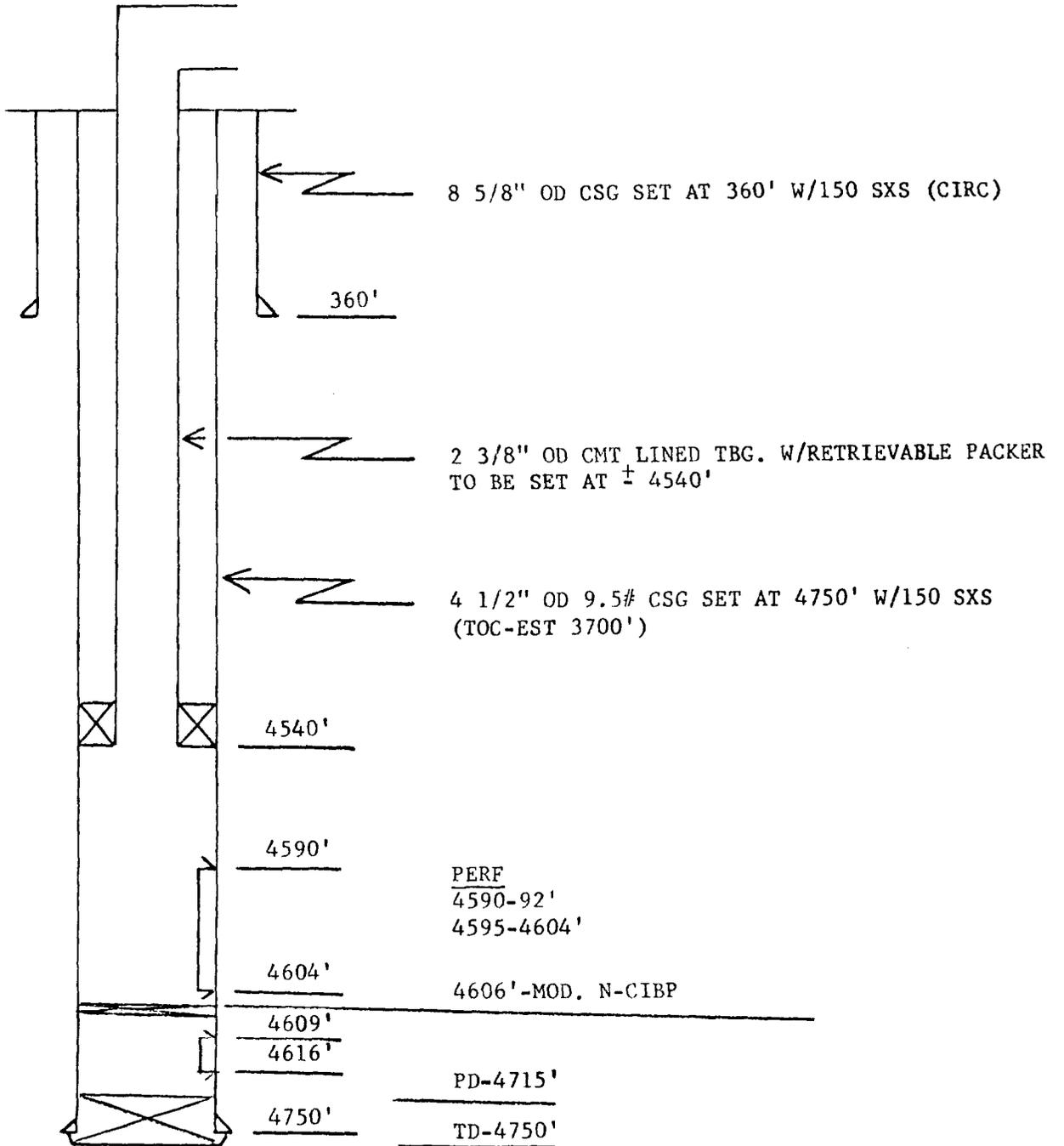
UNIT B - 543.6' FNL & 1448' FEL  
SEC. 36, T-26S, R-32E  
Lea County, New Mexico  
Elev. - 3115' DF  
3108 BHF



\* SUBSEQUENT REPORT TO NMOCC SHOWED PERF 4627-83' (PROBABLY 4627-38')

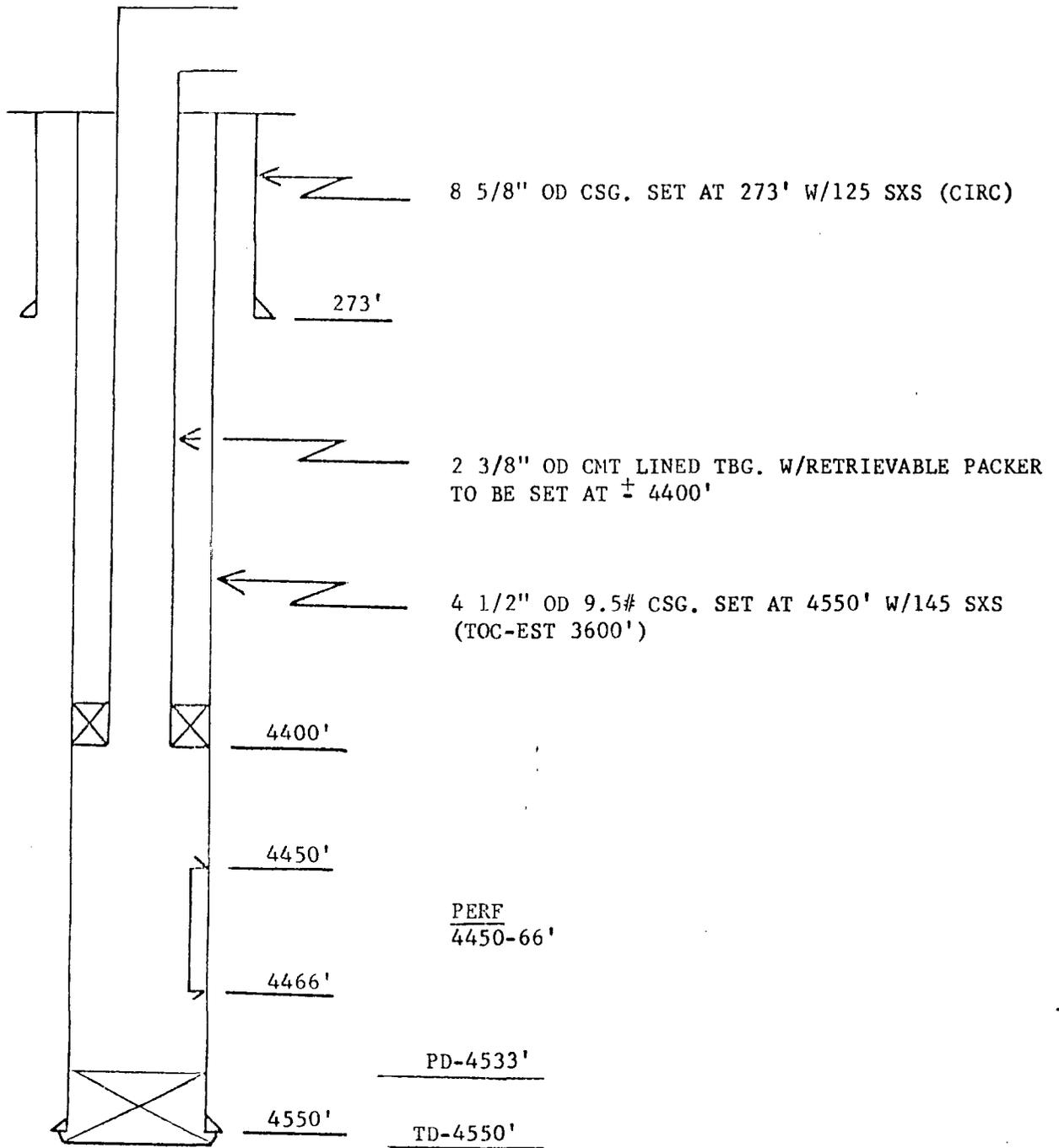
TENNECO - STATE 36 NO. 5

UNIT F, 543' FSL & 2108' FWL  
SECTION 36, T-26S, R-32E  
LEA COUNTY, NEW MEXICO  
ELEV. - 3097' BHF  
3102' DF



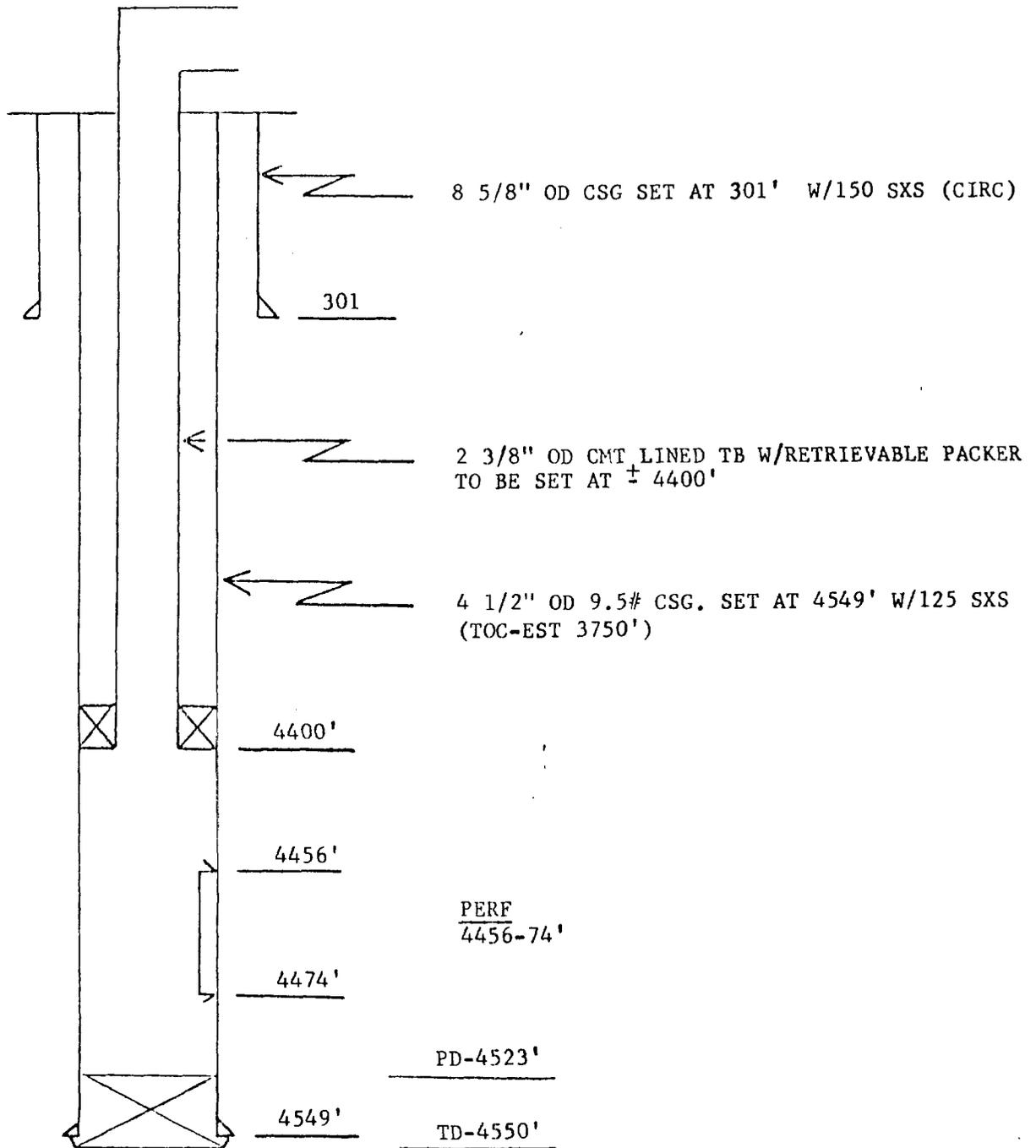
TEXACO - ELLIOTT FEDERAL NO. 1

UNIT H, 330' FSL & 330' FEL  
SECTION 34 - T-26S, R-32E  
LEA COUNTY, NEW MEXICO  
ELEV. 3101 GL



TEXACO - ELLIOTT FEDERAL NO. 3

UNIT P, 330' FSL & 330' FEL  
SECTION 27, T-26S, R-32E  
Lea County, New Mexico  
ELEV. 3110' GL  
3119' DF



Unit Name NORTH EL-MAR UNIT (WATERFLOOD)  
 Operator CONTINENTAL OIL COMPANY  
 County LEA

5060

DATE APPROVED Commissioner October 18, 1973 September 13, 1973 11-1-73 11-1-73

OCC CASE NO. 5060 5060

OCC ORDER NO. R-4629 R-4629

EFFECTIVE DATE 11-1-73 11-1-73

TOTAL ACREAGE 2,361.13 2,361.13

STATE 259.76 259.76

FEDERAL 2,101.37 2,101.37

INDIAN-FEE -0- -0-

SEGREGATION CLAUSE Yes Yes

TERM 5 Yrs. 5 Yrs.

UNIT AREA

TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPM

- Section 24: S/2SE/4
- Section 25: All
- Section 26: NE/4NE/4, S/2NE/4, SE/4NW/4, and S/2
- Section 27: SE/4SE/4
- Section 34: N/2NE/4 and Lots 3 and 4
- Section 35: N/2N/2 and Lots 1 through 4
- Section 36: N/2N/2 and Lots 1 through 4

TOWNSHIP 26 SOUTH, RANGE 33 EAST, NMPM

- Section 19: SW/4SW/4
- Section 30: NW/4NW/4, S/2NW/4, and SW/4
- Section 31: E/2 NW/4 and Lots 1 and 2

Unit Name NORTH EL-MAR UNIT (WATERFLOOD)  
 Operator CONTINENTAL OIL COMPANY  
 County LEA

DATE	OCC CASE NO.	5060	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.	R-4629	11-1-73	2,361.13	259.76	2,101.37	-0-	Yes	5 Yrs.
Commissioner	September 13, 1973								
October 18, 1973									

UNIT AREA

TOWNSHIP 26 SOUTH, RANGE 32 EAST, NMPM

- Section 24: S/2SE/4
- Section 25: A11
- Section 26: NE/4NE/4, S/2NE/4, SE/4NW/4, and S/2
- Section 27: SE/4SE/4
- Section 34: N/2NE/4 and Lots 3 and 4
- Section 35: N/2N/2 and Lots 1 through 4
- Section 36: N/2N/2 and Lots 1 through 4

TOWNSHIP 26 SOUTH, RANGE 33 EAST, NMPM

- Section 19: SW/4SW/4
- Section 30: NW/4NW/4, S/2NW/4, and SW/4
- Section 31: E/2 NW/4 and Lots 1 and 2