

Union Oil and Gas Division: Central Region

Union Oil Company of California  
500 North Marienfeld, Midland, Texas 79701  
Telephone (915) 682-9731



Midland District

August 2, 1978

Area Oil and Gas Supervisor  
United States Geological Survey  
P. O. Box 1857  
Roswell, New Mexico 88201

Attention: Mr. Jim Gillham

Gentlemen:

*no. 6182*

Laguna Deep Unit  
Lea County, New Mexico

This will confirm my recent telephone conversation with you with reference to the captioned unit and my letter dated June 1, 1978.

This is to advise that my letter, dated June 1, 1978, should be amended as follows: Under the fourth paragraph, last line, that reads, "We are not submitting Ratification and Joinders executed by the following: . . ." sub-paragraph 5) should be added--

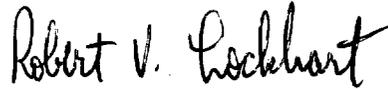
5) Tract 14. Mark Smith and wife, Annie Lora Smith; Kenneth Mark Smith & wife Patsy Lou Smith; William C. Smith & wife, Nancy Jean Smith; Lora Nell Glenn & husband, William Jeff Glenn, owners of a 18.75% royalty interest are not being requested to commit to the Unit Agreement. Union is committing this interest to the Unit Agreement by virtue of the language contained in paragraph 5 of our lease. Copy of lease, recorded in Book 304, Page 260, Lea County, New Mexico record, attached for your consideration.

Area Oil and Gas Supervisor  
August 2, 1978  
Page 2

Thank you for your help and consideration in this matter.

Very truly yours,

UNION OIL COMPANY OF CALIFORNIA



Robert V. Lockhart  
District Land Manager

Encl.

hhg

cc: ✓ State of New Mexico  
Oil Conservation Commission  
P. O. Box 1148  
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey

State of New Mexico  
Commissioner of Public Lands  
P. O. Box 1148  
Santa Fe, New Mexico 87501

Attention: Mr. Ray D. Graham

# OIL & GAS LEASE

THIS AGREEMENT made this 4th day of June, 1977, between Mark Smith and Annie Lora Smith, his wife; Kenneth Mark Smith and Patsy Lou Smith, his wife; William C. Smith and Nancy Jean Smith, his wife; Lora Nell Glenn and William Jeff Glenn, her husband. of Lovington, New Mexico (Post Office Address)

herein called lessor (whether one or more) and UNION OIL COMPANY OF CALIFORNIA, lessee:

1. Lessor, in consideration of TEN AND OTHER DOLLARS in hand paid, receipt of which is here acknowledged, and of the royalties herein provided and of the agreements of the lessee herein contained, hereby grants, leases and lets exclusively unto lessee for the purpose of investigating, exploring, prospecting, drilling, and operating for and producing oil and gas, injecting gas, waters, other fluids, and air into subsurface strata, laying pipe lines, storing oil, building tanks, roadways, telephone lines, and other structures and things thereon to produce, save, take care of, treat, process, store and transport said minerals, the

following described land in Lea County, New Mexico, to-wit:

Township 19 South, Range 33 East, N.M.P.M.

**Section: 25 SW/4**

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160.00 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of 3 years from ~~XXX~~ December 20, 1977 (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected; (b) on gas, including casinghead gas and all gaseous substances, produced from said land and sold or used off the premises or in the manufacture of gasoline or other products therefrom, the market value at the mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

4. If operations for drilling are not commenced on said land or on land pooled therewith on or before one (1) year from ~~XXX~~ December 20, 1977 this lease shall terminate

as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment

or tender may be made to the lessor or to the credit of the lessor in the Liberty National Bank

at Lovington, New Mexico, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or denominations shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard production unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit. Lessee is further granted the right and power to commit this lease as to all or any portion of the above described lands or horizons thereof to any unit agreement for the purpose of conserving the natural resources of any oil or gas pool, field or area covered thereby; provided, such unit agreement contains usual and customary provisions for the allocation of oil and gas produced from the unit area and such unit agreement embraces lands of either the United States or State of New Mexico or both, and the form of unit agreement has been approved by either the United States Geological Survey or Commissioner of Public Lands or both and the New Mexico Oil Conservation Commission, and upon such commitment the provisions of this lease shall be conformed to the unit agreement.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or if it be within the primary term commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

7. Lessee shall have free use of oil, gas and water from said land, except water from lessor's wells and tanks, for all operations hereunder, and the royalty shall be computed after deducting any so used. Lessee shall have the right at any time during or after the expiration of this lease to remove all property and fixtures placed by lessee on said land, including the right to draw and remove all casing. When required by lessor, lessee will bury all pipe lines on cultivated lands below ordinary plow depth, and no well shall be drilled within two hundred feet (200 ft.) of any residence or burn now on said land without lessor's consent. Lessor shall have the privilege, at his risk and expense, of using gas from any gas well on said land for stoves and inside lights in the principal dwelling thereon, out of any surplus gas not needed for operations hereunder.

8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with acceptable instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not affect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warrants, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

SEE ATTACHED SIGNATURE RIDER

Executed the day and year first above written.

For the purpose of calculating the rental payments hereinafter provided for, said land is estimated to comprise 160.00 acres, whether it actually comprises more or less.

2. Subject to the other provisions herein contained, this lease shall remain in force for a term of 3 years from XXXX December 20, 1977 (called "primary term"), and as long thereafter as oil or gas, is produced from said land or land with which said land is pooled.

3. The royalties to be paid by lessee are: (a) on oil, and on other liquid hydrocarbons saved at the well, 3/16 of that produced and saved from said land, same to be delivered at the wells or to the credit of lessor in the pipe line to which the wells may be connected, the gas, including casinghead gas and all casinghead substances, produced from said land and sold or used off the premises, or in the manufacture of gasoline or other products therefrom, the market value at the mouth of the well of 3/16 of the gas so sold or used, provided that on gas sold at the wells the royalty shall be 3/16 of the amount realized from such sale; (c) and at any time when this lease is not validated by other provisions hereof and there is a gas and/or condensate well on said land, or land pooled therewith, but gas and/or condensate is not being so sold or used and such well is shut in, either before or after production therefrom, then on or before 90 days after said well is shut in, and thereafter at annual intervals, lessee may pay or tender an advance annual shut-in royalty equal to the amount of delay rentals provided for in this lease for the acreage then held under this lease by the party making such payment or tender, and so long as said shut-in royalty is paid or tendered this lease shall not terminate and it will be considered under all clauses hereof that gas is being produced from the leased premises in paying quantities. Each such payment shall be paid or tendered to the party or parties who at the time of such payment would be entitled to receive the royalties which would be paid under this lease if the well were in fact producing, or be paid or tendered to the credit of such party or parties in the depository bank and in the manner hereinafter provided for the payment of rentals.

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as to both parties, unless on or before one (1) year from this date lessee shall pay or tender to the lessor a rental of \$ 160.00 which shall cover the privilege of deferring commencement of such operations for a period of twelve (12) months. In like manner and upon like payments or tenders, annually, the commencement of said operations may be further deferred for successive periods of twelve (12) months each during the primary term. Payment or tender may be made to the lessor or to the credit of the lessor in the Liberty National Bank

at Lovington, New Mexico, which bank, or any successor thereof, shall continue to be the agent for the lessor and lessor's heirs and assigns. If such bank (or any successor bank) shall fail, liquidate, or be succeeded by another bank, or for any reason shall fail or refuse to accept rental, lessee shall not be held in default until thirty (30) days after lessor shall deliver to lessee a recordable instrument making provision for another acceptable method of payment or tender, and any depository charge is a liability of the lessor. The payment or tender of rental may be made by check or draft of lessee, mailed or delivered to said bank or lessor, or any lessor if more than one, on or before the rental paying date. Any timely payment or tender of rental or shut-in royalty which is made in a bona fide attempt to make proper payment, but which is erroneous in whole or in part as to parties, amounts, or depositories shall nevertheless be sufficient to prevent termination of this lease in the same manner as though a proper payment had been made; provided, however, lessee shall correct such error within thirty (30) days after lessee has received written notice thereof by certified mail from lessor together with such instruments as are necessary to enable lessee to make proper payment.

5. Lessee is hereby granted the right and power, from time to time, to pool or combine this lease, the land covered by it or any part or horizon thereof with any other land, lease, leases, mineral estates or parts thereof for the production of oil or gas. Units pooled hereunder shall not exceed the standard proration unit fixed by law or by the New Mexico Oil Conservation Commission or by other lawful authority for the pool or area in which said land is situated, plus a tolerance of 10%. Lessee shall file written unit designations in the county in which the premises are located and such units may be designated from time to time and either before or after the completion of wells. Drilling operations on or production from any part of any such unit shall be considered for all purposes, except the payment of royalty, as operations conducted upon or production from the land described in this lease. There shall be allocated to the land covered by this lease included in any such unit that portion of the total production of pooled minerals from wells in the unit, after deducting any used in lease or unit operations, which the number of surface acres in the land covered by this lease included in the unit bears to the total number of surface acres in the unit. The production so allocated shall be considered for all purposes, including the payment or delivery of royalty, to be the entire production of pooled minerals from the portion of said land covered hereby and included in said unit in the same manner as though produced from said land under the terms of this lease. Any pooled unit designated by lessee, as provided herein, may be dissolved by lessee by recording an appropriate instrument in the County where the land is situated at any time after the completion of a dry hole or the cessation of production on said unit. Lessee is further granted the right and power to commit this lease as to all or any portion of the above described lands or horizons thereof to any unit agreement for the purpose of conserving the natural resources of any oil or gas pool, field or area covered thereby; provided, such unit agreement contains usual and customary provisions for the allocation of oil and gas produced from the unit area and such unit agreement embraces lands of either the United States or State of New Mexico or both, and the form of unit agreement has been approved by either the United States Geological Survey or Commissioner of Public Lands or both and the New Mexico Oil Conservation Commission, and upon such commitment the provisions of this lease shall be conformed to the unit agreement.

6. If prior to the discovery of oil or gas hereunder, lessee should drill and abandon a dry hole or holes hereunder, or if after discovery of oil or gas the production thereof should cease for any cause, this lease shall not terminate if lessee commences reworking or additional drilling operations within 60 days thereafter and diligently prosecutes the same, or (if it be within the primary term) commences or resumes the payment or tender of rentals or commences operations for drilling or reworking on or before the rental paying date next ensuing after the expiration of three months from date of abandonment of said dry hole or holes or the cessation of production. If at the expiration of the primary term oil or gas is not being produced but lessee is then engaged in operations for drilling or reworking of any well, this lease shall remain in force so long as such operations are diligently prosecuted with no cessation of more than 60 consecutive days. If during the drilling or reworking of any well under this paragraph, lessee loses or junks the hole or well and after diligent efforts in good faith is unable to complete said operations then, within 30 days after the abandonment of said operations lessee may commence another well and drill the same with due diligence. If any drilling, additional drilling, or reworking operations hereunder result in production, then this lease shall remain in full force so long thereafter as oil or gas is produced hereunder.

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8. The rights of either party hereunder may be assigned in whole or in part and the provisions hereof shall extend to the heirs, executors, administrators, successors and assigns; but no change or division in the ownership of the land, or in the ownership of or right to receive rentals, royalties or payments, however accomplished shall operate to enlarge the obligations or diminish the rights of lessee; and no such change or division shall be binding upon lessee for any purpose until 30 days after lessee has been furnished by certified mail at lessee's principal place of business with accusatory instruments or certified copies thereof constituting the chain of title from the original lessor. If any such change in ownership occurs through the death of the owner, lessee may pay or tender any rentals, royalties or payments to the credit of the deceased or his estate in the depository bank until such time as lessee has been furnished with evidence satisfactory to lessee as to the persons entitled to such sums. In the event of an assignment of this lease as to a segregated portion of said land, the rentals payable hereunder shall be apportioned as between the several leasehold owners ratably according to the surface area of each, and default in rental payment by one shall not affect the rights of other leasehold owners hereunder. An assignment of this lease, in whole or in part, shall, to the extent of such assignment, relieve and discharge lessee of any obligations hereunder, and, if lessee or assignee of part or parts hereof shall fail or make default in the payment of the proportionate part of the rentals due from such lessee or assignee or fail to comply with any other provision of the lease, such default shall not effect this lease in so far as it covers a part of said lands upon which lessee or any assignee thereof shall so comply or make such payments. Rentals as used in this paragraph shall also include shut-in royalty.

9. Should lessee be prevented from complying with any express or implied covenant of this lease, or from conducting drilling or reworking operations hereunder, or from producing oil or gas hereunder by reason of scarcity or inability to obtain or use equipment or material, or by operation of force majeure, or by any Federal or state law or any order, rule or regulation of governmental authority, then while so prevented, lessee's duty shall be suspended, and lessee shall not be liable for failure to comply therewith; and this lease shall be extended while and so long as lessee is prevented by any such cause from conducting drilling or reworking operations on or from producing oil or gas hereunder; and the time while lessee is so prevented shall not be counted against lessee, anything in this lease to the contrary notwithstanding.

10. Lessor hereby warrants and agrees to defend the title to said land, and agrees that lessee, at its option, may discharge any tax, mortgage, or other lien upon said land, and in the event lessee does so, it shall be subrogated to such lien with the right to enforce same and apply rentals and royalties accruing hereunder toward satisfying same. Without impairment of lessee's rights under the warranty, if this lease covers a less interest in the oil or gas in all or any part of said land than the entire and undivided fee simple estate (whether lessor's interest is herein specified or not) then the royalties, shut-in royalty, rental, and other payments, if any, accruing from any part as to which this lease covers less than such full interest, shall be paid only in the proportion which the interest therein, if any, covered by this lease, bears to the whole and undivided fee simple estate therein. Should any one or more of the parties named above as lessors fail to execute this lease, it shall nevertheless be binding upon the party or parties executing the same.

11. Lessee, its/heir successors, heirs and assigns, shall have the right at any time to surrender this lease, in whole or in part, to lessor or his heirs, successors, and assigns by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the county in which said land is situated; thereupon lessee shall be relieved from all obligations, expressed or implied, of this agreement as to acreage so surrendered, and thereafter the rentals and shut-in royalty payable hereunder shall be reduced in the proportion that the acreage covered hereby is reduced by said release or releases.

SEE ATTACHED SIGNATURE RIDER

Executed the day and year first above written.

Mark Smith  
Mark Smith

Annie Lora Smith  
Annie Lora Smith

Kenneth Mark Smith  
Kenneth Mark Smith

Patsy Lou Smith  
Patsy Lou Smith

William C. Smith  
William C. Smith

Nancy Jean Smith  
Nancy Jean Smith

Lora Neil Glenn  
Lora Neil Glenn

William Earl Glenn  
William Earl Glenn

STATE OF NEW MEXICO,

County of Lea

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 23rd day of June

19 77 by Mark Smith and wife, Annie Lora Smith

My Commission expires May 22, 19 78

Virginia Spears  
Notary Public

STATE OF NEW MEXICO,

County of Lea

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 23rd day of June

19 77 by Kenneth Mark Smith and wife, Patsy Lou Smith

My Commission expires May 22, 19 78

Virginia Spears  
Notary Public

STATE OF NEW MEXICO,

County of Lea

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 23rd day of June

19 77 by William C. Smith and wife, Nancy Jean Smith

My Commission expires May 22, 19 78

Virginia Spears  
Notary Public

STATE OF NEW MEXICO,

County of Lea

INDIVIDUAL ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this 10th day of June

19 77 by Lore Nell Glenn and her husband, William Jeff Glenn

My Commission expires 12-18, 19 77

J. D. Fitz Roberts  
Notary Public

No. ....

OIL AND GAS LEASE  
NEW MEXICO

FROM

TO

Date: \_\_\_\_\_, 19\_\_\_\_

Section: \_\_\_\_\_, Township: \_\_\_\_\_, Range: \_\_\_\_\_

No. of Acres: \_\_\_\_\_

County, New Mexico

Term: \_\_\_\_\_

STATE OF NEW MEXICO

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

I hereby certify that this instrument was filed for record on the \_\_\_\_\_ day of \_\_\_\_\_, A. D., 19\_\_\_\_, at \_\_\_\_\_ o'clock \_\_\_\_\_ m., and was duly recorded in Book \_\_\_\_\_ at Page \_\_\_\_\_ of the Records of said County.

County Clerk.

By \_\_\_\_\_ Deputy.

STATE OF NEW MEXICO

County of \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

by \_\_\_\_\_, President

of \_\_\_\_\_ a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires: \_\_\_\_\_ Notary Public

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

County of \_\_\_\_\_

CORPORATION ACKNOWLEDGMENT (New Mexico Short Form)

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

by \_\_\_\_\_, President

of \_\_\_\_\_ a \_\_\_\_\_ corporation on behalf of said corporation.

My Commission Expires: \_\_\_\_\_ Notary Public



# United States Department of the Interior

GEOLOGICAL SURVEY  
P. O. Box 26124  
Albuquerque, New Mexico 87125

JUN 22 1978

*No. 6182*

Union Oil Company of California  
Attention: Mr. Robert V. Lockhart  
500 North Marienfeld  
Midland, Texas 79701

Gentlemen:

One approved copy of the Laguna Deep unit agreement, Lea County, New Mexico, is enclosed. Such agreement has been assigned No. 14-08-0001-16905 and is effective as of this date, the same day as approved.

You are requested to furnish the Commissioner of Public Lands, the Oil Conservation Commission, both of New Mexico, and all other interested principals with appropriate evidence of this approval.

Sincerely yours,

(ORIG. SGD.) JAMES W. SUTHERLAND

Oil and Gas Supervisor, SRMA

Enclosure

cc:  
NMOCC, Santa Fe (ltr. only)  This Copy for  
Com. Pub. Lands, Santa Fe (ltr. only)

Union Oil and Gas Division: Central Region

Union Oil Company of California  
500 North Marienfeld, Midland, Texas 79701  
Telephone (915) 682-9731

*Rec. June 30, 1978  
og*



Midland District

June 27, 1978

State of New Mexico  
Oil Conservation Commission  
P. O. Box 1148  
Santa Fe, New Mexico 87501

Attention: Mr. Joe D. Ramey, Director

Gentlemen:

*No. 6182*

Case No. 6182  
Order No. R-5684  
Laguna Deep Unit  
Lea County, New Mexico

In connection with the captioned unit, we are enclosing the following material for your approval and file:

- 1) Xerox copy of Union Oil Company of California's letter dated June 1, 1978, to the Area Oil & Gas Supervisor, U.S.G.S., requesting final determination for the Laguna Deep Unit;
- 2) Original executed Unit Agreement signed by Union Oil Company of California on March 20, 1978, together with original ratifications signed by the following:

Working Interest Owners - Amoco Production Company  
Atlantic Richfield Company  
Gulf Oil Corporation

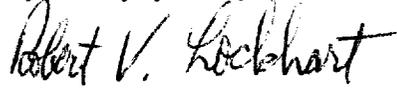
Overriding Royalty Interest Owners -  
Bakersfield Investment Trust  
Bank of America NT&SA as Trustee of the  
Charles E. Strange 1976 Trust #1  
James D. Craig and Wanda S. Craig  
William Feick, Jr., and Joan M. Feick  
Georgeanne Nilsen and Carl A. Nilsen, and  
Gwen P. Taylor  
C. E. Strange and Sherrie R. Strange

- 3) Xerox copy of U.S.G.S. letter of June 22, 1978, together with Xerox copy of Certificate-Determination reflecting subject unit was approved effective June 22, 1978.

State of New Mexico  
June 27, 1978  
Page 2

Should you require any additional information, please let us hear from you.  
Thank you for your cooperation in this matter.

Very truly yours,

A handwritten signature in cursive script that reads "Robert V. Lockhart". The signature is written in dark ink and is positioned above the typed name.

Robert V. Lockhart  
District Land Manager

RVL/bh  
Encls.

cc: W.I. Owners

Union Oil and Gas Division: Central Region

Union Oil Company of California  
500 North Marienfeld, Midland, Texas 79701  
Telephone (915) 682-9731



Midland District

June 1, 1978

Area Oil and Gas Supervisor  
United States Geological Survey  
P. O. Box 1857  
Roswell, New Mexico 88201

Dear Sir:

Laguna Deep Unit  
Lea County, New Mexico

By letter dated January 31, 1978, the Regional Conservation Manager for the Director designated 2,558.04 acres, more or less, in Lea County, New Mexico, as logically subject to exploration and development under the unitization provision of the Mineral Leasing Act, as Amended.

Enclosed for your review and final approval are: four (4) copies of the Unit Agreement for the development and operation of the Laguna Deep Unit Area, one (1) being designated as an original and executed by Union Oil Company of California; three (3) sets (original plus three (3) Xerox copies) of "Consent, Ratification and Joinder instruments which have been executed by the other Working Interest Owners with the exception designated hereinafter; and three (3) copies of the Laguna Deep Operating Agreement executed by Union Oil Company of California on March 20, 1978.

Presently 96.87261% of the working interest ownership in proposed Unit Area is committed to join in the drilling of the initial test well. Belco Petroleum Corporation owns an undivided 1/2 working interest under Tract 8, and they have elected not to join or farmout under acceptable terms to date. A copy of Belco's letter of November 1, 1977 is enclosed for your reference.

In addition to the working interest owners who have executed the Unit Agreement and the Unit Operating Agreement, we have attached "Ratification and Joinder" instruments to the Unit Agreement for the owners as shown on Unit Agreement Exhibit "B" under the various tracts in which the working interest is committed. We are not submitting Ratification and Joinders executed by the following:

- 1) Tract 1 - Virginia Willis Hess, Personal Representative of the Estate of Eugenia W. Bate, Deceased, owner of a 1½% overriding royalty interest; R.M. Hess and Virginia W. Hess, Trustees Under Agreement dated 4/10/72, owners of a 1% overriding royalty interest; Elizabeth W. Christensen and husband, Don T. Christensen, owners of a ½% overriding royalty interest;

Winifred T. Seaton, a widow, owner of a 1/2% overriding royalty interest; and Jo Ann W. Light and husband, Robert S. Light, owners of a 1/2% overriding royalty interest. All of the foregoing owners have been furnished with ratifications for their consideration. At the present time, none of these owners have returned executed instruments. We will follow up and submit these joinders when they are returned to this office.

- 2) Tract 4 - Calvin A. Mitchell and wife, Evelyn Mitchell, owners of a 4% overriding royalty interest; Leo Pollack, owner of a 1/4% overriding royalty interest; and M. A. Schofman, owner of a 3/4% overriding royalty interest. All of the foregoing owners have not been requested to join the unit since the total 5% overriding royalty interest has been previously committed by virtue of a provision in the original Assignment of lease from Mr. Calvin A. Mitchell and wife, Evelyn Mitchell, to Union Oil Company of California. The special provision committing this interest reads as follows: "Assignor's interest in said overriding royalty shall be subject to any cooperative or unit plan of operation or development approved by the Secretary of the Interior, or any communitization or other agreement for the purpose of forming a well spacing or a proration unit under the rules or regulations of the State regulatory body or other lawful authority having jurisdiction thereof, to which said lease may have heretofore or may hereafter be committed, and in such event, said overriding royalty shall be computed and paid on the basis of the oil and gas allocated to the above described land under and pursuant to the terms of any such plan of operation or development or any such agreement."
- 3) Tract 8 - Herbert A. Settles and wife, Beatrice C. Settles, owners of a 5% overriding royalty interest, are not being requested to commit to the Unit Agreement. Union is committing 1/2 of this overriding royalty interest to the Unit Agreement by virtue of the same assignment provision stated above for the owners in Tract 4. The remaining working interest owner under this tract, Belco Petroleum Corporation (50%) has refused to join in the unit or farmout, as previously advised; therefore, we are only committing 1/2 of the overriding royalty interest on this leasehold.
- 4) Tract 10 - Carol L. Teigen and husband, Theodore H. Teigen, Jr., owners of a 5% overriding royalty interest are not being requested to commit to the Unit Agreement. Union is committing this interest to the Unit Agreement by virtue of the same Assignment provision stated above for the owners in Tract 4.

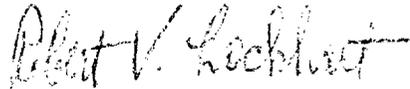
Pursuant to the request stated in the Regional Conservation Manager's letter of February 2, 1978, the Exhibit "B" to the Unit Agreement includes the latest status of all Federal acreage, showing the current record owners of all issued leases, there being no leases in application status within the unit area, and likewise, showing all current overriding royalty owners. The entire unit area of 2,558.04 acres is composed of 1,760 acres of Federal land, 638.04 acres of State land, and 160 acres of fee land.

Area Oil and Gas Supervisor  
United States Geological Survey  
June 1, 1978  
Page 3

We respectfully request your early consideration to the Unit Agreement and its final approval. We are presently attempting to obtain a suitable drilling rig to commence this project. When the Unit Agreement is approved, please return all approved copies not retained by your office to the undersigned. Thank you for your cooperation in this matter.

Very truly yours,

UNION OIL COMPANY OF CALIFORNIA



Robert V. Lockhart  
District Land Manager

RVL/bh  
Encls.



# United States Department of the Interior

GEOLOGICAL SURVEY  
P. O. Box 26124  
Albuquerque, New Mexico 87125

RECEIVED

JUN 26 1978

MIDLAND DISTRICT LAND

JUN 22 1978

Union Oil Company of California  
Attention: Mr. Robert V. Lockhart  
500 North Marienfeld  
Midland, Texas 79701

Gentlemen:

One approved copy of the Laguna Deep unit agreement, Lea County, New Mexico, is enclosed. Such agreement has been assigned No. 14-08-0001-16905 and is effective as of this date, the same day as approved.

You are requested to furnish the Commissioner of Public Lands, the Oil Conservation Commission, both of New Mexico, and all other interested principals with appropriate evidence of this approval.

Sincerely yours,

JAMES W. SUTHERLAND  
Oil and Gas Supervisor, SRMA

Enclosure



CERTIFICATION--DETERMINATION

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

A. Approve the attached agreement for the development and operation of the LAGUNA DEEP 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 JUN 22 1978.

  
Oil and Gas Supervisor, United States Geological Survey

Contract Number 14-08-0001-16905

UNIT AGREEMENT  
LAGUNA DEEP UNIT AREA  
LEA COUNTY, NEW MEXICO

TABLE OF CONTENTS

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
1	ENABLING ACT AND REGULATIONS.....	2
2	UNIT AREA.....	2
3	UNITIZED LAND AND UNITIZED SUBSTANCES.....	5
4	UNIT OPERATOR.....	5
5	RESIGNATION OR REMOVAL OF UNIT OPERATOR.....	5
6	SUCCESSOR UNIT OPERATOR.....	6
7	ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.....	7
8	RIGHTS AND OBLIGATIONS OF UNIT OPERATOR.....	8
9	DRILLING TO DISCOVERY.....	8
10	PLAN OF FURTHER DEVELOPMENT AND OPERATION.....	9
11	PARTICIPATION AFTER DISCOVERY.....	10
12	ALLOCATION OF PRODUCTION.....	12
13	DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.....	13
14	ROYALTY SETTLEMENT.....	14
15	RENTAL SETTLEMENT.....	15
16	CONSERVATION.....	15
17	DRAINAGE.....	15
18	LEASES AND CONTRACTS CONFORMED AND EXTENDED.....	15
19	COVENANTS RUN WITH LAND.....	18
20	EFFECTIVE DATE AND TERM.....	19
21	RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION.....	20
22	CONFLICT OF SUPERVISION.....	20
23	APPEARANCES.....	21
24	NOTICES.....	21
25	NO WAIVER OF CERTAIN RIGHTS.....	21
26	UNAVOIDABLE DELAY.....	21

<u>SECTION</u>	<u>TITLE</u>	<u>PAGE</u>
27	NONDISCRIMINATION.....	22
28	LOSS OF TITLE.....	22
29	NON-JOINDER AND SUBSEQUENT JOINDER.....	22
30	PROTECTION OF POTASH DEPOSITS.....	23
31	COUNTERPARTS.....	24
32	SURRENDER.....	24
33	TAXES.....	25
34	NO PARTNERSHIP.....	26

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
LAGUNA DEEP UNIT AREA  
COUNTY OF LEA  
STATE OF NEW MEXICO

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

THIS AGREEMENT entered into as of the 2nd day of February, 1978, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto".

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil and gas interests in the unit area subject to this agreement; 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 operations 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 is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) 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 Oil Conservation Commission of the State of New Mexico is authorized by an Act of the Legislature (Article 3, Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agreement and the conservation provisions hereof; and

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

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

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

1. 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 of 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 2,558.04 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all 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", or when requested by the Commissioner of Public Lands of the State of New Mexico,

hereinafter referred to as "Commissioner", and not less than five copies of

the revised exhibits shall be filed with the Supervisor, and two copies thereof shall be filed with the Commissioner, and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "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:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the Commissioner, after preliminary concurrence by the Director and the Commissioner, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, 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, the Commissioner and the Commission and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the Commissioner and the Commission evidence of mailing of the notice of expansion or contraction 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 or contraction and with appropriate joinders.

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

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular

surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto so long as such drilling operations are continued diligently with not more than 90 days time elapsing between the completion of one well and the commencement of the next 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 the Commissioner, and promptly notify all parties in interest.

If conditions warrant extension of the five and ten-year periods specified in this subsection 2(e), an extension of such periods may be accomplished by consent of the owners of 90% of the current unitized working interests and 60% of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-nonparticipating acreage basis, respectively, with approval of the Director and Commissioner not later than 60 days prior to the expiration of said five-year or ten-year periods.

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 and produced from the hereinabove specified lands committed to this agreement as to all formations at all depths lying beneath the top of the Seven Rivers formation identified at 3,443 feet in the Electric log run in the Pan American Petroleum Corporation Well No. 1 Donohue Federal located 660 feet from South and 2310 feet from East lines of Section 26, Township 19 South, Range 33 East, N.M.P.M., Lea County, New Mexico, are herein called "unitized substances".

4. UNIT OPERATOR. Union Oil Company of California 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 discovery, 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.

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

Unit Operator shall have the right to resign in like manner and subject to like limitations as above provided at any time a participating area established hereunder is in existence, but, in all instances of resignation

or removal, until a successor Unit Operator is selected and approved as herein- after provided, the working interest owners shall be jointly responsible for performance of the duties of Unit Operator, and shall, not later than 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 of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

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

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 and the Commissioner.

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

7. 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 entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement". Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts, and such other rights and obligations as between Unit Operator and 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 unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and two true copies with the Commissioner and one true copy with the Commission, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Commissioner if on State land, or by the Commission if on fee land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Silurian formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if located on Federal lands, or the Commissioner if located on State lands, or the Commission if located on fee lands, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 14,600 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal land, or the Commissioner if

on State land, or the Commission if on fee land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Supervisor and Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted. Upon failure to commence any well provided for in this section within the time allowed, including any extension of time granted by the Supervisor and the Commissioner, this agreement will automatically terminate; upon failure to continue drilling diligently any well commenced hereunder, the Supervisor and Commissioner may, after 15 days notice to the Unit Operator, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Commissioner, shall constitute the further drilling and 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 the approval of the Supervisor and the Commissioner a plan for an additional specified period for the development and operation of the unitized land.

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

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

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

Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the Commissioner and the Commission.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor and the Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor and Commissioner, the Unit Operator shall submit for approval by the Supervisor and Commissioner a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor and Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating

area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor and Commissioner. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor and Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first day of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor and Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities, but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Supervisor and Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working

interests and the Supervisor and Commissioner. Royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal land and the Commissioner for State land and the amount thereof shall be deposited, as directed by the Supervisor and Commissioner respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor as to wells drilled on Federal land and of the Commissioner as to wells drilled on State land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor and Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the

unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was last defined at the time of such final production.

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

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

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

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

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and the Unit Operator, or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations, or by the Unit Operator, 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 not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Supervisor, the Commissioner, and Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any cause, may be withdrawn from the formation in which the gas is introduced, royalty free as to dry gas, but not as to any products which may be extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as may otherwise be consented to by the Supervisor, the Commissioner and Commission as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this unit agreement.

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 rate specified in the respective Federal leases, or at such lower rate or 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 each participating area were a single consolidated lease.

Royalty due on account of State lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or 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 or his duly authorized representative.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

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

16. 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 laws or regulations.

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

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operations for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to

make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, 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 separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of the unit area.

(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 lands pursuant to direction or consent of the Secretary and Commissioner or their duly authorized representatives shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States or State of New Mexico 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) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized lands, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, 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 the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, subject to the provisions of subsection (e) of Section 2 and subsection (i) of this Section 18.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provisions in the fourth paragraph of Sec. 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 nonunitized 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".

(i) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

(j) Any lease, other than a Federal lease, having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the provisions of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

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, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and Commissioner, or their duly authorized representatives and shall terminate five (5) years from said effective date unless:

- (a) such date of expiration is extended by the Director and Commissioner, or
- (b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Supervisor and the Commissioner, or
- (c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered can be produced as aforesaid, or
- (d) it is terminated as heretofore provided in this agreement. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the Supervisor and Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. 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 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, further, 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 developing 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 shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than 15 days from notice.

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, 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 Commission, agree that all powers and authority vested in the Commission in and by any provisions of this agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

23. 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, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the Commission or Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the Commissioner, or Commission, 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.

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

25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, 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.

26. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be

suspended while 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. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the Unit Operator subject to approval of the Supervisor and Commissioner.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of 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.

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto 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 to any royalty, working interest or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Commissioner 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.

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw

said tract from this agreement by written notice delivered to the Supervisor and the Commissioner and the Unit Operator prior to the approval of this agreement by the Supervisor and Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest 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 non-working interest. A non-working interest may not be committed to this unit agreement unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit 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 the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Supervisor, provided, however, that as to State lands all subsequent joinders must be approved by the Commissioner.

30. PROTECTION OF POTASH DEPOSITS. No wells will be drilled for oil or gas at a location on Federal lands which in the opinion of the Supervisor or at a location on State lands which in the opinion of the Commissioner would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits.

The drilling or abandonment of any well on unitized land shall be done in accordance with applicable oil and gas operating regulations, including such requirements as to Federal lands as may be prescribed by the Supervisor and as

to State lands by the Commissioner, as necessary to prevent the infiltration of oil, gas or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.

Well records and survey plats that an oil and gas lessee of Federal lands must file pursuant to applicable operating regulations (30 CFR Part 221) shall be available for inspection at the Office of the Supervisor to any party holding a potash permit or lease on the Federal land on which the well is situated insofar as such records are pertinent to the mining and protection of potash deposits.

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.

32. SURRENDER. Nothing in this agreement shall prohibit the exercise by any working interest owner of the right to surrender vested in such party by any lease, sublease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

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

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

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

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

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

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

An appropriate accounting and settlement shall be made for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days. In the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

33. TAXES. The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced, gathered and sold from the land subject to this contract after the effective date of this agreement, or upon the proceeds or net proceeds derived therefrom. The working interest owners on each tract shall and may charge the proper proportion of said taxes to the royalty owners having interests in said tract, and may currently retain and deduct sufficient of the unitized substances or derivative products, or net proceeds thereof from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be

charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

34. 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.

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

UNIT OPERATOR AND WORKING INTEREST OWNER

UNION OIL COMPANY OF CALIFORNIA

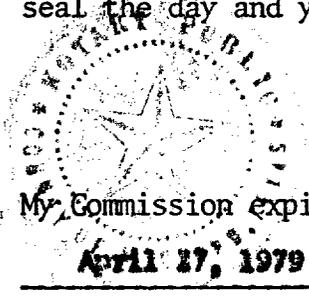
Date: March 20, 1978  
Address: P. O. Box 3100  
Midland, Texas 79703

By John Hansen <sup>20th</sup>  
Attorney-in-Fact

THE STATE OF TEXAS,                    I  
    I  
COUNTY OF MIDLAND.                I

The foregoing instrument was acknowledged before me this 20th day of March, 1978, by JOHN HANSEN, Attorney-in-Fact for UNION OIL COMPANY OF CALIFORNIA, a California corporation, on behalf of said corporation.

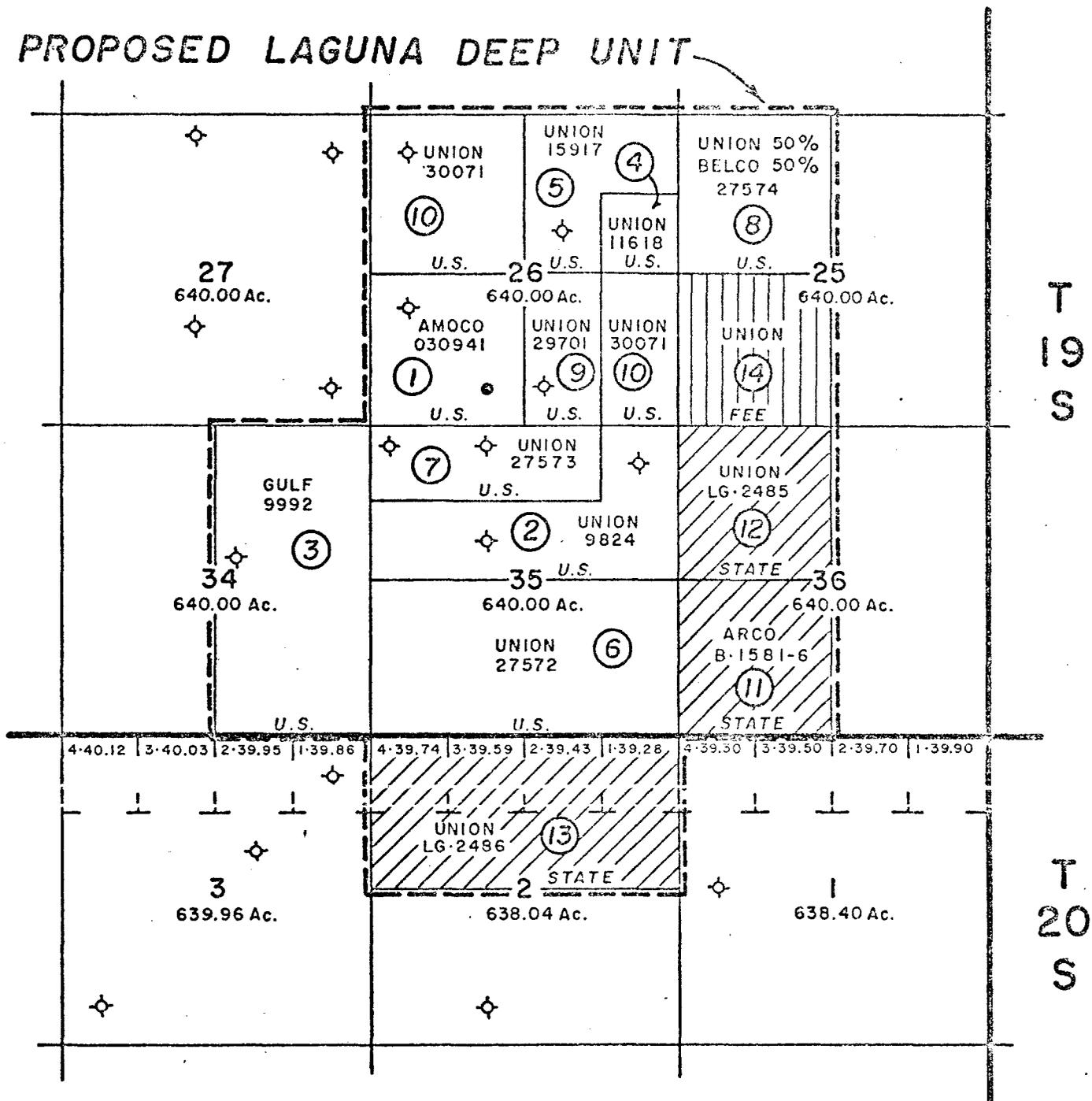
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year above written.



Alice M. Jones  
(Alice M. Jones) Notary Public

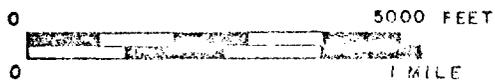
R 33 E

PROPOSED LAGUNA DEEP UNIT



	FEDERAL	1760.00 Ac.	68.80268 %
	STATE	638.04 Ac.	24.94253 %
	FEE	160.00 Ac.	6.25479 %
		<u>2558.04 Ac.</u>	<u>100.00000 %</u>

EXHIBIT "A"  
 PROPOSED LAGUNA DEEP UNIT  
 LEA COUNTY, NEW MEXICO



(1) TRACT NUMBER - EXHIBIT "B"

EXHIBIT B -- LAGUNA DEEP UNIT, LEA COUNTY, NEW MEXICO, T-19 & 20-S, R-33-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Record	Overriding Royalty and Percentage	Working and P
FEDERAL LAND							
1	T-19-S, R-33-E Sec. 26: SW/4	160.00	NM-030941 HBP	U.S.A. (12.50%)	Amoco Production Company	Virginia Willis Hess, Personal Representative of the Estate of Eugenia W. Bate, Deceased 1 1/2% of 8/8 R.M. Hess & Virginia W. Hess, Trustees Under Agreement dated 4/10/72 1% of 8/8 Elizabeth W. Christensen and husband, Don T. Christensen 1/2% of 8/8 Winifred T. Seaton, a widow 1/2% of 8/8 Jo Ann W. Light & husband Robert S. Light 1/2% of 8/8	Amoco Company
2	Sec. 35: NE/4 NE/4, S/2 N/2	200.00	NM-9824 7/31/79	U.S.A. (12.50%)	Union Oil Company of California	W. Felck, Jr. & wife, Joan M. Felck \$750 p/a PPI out of 5%	Union of Cal
3	Sec. 34: E/2	320.00	NM-9992 7/31/79	U.S.A. (12.50%)	From the Surface down to 5,500 feet: Gulf Oil Corporation	James D. Craig & wife, Wanda S. Craig 5% of 8/8	Kelley

Below 5,500 feet:  
Gulf Oil Corporation

James D. Craig & Wanda S. Craig, husband and wife  
5% of 8/8

EXHIBIT B -- LAGUNA DEEP UNIT, LEA COUNTY, NEW MEXICO, T-19 & 20-S, R-33-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessees of Record	Overriding Royalty and Percentage	Working Interest and Percentage
4	T-19-S, R-33-E Sec. 26: SE/4 NE/4	40.00	NM-11618 4/30/80	U.S.A. (12.50%)	Union Oil Company of California	Calvin A. Mitchell and wife, Evelyn Mitchell 4% Leo Pollack 1/4% M. A. Schofman 3/4%	Union Oil Company of California - 100%
5	Sec. 26: N/2 NE/4, SW/4 NE/4	120.00	NM-15917 6/30/82	U.S.A. (12.50%)	Union Oil Company of California	Gwen P. Taylor, a widow, and Carl A. Nilsen & wife, Georganne Nilsen 5%	Union Oil Company of California - 100%
6	Sec. 35: S/2	320.00	NM-27572 5/31/83	U.S.A. (12.50%)	Union Oil Company of California	Bakersfield Investment Trust, Lucille Wilson, Trustee 2 1/2% Bank of America, NT&SA, as Trustee of the Charles E. Strange 1976 Trust #1 1 1/2% of 8/8 C. E. Strange & wife, Sherrie R. Strange 1% of 8/8	Union Oil Company of California - 100%
7	Sec. 35: NW/4 NE/4, N/2 NW/4	120.00	NM-27573 11/30/78	U.S.A. (Schedule "B")	Union Oil Company of California	None	Union Oil Company of California - 100%
8	Sec. 25: NW/4	160.00	NM-27574 5/31/85	U.S.A. (12.50%)	Belco Petroleum Corporation - 50% Union Oil Company of California - 50%	Herbert A. Settles & wife, Beatrice C. Settles 5%	Belco Petroleum Corporation - 50%; Union Oil Company of California - 50%

EXHIBIT B -- LAGUNA DEEP UNIT, LEA COUNTY, NEW MEXICO, T-19 & 20-S, R-33-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Ownership Percentage	Basic Royalty and Ownership Percentage Record	Overriding Royalty and Percentage	Working Interest and Percentage
9	T-19-S, R-33-E Sec. 26: W/2 SE/4	80.00	NM-29701 2/28/82	U.S.A. (Schedule "B")	Union Oil Company of California	None	Union Oil Company of California - 100%
10	Sec. 26: NW/4, E/2 SE/4	240.00	NM-30071 4/30/87	U.S.A. (12.50%)	Union Oil Company of California	Carol L. Teigen & husband, Theodore H. Teigen, Jr. 5%	Union Oil Company of California - 100%
10 FEDERAL TRACTS 1,760.00 ACRES OR 68.80268% OF UNIT AREA.							

NEW MEXICO STATE LAND

11	T-19-S, R-33-E Sec. 36: SW/4	160.00	B-1581-6 HBP	State of New Mexico (12.50%)	Atlantic Richfield Company	None	Atlantic Richfield Company - 100%
12	Sec. 36: NW/4	160.00	LG-2485 1/1/85	State of New Mexico (12.50%)	Union Oil Company of California	None	Union Oil Company of California - 100%
13	T-20-S, R-33-E Sec. 2: Lot 1 Lot 2 Lot 3 Lot 4 S/2 N/2	318.04 (39.28 ac), (39.43 ac), (39.59 ac), (39.74 ac), S/2 N/2	LG-2486 1/1/85	State of New Mexico (12.50%)	Union Oil Company of California	None	Union Oil Company of California - 100%

3 STATE TRACTS 638.04 ACRE OR 24.94253% OF UNIT AREA.

EXHIBIT B -- LAGUNA DEEP UNIT, LEA COUNTY, NEW MEXICO, T-19 & 20-S, R-33-E

Tract No.	Description of Land	Number of Acres	Ser. No. & Exp. Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overtiding Royalty and Percentage	Working Interest and Percentage
14	PATENTED LAND T-19-S, R-33-E Sec. 25: SW/ 4	160.00	12/20/77* 12/20/80*	Mark Smith & wife, Annie Lora Smith; Kenneth Mark Smith & wife, Patsy Lou Smith; William C. Smith & wife, Nancy Jean Smith; Lora Nell Glenn & husband, William Jeff Glenn (18.75%)	Union Oil Company of California	None	Union Oil of Califo

1 PATENTED TRACT 160.00 ACRES OR 6.25479% OF UNIT AREA.

TOTAL: 14 TRACTS 2,558.04 ACRES IN ENTIRE UNIT AREA.

\*Lease has been renewed by Oil & Gas Lease dated June 4, 1977, recorded in Vol. 304, Page 260, of the Records of Lea County, New Mexico.  
Primary term is stated as being 3 years from 12/20/77.

CONSENT, RATIFICATION AND JOINDER OF  
LAGUNA DEEP UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE LAGUNA DEEP UNIT AREA, LEA COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, LAGUNA DEEP UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 2nd day of February, 1978, by various persons conducting operations with respect to the Laguna Deep Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

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

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

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

Date: April 1, 1978  
Address: P.O. Box 3092  
Houston, Texas 77001

AMOCO PRODUCTION COMPANY

By: *C. E. Menninger*  
C. E. Menninger  
ATTORNEY-IN-FACT



(Working Interest OWNER)

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ § SS. (Individual)

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

My Commission expires: \_\_\_\_\_  
Notary Public

STATE OF Texas §  
COUNTY OF Harris § SS. (Corporate)

The foregoing instrument was acknowledged before me this 8<sup>th</sup> day of May, 1978, by C. E. Menninger,  
Attorney-in-Fact of AMOCO PRODUCTION COMPANY,  
a Delaware corporation, on behalf of said corporation.

My Commission expires: 10-31-78  
*Irene Haldas*  
Notary Public

IRENE HALDAS  
Notary Public in and for Harris County, Texas

CONSENT, RATIFICATION AND JOINDER OF  
LAGUNA DEEP UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE LAGUNA DEEP UNIT AREA, LEA COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, LAGUNA DEEP UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 2nd day of February, 1978, by various persons conducting operations with respect to the Laguna Deep Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

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

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

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

ATLANTIC RICHFIELD COMPANY

Date: \_\_\_\_\_

By: C.S. Cardwell Jr.

Address: \_\_\_\_\_

ATTORNEY IN FACT

(Working Interest OWNER)

*Handwritten initials: Jm, PF*

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ § SS.

(Individual)

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

My Commission expires: \_\_\_\_\_

Notary Public

STATE OF Texas §  
COUNTY OF Midland § SS.

(Corporate)

The foregoing instrument was acknowledged before me this 16<sup>th</sup> day of May, 1978, by C.S. Cardwell Jr. Attorney in fact of ATLANTIC RICHFIELD COMPANY, a Pennsylvania corporation, on behalf of said corporation.

My Commission expires: \_\_\_\_\_

Donna Clyde Arms  
Notary Public

DONNA CLYDE ARMS  
Notary Public in and for Midland County, Texas  
My Commission Expires June 30, 1978

CONSENT, RATIFICATION AND JOINDER OF  
LAGUNA DEEP UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
LEA COUNTY, NEW MEXICO

(Working Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, certain instruments entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE LAGUNA DEEP UNIT AREA, LEA COUNTY, NEW MEXICO, AND UNIT OPERATING AGREEMENT, LAGUNA DEEP UNIT, LEA COUNTY, NEW MEXICO, have been executed as of the 2nd day of February, 1978, by various persons conducting operations with respect to the Laguna Deep Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

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

WHEREAS, the Unit Agreement and Unit Operating Agreement each provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a working interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under each of said agreements, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement and said Unit Operating Agreement, and the undersigned does hereby agree that the parties to said agreements are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement and said Unit Operating Agreement.

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

Date: 5-1-78  
Address: P. O. Box 1150  
Midland, Texas 79702

GULF OIL CORPORATION  
By: J. A. Hord  
Attorney-in-Fact  
(Working Interest OWNER)  
Attest: [Signature]  
(Individual)

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_ SS.

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

My Commission expires: \_\_\_\_\_  
Notary Public

STATE OF Texas  
COUNTY OF Midland SS. (Corporate)

The foregoing instrument was acknowledged before me this 1st day of May, 19 78, by J. A. HORD,  
Attorney-in-fact of GULF OIL CORPORATION,  
at Pennsylvania corporation, on behalf of said corporation.

My Commission expires: 8-13-78  
Notary Public [Signature]

CONSENT, RATIFICATION AND JOINDER OF  
LAGUNA DEEP UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

(Royalty and Overriding Royalty Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, a certain instrument entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE LAGUNA DEEP UNIT AREA, LEA COUNTY, NEW MEXICO, has been executed as of the 2nd day of February, 1978, by various persons conducting operations with respect to the Laguna Deep Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

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

WHEREAS, the Unit Agreement provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty and/or overriding royalty interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

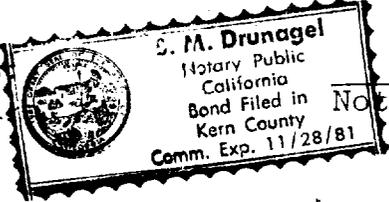
NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under said agreement, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement, and the undersigned does hereby agree that the parties to said agreement are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement.

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

Date: Apr. 18-1978 Bakersfield Investment Trust  
Address: Box ~~950~~ 6162 Lucille Wilson Trustee  
Bakersfield Ca-93306 (Royalty or Overriding Royalty OWNER)

STATE OF California )  
COUNTY OF Kern ) SS. (Individual)

The foregoing instrument was acknowledged before me this 18th day of April, 19 78, by Lucille Wilson.

My Commission expires \_\_\_\_\_  
 Souze M. Drunagel  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS. (Corporate)

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

My Commission expires: \_\_\_\_\_  
Notary Public

CONSENT, RATIFICATION AND JOINDER OF  
LAGUNA DEEP UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

(Royalty and Overriding Royalty Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, a certain instrument entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE LAGUNA DEEP UNIT AREA, LEA COUNTY, NEW MEXICO, has been executed as of the 2nd day of February, 1978, by various persons conducting operations with respect to the Laguna Deep Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

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

WHEREAS, the Unit Agreement provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty and/or overriding royalty interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under said agreement, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement, and the undersigned does hereby agree that the parties to said agreement are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement.

IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature. Bank of America NT&SA as Trustee

Date: April 25, 1978  
Address: 1440 Truxtun Avenue  
Bakersfield, California 93301

of the Charles E Strange 1976 Trust #1  
By Kathleen Thompson  
Trust Administrator  
By Virginia Varley  
Trust Administrator  
(Royalty or Overriding Royalty OWNER)

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS. (Individual)

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

My Commission expires: \_\_\_\_\_

CORPORATE ACKNOWLEDGMENT

State of California }  
County of Kern } S.S.  
On this 2nd day of May, 1978, before me Faye DeLozier, a Notary Public in and for said \_\_\_\_\_ County, personally appeared \_\_\_\_\_

(SEAL) \_\_\_\_\_  
known to me to be the Kathleen Thompson  
and Virginia Varley Trust Administrator  
Trust Administrator of the Bank of America NT&SA,  
the Corporation that executed the within instrument, and also known to me to be the person who executed the within instrument, on behalf of the Corporation herein named, and acknowledged to me that such Corporation executed the same, and further acknowledged to me that such Corporation executed the within instrument pursuant to its by-laws or a resolution of its Board of Directors.

WITNESS my hand and official seal.



Notary Public in and for said Kern County and State.  
My commission expires August 4, 1980

CONSENT, RATIFICATION AND JOINDER OF  
LAGUNA DEEP UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

(Royalty and Overriding Royalty Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, a certain instrument entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE LAGUNA DEEP UNIT AREA, LEA COUNTY, NEW MEXICO, has been executed as of the 2nd day of February, 1978, by various persons conducting operations with respect to the Laguna Deep Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

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

WHEREAS, the Unit Agreement provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty and/or overriding royalty interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under said agreement, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement, and the undersigned does hereby agree that the parties to said agreement are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement.

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

Date: April 27, 1978

Address: 5790 E. Fair Avenue

Englewood, Colorado 80110

James D. Craig (JDC)  
Wanda S. Craig (WSC)  
(Royalty or Overriding Royalty OWNER)

STATE OF COLORADO                    §  
COUNTY OF DENVER                    § SS.            (Individual)

The foregoing instrument was acknowledged before me this 27 day of April, 1978, by James D. Craig and Wanda S. Craig.

My Commission expires: \_\_\_\_\_

Judith A. Kecker  
Notary Public

STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ § SS.            (Corporate)

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

My Commission expires: \_\_\_\_\_

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

CONSENT, RATIFICATION AND JOINDER OF  
LAGUNA DEEP UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

(Royalty and Overriding Royalty Interest Owner)

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, a certain instrument entitled UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE LAGUNA DEEP UNIT AREA, LEA COUNTY, NEW MEXICO, has been executed as of the 2nd day of February, 1978, by various persons conducting operations with respect to the Laguna Deep Unit Area, located in Lea County, New Mexico, as more particularly described in said Agreement; and

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

WHEREAS, the Unit Agreement provides that a person may become a party thereto by signing an instrument agreeing to be bound by the provisions thereof; and

WHEREAS, the undersigned (whether one or more) is, or claims to be, the owner of a royalty and/or overriding royalty interest in one or more of the Tracts described in Exhibit "B" of the Unit Agreement.

NOW, THEREFORE, the undersigned (whether one or more), for and in consideration of the premises and the benefits anticipated to accrue under said agreement, does hereby agree to become a party to and to be bound by the provisions of the said Unit Agreement, and the undersigned does hereby agree that the parties to said agreement are those persons signing the originals of said instruments, counterparts thereof, or other instruments agreeing to be bound by the provisions thereof. The undersigned does also hereby acknowledge receipt of a true copy of the said Unit Agreement.

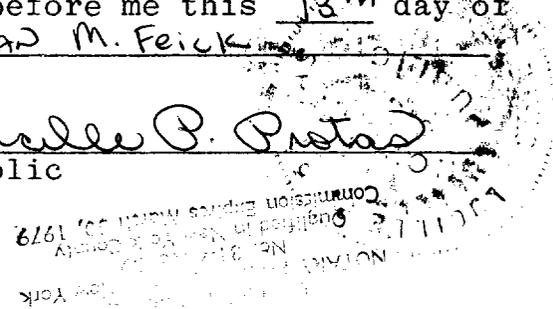
IN WITNESS WHEREOF, the undersigned has executed this instrument on the date set forth opposite the undersigned's signature.

*William Feick Jr.*  
*Joan M. Feick*  
\_\_\_\_\_  
(Royalty or Overriding Royalty OWNER)

Date: April 13, 1978  
Address: 90 Lambert Road  
New Canaan, Conn. 06840

STATE OF New York                    §  
COUNTY OF New York               § SS.           (Individual)

The foregoing instrument was acknowledged before me this 13<sup>th</sup> day of April, 1978, by William Feick, Jr.; Joan M. Feick

My Commission expires: 3/30/79  
Notary Public Ludell B. Probst  


STATE OF \_\_\_\_\_ §  
COUNTY OF \_\_\_\_\_ § SS.           (Corporate)

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

My Commission expires: \_\_\_\_\_  
Notary Public \_\_\_\_\_





Unit Name LAGUNA DEEP UNIT-EXPLORATORY  
 Operator UNION OIL COMPANY OF CALIFORNIA  
 County EDDY

DATE	OCC CASE NO.	6182	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	MINNESOTA
APPROVED	OCC ORDER NO.	R-5684					
Commissioner	Commission						
6-14-78			6-22-78	2,558.04	638.04	1,760.00	160.

UNIT AREA

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM  
 Section 25: W/2  
 Section 26: A11  
 Section 34: E/2  
 Section 35: A11  
 Section 36: W/2

TOWNSHIP 20 SOUTH, RANGE 33 EAST, NMPM  
 Section 2: N/2

Unit Name LAGUNA DEEP UNIT-EXPLORATORY  
 Operator UNION OIL COMPANY OF CALIFORNIA  
 County EDDY

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE	LESSEE
							DATE	ACRES		
11	B-1581-6	C.S.	36	19S	33E	SW/4	5-10-78	160.00		Atlantic Richfield Co.
12	IG-2485	C.S.	36	19S	33E	NW/4	3-20-78	160.00		Union Oil Co. of Calif.
13	IG-2486	C.S.	2	20S	33E	Lots 1, 2, 3, 4, S/2N/2	3-20-78	318.04		Union Oil Co. of Calif.



Case 6182

IN REPLY REFER TO:



UNITED STATES  
DEPARTMENT OF THE INTERIOR  
GEOLOGICAL SURVEY  
FEDERAL CENTER, DENVER, COLORADO 80225

7-2 1074

JAN 31 1978

Union Oil Company of California  
Attention: Mr. Robert V. Lockhart  
P. O. Box 2079  
Midland, Texas 79701

Gentlemen:

Your application of December 13, 1977, filed with the Assistant Area Oil and Gas Supervisor, Roswell, New Mexico, requests the designation of the Laguna Deep unit, embracing 2,558.04 acres, more or less, in Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as Amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A', Proposed Laguna Deep Unit" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the Silurian or to a depth of 14,600 feet. Your proposed use of the Form of Agreement for Unproved Areas, modified as shown in your application, will be accepted, provided it is further modified to include appropriate language for fee lands.

If conditions are such that further modification of said standard form is deemed necessary, two copies of the proposed modifications with appropriate justification must be submitted to this office through the Oil and Gas Supervisor for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to Roswell, New Mexico for the Supervisor's approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

Inasmuch as this agreement involves State lands, we are sending a copy of the letter to the Commissioner of Public Lands. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearance from the State.

Sincerely yours,



Conservation Manager  
For the Director

Enclosure

cc:  
Com. Public Lands, Santa Fe  
NMOCC, Santa Fe

← This copy for

Union Oil and Gas Division: Central Region

Union Oil Company of California  
500 North Marienfeld, Midland, Texas 79701  
P.O. Box 671, Midland, Texas 79702  
Telephone (915) 682-9731



#6182

Wayne W. Strong  
District Land Manager  
Midland District

February 28, 1986

Oil Conservation Division  
Energy and Minerals Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501

ATTN: Dick Stamets, Director

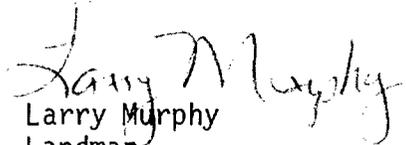
1986 Plan of Development  
Laguna Deep Unit  
Lea County, New Mexico  
Laguna Prospect (7729)

Dear Mr. Stamets:

Please find enclosed two (2) copies of Union's 1986 Plan of Development and Operation for the Laguna Deep Unit. We respectfully request your approval of same.

Yours truly,

UNION OIL COMPANY OF CALIFORNIA

  
Larry Murphy  
Landman

LM  
Encls.

1986 Plan of Development and Operation  
for  
Laguna Deep Unit Area  
Lea County, New Mexico

TO: Oil Conservation Division  
Energy and Minerals Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501  
ATTN: Dick Stamets, Director

UNION OIL COMPANY OF CALIFORNIA, as Unit Operator for the Laguna Deep Unit Area, pursuant to the provisions of Section 10 of the Unit Agreement for Development and Operation of the Laguna Deep Unit Area, dated June 22, 1978, (No. 14-08-0001-16905), respectfully submits for approval this 1986 Plan of Development and Operation for the Laguna Deep Unit Area. This plan is for the period ending December 31, 1986.

Summary of 1985 Operations:

No new wells were drilled in the Unit in 1985. Well No. 1, A Lower Morrow Producer, produced 227 MMCF and 13,800 BC in 1985 and is currently producing 584 MCFPD and 42 BCPB. Well No. 2, A Middle Morrow Producer, produced 80 MMCF and 1430 BC in 1985 and is currently 338 MCFPD and 5 BCPD. Well No. 3, which had been idle in 1984 was recompleted in February, 1985. The Lower Morrow was abandoned and the Middle Morrow recompleted producing 220 MMCF and 34,500 BO for the year, and is currently producing 99 BO and 746 MCFPD.

Plan of Development and Operations for 1986:

Union has no plans to drill any new wells in the Unit in 1986.

This plan may be modified or supplemented from time to time with the approval needed, when necessary to meet changed conditions or to protect the interest of all parties to the Unit Agreement.

Very truly yours,

UNION OIL COMPANY OF CALIFORNIA



Wayne W. Strong  
District Land Manager

WWS:bh

Submitted this 28th day of February, 19 86 .

1986 Plan of Development and Operation  
for  
Laguna Deep Unit Area  
Lea County, New Mexico

TO: Oil Conservation Division  
Energy and Minerals Division  
P.O. Box 2088  
Santa Fe, New Mexico 87501  
ATTN: Dick Stamets, Director

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Very truly yours,

UNION OIL COMPANY OF CALIFORNIA



Wayne W. Strong  
District Land Manager

WWS:bh

Submitted this 28th day of February, 19 86 .

50 YEARS



TONEY ANAYA  
GOVERNOR

STATE OF NEW MEXICO  
ENERGY AND MINERALS DEPARTMENT  
OIL CONSERVATION DIVISION



1935 - 1985

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87501  
(505) 827-5800

March 18, 1986

Union Oil and Gas  
P. O. Box 671  
Midland, Texas 79702

Attention: Larry Murphy

Re: 1986 Plan of Development  
Laguna Deep Unit  
Lea County, New Mexico  
Laguna Prospect (7729)

Gentlemen:

The above-referenced submittal has been approved by the New Mexico Oil Conservation Division effective this date. Such approval is contingent upon like approval by the New Mexico Commissioner of Public Lands and the Bureau of Land Management.

Sincerely,

A handwritten signature in black ink, appearing to read "Roy E. Johnson".

ROY E. JOHNSON,  
Senior Petroleum Geologist

REJ/dr

cc: Commissioner of Public Lands - Santa Fe  
Bureau of Land Management - Albuquerque  
OCD District Office - Hobbs

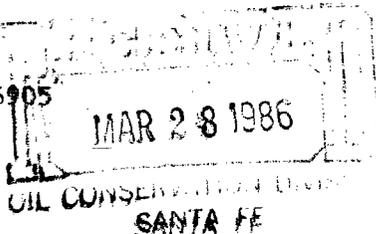


# United States Department of the Interior

BUREAU OF LAND MANAGEMENT

Box 1397, Roswell, New Mexico - 88201

14-08-0001-16905  
3180 (065)



MAR 25 1986

Union Oil Company of California  
Attention: Mr. Wayne W. Strong  
500 North Marienfeld  
Midland, Texas 79701

Re: 1986 Plan of Development  
Laguna Deep Unit  
Lea County, New Mexico

Gentlemen:

We are in receipt of your letter dated February 28, 1986 which describes your 1986 Plan of Development for the Laguna Deep Unit, Lea County, New Mexico.

Such plan proposes no further drilling operations.

This plan is approved effective for the period January 1, 1986 through January 1, 1987 and is subject to like approval by the Commissioner of Public Lands and the New Mexico Oil Conservation Division.

Sincerely,

Orig. Sgd. David L. Mar

FOR Francis R. Cherry, Jr.  
District Manager

cc:  
✓ Commissioner of Public Lands, Santa Fe

# State of New Mexico



JIM BACA  
COMMISSIONER

## Commissioner of Public Lands

March 11, 1986

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

Union Oil Company of California  
P. O. Box 671  
Midland, Texas 79702

Re: 1986 Plan of Development  
Laguna Deep Unit  
Lea County, New Mexico

ATTENTION: Mr. Larry Murphy

Gentlemen:

The Commissioner of Public Lands has this date approved your 1986 Plan of Development for the Laguna Deep Unit Area, Lea County, New Mexico. Such plan calls for no new wells to be drilled during 1986. Our approval is subject to like approval by the New Mexico Oil Conservation Division and the Bureau of Land Management.

In future Plans of Developments please submit a up-to-date map of the unit area showing all wells and their zone(s) of completion. In addition, please also furnish a summary for each well by month for the last twelve month period.

If we may be of further help please do not hesitate to call on us. Enclosed is an approved copy for your files.

Very truly yours,

JIM BACA  
COMMISSIONER OF PUBLIC LANDS

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

JB/FOP/pm  
encls.

cc: OCD-Santa Fe, New Mexico  
BLM-Albuquerque, New Mexico Attn: Fluids Branch  
BLM-Roswell, New Mexico Attn: Mr. Armando Lopez