

CASE 5065: Appli. of ROBERTS,
KOCH & CARRINGTON FOR APPROVAL
OF THE DEER CANYON UNIT AGREEMENT

CASE No.

5065

Application,

Transcripts,

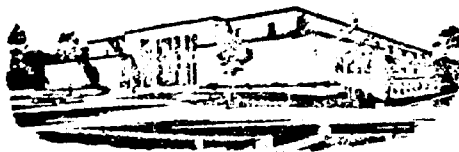
Small Exhibits

ETC.



ALEX J. ARMIJO
COMMISSIONER

State of New Mexico

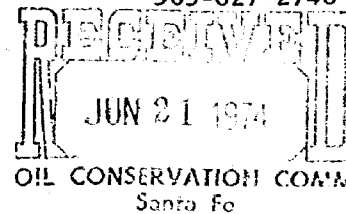


Commissioner of Public Lands

June 19, 1974

TELEPHONE

505-827-2748



P. O. BOX 1148
SANTA FE, NEW MEXICO

REGISTERED MAIL

Roberts, Kock, & Cartwright
205 Building of the Southwest
Midland, Texas 79701

Re: Deer Canyon Unit Agreement
TERMINATION
Eddy County, New Mexico

ATTENTION: Mr. Charles E. Kock

Gentlemen:

This is to officially notify you that the Deer Canyon Unit Agreement has been terminated by the Commissioner of Public Lands, effective as of May 29, 1974, which is the date your second test well was to be commenced.

Please notify all interested parties of this action.

Very truly yours,

RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s

cc: USGS-Roswell, New Mexico
OCC- Santa Fe, New Mexico ✓

Unit Name DEER CANYON UNIT(EXPLORATORY)
Operator ROBERTS, KOCK & CARTWRIGHT
County EDDY

oce

DATE APPROVED	OCC CASE NO. 5055 OCC ORDER NO. R-4634	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGA CLAUS
<u>Commissioner</u> 9-18-73	9-24-73	9-25-73	10,620.45	1,529.20	9,091.75	-0-	Yes

(Tract 1, Federal not committed)

UNIT AREA

TOWNSHIP 20 SOUTH, RANGE 21 EAST, NMPM

Sections 1 through 4: A11
Sections 9 through 16: A11
Sections 21 through 24: A11

TERMINATED
EM: 5-29-74

Unit Name DEER CANYON UNIT(EXPLORATORY)
Operator ROBERTS, KOCK & CARTWRIGHT
County EDDY

oce

OCC CASE NO. 5065 OCC ORDER NO. R-4634	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
9-24-73	9-25-73	10,620.45	1,529.20	9,091.75	-0-	Yes	5yrs.

(Tract 1, Federal not committed)

RANGE 21 EAST, NMPM

4: A11
16: A11
24: A11

TERMINATED
EM: 5-29-74

Unit Name	DEER CANYON UNIT (EXPLORATORY)
Operator	ROBERTS, KOCK & CARTWRIGHT
County	EDDY

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	
15	L-6522	C.S.	2	20S	21E	A11	9-13-73	729.20		Aztec Oil
16	LG-176	C.S.	9 15	20S 20S	21E 21E	S/2NW/4 SW/4NE/4	8-30-73	160.00		Cities Se
17	L-6369	C.S.	16	20S	21E	A11	8-24-73	640.00		Union Oil California

TERMINATED
E.H. 5-29-74

Unit Name DEER CANYON UNIT (EXPLORATORY)
 Operator ROBERTS, KOCK & CARTWRIGHT
 County EDDY

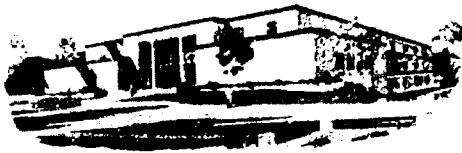
INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE NOT RATIFIED	LESSEE
					DATE	ACRES		
C.S.	2	20S	21E	All	9-13-73	729.20		Aztec Oil & Gas Company
C.S.	9	20S	21E	S/2NW/4	8-30-73	160.00		Cities Service Oil Co.
	15	20S	21E	SW/4NE/4				
C.S.	16	20S	21E	All	8-24-73	640.00		Union Oil Company of California

TERMINATED
 Eff. 5-29-74

State of New Mexico



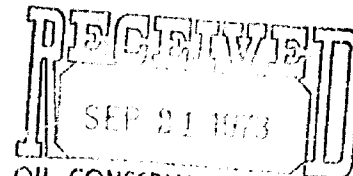
ALEX J. ARMIJO
COMMISSIONER



Commissioner of Public Lands

September 18, 1973

505-827-2748



OIL CONSERVATION COMM
Santa Fe

P. O. BOX 1148
SANTA FE, NEW MEXICO

Roberts, Koch & Cartwright
205 Building of the Southwest
Midland, Texas 79701

Re: DEER CANYON UNIT
EDDY COUNTY, NEW MEXICO

ATTENTION: Mr. Charles E. Koch

Gentlemen:

The Commissioner of Public Lands has this date approved your Deer Canyon Unit, Eddy County, New Mexico, subject to like approval by the United States Geological Survey.

Enclosed are five (5) Certificates of Approval.

This approval is being given with the understanding that Tract one (1), Federal, is not being committed to the unit.

Please advise this office when the United States Geological Survey has approved this unit so that we may finish processing the unit and ascertain the effective date.

Very truly yours,

RAY D. GRAHAM, Director
Oil and Gas Department

RDG/S
encl.
cc:

USGS-Roswell, New Mexico
OCC-Santa Fe, New Mexico

Unit Name DEER CANYON UNIT(EXPLORATORY)
Operator ROBERTS, KOCK & CARTWRIGHT
County EDDY

DATE APPROVED	OCC CASE NO. 5065 OCC ORDER NO. R-4634	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGA CLAUS
Commissioner 9-18-73	9-24-73	9-25-73	10,620.45	1,529.20	9,091.75	-0-	Yes

(Tract 1, Federal not committed)

UNIT AREA

TOWNSHIP 20 SOUTH, RANGE 21 EAST, NMFM

Sections 1 through 4: A11
Sections 9 through 16: A11
Sections 21 through 24: A11

Unit Name DEER CANYON UNIT (EXPLORATORY)
Operator ROBERTS, KOCK & CARTWRIGHT
County EDDY

CCC

CC CASE NO. 5065	EFFECTIVE	TOTAL				SEGREGATION	
CC ORDER NO. R-4634	DATE	ACREAGE	STATE	FEDERAL	INDIAN-FEE	CLAUSE	TERM
24-73	9-25-73	10,620.45	1,529.20	9,091.75	-0-	Yes	5yrs.

(Tract 1, Federal not committed)

E 21 EAST, NMFM

A11
A11
A11

Unit Name	DEER CANYON UNIT (EXPLORATORY)
Operator	ROBERTS, KOCK & CARTWRIGHT
County	EDDY

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	
15	L-6522	C.S.	2	20S	21E	A11	9-13-73	729.20		Aztec
16	LG-176	C.S.	9 15	20S 20S	21E 21E	S/2NW/4 SW/4NE/4	8-30-73	160.00		Cities
17	L-6369	C.S.	16	20S	21E	A11	8-24-73	640.00		Union Califor

Unit Name	DEER CANYON UNIT (EXPLORATORY)
Operator	ROBERTS, KOCK & CARTWRIGHT
County	EDDY

INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED		ACREAGE NOT RATIFIED	LESSEE
					DATE	ACRES		
C.S.	2	20S	21E	A11	9-13-73	729.20		Aztec Oil & Gas Company
C.S.	9	20S	21E	S/2NW/4	8-30-73	160.00		Cities Service Oil Co.
	15	20S	21E	SW/4NE/4				
C.S.	16	20S	21E	A11	8-24-73	640.00		Union Oil Company of California

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE NO. 5065
Order No. R-4034

APPLICATION OF ROBERTS, KOCH &
CARTWRIGHT FOR APPROVAL OF THE
DEER CANYON UNIT AGREEMENT,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
September 19, 1973, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this 24th day of September, 1973, the Commission,
a quorum being present, having considered the testimony, the
record, and the recommendations of the Examiner, and being
fully advised in the premises,

FINDS:

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

(2) That the applicant, Roberts, Koch & Cartwright seeks
approval of the Deer Canyon Unit Agreement covering 10,620.45
acres, more or less, of State and Federal lands described as
follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 20 SOUTH, RANGE 21 EAST, NMPM
Sections 1 through 4: All
Sections 9 through 16: All
Sections 21 through 24: All

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

IT IS THEREFORE ORDERED:

(1) That the Deer Canyon Unit Agreement is hereby approved.

-2-

Case No. 5065
Order No. R-4634

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

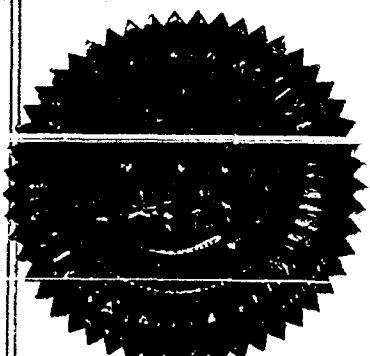
(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION



I. R. Trujillo
I. R. TRUJILLO, Chairman

ALEX J. ARMIJO, Member

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

S E A L

dr/

UNIT AGREEMENT
DEER CANYON UNIT AREA
EDDY COUNTY, NEW MEXICO

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1 UNIT AGREEMENT
2 FOR THE DEVELOPMENT AND OPERATION
3 OF THE
4 DEER CANYON UNIT AREA
5 COUNTY OF EDDY COUNTY
6 STATE OF NEW MEXICO

7 NO. _____

8 THIS AGREEMENT entered into as of the 1ST day of
9 September, 1973, by and between the parties subscribing,
10 ratifying, or consenting hereto, and herein referred to as
11 the "parties hereto."

12
13 WITNESSETH:

14 WHEREAS, the parties hereto are the owners of working,
15 royalty, or other oil and gas interest in the unit area sub-
16 ject to this agreement; and

17 WHEREAS, the Mineral Leasing Act of February 25, 1920, 41
18 Stat. 437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes
19 Federal Lesees and their representatives to unite with each
20 other, or jointly or separately with others, in collectively
21 adopting and operating a cooperative or unit plan of develop-
22 ment or operation of any oil or gas pool, field, or like area,
23 or any part thereof for the purpose of more properly conserv-
24 ing the natural resources thereof whenever determined and cer-
25 tified by the Secretary of the Interior to be necessary or
26 advisable in the public interest; and

27 Whereas, the Commissioner of Public Lands of the State of
28 New Mexico is authorized by an Act of the Legislature (Sec. 7-
29 11-39 N.M. Statutes 1953 Annotated) to consent to or approve
30 this agreement on behalf of the State of New Mexico, insofar

1 as it covers and includes lands and mineral interests of the
2 State of New Mexico; and

3 WHEREAS, the Oil Conservation Commission of the State of
4 New Mexico is authorized by an act of the Legislature (Article
5 3, Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this
6 agreement and the conservation provisions hereof; and

7 WHEREAS, the parties hereto hold sufficient interests in
8 the Deer Canyon Unit Area covering the land hereinafter des-
9 cribed to give reasonably effective control of operations
10 therein; and

11 WHEREAS, it is the purpose of the parties hereto to con-
12 serve natural resources, prevent waste, and secure other
13 benefits obtainable through development and operation of the
14 area subject to this agreement under the terms, conditions,
15 and limitations herein set forth;

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

20 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing
21 Act of February 25, 1920, as amended, supra, and all valid
22 pertinent regulations, including operating and unit plan regu-
23 lations, heretofore issued thereunder or valid, pertinent and
24 reasonable regulations hereafter issued thereunder are accept-
25 ed and made a part of this agreement as to Federal lands, pro-
26 vided such regulations are not inconsistent with the terms of
27 this agreement; and as to non-Federal lands, the oil and gas
28 operating regulations in effect as of the effective date hereof
29 governing drilling and producing operations, not inconsistent
30 with the terms hereof or the laws of the State in which the

1 non-Federal land is located, are hereby accepted and made a
2 part of this agreement.

3 2. UNIT AREA. The area specified on the map attached
4 hereto marked Exhibit "A" is hereby designated and recognized
5 as constituting the unit area, containing 10,620.45 acres,
6 more or less.

7 Exhibit "A" shows, in addition to the boundary of the
8 unit area, the boundaries and identity of tracts and leases in
9 said area to the extent known to the Unit Operator. Exhibit
10 "B" attached hereto is a schedule showing to the extent known
11 to the Unit Operator the acreage, percentage, and kind of
12 ownership of oil and gas interests in all land in the unit
13 area. However, nothing herein or in said schedule or map shall
14 be construed as a representation by any party hereto as to the
15 ownership of any interest other than such interest or interests
16 as are shown in said map or schedule as owned by such party.
17 Exhibits "A" and "B" shall be revised by the Unit Operator
18 whenever changes in the unit area render such revision necess-
19 ary, or when requested by the Oil and Gas Supervisor, herein-
20 after referred to as "Supervisor", or when requested by the
21 Commissioner of Public Lands of the State of New Mexico, here-
22 inafter referred to as "Commissioner", and not less than five
23 copies of the revised exhibits shall be filed with the Super-
24 visor, and two copies thereof shall be filed with the Commiss-
25 ioner, and one copy with the New Mexico Oil Conservation Com-
26 mission, hereinafter referred to as "Commission".

27 The above-described unit area shall when practicable be
28 expanded to include therein any additional lands or shall be
29 contracted to exclude lands whenever such expansion or contrac-
30 tion is deemed to be necessary or advisable to conform with the

1 purposes of this agreement. Such expansion or contraction
2 shall be effected in the following manner:

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

11 (b) Said notice shall be delivered to the Supervisor, the
12 Commissioner and the Commission and copies thereof mailed to
13 the last known address of each working interest owner, lessee,
14 and lessor whose interests are affected, advising that 30 days
15 will be allowed for submission to the Unit Operator of any
16 objections.

17 (c) Upon expiration of the 30-day period provided in the
18 preceding item (b) hereof, Unit Operator shall file with the
19 Supervisor, the Commissioner and the Commission evidence of
20 mailing of the notice of expansion or contraction and a copy
21 of any objections thereto which have been filed with the Unit
22 Operator, together with an application in sufficient number,
23 for approval of such expansion or contraction and with appro-
24 priate joinders.

25 (d) After due consideration of all pertinent information,
26 the expansion or contraction shall, upon approval by the Super-
27 visor, the Commissioner and the Commission, become effective
28 as of the date prescribed in the notice thereof.

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

1 instances of irregular surveys unusually large lots or tracts
2 shall be considered in multiples of 40 acres or the nearest
3 aliquot equivalent thereof), no parts of which are entitled to
4 be in a participating area on or before the fifth anniversary
5 of the effective date of the first initial participating area
6 established under this unit agreement, shall be eliminated
7 automatically from this agreement, effective as of said fifth
8 anniversary, and such lands shall no longer be a part of the
9 unit area and shall no longer be subject to this agreement,
10 unless diligent drilling operations are in progress on unit-
11 ized lands not entitled to participation on said fifth anni-
12 versary, in which event all such lands shall remain subject
13 hereto so long as such drilling operations are continued dili-
14 gently with not more than 90 days' time elapsing between the
15 completion of one well and the commencement of the next well.
16 All legal subdivisions of lands not entitled to be in a parti-
17 cipating area within 10 years after the effective date of the
18 first initial participating area approved under this agreement
19 shall be automatically eliminated from this agreement as of
20 said tenth anniversary. All lands proved productive by dili-
21 gent drilling operations after the aforesaid 5-year period
22 shall become participating in the same manner as during said
23 5-year period. However, when such diligent drilling operations
24 cease, all nonparticipating lands shall be automatically elim-
25 inated effective as of the 91st day thereafter. The Unit
26 Operator shall, within 90 days after the effective date of any
27 elimination hereunder, describe the area so eliminated to the
28 satisfaction of the Supervisor and the Commissioner, and promptly
29 notify all parties in interest.

30 If conditions warrant extension of the 10-year period

1 specified in this subsection 2(e), a single extension of not
2 to exceed 2 years may be accomplished by consent of the owners
3 of 90% of the working interests in the current nonparticipat-
4 ing unitized lands and the owners of 60% of the basic royalty
5 interests (exclusive of the basic royalty interests of the
6 United States) in nonparticipating unitized lands with appro-
7 val of the Director and Commissioner, provided such extension
8 application is submitted to the Director and Commissioner not
9 later than 60 days prior to the expiration of said ten-year
10 period.

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

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

21 4. UNIT OPERATOR. ROBERTS, KOCH & CARTWRIGHT a partner-
22 ship composed of Ross D. Roberts, Charles E. Koch and Jack C.
23 Cartwright is hereby designated as Unit Operator and by signa-
24 ture hereto as Unit Operator agrees and consents to accept the
25 duties and obligations of Unit Operator for the discovery, de-
26 velopment, and production of unitized substances as herein
27 provided. Whenever reference is made herein to the Unit Oper-
28 ator, such reference means the Unit Operator acting in that
29 capacity and not as an owner of interest in unitized substances,
30 and the term "working interest owner" when used herein shall

1 include or refer to Unit Operator as the owner of a working
2 interest when such an interest is owned by it.

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

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

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

1 The Unit Operator may, upon default or failure in the
2 performance of its duties or obligations hereunder, be sub-
3 ject to removal by the same percentage vote of the owners of
4 working interests as hercin provided for the selection of a
5 new Unit Operator. Such removal shall be effective upon
6 notice thereof to the Supervisor and the Commissioner.

7 The resignation or removal of Unit Operator under this
8 agreement shall not terminate its right, title or interest as
9 the owner of a working interest or other interest in unitized
10 substances, but upon the resignation or removal of Unit Oper-
11 ator becoming effective, such Unit Operator shall deliver
12 possession of all wells, equipment, materials and appurtenances
13 used in conducting the unit operations to the new duly qualified
14 successor Unit Operator or to the common agent, if no such new
15 Unit Operator is elected, to be used for the purpose of con-
16 ducting unit operations hereunder. Nothing herein shall be
17 construed as authorizing removal of any material, equipment and
18 appurtenances needed for the preservation of any wells.

19 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall
20 tender his or its resignation as Unit Operator or shall be re-
21 moved as hereinabove provided, or a change of Unit Operator is
22 negotiated by working interest owners, the owners of the working
23 interests in the participating area or areas according to their
24 respective acreage interests in such participating area or areas,
25 or, until a participating area shall have been established, the
26 owners of the working interests according to their respective
27 acreage interests in all unitized land, shall by majority vote
28 select a successor Unit Operator: Provided, That, if a majority
29 but less than 75 per cent of the working interests qualified
30 to vote are owned by one party to this agreement, a concurring

1 vote of one or more additional working interest owners shall
2 be required to select a new operator. Such selection shall
3 not become effective until

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

6 (b) the selection shall have been approved by the Super-
7 visor and the Commissioner.

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

11 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

12 If the Unit Operator is not the sole owner of working interest,
13 costs and expenses incurred by Unit Operator in conducting
14 unit operations hereunder shall be paid and apportioned among
15 and borne by the owners of working interests, all in accord-
16 ance with the agreement or agreements entered into by and be-
17 tween the Unit Operator and the owners of working interests,
18 whether one or more, separately or collectively. Any agreement
19 or agreements entered into between the working interest owners
20 and the Unit Operator as provided in this section, whether
21 one or more, are herein referred to as the "unit operating
22 agreement". Such unit operating agreement shall also provide
23 the manner in which the working interest owners shall be en-
24 titled to receive their respective proportionate and allocated
25 share of the benefits accruing hereto in conformity with their
26 underlying operating agreements, leases or other independent
27 contracts, and such other rights and obligations as between
28 Unit Operator and the working interest owners as may be agreed
29 upon by Unit Operator and the working interest owners; however,
30 no such unit operating agreement shall be deemed either to

1 modify any of the terms and conditions of this unit agreement
2 or to relieve the Unit Operator of any right or obligation
3 established under this unit agreement, and in case of any
4 inconsistency or conflict between this unit agreement and the
5 unit operating agreement, this unit agreement shall govern.

6 Three true copies of any unit operating agreement executed
7 pursuant to this section should be filed with the Supervisor
8 and two true copies with the Commissioner and one true copy
9 with the Commission, prior to approval of this unit agreement.

10 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as
11 otherwise specifically provided herein, the exclusive right,
12 privilege, and duty of exercising any and all rights of the
13 parties hereto which are necessary or convenient for prospect-
14 ing for, producing, storing, allocating, and distributing the
15 unitized substances are hereby delegated to and shall be exer-
16 cised by the Unit Operator as herein provided. Acceptable
17 evidence of title to said rights shall be deposited with said
18 Unit Operator and, together with this agreement, shall consti-
19 tute and define the rights, privileges, and obligations of
20 Unit Operator. Nothing herein, however, shall be construed
21 to transfer title to any land or to any lease or operating
22 agreement, it being understood that under this agreement the
23 Unit Operator, in its capacity as Unit Operator, shall exer-
24 cise the rights of possession and use vested in the parties
25 hereto only for the purposes herein specified.

26 9. DRILLING TO DISCOVERY. Within 6 months after the
27 effective date hereof, the Unit Operator shall begin to drill
28 an adequate test well at a location approved by the Supervisor,
29 if on Federal land, or by the Land Commissioner if on State
30 land, or by the Commission if on fee land, unless on such

1 effective date a well is being drilled conformably with the
2 terms hereof, and thereafter continue such drilling diligently
3 until the upper Mississippian (Barnett Shale) formation has
4 been penetrated and all formations of the Pennsylvanian age
5 have been tested, or until at a lesser depth unitized sub-
6 stances shall be discovered which can be produced in paying
7 quantities (to-wit: quantities sufficient to repay the costs
8 of drilling, completing, and producing operations, with a
9 reasonable profit) or the Unit Operator shall, at any time,
10 establish to the satisfaction of the Supervisor, if on Federal
11 land, or the Commissioner if located on State lands, or the
12 Commission if located on fee lands, that further drilling of
13 said well would be unwarranted or impracticable, provided
14 however, that Unit Operator shall not in any event be required
15 to drill said well to a depth in excess of 8,700 feet. Until
16 the discovery of a deposit of unitized substances in paying
17 quantities is completed to the satisfaction of said Supervisor
18 if on Federal land, or the Commissioner if on State land, or
19 the Commission if on fee land, or until it is reasonably proved
20 that the unitized land is incapable of producing unitized sub-
21 stances in paying quantities in the formations drilled here-
22 under. Nothing in this section shall be deemed to limit the
23 right of the Unit Operator to resign as provided in Section 5
24 hereof, or as requiring Unit Operator to commence or continue
25 any drilling during the period pending such resignation becom-
26 ing effective in order to comply with the requirements of this
27 section. The Supervisor and Commissioner may modify the drill-
28 ing requirements of this section by granting reasonable exten-
29 sions of time when, in their opinion, such action is warranted.
30 Upon failure to commence any well provided for in this section

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

7 10. SURFACE MANAGEMENT STIPULATION. Nothing in this
8 agreement shall modify the special Federal-lease stipulations
9 relating to surface management, attached to and made a part of,
10 Oil and Gas leases covering lands within the Unit Area.

11 11. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within
12 6 months after completion of a well capable of producing unit-
13 ized substances in paying quantities, the Unit Operator shall
14 submit for the approval of the Supervisor and the Commissioner
15 an acceptable plan of development and operation for the unitized
16 land which, when approved by the Supervisor and the Commissioner,
17 shall constitute the further drilling and operating obligations
18 of the Unit Operator under this agreement for the period speci-
19 fied therein. Thereafter, from time to time before the expir-
20 ation of any existing plan, the Unit Operator shall submit for
21 the approval of the Supervisor and the Commissioner a plan for
22 an additional specified period for the development and operation
23 of the unitized land.

24 Any plan submitted pursuant to this section shall provide
25 for the exploration of the unitized area and for the diligent
26 drilling necessary for determination of the area or areas there-
27 of capable of producing unitized substances in paying quantities
28 in each and every productive formation and shall be as complete
29 and adequate as the Supervisor, the Commissioner and Commission
30 may determine to be necessary for timely development and proper

1 conservation of the oil and gas resources of the unitized
2 area and shall:

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

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

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

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

27 12. PARTICIPATION AFTER DISCOVERY. Upon completion of
28 a well capable of producing unitized substances in paying
29 quantities or as soon thereafter as required by the Supervisor
30 and Commissioner, the Unit Operator shall submit for approval

1 by the Supervisor and Commissioner a schedule, based on subdiv-
2 isions of the public land survey or aliquot parts thereof, of
3 all land then regarded reasonably proved to be productive in
4 paying quantities; all lands in said schedule on approval of
5 the Supervisor and Commissioner to constitute a participating
6 area, effective as of the date of completion of such well or
7 the effective date of this unit agreement, whichever is later.
8 The acreages of both Federal and non-Federal lands shall be
9 based upon appropriate computations from the courses and dis-
10 tances shown on the last approved public land survey as of
11 the effective date of each initial participating area. Said
12 schedule shall also set forth the percentage of unitized sub-
13 stances to be allocated as herein provided to each tract in the
14 participating area so established, and shall govern the allo-
15 cation of production commencing with the effective date of the
16 participating area. A separate participating area shall be
17 established for each separate pool or deposit of unitized sub-
18 stances or for any group thereof which is produced as a single
19 pool or zone, and any two or more participating areas so estab-
20 lished may be combined into one, on approval of the Supervisor
21 and the Commissioner. When production from two or more parti-
22 cipating areas, so established, is subsequently found to be
23 from a common pool or deposit said participating areas shall
24 be combined into one effective as of such appropriate date as
25 may be approved or prescribed by the Supervisor and Commissioner.
26 The participating area or areas so established shall be revised
27 from time to time, subject to like approval, to include addit-
28 ional land then regarded as reasonably proved to be productive
29 in paying quantities or necessary for unit operations, or to
30 exclude land then regarded as reasonably proved not to be pro-

1 ductive in paying quantities and the schedule of allocation
2 precentages shall be revised accordingly. The effective date
3 of any revision shall be the first day of the month in which
4 is obtained the knowledge or information on which such re-
5 vision is predicated, provided, however, that a more appro-
6 priate effective date may be used if justified by the Unit
7 Operator and approved by the Supervisor and Commissioner. No
8 land shall be excluded from a participating area on account
9 of depletion of the unitized substances, except that any
10 participating area established under the provisions of this
11 unit agreement shall terminate automatically whenever all
12 completions in the formation on which the participating area
13 is based are abandoned.

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

21 In the absence of agreement at any time between the Unit
22 Operator and the Supervisor and Commissioner as to the proper
23 definition or redefinition of a participating area, or until
24 a participating area has, or areas have, been established as
25 provided herein, the portion of all payments affected thereby
26 shall be impounded in a manner mutually acceptable to the own-
27 ers of working interests and the Supervisor and Commissioner.
28 Royalties due the United States and the State of New Mexico,
29 which shall be determined by the Supervisor for Federal land
30 and the Commissioner for State land and the amount thereof

1 shall be deposited, as directed by the Supervisor and Comm-
2 issioner respectively, to be held as unearned money until a
3 participating area is finally approved and then applied as
4 earned or returned in accordance with a determination of the
5 sum due as Federal and State royalty on the basis of such
6 approved participating area.

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

20 13. ALLOCATION OF PRODUCTION. All unitized substances
21 produced from each participating area established under this
22 agreement, except any part thereof used in conformity with
23 good operating practices within the unitized area for drilling,
24 operating, camp and other production or development purposes,
25 for repressuring or recycling in accordance with a plan of
26 development approved by the Supervisor and Commissioner, or
27 unavoidably lost, shall be deemed to be produced equally on
28 an acreage basis from the several tracts of unitized land of
29 the participating area established for such production and,
30 for the purpose of determining any benefits accruing under

1 this agreement, each such tract of unitized land shall have
2 allocated to it such percentage of said production as the num-
3 ber of acres of such tract included in said participating area
4 bears to the total acres of unitized land in said participating
5 area, except that allocation of production hereunder for pur-
6 poses other than for settlement of the royalty, overriding
7 royalty, or payment out of production obligations of the res-
8 pective working interest owners, shall be on the basis pre-
9 scribed in the unit operating agreement whether in conformity
10 with the basis of allocation herein set forth or otherwise.
11 It is hereby agreed that production of unitized substances
12 from a participating area shall be allocated as provided
13 herein regardless of whether any wells are drilled on any par-
14 ticular part or tract of said participating area. If any gas
15 produced from one participating area is used for repressuring
16 or recycling purposes in another area, the first gas withdrawn
17 from such last mentioned participating area for sale during the
18 life of this agreement shall be considered to be the gas so
19 transferred until an amount equal to that transferred shall be
20 so produced for sale and such gas shall be allocated to the
21 participating area from which initially produced as such area
22 was last defined at the time of such final production.

23 14. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND
24 OR FORMATIONS. Any party hereto owning or controlling the
25 working interest in any unitized land having thereon a regular
26 well location may with the approval of the Supervisor as to
27 Federal land, and the Commissioner as to State land and the
28 Commission as to privately owned land, at such party's sole
29 risk, cost and expense, drill a well to test any formation for
30 which a participating area has not been established or to test

1 any formation for which a participating area has been estab-
2 lished if such location is not within said participating area,
3 unless within 90 days of receipt of notice from said party of
4 his intention to drill the well the Unit Operator elects and
5 commences to drill such a well in like manner as other wells
6 are drilled by the Unit Operator under this agreement.

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

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

22 15. ROYALTY SETTLEMENT. The United States and any State
23 and any royalty owner who is entitled to take in kind a share
24 of the substances now unitized hereunder shall hereafter be
25 entitled to the right to take in kind its share of the unitized
26 substances, and the Unit Operator, or the working interest
27 owner in case of the operation of a well by a working interest
28 owner as herein provided for in special cases, shall make de-
29 liveries of such royalty share taken in kind in conformity
30 with the applicable contracts, laws and regulations. Settle-

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

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

25 Royalty due the United States shall be computed as provided
26 in the operating regulations and paid in value or delivered in
27 kind as to all unitized substances on the basis of the amounts
28 thereof allocated to unitized Federal land as provided herein
29 at the rate specified in the respective Federal leases, or at
30 such lower rate or rates as may be authorized by law or regu-

1 lation; provided, that for leases on which the royalty rate
2 depends on the daily average production per well, said average
3 production shall be determined in accordance with the operating
4 regulations as though each participating area were a single con-
5 solidated lease.

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

9 16. RENTAL SETTLEMENT. Rental or minimum royalties due
10 on leases committed hereto shall be paid by working interest
11 owners responsible therefor under existing contracts, laws
12 and regulations, provided that nothing herein contained shall
13 operate to relieve the lessees of any land from their respective
14 lease obligations for the payment of any rental or minimum
15 royalty due under their leases. Rental or minimum royalty for
16 lands of the United States subject to this agreement shall be
17 paid at the rate specified in the respective leases from the
18 United States unless such rental or minimum royalty is waived,
19 suspended or reduced by law or by approval of the Secretary of
20 his duly authorized representative.

21 Rentals on State of New Mexico lands subject to this agree-
22 ment shall be paid at the rates specified in the respective
23 leases.

24 With respect to any lease on non-Federal land containing
25 provisions which would terminate such lease unless drilling
26 operations are commenced upon the land covered thereby within
27 the time therein specified or rentals are paid for the privi-
28 lege of deferring such drilling operations, the rentals required
29 thereby shall, notwithstanding any other provisions of this
30 agreement, be deemed to accrue and become payable during the

1 term thereof as extended by this agreement and until the re-
2 quired drilling operations are commenced upon the land cover-
3 ed thereby or until some portion of such land is included
4 within a participating area.

5 17. CONSERVATION. Operations hereunder and production
6 of unitized substances shall be conducted to provide for the
7 most economical and efficient recovery of said substances
8 without waste, as defined by or pursuant to State or Federal
9 laws or regulations.

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

14 19. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,
15 conditions and provisions of all leases, subleases and other
16 contracts relating to exploration, drilling, development or oper-
17 ations for oil or gas on lands committed to this agreement are
18 hereby expressly modified and amended to the extent necessary
19 to make the same conform to the provisions hereof, but other-
20 wise to remain in full force and effect; and the parties hereto
21 hereby consent that the Secretary as to Federal leases and the
22 Commissioner as to State leases shall and each by his approval
23 hereof, or by the approval hereof by their duly authorized re-
24 presentatives, do hereby establish, alter, change or revoke
25 the drilling, producing, rental, minimum royalty and royalty
26 requirements of Federal and State leases committed hereto and
27 the regulations in respect thereto to conform said requirements
28 to the provisions of this agreement, and, without limiting the
29 generality of the foregoing, all leases, subleases, and contracts
30 are particularly modified in accordance with the following:

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

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

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

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

30 (e) Any Federal lease for a fixed term of twenty (20)

1 years or any renewal thereof or any part of such lease
2 which is made subject to this agreement shall continue
3 in force beyond the term provided therein until the
4 termination hereof. Any other Federal lease committed
5 hereto shall continue in force beyond the term so pro-
6 vided therein or by law as to the land committed so long
7 as such lease remains subject hereto, provided that pro-
8 duction is had in paying quantities under this unit
9 agreement prior to the expiration date of the term of
10 such lease, or in the event actual drilling operations
11 are commenced on unitized lands, in accordance with
12 the provisions of this agreement, prior to the end of
13 the primary term of such lease and are being diligently
14 prosecuted at that time, such lease shall be extended
15 for two years and so long thereafter as oil or gas is
16 produced in paying quantities in accordance with the
17 provisions of the Mineral Leasing Act Revision of 1960.
18 (f) Each sublease or contract relating to the operation
19 and development of unitized substances from lands of the
20 United States committed to this agreement, which by its
21 terms would expire prior to the time at which the under-
22 lying lease, as extended by the immediately preceding
23 paragraph, will expire, is hereby extended beyond any
24 such term so provided therein so that it shall be con-
25 tinued in full force and effect for and during the term
26 of the underlying lease as such lease is herein extended.
27 (g) Any lease embracing lands of the State of New Mex-
28 ico which is made subject to this agreement, shall con-

1 tinue in force beyond the term provided therein as to
2 the lands committed hereto until the termination hereof,
3 subject to the provisions of subsection (c) of Section
4 2 and subsection (i) of this Section 18.

5 (h) The segregation of any Federal lease committed to
6 this agreement is governed by the following provisions
7 in the fourth paragraph of Sec. 17 (j) of the Mineral
8 Leasing Act, as amended by the Act of September 2, 1960
9 (74 Stat. 781-784): "Any (Federal) lease heretofore or
10 hereafter committed to any such (unit) plan embracing
11 lands that are in part within and in part outside of the
12 area covered by any such plan shall be segregated into
13 separate leases as to the lands committed and the lands
14 not committed as of the effective date of unitization:
15 Provided, however, That any such lease as to the nonunit-
16 ized portion shall continue in force and effect for the
17 term thereof but for not less than two years from the
18 date of such segregation and so long thereafter as oil or
19 gas is produced in paying quantities."

20 (i) Any lease embracing lands of the State of New Mexico
21 having only a portion of its lands committed hereto, shall
22 be segregated as to the portion committed and the portion
23 not committed, and the provisions of such lease shall
24 apply separately to such segregated portions commencing
25 as of the effective date hereof; provided, however, not-
26 withstanding any of the provisions of this agreement to
27 the contrary any lease embracing lands of the State of
28 New Mexico having only a portion of its lands committed

1 hereto shall continue in full force and effect beyond
2 the term provided therein as to all lands embraced in
3 such lease, if oil or gas is discovered and is capable
4 of being produced in paying quantities from some part
5 of the lands embraced in such lease at the expiration
6 of the secondary term of such lease; or if, at the ex-
7 piration of the secondary term, the lessee or Unit Oper-
8 ator is then engaged in bona fide drilling or reworking
9 operations on some part of the lands embraced in such
10 lease, the same, as to all lands embraced therein, shall
11 remain in full force and effect so long as such operations
12 are being diligently prosecuted, and if they result in
13 the production of oil or gas, said lease shall continue
14 in full force and effect as to all of the lands embraced
15 therein, so long thereafter as oil or gas in paying quan-
16 tities is being produced from any portion of said lands.

17 (j) Any lease, other than a Federal lease, having only
18 a portion of its lands committed hereto shall be segrega-
19 ted as to the portion committed and the portion not comm-
20 itted, and the provisions of such lease shall apply sepa-
21 rately to such segregated portions commencing as of the
22 effective date hereof. In the event any such lease pro-
23 vides for a lump sum rental payment, such payment shall
24 be prorated between the portions so segregated in pro-
25 portion to the acreage of the respective tracts.

26 20. COVENANTS RUN WITH LAND. The covenants herein shall
27 be construed to be covenants running with the land with respect
28 to the interest of the parties hereto and their successors in
29 interest until this agreement terminates, and any grant, trans-
30 fer, or conveyance of interest in land or leases subject hereto

1 shall be and hereby is conditioned upon the assumption of
2 all privileges and obligations hereunder by the grantee, trans-
3 feree or other successor in interest. No assignment or trans-
4 fer of any working interest, royalty, or other interest sub-
5 ject hereto shall be binding upon Unit Operator until the first
6 day of the calendar month after Unit Operator is furnished
7 with the original, photostatic, or certified copy of the instru-
8 ment of transfer.

9 21. EFFECTIVE DATE AND TERM. This agreement shall be-
10 come effective upon approval by the Secretary and Commissioner,
11 or their duly authorized representatives and shall terminate
12 five (5) years from said effective date unless:

13 (a) such date of expiration is extended by the Director
14 and Commissioner, or

15 (b) it is reasonably determined prior to the expiration
16 of the fixed term or any extension thereof that the unit-
17 ized land is incapable of production of unitized substances
18 in paying quantities in the formations tested hereunder and
19 after notice of intention to terminate the agreement on
20 such ground is given by the Unit Operator to all parties
21 in interest at their last known addresses, the agreement
22 is terminated with the approval of the supervisor and the
23 Commissioner, or

24 (c) a valuable discovery of unitized substances has been
25 made or accepted on unitized land during said initial term
26 or any extension thereof, in which event the agreement
27 shall remain in effect for such term and so long as unit-
28 ized land within any participating area established here-
29 under and, should production cease, so long thereafter as
30 diligent operations are in progress for the restoration

1 of production or discovery of new production and so long
2 thereafter as unitized substances so discovered can be
3 produced as aforesaid, or
4 (d) it is terminated as heretofore provided in this
5 agreement. This agreement may be terminated at any time
6 by not less than 75 per centum, on an acreage basis, of
7 the working interest owners signatory hereto, with the
8 approval of the Supervisor and Commissioner; notice of
9 any such approval to be given by the Unit Operator to all
10 parties hereto.

11 22. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION.

12 The Director is hereby vested with authority to alter or modify
13 from time to time in his discretion the quantity and rate of
14 production under this agreement when such quantity and rate is
15 not fixed pursuant to Federal or State law or does not conform
16 to any statewide voluntary conservation or allocation program,
17 which is established, recognized and generally adhered to by
18 the majority of operators in such State, such authority being
19 hereby limited to alteration or modification in the public in-
20 terest, the purpose thereof and the public interest to be served
21 thereby to be stated in the order of alteration or modification.
22 Without regard to the foregoing, the Director is also hereby
23 vested with authority to alter or modify from time to time in
24 his discretion the rate of prospecting and developing in the
25 absence of the specific written approval thereof by the Commis-
26 sioner and to any lands of the State of New Mexico or privately
27 owned lands subject to this agreement as to the quantity and
28 rate of production in the absence of specific written approval
29 thereof by the Commission.

30 Powers in this section vested in the Director shall only

1 be exercised after notice to Unit Operator and opportunity
2 for hearing to be held not less than 15 days from notice.

3 23. CONFLICT OF SUPERVISION. Neither the Unit Operator
4 nor the working interest owners nor any of them shall be sub-
5 ject to any forfeiture, termination or expiration of any rights
6 hereunder or under any leases or contracts subject hereto, or
7 to any penalty or liability on account of delay or failure in
8 whole or in part to comply with any applicable provision there-
9 of to the extent that the Unit Operator, working interest owners
10 or any of them are hindered, delayed or prevented from comply-
11 ing therewith by reason of failure of the Unit Operator to ob-
12 tain in the exercise of due diligence, the concurrence of pro-
13 per representatives of the United States and proper represent-
14 atives of the State of New Mexico in and about any matters or
15 things concerning which it is required herein that such con-
16 currence be obtained. The parties hereto, including the Com-
17 mission, agree that all powers and authority vested in the Com-
18 mission in and by any provisions of this agreement are vested
19 in the Commission and shall be exercised by it pursuant to the
20 provisions of the laws of the State of New Mexico and subject
21 in any case to appeal or judicial review as may now or here-
22 after be provided by the laws of the State of New Mexico.

23 24. APPEARANCES. Unit Operator shall, after notice to
24 other parties affected, have the right to appear for and on
25 behalf of any and all interests affected hereby before the
26 Department of the Interior, the Commissioner of Public Lands
27 of the State of New Mexico and the New Mexico Oil Conservation
28 Commission and to appeal from orders issued under the regula-
29 tions of said Department, the Commission or Commissioner or to
30 apply for relief from any of said regulations or in any pro-

1 ceedings relative to operations before the Department of
2 the Interior, the Commissioner, or Commission, or any other
3 legally constituted authority; provided, however, that any
4 other interested party shall also have the right at his
5 own expense to be heard in any such proceeding.

6 25. NOTICES. All notices, demands or statements re-
7 quired hereunder to be given or rendered to the parties here-
8 to shall be deemed fully given if given in writing and person-
9 ally delivered to the party or sent by postpaid registered or
10 certified mail, addressed to such party or parties at their
11 respective addresses set forth in connection with the sign-
12 atures hereto or to the ratification or consent hereof or to
13 such other address as any such party may have furnished in
14 writing to party sending the notice, demand or statement.

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

23 27. UNAVOIDABLE DELAY. All obligations under this agree-
24 ment requiring the Unit Operator to commence or continue drill-
25 ing or to operate on or produce unitized substances from any of
26 the lands covered by this agreement shall be suspended while
27 the Unit Operator, despite the exercise of due care and dili-
28 gence, is prevented from complying with such obligations, in
29 whole or in part, by strikes, acts of God, Federal, State or
30 municipal law or agencies, unavoidable accidents, uncontroll-

1 able delays in transportation, inability to obtain necessary
2 materials in open market, or other matters beyond the reason-
3 able control of the Unit Operator whether similar to matters
4 herein enumerated or not. No unit obligation which is suspen-
5 ded under this section shall become due less than thirty (30)
6 days after it has been determined that the suspension is no
7 longer applicable. Determination of creditable "Unavoidable
8 Delay" time shall be made by the Unit Operator subject to
9 approval of the Supervisor and Commissioner.

10 28. NONDISCRIMINATION. In connection with the perfor-
11 mance of work under this agreement, the operator agrees to com-
12 ply with all of the provisions of section 202 (1) to (7) in-
13 clusive of Executive Order 11246 (30 F.R. 12319), which are
14 hereby incorporated by reference in this agreement.

15 29. LOSS OF TITLE. In the event title to any tract of
16 unitized land shall fail and the true owner cannot be induced
17 to join in this unit agreement, such tract shall be automati-
18 cally regarded as not committed hereto and there shall be such
19 readjustment of future costs and benefits as may be required
20 on account of the loss of such title. In the event of a dis-
21 pute as to title to any royalty, working interest or other
22 interests subject thereto, payment or delivery on account
23 thereof may be withheld without liability for interest until
24 the dispute is finally settled; provided, that, as to Federal
25 and State land or leases, no payments of funds due the United
26 States or State of New Mexico should be withheld, but such funds
27 of the United States shall be deposited as directed by the Super-
28 visor and such funds of the State of New Mexico shall be deposi-
29 ted as directed by the Commissioner to be held as unearned money
30 pending final settlement of the title dispute, and then applied

1 as earned or returned in accordance with such final settle-
2 ment.

3 Unit Operator as such is relieved from any responsi-
4 bility for any defect or failure of any title hereunder.

5 30. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner
6 of any substantial interest in a tract within the unit area
7 fails or refuses to subscribe or consent to this agreement,
8 the owner of the working interest in that tract may withdraw
9 said tract from this agreement by written notice delivered to
10 the Supervisor and the Commissioner and the Unit Operator prior
11 to the approval of this agreement by the Supervisor and Com-
12 missioner. Any oil or gas interests in lands within the unit
13 area not committed hereto prior to submission of this agreement
14 for final approval may thereafter be committed hereto by the
15 owner or owners thereof subscribing or consenting to this agree-
16 ment, and, if the interest is a working interest, by the owner
17 of such interest also subscribing to the unit operating agree-
18 ment. After operations are commenced hereunder, the right of
19 subsequent joinder, as provided in this section, by a working
20 interest owner is subject to such requirements or approvals,
21 if any, pertaining to such joinder, as may be provided for in
22 the unit operating agreement. After final approval hereof,
23 joinder by a non-working interest owner must be consented to
24 in writing by the working interest owner committed hereto and
25 responsible for the payment of any benefits that may accrue
26 hereunder in behalf of such non-working interest. A non-
27 working interest may not be committed to this unit agreement
28 unless the corresponding working interest is committed hereto.
29 Joinder to the unit agreement by a working interest owner, at
30 any time, must be accompanied by appropriate joinder to the

1 unit operating agreement, if more than one committed working
2 interest owner is involved, in order for the interest to be
3 regarded as committed to this unit agreement. Except as may
4 otherwise herein be provided, subsequent joinders to this
5 agreement shall be effective as of the first day of the month
6 following the filing with the Supervisor and the Commissioner
7 of duly executed counterparts of all or any papers necessary
8 to establish effective commitment of any tract to this agree-
9 ment unless objection to such joinder is duly made within 60
10 days by the Supervisor, provided, however that as to State
11 lands all subsequent joinders must be approved by the Commiss-
12 ioner.

13 31. COUNTERPARTS. This agreement may be executed in any
14 number of counterparts no one of which needs to be executed by
15 all parties or may be ratified or consented to by separate
16 instrument in writing specifically referring hereto and shall
17 be binding upon all those parties who have executed such a
18 counterpart, ratification, or consent hereto with the same force
19 and effect as if all parties had signed the same document and
20 regardless of whether or not it is executed by all other parties
21 owning or claiming an interest in lands within the above des-
22 cribed unit area.

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

30 If as a result of any such surrender the working interest

1 rights as to such lands become vested in any party other than
2 the fee owner of the unitized substances, said party may for-
3 feit such rights and further benefits from operation hereunder
4 as to said land to the party next in the chain of title who
5 shall be and become the owner of such working interest.

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

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

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

14 (3) Provide for the independent operation of any part
15 of such land that is not then included within a participating
16 area established hereunder.

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

30 An appropriate accounting and settlement shall be made

1 for all benefits accruing to or payments and expenditures
2 made or incurred on behalf of such surrender or forfeited
3 working interest subsequent to the date of surrender or for-
4 feiture, and payment of any moneys found to be owing by such
5 an accounting shall be made as between the parties within
6 thirty (30) days. In the event no unit operating agreement
7 is in existence and a mutually acceptable agreement between
8 the proper parties thereto cannot be consummated, the Super-
9 visor may prescribe such reasonable and equitable agreement
10 as he deems warranted under the circumstances.

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

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

1 such taxes.

2 34. NO PARTNERSHIP. It is expressly agreed that the
3 relation of the parties hereto is that of independent con-
4 tractors and nothing in this agreement contained, expressed
5 or implied, nor any operations conducted hereunder, shall create
6 or be deemed to have created a partnership or association be-
7 tween the parties hereto or any of them.

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

11

12 Date: 8/21/73

13 Address: 205 Bldg. of SWest

14 Midland, Texas 79701

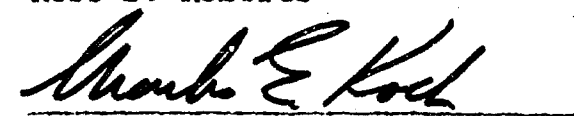
15

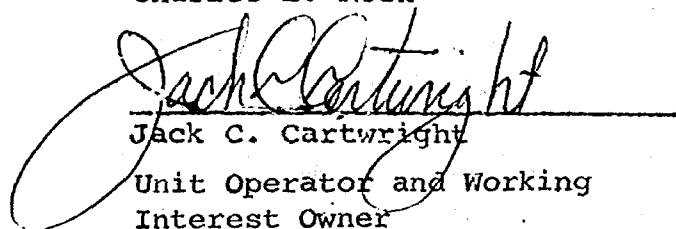
16

17

ROBERTS, KOCH & CARTWRIGHT


Ross D. Roberts


Charles E. Koch


Jack C. Cartwright
Unit Operator and Working
Interest Owner

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
_____ of AZTEC OIL AND GAS COMPANY, a
corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
_____ of UNION OIL COMPANY OF CALIFORNIA, a
corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF TEXAS X

COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this
21st day of August, 1973 by Ross D. Roberts, Charles E.
Koch, and Jack C. Cartwright, partners, of ROBERTS, KOCH & CARTWRIGHT,
a partnership.

Carolyn Hartley
Notary Public

My Commission Expires:

6-1-75

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE OIL COMPANY

By _____

Date: _____

Address: _____

ATTEST:

PETROLEUM, INC.

By _____

Date: _____

Address: _____

ATTEST:

AZTEC OIL AND GAS COMPANY

Wanda M. Sanders
ASSISTANT SECRETARY

By Kenneth A. Swanson
Vice President

Date: September 13, 1973

Address: 2000 First Nat'l Bank Bldg.
Waller, Texas 75202

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

Date: _____

Address: _____

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of PETROLEUM, INC., a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF Texas)
COUNTY OF Dallas) : ss

The foregoing instrument was acknowledged before me this
13th day of September, 1973 by Kenneth A. Luten
Vice President, of AZTEC OIL AND GAS COMPANY, a
corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1975

[Signature]
Notary Public

Notary Public
NOTARY PUBLIC DALLAS COUNTY, TEXAS
MY COMMISSION EXPIRES JUNE 1, 1975

STATE OF _____)
COUNTY OF _____) : ss

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
_____ of UNION OIL COMPANY OF CALIFORNIA, a
corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF TEXAS X
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
Partner on behalf of ROBERTS, KOCH & CARTWRIGHT, a partnership.

Notary Public

My Commission Expires:

WORKING INTEREST OWNERS

~~ATTEST~~

CITIES SERVICE OIL COMPANY

By

Mark F. Payton

Attorney-in-Fact

Address: P. O. Box 300

Date: _____

Tulsa, Oklahoma 74102

ATTEST:

PETROLEUM, INC.

By _____

Date: _____

Address: _____

ATTEST:

AZTEC OIL AND GAS COMPANY

By _____

Date: _____

Address: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

Date: _____

Address: _____

STATE OF Oklahoma

)

: ss

COUNTY OF TULSA

)

The foregoing instrument was acknowledged before me this 30th day of August, 1973 by Mark F. Payton, Attorney-in-Fact, of CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

JUL 25 1976

Evelyn M. Schultz
Notary Public
Evelyn M. Schultz

STATE OF _____

)

: ss

COUNTY OF _____

)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of PETROLEUM, INC., a corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE OIL COMPANY

By _____

Date: _____

Address: _____

ATTEST:

PETROLEUM, INC.

Thomas Wardman

By Robert D. Cowdery

Date: 22 August, 1973

Address: 500 Colorado State Bank Bldg.

Denver, Colorado 80202

ATTEST:

AZTEC OIL AND GAS COMPANY

By _____

Date: _____

Address: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

Date: _____

Address: _____

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
_____ of CITIES SERVICE OIL COMPANY, a Delaware
corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF Colorado)

City and _____ : ss

COUNTY OF Denver)

The foregoing instrument was acknowledged before me this
27th day of August, 1973 by Robert D. Cowdery,
Vice-President, of PETROLEUM, INC., a Kansas
corporation, on behalf of said corporation.

My Commission Expires: _____

Mary Kay White
Notary Public

July 12, 1977.

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE OIL COMPANY

By _____

Date: _____

Address: _____

ATTEST:

PETROLEUM, INC.

By _____

Date: _____

Address: _____

ATTEST:

AZTEC OIL AND GAS COMPANY

By _____

Date: _____

Address: _____

~~ATTEST:~~

UNION OIL COMPANY OF CALIFORNIA

By Samuel C. Terry *for*

Attorney-in-Fact

SAMUEL C. TERRY

Date: August 24, 1973

Address: P. O. Box 3100

Midland, Texas 79701

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of PETROLEUM, INC., a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
 : ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
_____, of AZTEC OIL AND GAS COMPANY, a
corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF TEXAS)
 : ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this
24th day of August, 1973 by SAMUEL C. TERRY,
Attorney-in-Fact, of UNION OIL COMPANY OF CALIFORNIA, a
corporation, on behalf of said corporation.

My Commission Expires: _____

June 1, 1975

Alice Monroe
Notary Public
Alice Monroe

STATE OF TEXAS X
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
Partner on behalf of ROBERTS, KOCH & CARTWRIGHT, a partnership.

My Commission Expires: _____

Notary Public

EXHIBIT "B"
TO
UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
DEER CANYON UNIT AREA
EDDY COUNTY, NEW MEXICO

Tract No.	Description	Number of acres	Lease Serial No. Expiration Date	Basic Royalty and Percent	Lessee of Record	Interest	Overriding Royalty Owner and Percentage	Working Interest Ow and Percentage
<u>FEDERAL LANDS</u>								
1.	T-20-S, R-21-E Sec. 22: E $\frac{1}{2}$ Sec. 23: S $\frac{1}{2}$; E $\frac{1}{2}$ NW $\frac{1}{4}$; SW $\frac{1}{4}$ NW $\frac{1}{4}$.	760.00	NM-072223 2/28/75	U.S.A. ALL	Kerr-McGee Oil Corporation	All	5.00	(e) Kerr-McGee Oil Corporation
2.	T-20-S, R-21-E Sec. 11: All Sec. 14: W $\frac{1}{2}$ Sec. 15: N $\frac{1}{2}$ NE $\frac{1}{4}$; SE $\frac{1}{4}$ NE $\frac{1}{4}$	1080.00	NM-0452402 10/31/73	U.S.A. ALL	Roberts, Koch & Cartwright	All	Barbara Talento 3.00	Roberts, Koch & Cartwright
3.	T-20-S, R-21-E Sec. 1: Lots 10 & 11: SW $\frac{1}{4}$ NW $\frac{1}{4}$; SW $\frac{1}{4}$; W $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 3: S $\frac{1}{2}$ Sec. 4: E $\frac{1}{2}$ SE $\frac{1}{4}$; NW $\frac{1}{4}$ SE $\frac{1}{4}$; SW $\frac{1}{4}$ NE $\frac{1}{4}$; SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 10: N $\frac{1}{2}$; SE $\frac{1}{4}$; E $\frac{1}{2}$ SW $\frac{1}{4}$	1481.37	NM-0452514 10/31/73	U.S.A. ALL	Petroleum, Inc.	All	None	(a) Petroleum Inc.
4.	T-20-S, R-21-E Sec. 1: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 SW $\frac{1}{4}$ NE $\frac{1}{4}$; SE $\frac{1}{4}$ NW $\frac{1}{4}$	371.28	NM-0554937 9/30/74	U.S.A. ALL	Roberts, Koch & Cartwright	All	Mildred J. Farmer 5.00	Roberts, Koch & Cartwright

EXHIBIT "B"
TO
UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
DEER CANYON UNIT AREA
EDDY COUNTY, NEW MEXICO

Number Acres	Lease Serial No. Expiration Date	Basic Royalty and Percent	Lessee of Record	Interest	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage
<u>FEDERAL LANDS</u>						
0.00	NM-072223 2/28/75	U.S.A. ALL	Kerr-McGee Oil Corporation	All	5.00	(e) Kerr-McGee Oil Corporation All
0.00	NM-0452402 10/31/73	U.S.A. ALL	Roberts, Koch & Cartwright	All	Barbara Talento 3.00	Roberts, Koch & Cartwright All
1.37	NM-0452514 10/31/73	U.S.A. ALL	Petroleum, Inc.	All None	(a) Petroleum Inc.	All
1.28	NM-0554937 9/30/74	U.S.A. ALL	Roberts, Koch & Cartwright	All	Mildred J. Farmer 5.00	Roberts, Koch & Cartwright All

EXHIBIT "B" PAGE 2

5. T-20-S, R-21-E Sec. 12: Lots 1, 2,3,4, W½E½; W½ Sec. 13: Lots 1, 2,3,4 W½E½; W½ Sec. 14: NE¼; NW½SE¼; SE¼SE¼	1570.76	NM-0559982 5/31/76	U.S.A. ALL	Roberts, Koch & Cartwright	All	Ernest A. Hanson	5.00		Roberts, Koch & Cartwright	All
6. T-20-S, R-21-E Sec. 14: SW¼SE¼	40.00	NM-0559983 5/31/76	U.S.A. ALL	Roberts, Koch & Cartwright	All	Herbert F. Anderson	3.00		Roberts, Koch & Cartwright	All
7. T-20-S, R-21-E Sec. 22: SE¼SW¼	40.00	NM-882 11/30/76	U.S.A. ALL	Roberts, Koch & Cartwright	All	Edward Majors	3.00		Roberts, Koch & Cartwright	All
8. T-20-S, R-21-E Sec. 21: W½; NE¼ Sec. 22: NW¼	640.00	NM-883 11/30/76	U.S.A. ALL	Cities Service Oil Company	All	Norris W. Newman Robert J. Newman	5.00	(b)	Cities Service Oil Company	All
9. T-20-S, R-21-E Sec. 3: Lots 1, 2,3,4,5,6,7,8, SW¼ Sec. 4: Lots 1, 2,3,4,5,6,7,8, SE¼NE¼	700.36	NM-7796 9/30/78	U.S.A. ALL	Roberts, Koch & Cartwright	All	E. B. Hall	5.00		Roberts, Koch & Cartwright	All
10. T-20-S, R-21-E Sec. 23: NE¼ Sec. 24: Lots 1, 2,3,4, W½E½; W½	807.48	NM-9798 6/30/79	U.S.A. ALL	Cities Service Oil Company	All	Virginia E. Rutter	4.00	(b)	Cities Service Oil Company	All
11. T-20-S, R-21-E Sec. 4: SW¼; SW¼SE¼	200.00	NM-10570 10/31/79	U.S.A. ALL	Cities Service Oil Company	All	Ray Jacoby	3.00 (CS 3.25)	(b)	Cities Service Oil Company	All

EXHIBIT "B" PAGE 2

1570.76	NM-0559982 5/31/76	U.S.A. ALL	Roberts, Koch & Cartwright	All	Ernest A. Hanson	5.00	Roberts, Koch & Cartwright	All
40.00	NM-0559983 5/31/76	U.S.A. ALL	Roberts, Koch & Cartwright	All	Herbert F. Anderson	3.00	Roberts, Koch & Cartwright	All
40.00	NM-882 11/30/76	U.S.A. ALL	Roberts, Koch & Cartwright	All	Edward Majors	3.00	Roberts, Koch & Cartwright	All
640.00	NM-883 11/30/76	U.S.A. ALL	Cities Service Oil Company	All	Norris W. Newman Robert J. Newman	5.00	(b) Cities Service Oil Company	All
700.36	NM-7796 9/30/78	U.S.A. ALL	Roberts, Koch & Cartwright	All	E. B. Hall	5.00	Roberts, Koch & Cartwright	All
807.48	NM-9798 6/30/79	U.S.A. ALL	Cities Service Oil Company	All	Virginia E. Rutter	4.00	(b) Cities Service Oil Company	All
200.00	NM-10570 10/31/79	U.S.A. ALL	Cities Service Oil Company	All	Ray Jacoby	3.00 (CS 3.25)	(b) Cities Service Oil Company	All

EXHIBIT "B" PAGE 3

12.	T-20-S, R-21-E Sec. 23: NW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NM-12386 9/30/80	U.S.A. ALL	Roberts, Koch & Cartwright	All	Raymond T. Duncan	5.00	Roberts, Koch & Cartwright	All
13.	T-20-S, R-21-E Sec. 9: E $\frac{1}{2}$; N $\frac{1}{2}$ SW $\frac{1}{4}$; SW $\frac{1}{4}$ Sec. 10: W $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 15: NW $\frac{1}{4}$; N $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$; S $\frac{1}{2}$ SE $\frac{1}{4}$	1000.00	NM-12543 10/31/80	U.S.A. ALL	Cities Service Oil Company	All	Maurice W. Grundy	3.00	(b) Cities Service Oil Company	All
14.	T-20-S, R-21-E Sec. 21: SE $\frac{1}{4}$ Sec. 22: N $\frac{1}{2}$ SW $\frac{1}{4}$; SW $\frac{1}{4}$ SW $\frac{1}{4}$	280.00	NM-15850 6/30/82	U.S.A. ALL	Roberts, Koch & Cartwright	All	Ben S. Brooks	5.00	Roberts, Koch & Cartwright	All

STATE OF NEW MEXICO LANDS

15.	T-20-S, R-21-E Sec. 2: All	729.20	L -6522 8/31/81	State ALL	Aztec Oil & Gas Company	All	None		(c) Aztec Oil & Gas Company	All
16.	T-20-S, R-21-E Sec. 9: S $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 15: SW $\frac{1}{4}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$	160.00	LG-176 4/30/83	State ALL	Cities Service Oil Company	All	None		(b) Cities Service Oil Company	All
17.	T-20-S, R-21-E Sec. 16: All	640.00	L -6369 6/30/81	State ALL	Union Oil Company of California	All	None		(d) Union Oil Company of California	All

UNLEASED LANDS

18.	T-20-S, R-21-E Sec. 15: SE $\frac{1}{4}$ SW $\frac{1}{4}$; NE $\frac{1}{4}$ SE $\frac{1}{4}$	80.00	NM-0410767	U.S.A. ALL						
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FEE LANDS

NONE

EXHIBIT "B" PAGE 3

40.00	NM-12386 9/30/80	U.S.A. ALL	Roberts, Koch & Cartwright	All	Raymond T. Duncan	5.00	Roberts, Koch & Cartwright	All
1000.00	NM-12543 10/31/80	U.S.A. ALL	Cities Service Oil Company	All	Maurice W. Grundy	3.00 (b)	Cities Service Oil Company	All
280.00	NM-15850 6/30/82	U.S.A. ALL	Roberts, Koch & Cartwright	All	Ben S. Brooks	5.00	Roberts, Koch & Cartwright	All

STATE OF NEW MEXICO LANDS

729.20	L -6522 8/31/81	State ALL	Aztec Oil & Gas Company	All	None	(c)	Aztec Oil & Gas Company	All
160.00	LG-176 4/30/83	State ALL	Cities Service Oil Company	All	None	(b)	Cities Service Oil Company	All
640.00	L -6369 6/30/81	State ALL	Union Oil Company of California	All	None	(d)	Union Oil Company of California	All

UNLEASED LANDS

80.00	NM-0410767	U.S.A. ALL						
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FEE LANDS

NONE

RECAPITULATION

- (a) Petroleum Inc. farming out to Roberts, Koch & Cartwright its pro-rata share of unit, retaining 5% ORR convertible to 1/2 W.I. after payout. (Roberts, Koch & Cartwright to earn 1/2 W.I. in Petroleum Inc. acreage after payout.)
- (b) Cities Service Oil Company farming out to Roberts, Koch & Cartwright its pro-rata share of unit, retaining 6.25% ORR convertible to 50% W.I. after payout. (Roberts, Koch & Cartwright to earn 50% W.I. in Cities Service Oil Company acreage.)
- (c) Aztec Oil & Gas Company same as Petroleum, Inc.
- (d) Union Oil Company of California same as Petroleum, Inc.
- (e) Kerr-McGee Oil Corporation does not elect to join at this time.

9,091.75 acres Federal Lands	85.60% of Unit Area
1,529.20 acres State Lands	14.40% of Unit Area
<u>0</u> acres Fee Lands	<u>0</u>
10,620.45 acres	100.00% of Unit Area

Exhibit "C"

OWNERSHIP SCHEDULE
DEER CANYON UNIT AREA
EDDY COUNTY, NEW MEXICO

Tract No.	Working Interest Owner	Net Acres in Unit Area	Per Cent of Acreage Committed to Unit	Per Cent of Participation in Cost of Drilling and Completing First Test Well	Per Cent of Cost of Drilling and Completing Subsequent Wells	Per Cent of Participation in Production from All Wells After Payment of Royalty, Overriding Royalty and Production Pmt.
2,4,5,6,7,9,12,14	Roberts, Koch & Cartwright	4122.40	42.14939	100.00000	71.07471	70.69074
8,10,11,13,16	Cities Service Oil Company	2807.48	28.47213	NONE	14.35251	14.23768
3	Petroleum Incorporated	1481.37	15.02335	NONE	7.57311	7.83232
14	Kerr McGee Oil Corporation	760.00	NONE	NONE	NONE	NONE
15	Aztec Oil & Gas	729.20	7.39520	NONE	3.72784	3.85544
17	Union Oil of California	640.00	6.49058	NONE	3.27183	3.38382
18	Unleased	80.00	NONE	NONE	NONE	NONE
		10620.45	100.00000%	100.00000%	100.000000%	100.00000%

NOTE:

Tract #18 is 80 acre unleased tract.

Since Kerr McGee (7.156% of unit) is not committed to this operation agreement as of the date hereof, their net acreage has been excluded, leaving a balance of 9860.45 acres, which figure was used for the above comparisons.

ALL Parties other than Kerr McGee Oil are farming out their interest to Roberts, Koch & Cartwright as described in Exhibit B, Schedule of Lands and Leases

Exhibit "C"

OWNERSHIP SCHEDULE
DEER CANYON UNIT AREA
EDDY COUNTY, NEW MEXICO

Working Interest Owner	Net Acres in Unit Area	Per Cent of Acreage Committed to Unit	Per Cent of Participation in Cost of Drilling and Completing First Test Well	Per Cent of Cost of Drilling and Completing Subsequent Wells	Per Cent of Participation in Production from All Wells After Payment of Royalty, Overriding Royalty and Production Pmts.
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September 4, 1973

Petroleum, Inc.
500 Colorado State Bank Building
Denver, Colorado 80202

Cities Service Oil Company
P. O. Box 300
Tulsa, Oklahoma 74102

Union Oil Company of California
P. O. Box 3100
Midland, Texas 79701

Gentlemen:

Reference is made to the Unit Operating Agreement for the Deer Canyon Unit of Eddy County, New Mexico, and particularly Section 5.6 dealing with operations by less than all parties. All of you, together with Roberts, Koch & Cartwright, as Operator, will be parties to said Unit Operating Agreement, together with Aztec Oil & Gas Company.

Aztec Oil & Gas Company has indicated that it does not wish to abide by the provisions of Section 5.6 with respect only to the drilling and completing of subsequent wells. Rather, Aztec Oil & Gas Company desires to have the option in the event that it elects not to join in the drilling or completing of subsequent wells to convert its working interest as specified in Column 8 of Exhibit "A" to its proportionate part (3.85544%) of 5% of 8/8 overriding royalty in such well and proration unit surrounding the same, and Aztec would likewise relinquish its working interest in such well and proration unit. Then, after payout, that is, at such time as the party carrying the costs otherwise attributable to such interest out of production from such interest, then Aztec Oil & Gas Company would have the right to convert its overriding royalty to its working interest in such well and proration unit.

Roberts, Koch & Cartwright agrees that if it joins in the drilling of a well, it shall absorb the interest of Aztec Oil & Gas Company if it elects not to join in such drilling and be a non-consenting party so that the effect of failure by Aztec Oil & Gas Company to join in such operations would not affect your interest. However, should Roberts, Koch & Cartwright not join in such drilling, it is understood that the drilling party would be subject to such right of Aztec Oil & Gas Company as set forth above.

The foregoing would be a right of Aztec Oil & Gas Company on a well-to-well basis for the term of the operating agreement.


If the foregoing is acceptable to you, please so indicate by your signature below, whereupon this letter shall constitute an amendment to the Unit Operating Agreement and shall be binding upon and inure to the benefit of the parties hereto, their respective heirs, legal representatives, successors and assigns.


This agreement may be executed in counterpart by each of you and shall be binding upon each party who signs the same.

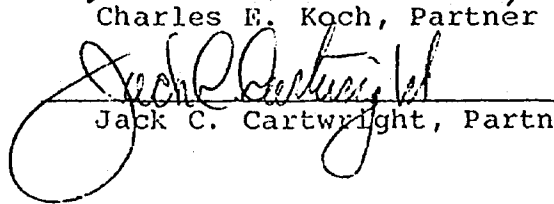
Very truly yours,

ROBERTS, KOCH & CARTWRIGHT

By


Ross D. Roberts, Partner


Charles E. Koch, Partner


Jack C. Cartwright, Partner


Accepted:

PETROLEUM, INC.

By _____

CITIES SERVICE OIL COMPANY

By


Willey C. Hill Attorney-in-Fact

UNION OIL COMPANY OF CALIFORNIA

By _____

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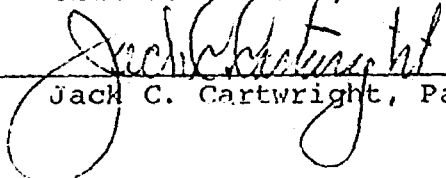
Very truly yours,

ROBERTS, KOCH & CARTWRIGHT

By


Ross D. Roberts, Partner


Charles E. Koch, Partner


Jack C. Cartwright, Partner

Accepted:

PETROLEUM, INC.

By 

CITIES SERVICE OIL COMPANY

By _____

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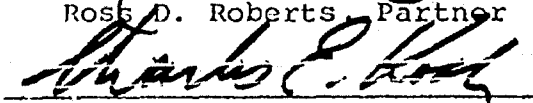
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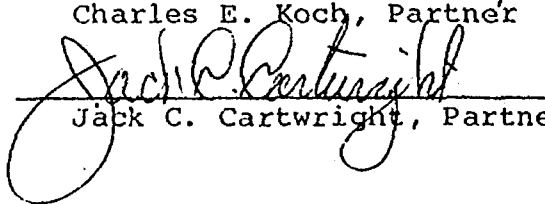
Very truly yours,

ROBERTS, KOCH & CARTWRIGHT

By


Ross D. Roberts, Partner


Charles E. Koch, Partner


Jack C. Cartwright, Partner

Accepted:

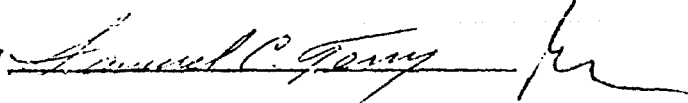
PETROLEUM, INC.

By _____

CITIES SERVICE OIL COMPANY

By _____

UNION OIL COMPANY OF CALIFORNIA

By 

UNIT OPERATING AGREEMENT
DEER CANYON UNIT
EDDY COUNTY, NEW MEXICO

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UNIT OPERATING AGREEMENT
DEER CANYON UNIT
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT entered into as of the 1st day of September, 1973, by and between the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof.

WITNESSETH:

WHEREAS, the parties hereto as working interest owners have entered into, as of the date hereof, a Unit Agreement for the Development and Operation of the Deer Canyon Unit Area, Eddy County, New Mexico, hereinafter referred to as the "unit agreement", which among other things provides for a "unit operating agreement", to be entered into by and between the working interest owners for the purpose of providing for the allocation of costs of operation and development of the unit area and the production of unitized substances therefrom among the working interest owners, and to otherwise provide for the development and operation of the unit area as set forth in said unit agreement.

NOW THEREFORE, it is mutually agreed by and between the parties hereto as follows:

ARTICLE I

CONFIRMATION OF UNIT AGREEMENT

1.1 The aforesaid unit agreement and all exhibits attached thereto are hereby confirmed and made a part of this agreement.

ARTICLE II

TITLE EXAMINATION
AND LOSS OF LEASES

2.1 Title Examination: The parties hereto shall, as soon as practicable, submit to unit operator copies of their

respective leases embracing lands committed to the unit area, together with all rental receipts and copies of any and all title opinions covering said lands, and shall loan to unit operator for examination all abstracts which they may have covering said lands. Unit operator shall procure all supplemental abstracts and other title papers which may be necessary or required to examine title to the leasehold interests pertinent to any drillsite and all expenses incurred in examining title shall be charged as an expense to the parties participating in the drilling of any test well in proportion to their respective interests.

2.2 Failure of Title: Should any oil and gas lease, or interest therein, be lost through failure of title, this agreement shall nevertheless continue in force as to all remaining leases and interests, and

(1) Each party whose lease or interest therein is affected by the failure of title shall bear alone the entire loss resulting from failure of title to such party's lease or interest therein, and it shall not be entitled to recover from operator or other parties any development or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto by reason of such title failure; and

(2) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but the interests of the parties shall be revised on an acreage basis, as of the time it is finally determined that title failure has occurred, so that the interest of the party or parties whose lease or interest is affected by the title failure will thereafter be reduced in the unit area by the amount of the interest lost; and

(3) If the proportionate interests of the other parties hereto in any producing well theretofore drilled on the unit area is increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less operating costs attributable thereto) until it has been reimbursed for unrecovered costs paid by it in connection with such well; and

(4) Should any person not a party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development or equipment previously paid under this agreement, such amount shall be proportionately paid to the party or parties hereto who in the first instance paid the costs which are so refunded; and

(5) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the parties in the same proportion in which they shared in such prior production.

2.3 Loss of Leases for Causes Other Than Title Failure:

If any lease or interest subject to this agreement be lost through failure to develop or because express or implied covenants have not been performed, or if any lease be permitted to expire at the end of its primary term and not be renewed or extended, or if any lease or interest therein is lost due to the fact that the production therefrom is shut in by reason of lack of market, the loss shall not be considered a failure of title and all such losses shall be joint losses and shall be borne by all parties in proportion to their interests and there shall be no readjustment of the participating interests of the parties hereto on account thereof.

ARTICLE III

MANAGEMENT OF UNIT

3.1 Unit Operator and Employees. Roberts, Koch & Cartwright, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack C. Cartwright, the party hereto named as unit operator of the unit area under the provisions of the unit agreement, or its duly appointed successor unit operator, shall have the exclusive right to develop and operate the unit area subject to the provisions of this agreement and the unit agreement. All individuals employed by unit operator in the conduct of operations hereunder shall be the employees of unit operator alone and their working hours, rates of compensation and all other matters relating to their employment shall be determined solely by unit operator.

3.2 Unit Operator - Duties: Unit Operator shall in the conduct of operations hereunder:

(a) Conduct the operations in a good and workmanlike manner, and in the exercise of its judgment and discretion, acting in good faith;

(b) Consult freely with working interest owners concerning unit operations, and keep working interest owners informed of all matters arising during the operation of the unit area which unit operator, in the exercise of its best judgment, considers important;

(c) Keep full and accurate records of all costs incurred, rentals and royalties paid, and controllable materials and equipment, which records, receipts and vouchers in support thereof shall be available for inspection by authorized representatives of the working interest owners at reasonable intervals during usual business hours, at the office of the unit operator;

(d) Permit the working interest owners, each through their duly authorized representatives, but at their sole risk and expense, to have access to the unit area at all times, and to the derrick floor of each well drilled or being drilled hereunder, for the purpose of observing operations conducted hereunder and inspecting jointly owned materials, equipment and other property, and to have access at reasonable times to information and data in the possession of unit operator concerning the unit area;

(e) Furnish to each of the other parties who make timely written request therefor copies of all drilling reports, well logs and samples of cores or cuttings taken from wells drilled hereunder, containers therefor to be furnished by the party requesting such samples;

(f) Comply with the terms and conditions of the unit agreement and all valid applicable federal and state laws and regulations;

(g) Keep the land in the unit area free from liens and encumbrances occasioned by its operations, except such liens as the working interest owners elect to contest, and save only the lien granted the unit operator under this agreement.

3.3 Unit Operator - Restrictions: The unit operator shall not do any of the following things without the consent of the working interest owners obtained as herein provided:

(a) Locate, drill, deepen or plug back any well or let any contract therefor except the initial well, substitute well or second well as provided in Sections 5.1 and 5.2. The approval of the drilling, deepening or plugging back of any other well shall not be construed to mean and include the approval of any necessary expenditures incurred in completing and equipping such well, but shall include the plugging and abandonment of same if a dry hole,

except as otherwise provided in Article V hereof;

(b) Make any expenditures in excess of Ten Thousand Dollars (\$10,000.00) for any one single project. Operator shall furnish copies of its "Authority for Expenditures" for any such items.

(c) Make any expenditure for expert technical advice, including any extra services rendered by unit operator's technical staff, not contemplated by the provisions of Exhibit "B" attached hereto, and not covered by the overhead, district and camp expenses therein authorized, which overhead in Exhibit "B" is intended to cover only normal development and operations;

(d) Make any partial relinquishment of the rights of the unit operator;

(e) Abandon any well which has been completed as a producing well or dispose of any major items of surplus material or equipment, other than junk, having an original cost of Three Thousand Dollars (\$3,000.00) or more (any such item or items of less cost may be disposed of without such approval), except as may otherwise be provided herein;

(f) Designate the lands to be included in any participating area or enlargement thereof, or submit for approval any plan for the development and operation of the unit area or any participating area or supplement or amendment thereto in accordance with the provisions of the unit agreement;

(g) Determine whether to drill a demanded offset well or pay compensatory royalty;

(h) Drill or abandon any injection wells or convert any well into an injection well;

(i) Determine not to pay the annual rental, advance rental or delay rental under any lease.

In case of blowout, explosion, fire, flood or other sudden emergency, unit operator may take such steps and incur such expense as, in its opinion, are required to deal with the emergency and to safeguard life and property; provided that unit operator shall, as promptly as possible, report the emergency to the other parties and shall endeavor to secure any sanction that might otherwise have been required.

Subject to the provisions of this agreement, unit operator shall have full control of the premises subjected hereto and shall conduct and manage the development and operation of unitized lands for the production of unitized substances therefrom for the account of the parties hereto.

3.4 Designation of Representatives: Each working interest owner shall in writing inform unit operator of the names and addresses of its representative and alternate who are authorized to represent such working interest owner with respect to unit operations. The representative or alternate may be changed from time to time by written notice to unit operator.

3.5 Meetings: All meetings of working interest owners shall be called by unit operator upon its own motion or at the request of two (2) or more working interest owners. No meeting shall be called on less than fourteen (14) days advance written notice, with agenda for the meeting attached. Working interest owners who attend the meeting shall not be prevented from amending items included in the agenda or from deciding the amended item or other items presented at the meeting. The representative of unit operator shall be chairman of each meeting.

3.6 Voting Procedure: Working interest owners shall decide all matters coming before them as follows:

3.6.1 Voting Interest: Each working interest

owner shall have a voting interest equal to its percentage of participation as set out in Column 7 of Exhibit "A" hereof.

3.6.2 Vote Required: Working interest owners shall act upon and determine all matters coming before them by an affirmative vote of 75% of the voting power of the working interest owners having leasehold interests committed to the unit agreement; provided, however, should any one working interest owner have 75% or more voting interest its vote must be supported by the vote of one other working interest owner.

3.6.3 Vote at Meeting by Nonattending Working Interest Owner: Any working interest owner who is not represented at a meeting may vote either by written proxy or by letter or telegram addressed to the representative of the unit operator, provided such letter or telegram is received prior to the submission of such item to vote. If the vote is by letter or telegram such vote shall not be counted with respect to any item on the agenda which has been materially changed at the meeting.

3.6.4 Poll Votes: Working interest owners may vote on and decide, by letter or telegram, any matter submitted in writing to working interest owners, if no meeting is requested as provided in Section 3.5 within seven (7) days after the proposal is sent to working interest owners. Unit operator shall give prompt notice of the results of the voting to all working interest owners.

3.7 Unit Operator - Liabilities: Unit Operator shall not be liable to any of the working interest owners for anything done or omitted to be done by it in the conduct of operations hereunder while acting in compliance with Section 3.2(a) hereof, except in connection with any losses or liabilities sustained as a result of gross negligence. The provisions of this section shall not relieve operator of its duty to obtain the consent of the working interest owners in accordance with the provisions of Section 3.6.

ARTICLE IV

COST OF OPERATIONS AND ALLOCATION OF PRODUCTION

4.1 Cost of Operations and Accounting Procedures: The actual cost to the unit operator of performing its obligations as unit operator hereunder shall be apportioned, except with respect to the initial test well, substitute test well and second test well as provided in Section 5.1 and 5.2 hereof, among the working interest owners having leasehold interests committed to the unit agreement in accordance with the percentages set forth in Column 7, Page 3, of Exhibit "A" attached hereto and made a part hereof, and said owners in accordance with the Accounting Procedure attached hereto, made a part hereof, and for purposes of identification marked Exhibit "B".

4.2 Allocation of Production: All unitized substances produced and saved from each participating area established pursuant to the unit agreement shall be deemed to have been produced equally on an acreage basis from the several tracts of unitized lands of the participating area established for such production and for the purpose of computing and paying all royalties, overriding royalties and obligations payable out of production of the respective working interest owners, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of each tract included in said participating area bears to the total number of acres of unitized land in said participating area in conformity with Section 12 of the unit agreement.

All production remaining after allocating the production for the purpose of paying royalties, overriding royalties and obligations payable out of production as above provided (and being the working interest) shall be allocated to the respective working interest owners (except as to the initial test well, substitute well and second test well as provided in Sections 5.1 and 5.2) in

accordance with the percentages reflecting their net respective beneficial interests as shown in Column 8 on Page 3 of Exhibit "A" attached hereto.

Exhibit "A" shows the interest of each working interest owner as of the time of the commitment of the respective tracts to the unit agreement, as well as the beneficial interests of each working interest owner, after taking into consideration the contribution of certain interests in connection with the drilling of the initial test well as reflected in said exhibit.

The beneficial interests of the respective working interest owners as shown on Exhibit "A" have been determined as to each party on an adjusted surface acreage basis. The adjustment insurface area has been made by determining the fraction of the total unitized substances produced from or allocated to any tract which may be required to meet all royalty, overriding royalty, production payments or other obligations payable out of production from or allocated to such tract and multiplying that fraction by the number of acres contained in such tract and deducting the product from the total number of acres in said tract, the remainder being the adjusted surface acreage in each such tract. The beneficial interest of each party shown on Exhibit "A" attached hereto represents the sum of the net acre interests in all tracts committed by each party to the unit agreement divided by the total number of net acres committed to the unit area.

Except as hereinafter provided, the percentages of participation of the parties hereto in costs of operation and allocation of production as shown on Exhibit "A" shall remain the same regardless of any contraction of the unit area or automatic elimination of lands therefrom in accordance with Section 2 of the unit agreement. There shall be a readjustment of the adjusted surface acres among the parties hereto on the basis set forth hereinabove and

the interests of the parties recomputed on the basis of the revised acreage upon the occurrence of any of the following events:

- (i) the working interest in any tract shown on Exhibit "A" is not committed to the unit agreement;
- (ii) upon the commitment of any working interest to the unit agreement after operations have been commenced in accordance with Section 8.3 hereof;
- (iii) any tract is eliminated through failure of title or lost through failure to pay rentals in conformity with Section 6.1 hereof;
- (iv) if there should be any errors in mathematical computations or there is any additional overriding royalty interest or lease burden unknown to the parties hereto outstanding as of the time of the commitment of the respective tracts to the unit agreement;
- (v) to carry out the adjustments in acreage ownership and participating interests required by the acreage contribution agreements referred to in Section 5.1 hereof;

If any tract committed to the unit agreement becomes burdened with any additional overriding royalties, production payments or lease burdens other than those shown on Exhibit "B" attached to the unit agreement, the same shall be borne exclusively by the owner or owners of such tract.

4.3 Conflict of Instruments: In the event of any conflict between the provisions contained either in the body of this instrument or in the unit agreement and those contained in the Accounting Procedure, the provisions of the unit agreement shall govern to the extent of such conflict. If any provision of Exhibit "B" shall be inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail. The term "Operator" as used in Exhibit "B" shall be deemed to refer to the unit operator, and the term "Non-Operators" as used in Exhibit "B" shall be deemed to refer to the working interest owners herein other than the operator.

4.4 Advances: Operator, at its election, shall have the right from time to time to demand and receive from the other

parties which are participating in the unit operation then being carried on payment in advance of their respective shares of the estimated amount of the costs to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated costs shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of ten percent (10%) per annum until paid. Proper adjustment shall be made monthly between advances and actual cost, to the end that such party shall bear and pay its proportionate part of actual costs incurred, and no more.

4.5 Taxes: All of the jointly owned personal property within the unit area shall be rendered by the unit operator for ad valorem taxes if necessary. The unit operator shall pay all ad valorem taxes rendered or assessed against said properties, and all such amounts so paid by the unit operator shall be charged to the joint account of the parties hereto. All other taxes which may be levied upon or against the respective leasehold interests or measured by the production of unitized substances allocated to the respective tracts under the terms of the unit agreement and this agreement shall be paid by the respective working interest owners having interests in such tracts.

4.6 Insurance: As to all operations hereunder, unit operator shall carry for the benefit and protection of the parties

insurance as specified in Exhibit "C". Operator shall require all contractors engaged in work on or for the unit area to comply with workmen's compensation laws of the state where the operations are being conducted and to maintain such other insurance as Operator may require.

4.7 Operator's Lien: Each non-operator hereby grants to Operator a first and preferred lien on the interest of such non-operator and all property covered by this agreement whether now owned or hereafter acquired on the unit area and such party's interest in oil and gas produced and the proceeds thereof, and upon such party's interest in material and equipment, to secure the payment of all sums due from such party to operator.

In the event any party fails to pay any amount owing by it to operator as its share of such costs and expenses or such advance estimate within the time limited for payment thereof, operator, without prejudice to other existing remedies, is authorized at its election (unless there is a bona fide dispute) to collect from the purchaser or purchasers of oil or gas, the proceeds accruing to the working interest or interests in the unit area of the delinquent party up to the amount owing by such party, and each purchaser of oil or gas is authorized to rely upon operator's statement as to the amount owing by such party.

In the event of the neglect or failure of any non-operating party to promptly pay its proportionate part of the cost and expense of development and operation when due, the other non-operating parties (which are participating in the unit operation for which such costs and expenses were incurred) and operator, within thirty (30) days after the rendition of statements therefor by operator, shall proportionately contribute to the payment of such delinquent indebtedness and the non-operating parties so contributing shall

be entitled to the same lien rights as are granted to operator in this section. Upon the payment by such delinquent or defaulting party to operator of any amount or amounts on such delinquent indebtedness, or upon any recovery on behalf of the non-operating parties under the lien conferred above, the amount or amounts so paid or recovered shall be distributed and paid by operator to the other non-operating parties and operator proportionately in accordance with the contributions theretofore made by them.

Likewise, non-operators are hereby granted a prior lien on the rights and interest of the unit operator as a working interest owner in the unit area and unitized substances and, upon the interest of the unit operator in all materials and equipment, to secure the payment of any amounts which may become due and owing from unit operator to any of the non-operators, which lien shall be subject to all of the terms and conditions provided for in the preceding paragraph.

ARTICLE V

WELLS

5.1 Initial Test Well: Within 30 days after the effective date of the unit agreement, unit operator shall commence operations on the initial test well which is required to be drilled pursuant to the provisions of Section 9 of the unit agreement (unless such well should be commenced prior to the effective date of said unit agreement). Said well shall be located 660 feet from West Line and 1980 feet from North Line, Section 14, Township 20 South, Range 21 East, N.M.P.M. and shall be drilled in compliance with Section 9 of the unit agreement and shall also be drilled in accordance with the applicable regulations of the Secretary of the Interior and the New Mexico oil Conservation Commission; provided, however, unit operator shall not in any event be required to drill said

well to a depth in excess of 8,700 feet and the drilling of said well may be discontinued at a lesser depth if granite or other practically impenetrable substance should be encountered or if the parties participating in the cost of drilling the well agree to complete the well at a lesser depth, and provided, further, in the event difficulty should be encountered in drilling which results in the loss of the hole, making it necessary to abandon the same, a substitute well may be commenced within 60 days and such substitute well shall be considered the same as the initial test well and all provisions hereof applicable to the initial test well shall be applicable to the substitute well. Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil or gas in sufficient quantities to test.

All costs incurred in drilling, completing and placing said well on production, if completed as a producer, and of plugging and abandoning the same, if completed as a dry hole, shall be borne only by the parties hereto as shown in Column 5, Page 3, of Exhibit "A" attached hereto and made a part hereof.

In the event of the discovery of unitized substances in paying quantities, the initial test well shall be completed and placed on production as such wells are usually and customarily completed in accordance with good oil field practices and all casing, tubing, wellhead connections, flow lines, tanks and other equipment which may be installed in or used in connection with said well shall be owned by the parties participating in the cost of drilling said well in the proportions shown in Column 6 on Page 3 of said Exhibit "A" until said well shall have paid out as herein provided.

Cities Service Oil Company, Petroleum, Inc., Aztec Oil & Gas Company and Union Oil Company of California (hereinafter referred to as "contributing parties") have agreed to make acreage contributions to Roberts, Koch & Cartwright toward the drilling of the initial test well upon the following terms and conditions: Upon the initial test well being drilled to the depth provided herein and being completed as a well capable of producing unitized substances in paying quantities, Roberts, Koch & Cartwright shall earn and be entitled to an undivided 1/2 interest in and to all lease rights of the contributing parties in and to the leasehold interest committed by said parties to the unit agreement as shown on Exhibit "B" attached thereto down to 100 feet below total depth drilled in said well and in addition, Roberts, Koch & Cartwright shall be entitled to receive and the contributing parties do hereby relinquish to Roberts, Koch & Cartwright all of their rights to participate in and to any of the production of unitized substances from the initial test well until such time as said well has paid out as hereinafter defined; provided, however, the contributing party shall be entitled to receive and Roberts, Koch & Cartwright shall pay out of its working interest the following overriding royalty interest based upon all unitized substances produced, saved and marketed from the initial test well until said well is paid out:

Cities Service Oil Company -----	28.47535% of 6.25% of 8/8
Petroleum, Inc. -----	15.66464% of 5% of 8/8
Aztec Oil & Gas Company -----	7.71087% of 5% of 8/8
Union Oil Company of California -----	6.76763% of 5% of 8/8

Upon the completion of the initial test well or any substitute therefor as a well capable of producing unitized substances in paying quantities, the contributing parties shall as

soon as practicable and in any event within 30 days from the time of completion of said well execute and deliver to Roberts, Koch & Cartwright good and sufficient instruments without warranty of title conveying an undivided 1/2 interest in and to the leasehold interest committed by said parties to the unit agreement down to 100 feet below total depth drilled in said well. The acreage contributions referred to herein are more particularly shown on Page 3 of Exhibit "A" attached hereto.

For the purposes of this agreement, the initial test well shall be considered as paid out beginning as of 7 a.m. on the first day following the date on which Roberts, Koch & Cartwright has recovered out of the beneficial interest production which would otherwise have been attributable to the contributing parties after deducting all severance, ad valorem and production taxes apportionable thereto that portion of the actual cost of drilling, completing, testing and equipping said well (including necessary wellhead connections, flow lines, tanks, pumping and other equipment in connection with said well), together with all costs of operating the same during the payout period which would otherwise have been allocated to the contributing parties in connection with the initial test well. Operator shall furnish to all of the parties hereto as soon as possible and in any event within 60 days from date of completion of said well an itemized statement of the costs of drilling, testing, completing and placing the well on production and the Operator shall also furnish to the parties hereto monthly reports showing the unitized substances produced, saved and marketed from said well and the operating costs incurred in connection therewith. All costs incurred in connection with said well shall be in accordance with the Accounting Procedure attached hereto as Exhibit "B".

Within 30 days after receiving notice from Operator of payout of the initial test well, each of the contributing parties shall have the right to continue to receive said overriding royalty by giving notice thereof to Operator within such time. Upon failure of any contributing party to exercise said option to continue to receive said overriding royalty within said time, the overriding royalty of each such party shall terminate and the respective contributing party shall be entitled to receive from the time of payout their proportionate part of production as shown in Column 8 on Page 3 of Exhibit "A" and shall also own their proportionate parts of all equipment installed in and used in connection with the initial test well as shown in Column 7 on Page 3 of Exhibit "A".

5.2 Second Test Well: If the initial test well provided for in Section 5.1 hereof is drilled to the objective depth provided in said section and is completed as a dry hole or well not capable of producing unitized substances in paying quantities, operator shall have the right and option to commence or possibly commence operation within 80 days from the time of completion of said well an additional test well at a location of its choice upon the unit area and if operator elects to drill the second test well the same shall be drilled upon the same terms and conditions as provided in Section 5.1 hereof for the drilling of the initial test well, and if such second well is completed as a well capable of producing unitized substances in paying quantities operator shall earn the same interest as far as the contributing parties referred to in Section 5.1 are concerned as it would have earned had the initial test well been completed as a well capable of producing unitized substances in paying quantities, and all of the provisions of Exhibit "A" relating to the rights and interests of contributing parties in the cost applicable to the test well shall be applicable

to said well. However, the payout provisions hereof shall be limited to the cost of drilling, completing, testing and equipping said second test well and shall not include the cost of the initial test well or the plugging and abandoning of the same.

If operator does not elect to exercise its option to drill a second test well within the time herein provided and the parties cannot mutually agree upon the drilling of an additional exploratory well, such well may be drilled by any of the parties hereto in accordance with the provisions of Section 5.6 hereof, provided said well is commenced within the time provided under the unit agreement for the drilling of an additional well or extension of the time which may be granted for the drilling of such well.

5.3 Modification of Drilling Requirements of Unit

Agreement: The unit operator may apply for and obtain a modification of the drilling requirements of said unit agreement or an extension or extensions of time within which to comply therewith as provided by the terms of said unit agreement, and any such application or applications may be made without the consent of any of the working interest owners subscribing hereto as parties of the second part.

5.4 Drilling Contracts: All wells drilled on the unit area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the participating parties in writing before drilling operations are commenced, and such work shall be performed by operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

5.5 Development and Operation Subsequent to Discovery of Unitized Substances in Paying Quantities: After the discovery of unitized substances in paying quantities on the unit area, unit operator shall only drill such wells as may be provided for in any plan of development and operation for the unit area or amendment or supplement thereto filed and approved as provided by Section 10 of the unit agreement after approval by the parties hereto as provided by Section 3.3 hereof, and all such wells shall be drilled for the joint account of the parties hereto and the production of unitized substances therefrom shall be allocated to said parties as provided in Column 8, Page 3, of Exhibit "A"; provided, however, the drilling, deepening, plugging back or reworking of any such well shall be subject to the non-consent provisions of Section 5.6 hereof.

5.6 Operations by Less Than All Parties: If all of the parties cannot mutually agree upon the drilling of any well on the unit area (other than the initial or substitute test well provided for in Section 5.1 or a second exploratory well in the event operator should elect to drill the same in accordance with the provisions of Section 5.2 hereof) or upon the reworking, deepening, or plugging back of a dry hole at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities on the unit area, any party or parties wishing to drill, rework, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have 30 days

(except where a drilling rig is on location the period shall be limited to forty-eight (48) hours exclusive of Saturday, Sunday or holidays) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "non-consenting party"), then in order to be entitled to the benefits of this section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "consenting parties") shall, within thirty (30) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the 48-hour period where the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the consenting parties in the proportions that their respective interests bear to the aggregate interests of the consenting parties. Consenting parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the consenting parties. If such an operation results in a dry hole, the consenting parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the pro-

visions of this section results in a producer of oil or gas in paying quantities, the consenting parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to the operator and shall be operated at the expense and for the account of the consenting parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by consenting parties in accordance with the provisions of this section, each non-consenting party shall be deemed to have relinquished to consenting parties, and consenting parties shall own and be entitled to receive, in proportion to their respective interests, all of such non-consenting party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following;

(a) 100% of each such non-consenting party's share of the cost of any newly acquired surface equipment beyond the well connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such non-consenting party's share of the cost of operation of the well commencing with first production and continuing until each such non-consenting party's relinquished interest shall revert to it under other provisions of this section, it being agreed that each non-consenting party's share of such costs and equipment will be that interest which would have been chargeable to each non-consenting party had it participated in the well from the beginning of the operation; and

(b) 200% of that portion of the costs and expenses of drilling, reworking, deepening or plugging back, testing and completing, and 200% of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such non-consenting party if it had participated therein.

In the case of any reworking, plugging back or deeper drilling operation, the consenting parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged, and upon abandonment of a well after such reworking, plugging back or deeper drilling, the consenting parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value.

Within 60 days after the completion of any operation under this section, the party conducting the operations for the consenting parties shall furnish each non-consenting party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing and equipping the well for production. Each month thereafter, during the time the consenting parties are being reimbursed as above provided, the consenting parties shall furnish the non-consenting parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired

in connection with any such operation which would have been owned by a non-consenting party had it participated therein shall be credited against the total unreturned costs of the work done and if the equipment purchased in determining when the interest of such non-consenting party shall revert to it as above provided; if there is a credit balance, it shall be paid to such non-consenting party.

If and when the consenting parties recover from a non-consenting party's relinquished interest the amounts provided for above, the relinquished interests of such non-consenting party shall automatically revert to it and from and after such reversion such non-consenting party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such non-consenting party would have owned had it participated in the drilling, reworking, deepening, or plugging back of said well. Thereafter, said non-consenting party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure, Exhibit "B", attached hereto.

No well drilled by less than all parties pursuant to the provisions of this Section 5.6 shall be completed as a gas well in the same formation as any other gas well then producing, or capable of producing, gas in paying quantities from the unit area unless the same be located on a regular well spacing or proration unit established for the area by the New Mexico Conservation Commission, so that the well density in the same formation will not be greater than that established or prescribed by the Commission for said area. No well drilled or completed by less than

all of the parties pursuant to the provisions of this Section 5.6 shall be completed as an oil well in the same formation as any other oil well then producing from the unit area if, as a result of the completion of said well, there would exist on the unit area a well density in the same formation of more than one producing oil well to a proration unit.

If any party hereto shall hereafter create any overriding royalty, production payment or other burden against its working interest production and if any other party or parties should conduct non-consent operations pursuant to the provisions of Section 5.6 and as a result, become entitled to receive the working interest production otherwise belonging to the non-participating party, the party or parties entitled to receive the working interest production of the non-participating party shall receive such production free and clear of burdens against such production which may have been created subsequent to this agreement and the non-participating party creating such burdens shall save the participating party or parties harmless with respect to the receipt of such working interest production.

The provisions of this section shall have separate application to the cost of completing and equipping any well drilled under the provisions of Section 5.6 and any party who has elected to join in the drilling, reworking, deepening, or plugging back of a well may refrain from joining in the completion thereof. However, the party who has refrained from joining in the drilling, reworking, deepening or plugging back of a well shall have no right to join in the completion thereof. After any well hereunder has been drilled to its authorized or projected depth and has been adequately tested, operator shall give notice to non-operators of its election as to whether such well should

be plugged and abandoned as a dry hole or casing be set in an attempt to complete the well as a producer or that such well be drilled deeper. Non-Operator shall have forty-eight (48) hours after receipt of the aforementioned notice from operator within which to notify operator whether it elects to have said well plugged and abandoned as a dry hole or have casing set in an attempt to complete the well as a producer or that such well be drilled deeper. Failure of non-operator to so notify operator within the above specified time shall be deemed concurrence in the operator's election. If the parties are able to agree, operator shall conduct future operations for the joint account. In the event of disagreement, the party or parties wishing to set casing in an attempt to complete the well or to deepen the well may do so at its sole risk, cost and expense and with right of recoupment pursuant to the provisions of Section 5.6 of this Agreement, provided, however, in the event of a conflict between an election to complete and an election to deepen, the party or parties electing to complete shall have the paramount right.

5.7 Abandonment of Producing Wells: No well, other than any which has been drilled or reworked pursuant to Section 5.6 hereof for which the consenting parties have not been fully reimbursed as therein provided, which has been completed as a producer shall be plugged and abandoned without the consent of all parties; provided, however, if all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvageable material and equipment, determined in accordance with the provisions of Exhibit "B", less the estimated cost of salvaging the estimated cost of plugging and abandoning. Each abandoning party shall then assign to the non-abandoning

parties, without warranty, express or implied, as to title or as to quantity, quality or fitness for use of the equipment and material, all of its interest in the well and its equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. The assignments, so limited, shall encompass the "drilling unit" upon which the well is located. The payments by, and assignments to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the unit area to the aggregate of the percentages of participation in the unit area of all assignees. There shall be no readjustments of interests in the remaining portion of the unit area.

After the assignment, the assignors shall have no further responsibility, liability or interest in the operation of or production from the well in the interval or intervals then open. Upon request of the assignees, operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional costs and charges which may arise as the result of the separate ownership of the assigned well.

5.8 Required Well. For purposes of this article, a well shall be deemed a required well if the drilling thereof is required by the final order of an authorized representative of the Department of Interior or the Commissioner of Public Lands. Such an order shall be deemed final upon expiration of the time allowed for appeal therefrom without the commencement of appropriate legal proceedings or if such proceedings are commenced within said time upon the final disposition of the appeal. Whenever Operator receives any such order, it shall promptly mail a copy thereof to

each of the other parties; if any such order is appealed, the party appealing shall give prompt written notice thereof to each of the other parties and upon final disposition of the appeal, Operator shall give each of the other parties prompt written notice of the results therefrom.

Any party desiring to drill or participate in the drilling of a required well shall give to Operator written notice thereof within 30 days after the order requiring such well becomes final, or within such lesser time as may be required by such order. If such notice is given within said period, Operator shall drill the required well for the account of the party or parties giving such notice who shall bear all costs incurred therein; the rights and obligations of such party or parties with respect to the ownership of such well, the operating rights therein, the production therefrom and the bearing of costs incurred therein shall be the same as if the well had been drilled for the account of such party or parties under Article 5.6 hereof.

If no party elects to drill a required well within the period allowed for such election and if any of the following alternatives is available, the first such alternative which is available shall be followed:

(a) Compensatory Royalties. If compensatory royalties may be paid in lieu of drilling a well and if payment thereof is authorized by the parties within said period, the operator shall pay such compensatory royalties; or

(b) Contraction. If the drilling of a well may be avoided without other penalty by a contraction of the unit area through exclusion of lands not then within a participating area, unit operator shall make a reasonable effort to effect such contraction with the approval of the Director and the Commissioner

of Public lands; or

(c) Termination. If unitized substances have not theretofore been discovered in paying quantities within the unit area, the parties shall join in termination of the unit agreement in accordance with its provisions.

If none of the foregoing alternatives is available, unit operator shall drill the required well for the account of all the parties, each of whom shall bear their percentage of all costs incurred therein which is equal to its cost burden in subsequent wells as specified in Column 7, Page 3, of Exhibit "A".

ARTICLE VI

RENTALS AND SHUT-IN WELL PAYMENTS

6.1 Rentals. Each party holding the record title to an oil and gas lease subject to this agreement shall, before the due date, pay all rentals which may become due under the lease or leases contributed by it, and each party paying such rentals or royalties shall, within 10 days after the payment thereof but at least 10 days prior to the due date, notify the operator of such payment. Operator shall furnish similar information as to its leases to non-operators upon request. The financial burden of paying rentals shall fall entirely upon the party holding the record title and required to make the particular payment. Rental payments shall not be charged to the joint account, but any other party hereto, other than the record title holder, having an interest therein, shall reimburse the party paying such rentals for such party's proportionate part thereof. In the event of failure to make proper payment of any rental through mistake or oversight, where such payment is required to continue a lease

in force (it being understood that any such failure shall not be regarded as a title failure within the meaning of any other provisions of this agreement), there shall be no monetary liability on the part of the party charged with the responsibility of making such payment, but such party shall make a bona fide effort to secure (at its sole cost and expense) a new lease covering the same interest and in the event of failure to secure a new lease within 120 days the interests of the parties shall be revised so that the party or parties charged with the responsibility of bearing the particular payment will not be credited with the ownership of their lease which was lost because of failure properly to make a required rental payment.

6.2 Shut-in Well Payments: If any well is completed on the unit area pursuant to the unit agreement as a gas well and is shut-in due to the lack of a market or for any other reason, operator shall notify all of the parties hereto thereof and shall pay any shut-in royalties which may become due and payable on account of such well and charge the same to the joint account of the parties hereto in proportion to their respective rights to participate in the production from such well pursuant to the provisions of this agreement.

ARTICLE VII

RIGHT TO TAKE PRODUCTION IN KIND

7.1 Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the area exclusive of production which may be used in development and producing operations in preparing and treating oil for marketing purposes and production unavoidably

lost. Each party shall pay or deliver, or cause to be paid or delivered, all royalties, overriding royalties or other payments due on its share of such production and shall hold the other parties free from any liability therefor. Any extra expenditure incurred in taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party.

Each party shall execute such division orders and contracts as may be required for the sale of its interest in production from the unit area, and shall be entitled to receive payment direct from the purchaser or purchasers thereof for its share of all production.

In the event any party should fail to make the arrangements necessary to take in kind or separately dispose of its proportionate part of unitized substances produced from the unit area, operator shall have the right, subject to revocation at will by the party owning it, but not the obligation, to purchase such unitized substances or to sell the same to others for the time being at not less than the market price prevailing in the area, which shall in no event be less than the price which operator receives for its portion of the unitized substances produced from the unit area; provided, however, if operator fails to exercise such right, any other party hereto shall have the right to do so. Any such purchase or sale by operator or any other party, as provided herein, shall always be subject to the right of the owner of the production to exercise at any time its right to take in kind or separately dispose of its share of unitized substances not previously delivered to a purchaser. Notwithstanding the foregoing, operator or any other party shall not make a sale into

interstate commerce of any party's share of gas production without first receiving approval of the party owning the same.

ARTICLE VIII

CHANGE OF OWNERSHIP

8.1 Maintenance of Unit Ownership: If any party creates the necessity for separate measurement facilities hereunder by transfer, mortgage or other encumbrance, except those set forth in Article V, such party shall alone bear the cost of purchase, installation and operation of such separate measurement facilities.

Every sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement and shall be made without prejudice to the rights of the other parties.

If at any time the interest of any party as set forth in Column 8, Page 3, of Exhibit "A" is divided among and owned by four or more co-owners, operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expense, and to deal generally with and with power to bind the co-owners of such party's interest within the scope of the operations embraced in this agreement; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the unit area and they shall have the right to receive, separately, payment of sale proceeds thereof.

Should a sale be made by operator of its rights and interests, the other parties shall have the right within sixty (60) days after the date of such sale, by majority vote in interest, to select a new operator. If a new operator is not so selected, the transferee of the present operator shall assume the duties of and act as operator. In either case, the retiring operator shall continue to serve as operator, and discharge its duties in that capacity under this agreement, until its successor operator is selected and begins to function, but the present operator shall not be obligated to continue the performance of its duties for more than 120 days after the sale of its rights and interests has been completed.

8.2 Termination of Interest and Withdrawal of Party:

Should any party at any time desire to surrender any lease committed to the unit agreement and the other parties should not agree thereto, the party desiring to surrender shall assign, without express or implied warranty of title, subject to the approval of the Bureau of Land Management as to federal lands and the Commissioner of Public Lands as to state lands, all of such party's interest in such lease to the other parties hereto in proportion to the interests then severally held by them on an acreage basis in the unit area. If all of the parties are not willing to accept the assignment of such interest, the assignment shall be made to those willing to accept such interest in the proportions that their respective interests bear to the aggregate of their interests in the unit area on an acreage basis. Such assignment shall be free and clear of all liens and encumbrances except all lease burdens existing as of the effective date of the unit agreement, and upon delivery thereof the assigning party shall be relieved of all further obligations with respect to the lease or leases so assigned.

Likewise, if any party hereto so desires it may withdraw from this agreement by assigning, without warranty either express or implied, all of such party's interests committed to the unit agreement to the other parties hereto, or if all of said parties are not willing to accept the assignment, to those who are willing to accept such assignment upon the same terms and conditions as hereinabove set forth.

All assignments made pursuant to the provisions of this Section 8.2 shall include all of the assignor's interest in all wells, casing, material, equipment, fixtures and other personal property belonging to the joint account. Such assignment shall not relieve assignor from any obligation or liability accruing or incurred prior to the date thereof; provided, however, the assignees shall pay the assignor for its interest in such casing, material, equipment, fixtures and other personal property owned by the joint account on the basis of the salvage value thereof determined in accordance with the Accounting Procedure attached hereto as Exhibit "B".

8.3 Subsequent Joinder: Prior to commencement of operations under the unit agreement, all owners of working interests in the unit area who have joined in the unit agreement shall be privileged to join in this agreement by subscribing to the unit agreement and this agreement. After commencement of operations under the unit agreement, however, subsequent joinder in the unit agreement and this agreement by any party owning a working interest in the unit area shall be on such reasonable terms and conditions as the parties who are then committed to the unit agreement and this agreement may require in view of the circumstances existing at the time such subsequent joinder is sought.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.1 Contributions Toward Drilling: Any contribution, either in money or property interest, toward the drilling of any well drilled on the unit area pursuant to the provisions of this agreement, other than the initial test well or the second test well in the event the participating parties should elect to drill the same in accordance with the provisions of Section 5.6 hereof, shall be shared by the parties hereto in proportion to their participating interests in such well; provided, however, participation in acreage contributions shall be optional with the respective parties.

9.2 Assignments of Partial Interests: Notwithstanding any of the provisions contained herein to the contrary, in executing any assignments pursuant to Sections 5.1, 5.7 and 8.2 hereof, where the interest to be assigned is only as to certain producing formations where state or federal lands are involved, and where such assignments are subject to approval by the Commissioner of Public Lands or the Director of the Bureau of Land Management, the interest to be assigned shall be conveyed by appropriate operating agreements or by any other valid instrument that will carry out the intention of such provision or provisions.

9.3 Provisions Conformed with Laws and Regulations: All of the provisions of this agreement are hereby expressly made subject to all valid, enforceable and applicable federal or state laws, orders, rules and regulations, and in the event this contract or any provisions hereof are found to be inconsistent with or contrary to any such law, order, rule or regulations, the latter shall be deemed to control, and this contract shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

9.4 Notices: All notices authorized or required by any of the provisions of this agreement shall, unless otherwise specifically provided, be given in writing by United States mail or Western Union telegram, postage or charges prepaid, and addressed to the party to whom the notice is given at the addresses shown opposite the signatures of the respective parties hereto. The originating notice to be given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed and the time for such party to give any notice in response thereto shall run from the date the originating notice is received. The second or any responsive notice shall be deemed given when deposited in the United States mail or with the Western Union Telegraph Company, with postage or charges prepaid. Each party shall have the right to change its address at any time, and from time to time, by giving written notice thereof to all other parties.

9.5 Liability of Parties: The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the unit area. Accordingly, the lien granted by each party to operator in Section 4.7 is given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render them liable as partners.

9.6 Income Tax Election, Subchapter K, of Chapter 1, Subtitle A, Internal Revenue Code: Notwithstanding any provisions herein that the rights and liabilities of the parties hereto are several and not joint or collective, or that this agreement and the operations hereunder shall not constitute a partnership, if

for federal income tax purposes this agreement and the operations hereunder are regarded as a partnership, then each of the parties hereto hereby elects that it be excluded from the application of all of the provisions of Subchapter K, Chapter 1, Subtitle A of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of said Code and the regulations promulgated thereunder. Operator is hereby authorized and directed to execute such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements and data required by the Code and applicable regulations. Should there be any requirement that each party hereto further evidence this election, each party hereto agrees to execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service as may be necessary to evidence this election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the State of New Mexico, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in Subchapter K, Chapter 1, Subtitle A, of the Internal Revenue Code of 1954, under which an election similar to that provided in Section 761 of said Subchapter K is permitted, each of the parties hereto hereby makes such election or agrees to make such election as may be permitted by such laws. In making this election, each of the parties hereto hereby states that the income derived by it from the operations under this agreement can be adequately determined without the computation of partnership taxable income.

9.7 Force Majeure: If any party is rendered unable,

wholly or in part, by force majeure to carry out its obligations under this agreement, other than the obligation to make money payments, that party shall give to all other parties prompt written notice of the force majeure with reasonably full particulars concerning it; thereupon, the obligations of the party giving the notice, so far as they are affected by the force majeure, shall be suspended during, but no longer than, the continuance of the force majeure. The affected party shall use all possible diligence to remove the force majeure as quickly as possible.

The requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes, lockouts, or other labor difficulties by the party involved, contrary to its wishes; how all such difficulties shall be handled shall be entirely within the discretion of the party concerned.

The term "force majeure" as here employed shall mean an act of God, strike, lockout or other industrial disturbance, act of the public enemy, war, blockade, public riot, lightning, fire, storm, flood, explosion, governmental restraint, unavailability of equipment, and any other case, whether of the kind specifically enumerated above or otherwise, which is not reasonably within the control of the party claiming suspension.

9.8 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), which are hereby incorporated by reference in this agreement.

9.9 Effective Date and Term: This agreement shall become effective as of the effective date of the unit agreement and shall remain in full force and effect during the term of said unit agree-

ment and any and all extensions or renewals thereof, and in the event of the termination of the unit agreement for any reason, this agreement shall continue in full force and effect as to all wells which have not been plugged and abandoned as of the time of the termination of the unit agreement, and the rights and interests of the parties hereto in such wells and their participation in the production therefrom and in the cost of the operation thereof shall be governed by the provisions hereof and this agreement with respect thereto shall remain in full force and effect so long as any such well is capable of producing oil or gas in paying quantities and thereafter until all accounts hereunder are closed.

9.10 Unleased Tract. If any of the parties hereto acquire an oil and gas lease on Tract 18 as described in the unit agreement, there shall be no right among the parties hereto to share in such acquisition, it being the intention that any owners of a lease on such tract will be governed by the provisions of Section 8.3 hereof.

9.11 Counterparts. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all other working interest owners, or may be ratified or consented to by separate instrument in writing specifically referring hereto, but shall not be effective until all parties hereto have executed either the original or a counterpart hereof or joined by consent and ratification.

IN WITNESS WHEREOF, this agreement is executed by the undersigned parties hereto as of the day and year first hereinabove written.

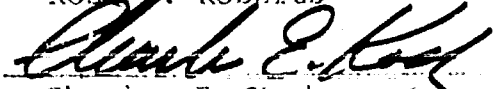
ROBERTS, KOCH & CARTWRIGHT

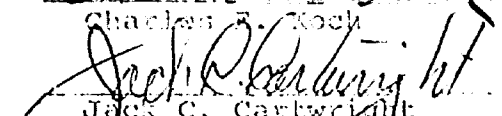
Date: 8/21/73

Address:

200 Bldg. of Southwest
Midland, Texas 79701


Ross D. Roberts


Charles E. Koch


Jack C. Cartwright
Unit Operator and Working
Interest Operator

STATE OF _____)
COUNTY OF _____) : SS

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of AZTEC OIL AND GAS COMPANY, a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) : SS

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of UNION OIL COMPANY OF CALIFORNIA, a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF TEXAS X
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this 21st day of August, 1973 by Ross D. Roberts, Charles E. Koch, and Jack C. Cartwright, partners, of ROBERTS, KOCH & CARTWRIGHT, a partnership.

Charles E. Koch
Notary Public

My Commission Expires: _____

6-1-75

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE OIL COMPANY

By _____

Date: _____

Address: _____

ATTEST:

PETROLEUM, INC.

By _____

Date: _____

Address: _____

ATTEST:

AZTEC OIL AND GAS COMPANY

Wanda M. Sanders
ASSISTANT SECRETARY

By Kenneth Q. Swanson
Vice President

Date: September 13, 1973

Address: 2000 First Nat'l Bank Bldg

Dallas, Texas 75202

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

Date: _____

Address: _____

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
_____ of CITIES SERVICE OIL COMPANY, a Delaware
corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
_____ of PETROLEUM, INC., a
corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF Texas)
COUNTY OF Dallas) : SS

The foregoing instrument was acknowledged before me this
13th day of September, 1973 by Kenneth A. Swanson,
vice president of AZTEC OIL AND GAS COMPANY, a
corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1975

Peggy Tapp
Notary Public

PEGGY TAPP
NOTARY PUBLIC, DALLAS COUNTY, TEXAS
MY COMMISSION EXPIRES JUNE 1, 1975

STATE OF _____)
COUNTY OF _____) : SS

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
_____ of UNION OIL COMPANY OF CALIFORNIA, a
corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF TEXAS X
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
Partner on behalf of ROBERTS, KOCH & CARTWRIGHT, a partnership.

Notary Public

My Commission Expires:

WORKING INTEREST OWNERS

~~ATTEST:~~

CITIES SERVICE OIL COMPANY

By

Mark F. Payton

Attorney-in-Fact

Date: _____

Address: P. O. Box 300

Tulsa, Oklahoma 74102

ATTEST:

PETROLEUM, INC.

By _____

Date: _____

Address: _____

ATTEST:

AZTEC OIL AND GAS COMPANY

By _____

Date: _____

Address: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

Date: _____

Address: _____

STATE OF Oklahoma)

: ss

COUNTY OF TULSA)

The foregoing instrument was acknowledged before me this 30th day of August, 1973 by Mark F. Payton, Attorney-in-Fact, of CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

JUL 25 1976

Evelyn M. Schultz
Notary Public
Evelyn M. Schultz

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of PETROLEUM, INC., a corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE OIL COMPANY

By _____

Date: _____

Address: _____

ATTEST:

PETROLEUM, INC.

By [Signature]

Date: 27 August, 1973

Address: 500 Colorado State Bank Bldg.

Denver, Co. 80202

ATTEST:

AZTEC OIL AND GAS COMPANY

By _____

Date: _____

Address: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

Date: _____

Address: _____

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF Colorado)

City and _____ : ss

COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 27th day of August, 1973 by Robert D. Cowdery, Vice-President, of PETROLEUM, INC., a Kansas corporation, on behalf of said corporation.

My Commission Expires: _____

[Signature]
Notary Public

July 12, 1977.

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE OIL COMPANY

By _____

Date: _____

Address: _____

ATTEST:

PETROLEUM, INC.

By _____

Date: _____

Address: _____

ATTEST:

AZTEC OIL AND GAS COMPANY

By _____

Date: _____

Address: _____

~~ATTEST:~~

UNION OIL COMPANY OF CALIFORNIA

By Samuel C. Terry

Attorney-in-Fact

SAMUEL C. TERRY

Date: August 24, 1973

Address: P. O. Box 3100

Midland, Texas 79701

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of PETROLEUM, INC., a corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) : ss

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
_____ of AZTEC OIL AND GAS COMPANY, a
corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF TEXAS)
COUNTY OF MIDLAND) : ss

The foregoing instrument was acknowledged before me this
24th day of August, 1973 by SAMUEL C. TERRY,
Attorney-in-Fact, of UNION OIL COMPANY OF CALIFORNIA, a
corporation, on behalf of said corporation.

My Commission Expires: _____

June 1, 1975

Alice Monroe
Notary Public
Alice Monroe

STATE OF TEXAS X
COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this
_____ day of _____, 1973 by _____,
Partner on behalf of ROBERTS, KOCH & CARTWRIGHT, a partnership.

Notary Public

My Commission Expires: _____

EXHIBIT "A"
TO
UNIT OPERATING AGREEMENT
DEER CANYON UNIT - EDDY COUNTY, NEW MEXICO

Working Interest Owners	Tract Nos.	Committed Acres	and Percent	Royalty Basic	and Percent Excess	Net Working Interest Percent	Interest Acres
Petroleum, Inc.	3	1481.37	15.14623	12.5	None	87.5	1296.20
Cities Service Oil Company	8	640.00		12.5	5%	82.5	528.00
	10	807.48		12.5	4%	83.5	674.25
	11	200.00		12.5	3%	84.5	169.00
	13	1000.00		12.5	3%	84.5	845.00
	16	160.00		12.5	None	87.5	140.00
		<u>2807.48</u>	28.70502				<u>2356.25</u>
Aztec Oil & Gas Company	15	729.20	7.45569	12.5	None	87.5	638.05
Union Oil Company of California	17	640.00	6.54367	12.5	None	87.5	560.00
Roberts, Koch & Cartwright	2	1080.00		12.5	3%	84.5	912.60
	4	371.28		12.5	5%	82.5	306.31
	5	1570.76		12.5	5%	82.5	1295.88
	6	40.00		12.5	3%	84.5	33.80
	7	40.00		12.5	3%	84.5	33.80
	9	700.36		12.5	5%	82.5	577.80
	12	40.00		12.5	5%	82.5	33.00
	14	280.00		12.5	5%	82.5	231.00
		<u>4122.40</u>	42.14939				<u>3424.19</u>
<u>Total Acres Committed</u>		9780.45					

EXHIBIT "A"
TO
UNIT OPERATING AGREEMENT
DEER CANYON UNIT - EDDY COUNTY, NEW MEXICO

Owners	Tract Nos.	Committed Acres	and Percent	Royalty and Basic	Percent Excess	Net Working Interest Percent	Interest Acres
	3	1481.37	15.14623	12.5	None	87.5	1296.20
Company	8	640.00		12.5	5%	82.5	528.00
	10	807.48		12.5	4%	83.5	674.25
	11	200.00		12.5	3%	84.5	169.00
	13	1000.00		12.5	3%	84.5	845.00
	16	160.00		12.5	None	87.5	140.00
		<u>2807.48</u>	28.70502				<u>2356.25</u>
Company	15	729.20	7.45569	12.5	None	87.5	638.05
	17	640.00	6.54367	12.5	None	87.5	560.00
	2	1080.00		12.5	3%	84.5	912.60
	4	371.28		12.5	5%	82.5	306.31
	5	1570.76		12.5	5%	82.5	1295.88
	6	40.00		12.5	3%	84.5	33.80
	7	40.00		12.5	3%	84.5	33.80
	9	700.36		12.5	5%	82.5	577.80
	12	40.00		12.5	5%	82.5	33.00
	14	280.00		12.5	5%	82.5	231.00
		<u>4122.40</u>	42.14939				<u>3424.19</u>
ted		9780.45					

Working Interest Owners	Tract Nos.	Committed Acres	and Percent	Royalty and Basic	Percent Excess	Net Working Interest Percent	Interest Acres
<u>Uncommitted Acreage</u>							
Kerr-McGee Oil Corporation	1	760.00					
<u>Unleased</u>							
	18	80.00					
TOTAL ACRES IN UNIT		10620.45					8274.69

Exhibit "A" - Page 2

	Committed Acres	and Percent	Royalty and Percent Basic Excess	Net Working Interest Percent	Acres
1	760.00				
18	80.00				
	10620.45				8274.69

RECAPITULATION OF PARTIES AND INTERESTS IN UNIT AREA

	Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7
Working Interest Owners	Committed Acres	Percentage Committed	Net Beneficial Acres Before Drilling	Percentage Beneficial Interest Before Drilling	Percentage Cost Burden and Owner-ship of Equipment-- Initial Test Well and Pro-ration Unit Until Payout	Percentage Beneficial Ownership of Working Interest Pro-duction in Initial Test Well and Pro-ration Unit Until Payout	Percentage Cost Burden and Equipment as to Unit Area Except Initial Proration Unit After Payout an as to Initial Proration Unit After Payout
Cities Service Oil Company	2807.48	28.70502	2356.24581	28.47535	-0-	-0-	14.35251
Roberts, Koch & Cartwright	4122.40	42.14939	3424.19000	41.38151	100.00000	100.00000*	71.07471
Petroleum, Inc.	1481.37	15.14623	1296.19875	15.66464	-0-	-0-	7.57311
Aztec Oil & Gas Company	729.20	7.45569	638.05000	7.71087	-0-	-0-	3.72784
Union Oil Company of California	640.00	6.54367	560.00000	6.76763	-0-	-0-	3.27183
	9780.45	100.00000	8274.68456	100.00000	100.00000	100.00000	100.00000

* The interest of Roberts, Koch & Cartwright is subject to overriding royalties as set forth in Section 5.1 of the U Agreement and assumes earning of interest pursuant to applicable farmout agreements from Cities Service Oil Company & Gas Company, Union Oil Company of California and Petroleum, Inc.

Deer Canyon Unit Operating Agreement
Eddy County, New Mexico
Exhibit "A" - Page 3

RECAPITULATION OF PARTIES AND INTERESTS IN UNIT AREA

1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8
Parties	Percentage Committed	Net Acres Before Drilling	Percentage Beneficial Interest Before Drilling	Percentage Cost Burden and Ownership of Equipment-- Initial Test Well and Pro-ration Unit Until Payout	Percentage Beneficial Ownership of Interest Pro-duction in Initial Test Well and Pro-ration Unit Until Payout	Percentage Cost Burden and Equipment as to Unit Area Except Initial Proration Unit After Payout and as to Initial Proration Unit After Payout	Percentage Beneficial Ownership Working Interest Pro-duction as to Unit Area Except Initial Proration Unit After Pay- out as to Initial Pro- ration Unit
48	28.70502	2356.24581	28.47535	-0-	-0-	14.35251	14.23768
40	42.14939	3424.19000	41.38151	100.00000	100.00000*	71.07471	70.69074
37	15.14623	1296.19875	15.66464	-0-	-0-	7.57311	7.63232
20	7.45569	638.05000	7.71087	-0-	-0-	3.72784	3.85544
00	6.54367	560.00000	6.76763	-0-	-0-	3.27183	3.38382
45	100.00000	8274.68456	100.00000	100.00000	100.00000	100.00000	100.00000

Koch & Cartwright is subject to overriding royalties as set forth in Section 5.1 of the Unit Operating Agreement of interest pursuant to applicable farmout agreements from Cities Service Oil Company, Aztec Oil Company of California and Petroleum, Inc.

Deer Canyon Unit
Agreement, Eddy
Exhibit "A" - Pa

The contribution of acreage by Union Oil Company of California, Cities Service Oil Company, Aztec Oil & Gas Company and Petroleum, Inc. to Roberts, Koch & Cartwright applies only to depths as specified in Section 5.1 of this Operating Agreement. Therefore, the information as reflected in Columns 5, 6, 7 and 8 applies only to depths down to 100 feet below total depth as specified in said Section 5.1. However, this Operating Agreement shall apply as to deeper depths on the basis specified in Columns 1 through 4 hereof, to the end that all depths are covered by the Operating Agreement.

Deer Canyon Unit Operating
Agreement, Eddy County, N.M.
Exhibit "A" - Page 4

of acreage by Union Oil Company of California, Cities Service Oil Company, Aztec Oil & Gas Company
nc. to Roberts, Koch & Cartwright applies only to depths as specified in Section 5.1 of this Operating
before, the information as reflected in Columns 5, 6, 7 and 8 applies only to depths down to 100 feet
as specified in said Section 5.1. However, this Operating Agreement shall apply as to deeper depths
specified in Columns 1 through 4 hereof, to the end that all depths are covered by the Operating Agreement.

COPAS

EXHIBIT " B "

Attached to and made a part of Unit Operating Agreement,
Deer Canyon Unit, Eddy County, New Mexico.

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

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

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

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

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

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

"Parties" shall mean Operator and Non-Operators.

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

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

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

2. Statements and Billings

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

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

3. Advances and Payments by Non-Operators

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

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

4. Adjustments

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

5. Audits

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

6. Approval by Non-Operators

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

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**
Lease rentals and royalties paid by Operator for the Joint Operations.
2. **Labor**
 - A. (1) Salaries and wages of Operator's employees directly employed on the Joint Property in the conduct of Joint Operations.
 - (2) Salaries of first-level supervisors in the field if such charges are excluded from overhead rates in Option A of Section III.
 - (3) Salaries and wages of technical employees temporarily assigned to and directly employed on the Joint Property if such charges are excluded from overhead rates in Option B of Section III.
 - ~~(4) Salaries and wages of technical employees temporarily assigned to and directly employed on the Joint Property if such charges are excluded from overhead rates in Option B of Section III.~~
 - B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1A of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1A of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1A of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
 - C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1A of Section III.
 - D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.
3. **Employee Benefits**
Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1A of Section III shall be chargeable as indicated in the subparagraph selected below:
 - A. ☐ Operator's actual cost.
 - B. ☒ Operator's actual cost not to exceed fifteen per cent (15%).
4. **Material**
Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.
5. **Transportation**
Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:
 - A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by Operator and Non-Operators.
 - B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by Operators and Non-Operators. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by Operator and Non-Operators.
 - C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.
6. **Services**
 - A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 1B of Section III. The cost of professional consultant services shall not be charged to the Joint Account unless agreed to by Operator and Non-Operators.
 - B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.
7. **Damages and Losses to Joint Property**
All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.
8. **Legal Expense**
All costs and expenses of handling, investigating, and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorney's fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), unless agreed to by Operator and Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.
9. **Taxes**
All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

C. Operator's Warehouse Operating and Maintenance Expense

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

2. Combined Rates - Well Basis

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

Well Depth	RATE PER WELL PER MONTH			
	DRILLING WELL RATE (Use Total Depth)	All Wells	PRODUCING WELL RATE (Use Current Producing Depth)	
	Each Well			
All depths	1460.00	205.00		

3. Combined Rates - Percentage Basis

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

PERCENTAGE BASIS

A. Development:

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

B. Operating:

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

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

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

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

B. The status of wells shall be as follows:

(1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for waterflood-ing operations and salt water disposal wells shall be considered the same as producing oil wells.

(2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. Any well being plugged or produced during any portion of the month shall be considered as a producing well for the entire month.

(3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling rig or workover rig capable of drilling shall be considered the same as drilling wells.

(4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, shut-in wells shall be counted in determining the charge hereunder for such month if said wells contribute allow-able production that is actually produced during such month from one or more unit wells as a result of allowable transfer, inclusion in the unit allowable or other circumstances, but the total shut-in well count shall be limited to the minimum number of shut-in wells necessary to provide the contributed allowable actually produced during the month.

(5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.

(6) Wells completed in multiple horizons, shall be considered as a producing well for each separately pro-ducing horizon, providing each completion is considered a separate well by governmental or other state-wide regulatory authority.

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

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

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

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

6. Major Construction Overhead

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

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

- A. Total cost less than \$25,000, no charge.
- B. Total cost more than \$25,000, but less than \$100,000, 3 % of total cost.
- C. Total cost of \$100,000 or more, 3 % of the first \$100,000 plus 2 % of all over \$100,000 of total cost.

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

7. Amendment of Rates

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

IV. BASIS OF CHARGES TO JOINT ACCOUNT

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

1. Purchases

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

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

A. New Material (Condition "A")

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

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

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

3. Premium Prices

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

4. Warranty of Material Furnished by Operator

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

5. Equipment and Facilities Furnished by Operator

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

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

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

V. DISPOSAL OF MATERIAL.

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

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

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

2. Division in Kind

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

3. Sales to Outsiders

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

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

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

1. New Price Defined

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

2. New Material

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

3. Good Used Material

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

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

4. Other Used Material

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

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

5. Bad-Order Material

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

6. Junk Material

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

7. Temporarily Used Material

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

VII. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

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

2. Reconciliation and Adjustment of Inventories

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

3. Special Inventories

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

4. Expense of Conducting Periodic Inventories

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

EXHIBIT "C"
UNIT OPERATING AGREEMENT
DEER CANYON UNIT
EDDY COUNTY, NEW MEXICO

Insurance

(A) At all times while operations are being conducted hereunder, Operator shall maintain in force the following policies of insurance:

(1) Workmen's Compensation Insurance in accordance with the laws of the jurisdiction in which work is performed.

(2) Employers Liability coverage with limits of \$100,000 for all liability arising out of one accident.

(3) Coverages (1) and (2) above shall not include Non-Operators as additional insureds but shall waive subrogation against Non-Operators.

(4) General Comprehensive Liability coverage, except automobile coverage, with minimum limits of Bodily Injury \$100,000 each person and \$300,000 each occurrence, including contractual liability and completed operations, but excluding blowout, pollution liability and damage to underground resources.

(5) Automobile Liability coverage, including owned, hired, and non-owned vehicles, with minimum limits the same as paragraph (4) above. No premium charges shall be billed Non-Operators in connection with Operator's fully-owned equipment--this premium not to be charged directly to the Joint Account, but will instead be covered by the flat rate charges assessed the Unit for use of such equipment.

(6) Coverages (4) and (5) above shall include Non-Operators as Additional Insureds.

(B) Such policies shall contain a waiver of territorial restrictions so that the insurance coverage thereof will apply to the proposed area of operations hereunder. The premiums for all insurance policies under this Article shall be allocated among the various Operating Joint Accounts of the parties hereto, and Operator, upon written request, shall furnish Non-Operators with evidence that such insurance is in effect prior to the commencement of any operations hereunder. No insurance other than that specified above shall be purchased for any Operating Joint Account except by mutual consent of the parties.

(C) Operator will determine the insurance requirements for contractors and subcontractors or third parties performing operations on or in connection with the Leased Lands; however, the requirements will be reviewed with Non-Operators at any time, upon request, for mutual determination of any necessary changes. When negotiating contracts hereunder, Operator shall attempt to hold contractor solely responsible for damage to contractor's equipment and shall attempt to obtain a waiver of contractor's right of recovery against parties hereto in connection with any such damage. Upon request, Operator will advise Non-Operators as to insurance requirements in use under this provision in order that Non-Operators may acquire any additional insurance for Non-Operators' account and protection not purchased by Operator for an Operating Joint Account.

COMPS

EXHIBIT " B "

Attached to and made a part of Unit Operating Agreement,
Deer Canyon Unit, Eddy County, New Mexico.

ACCOUNTING PROCEDURE JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

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

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

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

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

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

"Parties" shall mean Operator and Non-Operators.

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

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

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

2. Statements and Billings

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

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

3. Advances and Payments by Non-Operators

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

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

4. Adjustments

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

5. Audits

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

6. Approval by Non-Operators

Where an approval or other agreement of Non-Operators is expressly required under Paragraphs 5A, 5B, 5C, 5D, 5E, 5F, 5G, 5H, 5I, 5J, 5K, 5L, 5M, 5N, 5O, 5P, 5Q, 5R, 5S, 5T, 5U, 5V, 5W, 5X, 5Y, 5Z, 6A, 6B, 6C, 6D, 6E, 6F, 6G, 6H, 6I, 6J, 6K, 6L, 6M, 6N, 6O, 6P, 6Q, 6R, 6S, 6T, 6U, 6V, 6W, 6X, 6Y, 6Z, 7A, 7B, 7C, 7D, 7E, 7F, 7G, 7H, 7I, 7J, 7K, 7L, 7M, 7N, 7O, 7P, 7Q, 7R, 7S, 7T, 7U, 7V, 7W, 7X, 7Y, 7Z, 8A, 8B, 8C, 8D, 8E, 8F, 8G, 8H, 8I, 8J, 8K, 8L, 8M, 8N, 8O, 8P, 8Q, 8R, 8S, 8T, 8U, 8V, 8W, 8X, 8Y, 8Z, 9A, 9B, 9C, 9D, 9E, 9F, 9G, 9H, 9I, 9J, 9K, 9L, 9M, 9N, 9O, 9P, 9Q, 9R, 9S, 9T, 9U, 9V, 9W, 9X, 9Y, 9Z, 10A, 10B, 10C, 10D, 10E, 10F, 10G, 10H, 10I, 10J, 10K, 10L, 10M, 10N, 10O, 10P, 10Q, 10R, 10S, 10T, 10U, 10V, 10W, 10X, 10Y, 10Z, 11A, 11B, 11C, 11D, 11E, 11F, 11G, 11H, 11I, 11J, 11K, 11L, 11M, 11N, 11O, 11P, 11Q, 11R, 11S, 11T, 11U, 11V, 11W, 11X, 11Y, 11Z, 12A, 12B, 12C, 12D, 12E, 12F, 12G, 12H, 12I, 12J, 12K, 12L, 12M, 12N, 12O, 12P, 12Q, 12R, 12S, 12T, 12U, 12V, 12W, 12X, 12Y, 12Z, 13A, 13B, 13C, 13D, 13E, 13F, 13G, 13H, 13I, 13J, 13K, 13L, 13M, 13N, 13O, 13P, 13Q, 13R, 13S, 13T, 13U, 13V, 13W, 13X, 13Y, 13Z, 14A, 14B, 14C, 14D, 14E, 14F, 14G, 14H, 14I, 14J, 14K, 14L, 14M, 14N, 14O, 14P, 14Q, 14R, 14S, 14T, 14U, 14V, 14W, 14X, 14Y, 14Z, 15A, 15B, 15C, 15D, 15E, 15F, 15G, 15H, 15I, 15J, 15K, 15L, 15M, 15N, 15O, 15P, 15Q, 15R, 15S, 15T, 15U, 15V, 15W, 15X, 15Y, 15Z, 16A, 16B, 16C, 16D, 16E, 16F, 16G, 16H, 16I, 16J, 16K, 16L, 16M, 16N, 16O, 16P, 16Q, 16R, 16S, 16T, 16U, 16V, 16W, 16X, 16Y, 16Z, 17A, 17B, 17C, 17D, 17E, 17F, 17G, 17H, 17I, 17J, 17K, 17L, 17M, 17N, 17O, 17P, 17Q, 17R, 17S, 17T, 17U, 17V, 17W, 17X, 17Y, 17Z, 18A, 18B, 18C, 18D, 18E, 18F, 18G, 18H, 18I, 18J, 18K, 18L, 18M, 18N, 18O, 18P, 18Q, 18R, 18S, 18T, 18U, 18V, 18W, 18X, 18Y, 18Z, 19A, 19B, 19C, 19D, 19E, 19F, 19G, 19H, 19I, 19J, 19K, 19L, 19M, 19N, 19O, 19P, 19Q, 19R, 19S, 19T, 19U, 19V, 19W, 19X, 19Y, 19Z, 20A, 20B, 20C, 20D, 20E, 20F, 20G, 20H, 20I, 20J, 20K, 20L, 20M, 20N, 20O, 20P, 20Q, 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28J, 28K, 28L, 28M, 28N, 28O, 28P, 28Q, 28R, 28S, 28T, 28U, 28V, 28W, 28X, 28Y, 28Z, 29A, 29B, 29C, 29D, 29E, 29F, 29G, 29H, 29I, 29J, 29K, 29L, 29M, 29N, 29O, 29P, 29Q, 29R, 29S, 29T, 29U, 29V, 29W, 29X, 29Y, 29Z, 30A, 30B, 30C, 30D, 30E, 30F, 30G, 30H, 30I, 30J, 30K, 30L, 30M, 30N, 30O, 30P, 30Q, 30R, 30S, 30T, 30U, 30V, 30W, 30X, 30Y, 30Z, 31A, 31B, 31C, 31D, 31E, 31F, 31G, 31H, 31I, 31J, 31K, 31L, 31M, 31N, 31O, 31P, 31Q, 31R, 31S, 31T, 31U, 31V, 31W, 31X, 31Y, 31Z, 32A, 32B, 32C, 32D, 32E, 32F, 32G, 32H, 32I, 32J, 32K, 32L, 32M, 32N, 32O, 32P, 32Q, 32R, 32S, 32T, 32U, 32V, 32W, 32X, 32Y, 32Z, 33A, 33B, 33C, 33D, 33E, 33F, 33G, 33H, 33I, 33J, 33K, 33L, 33M, 33N, 33O, 33P, 33Q, 33R, 33S, 33T, 33U, 33V, 33W, 33X, 33Y, 33Z, 34A, 34B, 34C, 34D, 34E, 34F, 34G, 34H, 34I, 34J, 34K, 34L, 34M, 34N, 34O, 34P, 34Q, 34R, 34S, 34T, 34U, 34V, 34W, 34X, 34Y, 34Z, 35A, 35B, 35C, 35D, 35E, 35F, 35G, 35H, 35I, 35J, 35K, 35L, 35M, 35N, 35O, 35P, 35Q, 35R, 35S, 35T, 35U, 35V, 35W, 35X, 35Y, 35Z, 36A, 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II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. **Rentals and Royalties**
Lease rentals and royalties paid by Operator for the Joint Operations.
2. **Labor**
 - A. (1) Salaries and wages of Operator's employees directly employed on the Joint Property in the conduct of Joint Operations.
 - (2) Salaries of first-level supervisors in the field if such charges are excluded from overhead rates in Option A of Section III.
 - (3) Salaries and wages of technical employees temporarily assigned to and directly employed on the Joint Property if such charges are excluded from overhead rates in Option B of Section III.
 - ~~(4) Salaries and wages of technical employees temporarily assigned to and directly employed on the Joint Property if such charges are excluded from overhead rates in Option B of Section III.~~
 - B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1A of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1A of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1A of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
 - C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1A of Section III.
 - D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.
3. **Employee Benefits**
Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1A of Section III shall be chargeable as indicated in the subparagraph selected below:
 - A. ☐ Operator's actual cost.
 - B. ☒ Operator's actual cost not to exceed fifteen per cent (15%).
4. **Material**
Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.
5. **Transportation**
Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:
 - A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by Operator and Non-Operators.
 - B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by Operators and Non-Operators. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by Operator and Non-Operators.
 - C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.
6. **Services**
 - A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 1B of Section III. The cost of professional consultant services shall not be charged to the Joint Account unless agreed to by Operator and Non-Operators.
 - B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.
7. **Damages and Losses to Joint Property**
All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.
8. **Legal Expense**
All costs and expenses of handling, investigating, and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorney's fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), unless agreed to by Operator and Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.
9. **Taxes**
All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

COMPS

1. The first part of the document is a header section containing the title "THE EFFECTS OF THE 2008 FINANCIAL CRISIS ON THE UK ECONOMY" and the author's name "JAMES H. M. SMITH".

2. The second part of the document is a table of contents. It lists the following sections:

- 1. Introduction
- 2. The 2008 Financial Crisis
- 3. The UK Economy
- 4. The Effects of the Crisis
- 5. Conclusion

3. The third part of the document is the main body of the text. It begins with the following paragraph:

The 2008 financial crisis was a global event that had a profound impact on the UK economy. It was caused by a combination of factors, including the subprime mortgage crisis in the US, the collapse of Lehman Brothers, and the subsequent loss of confidence in the financial system.

4. The fourth part of the document is a conclusion. It states:

In conclusion, the 2008 financial crisis had a significant impact on the UK economy. It led to a period of economic stagnation and a loss of confidence in the financial system. However, the UK government's response was swift and effective, and the economy has since recovered.

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

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

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

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

- XX
XX
XX

A. District Expense

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

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

- RATE PER WELL, PER MONTH**

(2) [] Percentage Basis

Development:

Operating:

• 3 •

C. Operator's Warehouse Operating and Maintenance Expense

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

2. Combined Rates - Well Basis

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

Well Depth	RATE PER WELL PER MONTH			
	DRILLING WELL RATE (Use Total Depth) Each Well	All Wells	PRODUCING WELL RATE (Use Current Producing Depth)	
All depths	1460.00	205.00	1000.00	200.00

3. Combined Rates - Percentage Basis

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

PERCENTAGE BASIS

A. Development:

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

B. Operating:

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

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

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

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

B. The status of wells shall be as follows:

(1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for waterflood-ing operations and salt water disposal wells shall be considered the same as producing oil wells.

(2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. Any well being plugged or produced during any portion of the month shall be considered as a producing well for the entire month.

(3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling rig or workover rig capable of drilling shall be considered the same as drilling wells.

(4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, shut-in wells shall be counted in determining the charge hereunder for such month if said wells contribute allow-able production that is actually produced during such month from one or more unit wells as a result of allowable transfer, inclusion in the unit allowable or other circumstances, but the total shut-in well count shall be limited to the minimum number of shut-in wells necessary to provide the contributed allowable actually produced during the month.

(5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.

(6) Wells completed in multiple horizons, shall be considered as a producing well for each separately pro-ducing horizon, providing each completion is considered a separate well by governmental or other state-wide regulatory authority.

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

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

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

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

6. Major Construction Overhead

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

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

- A. Total cost less than \$25,000, no charge.
- B. Total cost more than \$25,000, but less than \$100,000,³.....% of total cost.
- C. Total cost of \$100,000 or more,³.....% of the first \$100,000 plus².....% of all over \$100,000 of total cost.

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

7. Amendment of Rates

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

IV. BASIS OF CHARGES TO JOINT ACCOUNT

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

1. Purchases

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

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

A. New Material (Condition "A")

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

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

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

3. Premium Prices

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

4. Warranty of Material Furnished by Operator

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

5. Equipment and Facilities Furnished by Operator

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

- outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.
- B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.
- C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSAL OF MATERIAL

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

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

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

2. Division in Kind

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

3. Sales to Outsiders

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

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

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

1. New Price Defined

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

2. New Material

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

3. Good Used Material

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

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

4. Other Used Material

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

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

5. Bad-Order Material

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

6. Junk Material

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

7. Temporarily Used Material

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

VII. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

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

2. Reconciliation and Adjustment of Inventories

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

3. Special Inventories

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

4. Expense of Conducting Periodic Inventories

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

EXHIBIT "C"
UNIT OPERATING AGREEMENT
DEER CANYON UNIT
EDDY COUNTY, NEW MEXICO

Insurance

(A) At all times while operations are being conducted hereunder, Operator shall maintain in force the following policies of insurance:

(1) Workmen's Compensation Insurance in accordance with the laws of the jurisdiction in which work is performed.

(2) Employers Liability coverage with limits of \$100,000 for all liability arising out of one accident.

(3) Coverages (1) and (2) above shall not include Non-Operators as additional insureds but shall waive subrogation against Non-Operators.

(4) General Comprehensive Liability coverage, except automobile coverage, with minimum limits of Bodily Injury \$100,000 each person and \$300,000 each occurrence, including contractual liability and completed operations, but excluding blowout, pollution liability and damage to underground resources.

(5) Automobile Liability coverage, including owned, hired, and non-owned vehicles, with minimum limits the same as paragraph (4) above. No premium charges shall be billed Non-Operators in connection with Operator's fully-owned equipment--this premium not to be charged directly to the Joint Account, but will instead be covered by the flat rate charges assessed the Unit for use of such equipment.

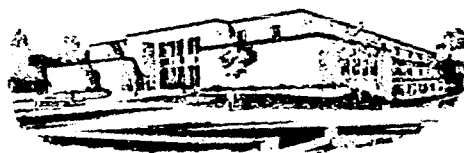
(6) Coverages (4) and (5) above shall include Non-Operators as Additional Insureds.

(B) Such policies shall contain a waiver of territorial restrictions so that the insurance coverage thereof will apply to the proposed area of operations hereunder. The premiums for all insurance policies under this Article shall be allocated among the various Operating Joint Accounts of the parties hereto, and Operator, upon written request, shall furnish Non-Operators with evidence that such insurance is in effect prior to the commencement of any operations hereunder. No insurance other than that specified above shall be purchased for any Operating Joint Account except by mutual consent of the parties.

(C) Operator will determine the insurance requirements for contractors and subcontractors or third parties performing operations on or in connection with the Leased Lands; however, the requirements will be reviewed with Non-Operators at any time, upon request, for mutual determination of any necessary changes. When negotiating contracts hereunder, Operator shall attempt to hold contractor solely responsible for damage to contractor's equipment and shall attempt to obtain a waiver of contractor's right of recovery against parties hereto in connection with any such damage. Upon request, Operator will advise Non-Operators as to insurance requirements in use under this provision in order that Non-Operators may acquire any additional insurance for Non-Operators' account and protection not purchased by Operator for an Operating Joint Account.

State of New Mexico

TELEPHONE
505-827-2748



Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

June 7, 1973

P. O. BOX 1148
SANTA FE, NEW MEXICO

Roberts, Koch & Cartwright
205 Building of the Southwest
Midland, Texas 79701

Re: 04C-Deer Canyon Unit
Eddy County, New Mexico

ATTENTION: Mr. Charles E. Koch

Gentlemen:

We have reviewed the re-submitted form of unit agreement as well as the Exhibits, and find that they meet with the requirements of the Commissioner of Public Lands, therefore, the Commissioner approves the proposed agreement for the Deer Canyon Unit as to form and content.

Upon submitting this unit for final approval the following are required by this office:

1. Two executed copies of Unit Agreement-one must be an original
2. One copy of Operating Agreement (executed)
3. Two sets of all Ratifications from Lessees of Record and Working Interest Owners-one must be an original
4. Order of the Oil Conservation Commission
5. Filing Fee in the amount of One Hundred Sixty (\$160.00) Dollars.

In your final application we would like for you to state all tracts qualified and verification that the Working Interest in the qualified tracts have been contacted and requested to join. Also, state all tracts committed and not committed to the unit.

If we may be of further service please advise.

Very truly yours,

Ray D. Graham
RAY D. GRAHAM, Director
Oil and Gas Department

AJA/RDG/s

KNOW ALL MEN BY THESE PRESENTS:

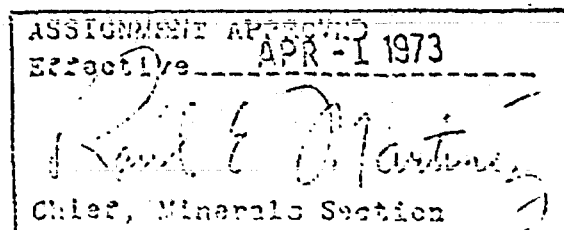
That BARBARA B. TALENTO, individually and as Independent Executrix of the Estate of Tony Talento, deceased, hereinafter called "Assignor", in consideration of \$10.00 and other valuable cash consideration paid by ROBERTS, KOCH & CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack C. Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, hereinafter called "Assignee", receipt of which is hereby acknowledged, does hereby grant, assign and convey unto Assignee, its successors and assigns forever, that certain Oil and Gas Lease made and entered into on the 1st day of November, 1963, issued by the United States of America, bearing Serial No. NM 0452402, covering -

Section 11, W/2 Section 14, N/2 NE/4 and SE/4 NE/4
Section 15, T-20-S, R-21-E, N.M.P.M., Eddy County,
New Mexico,

together with all rights and privileges thereunder or appurtenant thereto, subject, however, to the following exceptions and reservations.

Assignor excepts and reserves an overriding royalty equal to 3% of 8/8 of the market value at the wells as produced of all the oil and gas which may be produced, saved and marketed from the above described lands under the terms of said oil and gas lease or any extensions or renewals thereof; provided, however, that on gas sold at the well the market value shall be conclusively presumed to be that which is realized from the sale. Said overriding royalty shall be the total overriding royalty for which Assignee shall be obligated and it shall include all overriding royalties or obligations payable out of production, if any, heretofore created and payable out of the lessee's share of production of oil and gas from said land. Said overriding royalty shall be free and clear of all costs of development and operation but subject to its proportionate part of applicable taxes and transportation charges, if any. Fuel oil and gas for operating and treating the premises may be deducted before computing said overriding royalty. 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 proration unit under the rules or regulations of the New Mexico Oil Conservation Commission to which said lease may hereafter be committed by Assignee, its successors and assigns, 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 lands under and pursuant to the terms of such agreement or plan of operation. Except as specifically herein provided, the reservation of said overriding royalty shall not imply any leasehold preservation, drilling or development obligation on the part of Assignee. No change in the ownership of said overriding royalty or any part thereof shall be binding upon the Assignee, its successors and assigns, until such time as Assignee shall have been furnished with either the original or a certified copy of the recorded instrument or instruments which evidence such change.

Tract #2 - Barbara Talento 38 022



Assignor warrants that the interest above conveyed is in good standing and is free and clear of all liens, charges, encumbrances, overriding royalties or other interests of whatsoever nature not excepted above, and Assignor will forever defend the title thereto unto Assignee, its successors and assigns, against all persons whomsoever lawfully having or claiming an interest therein.

EXECUTED in quadruplicate this 24th day of January, 1973.

Barbara B. Talento
Barbara B. Talento, Individually
and as Independent Executrix of
the Estate of Tony Talento, de-
ceased

STATE OF CALIFORNIA X

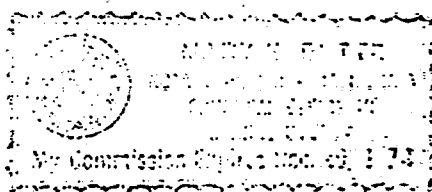
COUNTY OF ORANGE X

The foregoing instrument was acknowledged before me this
9 day of July, 1973, by Barbara B. Talento,
individually and as Independent Executrix of the Estate of
Tony Talento, deceased.

M. E. K.
Notary Public, Orange County, California

My Commission expires:

Dec. 29, 1974



STATE OF NEW MEXICO, County of Bddy, ss. I hereby
this instrument was filed for record on the 12th day of May
1973 at 2:15 o'clock P.M. and duly recorded in Book 121
page 27 of the Records of Mescalero

GERALDINE MAHAFFEY, County Clerk
By Glenn C. Boyd Deputy

ASSIGNMENT OF UNITED STATES OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

That MILDRED J. FARMER, hereinafter called "Assignor", in consideration of \$10.00 and other valuable cash consideration paid by ROBERTS, KOCH & CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack C. Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, hereinafter called "Assignee", receipt of which is hereby acknowledged, does hereby grant, assign and convey unto Assignee, its successors and assigns forever, that certain Oil and Gas Lease made and entered into on October 1, 1964 by and between the United States of America, as lessor, bearing Serial No. NM 0554937, covering -

Lots 1, 2, 3, 4, 5, 6, 7, 8 and 9, SW/4 NE/4
and SE/4 NW/4 Section 1, Township 20 South,
Range 21 East, N.M.P.M., Eddy County, New Mexico,
containing 371.28 acres, more or less,

together with all rights and privileges thereunder or appurtenant thereto, subject, however, to the following exceptions and reservations:

Assignor excepts and reserves an overriding royalty equal to 5% of 8/8 of the market value at the wells as produced of all the oil and gas which may be produced, saved and marketed from the above described lands under the terms of said oil and gas lease or any extensions or renewals thereof; provided, however, that on gas sold at the well the market value shall be conclusively presumed to be that which is realized from the sale. Said overriding royalty shall be the total overriding royalty for which Assignee shall be obligated and it shall include all overriding royalties or obligations payable out of production, if any, heretofore created and payable out of the lessee's share of production of oil and gas from said land. If Assignor owns less than all of said leasehold estate said overriding royalty shall be proportionately reduced. Said overriding royalty shall be free and clear of all costs of development and operation but subject to its proportionate part of applicable taxes and transportation charges, if any. Fuel oil and gas for operating and treating the premises may be deducted before computing said overriding royalty. 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 proration unit under the rules or regulations of the New Mexico Oil Conservation Commission to which said lease may hereafter be committed by Assignee, its successors and assigns, 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 lands under and pursuant to the terms of such agreement or plan of operation. Except as specifically herein provided, the reservation of said overriding royalty shall not imply any leasehold preservation, drilling or development obligation on the part of Assignee. No change in the ownership of said overriding royalty or any part thereof shall be binding upon the Assignee, its successors and assigns, until such time as Assignee shall have been furnished with either the original or a certified copy of the recorded instrument evidencing such change.

Tract #4 - Mildred J. Farmer 5% ORR

ASSIGNMENT APPROVED
Effective APR 11 1973
Paul E. Smith
Chief, Minerals Section

Assignor warrants that the interest above conveyed is in good standing and is free and clear of all liens, charges, encumbrances, overriding royalties or other interests of whatsoever nature not excepted above, and Assignor will forever defend the interest conveyed to Assignee with successors and assigns against all persons who may hereafter claim an interest therein by through or under Assignor.

15th day of December,

EXECUTED in quadruplicate this 15th day of October, 1972.

Mildred J. Farmer
Mildred J. Farmer

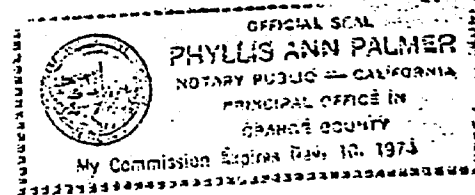
STATE OF CALIFORNIA X
COUNTY OF ORANGE X

The foregoing instrument was acknowledged before me this 15th day of December, 1972, by Mildred J. Farmer.

Phyllis Ann Palmer
Notary Public

My Commission expires:

December 10, 1974



STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 3rd day of May 1972 at 3:10 o'clock P.M., and duly recorded in Book 99 page 851 of the Records of Mescalero

GERALDINE MAHAFFET, County Clerk
By Cum. C. E. J. Deputy

CONSENT AND RATIFICATION OF DEER CANYON UNIT AGREEMENT

The undersigned owner of overriding royalty or production payment interest as shown in the Exhibits to the Deer Canyon Unit Agreement hereby acknowledges receipt of said Unit Agreement and consents and agrees that the interest of the undersigned shall be subject to all the terms and provisions of said agreement and in consideration of the benefits accruing to the undersigned, does hereby ratify and confirm said Unit Agreement in its entirety and agrees that the interest of the undersigned within said Unit Area shall be computed and payed in the manner provided for in said Unit Agreement.

This Consent and Ratification shall be binding upon the undersigned upon receipt of the same by the Unit Operator and may be filed for record independently and with copy of said Unit Agreement in all appropriate offices.

Executed and Delivered this 1st day of June, 1973.

Douglas L. "Lad" McBride

Douglas L. "Lad" McBride, Executor of
The Estate of Ernest A. Hanson, Deceased
P. O. Box 1515, Roswell, New Mexico 88201

State of New Mexico :
County of Chaves :

The foregoing instrument was acknowledged before me this 1st day of June, 1973 by Douglas L.

"Lad" McBride, Executor of The Estate of Ernest A. Hanson, Deceased

Jay Leonard Starnes
Notary Public

My commission expires December 30, 1976.

Index #5 - 52 OKK

ASSIGNMENT OF UNITED STATES OIL AND GAS LEASE
KNOW ALL MEN BY THESE PRESENTS:

That HERBERT ANDERSON and wife Eugenia C. Anderson hereinafter called "Assignor", in consideration of \$10.00 and other valuable cash consideration paid by ROBERTS, KOCH & CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack C. Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, hereinafter called "Assignee", receipt of which is hereby acknowledged, does hereby grant, assign and convey unto Assignee, its successors and assigns forever, that certain Oil and Gas Lease made and entered into on June 1, 1966 by and between the United States of America, as lessor, bearing Serial No. 0559983, covering -

SW/4 of the SE/4 of Section 14, T-20-S, R-21-E,
N.M.P.M., Eddy County, New Mexico containing
40 acres, more or less,

together with all rights and privileges thereunder or appurtenant thereto, subject, however, to the following exceptions and reservations:

Assignor excepts and reserves an overriding royalty equal to 3% of 8/8ths of the market value at the wells as produced of all the oil and gas which may be produced, saved and marketed from the above described lands under the terms of said oil and gas lease or any extensions or renewals thereof; provided, however, that on gas sold at the well the market value shall be conclusively presumed to be that which is realized from the sale. Said overriding royalty shall be the total overriding royalty for which Assignee shall be obligated and it shall include all overriding royalties or obligations payable out of production, if any, heretofore created and payable out of the lessee's share of production of oil and gas from said land. If Assignor owns less than all of said leasehold estate said overriding royalty shall be proportionately reduced. Said overriding royalty shall be free and clear of all costs of development and operation but subject to its proportionate part of applicable taxes and transportation charges, if any. Fuel oil and gas for operating and treating the premises may be deducted before computing said overriding royalty. 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 proration unit under the rules or regulations of the New Mexico Oil Conservation Commission to which said lease may hereafter be committed by Assignee, its successors and assigns, 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 lands under and pursuant to the terms of such agreement or plan of operation. Except as specifically herein provided, the reservation of said overriding royalty shall not imply any leasehold preservation, drilling or development obligation on the part of Assignee. No change in the ownership of said overriding royalty or any part thereof shall be binding upon the Assignee, its successors and assigns, until such time as Assignee shall have been furnished with either the original or a certified copy of the recorded instrument or instruments which evidence such change.

ASSIGNMENT APPROVED
Effective APR - 1 1973
Karl E. McIntire
Chief, Minerals Section

Assignor warrants that the interest above conveyed is in good standing and is free and clear of all liens, charges, encumbrances, overriding royalties or other interests of whatsoever nature not excepted above, and Assignor will forever defend the title thereto unto Assignee, its successors and assigns against all persons whomsoever lawfully having or claiming an interest therein.

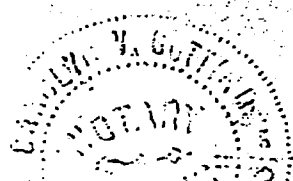
EXECUTED in quadruplicate this day of , 1972.

Herbert Anderson
Herbert Anderson

Eugenia C. Anderson

STATE OF Colorado X
COUNTY OF Garfield X

The foregoing instrument was acknowledged before me this 9th day of November, 1972, by Herbert Anderson.



Carolyn C. Quinn
Notary Public

My Commission expires:
My Commission expires February 16, 1975

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that the instrument was filed for record on the 3rd day of May 1973 at 3:10 o'clock P.M. and duly recorded in Book 99 Page 844 of the Records of Miscellaneous

GERALDINE MAHAFFEY, County Clerk
Cemi C. Boyd Deputy

ASSIGNMENT OF UNITED STATES OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

That EDWARD MAJORS and wife Ann E. Majors hereinafter called "Assignor", in consideration of \$10.00 and other valuable cash consideration paid by ROBERTS, KOCH & CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack C. Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, hereinafter called "Assignee", receipt of which is hereby acknowledged, does hereby grant, assign and convey unto Assignee, its successors and assigns forever, that certain Oil and Gas Lease made and entered into on December 1, 1966 by and between the United States of America, as lessor, bearing Serial No. NM 882, covering -

SE/4 of the SW/4 of Section 22, Township 20 South,
Range 21 East, N.M.P.M., Eddy County, New Mexico,
containing 40 acres, more or less,

together with all rights and privileges thereunder or appurtenant thereto, subject, however, to the following exceptions and reservations:

Assignor excepts and reserves an overriding royalty equal to 3% of 8/8ths of the market value at the wells as produced of all the oil and gas which may be produced, saved and marketed from the above described lands under the terms of said oil and gas lease or any extensions or renewals thereof; provided, however, that on gas sold at the well the market value shall be conclusively presumed to be that which is realized from the sale. Said overriding royalty shall be the total overriding royalty for which Assignee shall be obligated and it shall include all overriding royalties or obligations payable out of production, if any, heretofore created and payable out of the lessee's share of production of oil and gas from said land. If Assignor owns less than all of said leasehold estate said overriding royalty shall be free and clear of all costs of development and operation but subject to its proportionate part of applicable taxes and transportation charges, if any. Fuel oil and gas for operating and treating the premises may be deducted before computing said overriding royalty. 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 proration unit under the rules or regulations of the New Mexico Oil Conservation Commission to which said lease may hereafter be committed by Assignee, its successors and assigns, 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 lands under and pursuant to the terms of such agreement or plan of operation. Except as specifically herein provided, the reservation of said overriding royalty shall not imply any leasehold preservation, drilling or development obligation on the part of Assignee. No change in the ownership of said overriding royalty or any part thereof shall be binding upon the Assignee, its successors and assigns, until such time as Assignee shall have been furnished with either the original or a certified copy of the recorded instrument or instruments which evidence such change.

ASSIGNMENT AP330-199/3
Effective _____

1st Raul E. Martinez
Chief, Minerals Section

Tract #7 - Edward Majors 3% ORR

Assignor warrants that the interest above conveyed is in good standing and is free and clear of all liens, charges, encumbrances, overriding royalties or other interests of whatsoever nature not excepted above, and Assignor will forever defend the title thereto unto Assignee, its successors and assigns against all persons whomsoever lawfully having or claiming an interest therein.

EXECUTED in quadruplicate this 10th day of November, 1972.

Edward Majors
Edward Majors

Ann E. Majors
Ann E. Majors

STATE OF Florida X

COUNTY OF Alachua X

The foregoing instrument was acknowledged before me this 10 day of November, 1972, by Edward Majors and wife

Sarah A. Dean
Notary Public

My Commission expires:

June 15, 1975

STATE OF NEW MEXICO, County of Eddy, NM. I hereby certify that this instrument was filed for record on the 3rd day of May 1973 at 3:10 o'clock PM, and duly recorded in Book 199 page 846 of the Records of Mescalero

GERALDINE MAHAFFEY, County Clerk
By Quinn C. Bly Deputy

CONSENT AND RATIFICATION OF DEER CANYON UNIT AGREEMENT

The undersigned owner of overriding royalty or production payment interest as shown in the Exhibits to the Deer Canyon Unit Agreement hereby acknowledges receipt of said Unit Agreement and consents and agrees that the interest of the undersigned shall be subject to all the terms and provisions of said agreement and in consideration of the benefits accruing to the undersigned, does hereby ratify and confirm said Unit Agreement in its entirety and agrees that the interest of the undersigned within said Unit Area shall be computed and payed in the manner provided for in said Unit Agreement.

This Consent and Ratification shall be binding upon the undersigned upon receipt of the same by the Unit Operator and may be filed for record independently and with copy of said Unit Agreement in all appropriate offices.

Executed and Delivered this seventh day of June, 1973.

Morris V. Newman
MORRIS V. NEWMAN

Cliff B. Newman
CLIFF B. NEWMAN

William Newman
WILLIAM NEWMAN

Claire Poe Newman
CLAIRE POE NEWMAN

State of Louisiana :
County of Orleans :

The foregoing instrument was acknowledged before me this 7 day of June, 1973 by

The Above signed persons

L. MAURICE PROVOSTY
Embossed hereon is my Orleans Parish,
State of La. Notary Public Seal
My Commission is issued for life.

L. Maurice Provosty
Notary Public

My commission expires at death, 19 .

CONSENT AND RATIFICATION OF DEER CANYON UNIT AGREEMENT

The undersigned owner of overriding royalty or production payment interest as shown in the Exhibits to the Deer Canyon Unit Agreement hereby acknowledges receipt of said Unit Agreement and consents and agrees that the interest of the undersigned shall be subject to all the terms and provisions of said agreement and in consideration of the benefits accruing to the undersigned, does hereby ratify and confirm said Unit Agreement in its entirety and agrees that the interest of the undersigned within said Unit Area shall be computed and payed in the manner provided for in said Unit Agreement.

This Consent and Ratification shall be binding upon the undersigned upon receipt of the same by the Unit Operator and may be filed for record independently and with copy of said Unit Agreement in all appropriate offices.

Executed and Delivered this 26th day of July, 1973.

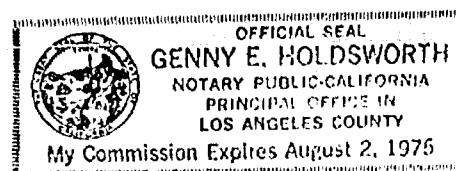
EB Hall
Jane A. Hall

State of California :
County of Los Angeles :

The foregoing instrument was acknowledged before me this
26th day of July, 1973 by Genny E.
Holdsworth.

Genny E. Holdsworth
Notary Public

My commission expires Aug. 2, 1975.



Incl # 9. EB Hall 5?

CONSENT AND RATIFICATION OF DEER CANYON UNIT AGREEMENT

The undersigned owner of overriding royalty or production payment interest as shown in the Exhibits to the Deer Canyon Unit Agreement hereby acknowledges receipt of said Unit Agreement and consents and agrees that the interest of the undersigned shall be subject to all the terms and provisions of said agreement and in consideration of the benefits accruing to the undersigned, does hereby ratify and confirm said Unit Agreement in its entirety and agrees that the interest of the undersigned within said Unit Area shall be computed and payed in the manner provided for in said Unit Agreement.

This Consent and Ratification shall be binding upon the undersigned upon receipt of the same by the Unit Operator and may be filed for record independently and with copy of said Unit Agreement in all appropriate offices.

Executed and Delivered this _____ day of _____, 1973.

Virginia J. Rutter
A. W. Rutter, Jr.

State of _____:
County of _____:

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____

_____, _____, _____, _____, _____, _____

Joe Barnes
Notary Public

My commission expires _____, 19____.

CONSENT AND RATIFICATION OF DEER CANYON UNIT AGREEMENT

The undersigned owner of overriding royalty or production payment interest as shown in the Exhibits to the Deer Canyon Unit Agreement hereby acknowledges receipt of said Unit Agreement and consents and agrees that the interest of the undersigned shall be subject to all the terms and provisions of said agreement and in consideration of the benefits accruing to the undersigned, does hereby ratify and confirm said Unit Agreement in its entirety and agrees that the interest of the undersigned within said Unit Area shall be computed and payed in the manner provided for in said Unit Agreement.

This Consent and Ratification shall be binding upon the undersigned upon receipt of the same by the Unit Operator and may be filed for record independently and with copy of said Unit Agreement in all appropriate offices.

Executed and Delivered this 31st day of May 1973.
1973.

Ray Jacoby
Christa Jacoby

State of Colorado:
County of DENVER:

The foregoing instrument was acknowledged before me this
31st day of MAY, 1973 by RAY
JACOBY and CHRISTA JACOBY.

Beverly Collins
Notary Public

My commission expires October 10, 1976.

CONSENT AND RATIFICATION OF DEER CANYON UNIT AGREEMENT

The undersigned owner of overriding royalty or production payment interest as shown in the Exhibits to the Deer Canyon Unit Agreement hereby acknowledges receipt of said Unit Agreement and consents and agrees that the interest of the undersigned shall be subject to all the terms and provisions of said agreement and in consideration of the benefits accruing to the undersigned, does hereby ratify and confirm said Unit Agreement in its entirety and agrees that the interest of the undersigned within said Unit Area shall be computed and payed in the manner provided for in said Unit Agreement.

This Consent and Ratification shall be binding upon the undersigned upon receipt of the same by the Unit Operator and may be filed for record independently and with copy of said Unit Agreement in all appropriate offices.

Executed and Delivered this 15th day of June, 1973.

Raymond T. Duncan
Joan R. Duncan

State of Colorado :
County of Denver :

The foregoing instrument was acknowledged before me this
15th day of June, 1973 by
Raymond T. Duncan and Joan R. Duncan

G. Bernard Konecny
Notary Public

My commission expires December 7, 1974.

Index #12 - 5-9-086

Roberts, Koch & Cartwright

205 Building of the Southwest

MIDLAND, TEXAS 79701

A/C 915 - 653 - 6231

ROSS D. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK C. CARTWRIGHT - GEOLOGIST

May 28, 1973

Re: Deer Canyon Unit Agreement
T-20-S, R-21-E
Eddy County, New Mexico

To: All Royalty Owners
Deer Canyon Unit Area

Ladies, Gentlemen:

On behalf of Roberts, Koch & Cartwright of Midland, Texas, I am enclosing to each of you owning a royalty interest or production payment, one copy of the Unit Agreement and ten copies of Consent and Ratification forms to the Unit Agreement.

As can be noted from Section 9 of the Agreement, Roberts, Koch and Cartwright propose to drill, or cause to be drilled, a well to a depth sufficient to penetrate the upper Mississippian formation (Barnett Shale) at a depth of around 8700 feet. This test will be located in the vicinity of the common corner of sections 10, 11, 14 and 15.

Exhibit "A" is a plat of the area, and Exhibit "B" is a schedule of the lands and leases within the area. Your interest will appear on Exhibit "B". The form of Unit Agreement is prescribed by Federal Regulations and cannot be changed. Thousands of acres have been unitized under this form in all the Rocky Mountain-Public Domain States, and as a general rule the royalty owners find no objection.

The U. S. Geological Survey also requires that all owners of any interest in the Unit Area be contacted and their joinder in the Unit requested.

For the information of those of you not familiar with Units of this nature, (Federal Exploratory) I might add that a great majority of all the deeper wildcats in Southeast New Mexico

page 2

are drilled on units of one form or another, and there are several of these Exploratory units now producing in Southeast New Mexico. Due to increased drilling costs and deeper depths penetrated, units of this exploratory type are becoming more and more necessary and it is doubtful if the Initial Test Well mentioned above can be drilled without unitization.

As a result, we hereby request your joinder in the Unit Agreement and hereby request that you execute all ten copies of the Consent and Ratification form before a Notary Public; keeping the Unit Agreement and one copy of the Consent for your file and returning nine executed Consents in the envelope provided.

Both husband and wife must sign even though Exhibit "B" shows the name of only one party. If you are not married, please state your marital status in the acknowledgment, i.e., a single person, a widow, or widower, etc. Thank you, and we will appreciate your execution and return of the Consents as soon as possible. The well is scheduled to be drilling prior to October 31, 1973. If you have any questions, please feel free to call collect.

Yours very truly,

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch

CEK:WC

Enclosures

ROSS D. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK C. CARTWRIGHT - GEOLOGIST

June 21, 1973

To: All Royalty Owners
Deer Canyon Unit Area

Re: Deer Canyon Unit Agreement
Consent & Ratification Form
Eddy County, New Mexico

On May 28, 1973 we mailed you a letter in regard to the above together with ten copies of Consent and Ratification Form to be signed before a Notary Public and nine copies returned to us. To date we have not heard from you nor received the executed Consents. If you did not receive these instruments please advise; otherwise, we will expect to receive them in the very near future.

Yours very truly,

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch
Charles E. Koch

CEK:wc

Tract #13 - Marurice W. Grundy 3% ORR

No. 225328

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE
Mr. M. W. Grundy		6/21/73
STREET AND NO.		
842 National Bank of Commerce Bldg		
P.O., STATE AND ZIP CODE		
New Orleans, La 70112		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered	15¢
	2. Shows to whom, date and where delivered	65¢
	3. Shows to whom, date and where delivered	25¢
	4. Shows to whom, date and where delivered	35¢
	5. Shows to whom, date and where delivered	50¢
SPECIAL DELIVERY (extra fee required)		

PS Form 3800 NO INSURANCE COVERAGE PROVIDED— (See other side)
Apr. 1971 NOT FOR INTERNATIONAL MAIL GPO: 1973 O-480

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S)
(Additional charges required for these services)

☒ Show to whom, date and address ☐ Deliver ONLY to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO.	SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)
	M. W. Grundy
CERTIFIED NO.	By: <i>[Signature]</i>
225328	SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
INSURED NO.	
DATE DELIVERED	SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)
6-21-73	6-21-73

ROSS D. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK C. CARTWRIGHT - GEOLOGIST

August 2, 1973

To: All Royalty Owners
Deer Canyon Area

Re: Deer Canyon Unit Agreement
Consent & Ratification Form
Eddy County, New Mexico

On May 28, 1973 we mailed you a letter in regard to the above with ten copies of Consent and Ratification Form to be signed before Notary Public and nine copies returned. To date we have not received these executed Consents and it is very important that they be returned at the earliest possible date so that all our paper work be completed and the well begun. We did send a follow up letter to you on June 21, 1973 and received return receipt from you.

Yours very truly,

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch
Charles E. Koch

CEK:wc

Tract #13 - Marurice W. Grundy 3% ORR

No. 225336

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE
Mr. M. W. Grundy		8/2/73
STREET AND NO.		
842 National Bank of Comm. Bldg.		
P.O. STATE AND ZIP CODE		
New Orleans, La. 70112		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered	15¢
	With delivery to addressee only	55¢
	2. Shows to whom, date and where delivered	35¢
	With delivery to addressee only	65¢
	DELIVER TO ADDRESSEE ONLY	55¢
	SPECIAL DELIVERY (extra fee required)	
PS Form 3800		
NO INSURANCE COVERAGE PROVIDED—		(See other side)
NOT FOR INTERNATIONAL MAIL		GPO: 1973 O-480-113

SENDER: Be sure to follow instructions on other side

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S) (Additional charges required for these services)	
<input type="checkbox"/> Show to whom, date and address where delivered	<input type="checkbox"/> DELIVER ONLY to addressee

RECEIPT	
Received the numbered article described below	
REGISTERED NO.	SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)
225336	M. W. Grundy
CERTIFIED NO.	BY: <i>[Signature]</i>
225336	SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
INSURED NO.	<i>[Signature]</i>
DATE DELIVERED	SHOW WHERE DELIVERED (Only if requested, and include ZIP Code)

Roberts, Koch & Cartwright

200 Building at the University

MIDLAND, TEXAS 79701

A/C 915 - 633 - 6131

ROSS D. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK C. CARTWRIGHT - GEOLOGIST

May 28, 1973

Re: Deer Canyon Unit Agreement
T-20-S, R-21-E
Eddy County, New Mexico

To: All Royalty Owners
Deer Canyon Unit Area

Ladies, Gentlemen:

On behalf of Roberts, Koch & Cartwright of Midland, Texas, I am enclosing to each of you owning a royalty interest or production payment, one copy of the Unit Agreement and ten copies of Consent and Ratification forms to the Unit Agreement.

As can be noted from Section 9 of the Agreement, Roberts, Koch and Cartwright propose to drill, or cause to be drilled, a well to a depth sufficient to penetrate the upper Mississippian formation (Barnett Shale) at a depth of around 8700 feet. This test will be located in the vicinity of the common corner of sections 10, 11, 14 and 15.

Exhibit "A" is a plat of the area, and Exhibit "B" is a schedule of the lands and leases within the area. Your interest will appear on Exhibit "B". The form of Unit Agreement is prescribed by Federal Regulations and cannot be changed. Thousands of acres have been unitized under this form in all the Rocky Mountain-Public Domain States, and as a general rule the royalty owners find no objection.

The U. S. Geological Survey also requires that all owners of any interest in the Unit Area be contacted and their joinder in the Unit requested.

For the information of those of you not familiar with Units of this nature, (Federal Exploratory) I might add that a great majority of all the deeper wildcats in Southeast New Mexico

ROSS D. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK C. CARTWRIGHT - GEOLOGIST

June 21, 1973

To: All Royalty Owners
Deer Canyon Unit Area

Re: Deer Canyon Unit Agreement
Consent & Ratification Form
Eddy County, New Mexico

On May 28, 1973 we mailed you a letter in regard to the above together with ten copies of Consent and Ratification Form to be signed before a Notary Public and nine copies returned to us. To date we have not heard from you nor received the executed Consents. If you did not receive these instruments please advise; otherwise, we will expect to receive them in the very near future.

Yours very truly,

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch
Charles E. Koch

CEK:WC

Tract #14 - Ben S. Brooks 5% ORR

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO		POSTMARK OR DATE
Mr. Ben S. Brooks		6/21/73
STREET AND NO.		
P. O. Box 1971		
P.O. STATE AND ZIP CODE		
Oklahoma City, Oklahoma 73101		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
RETURN RECEIPT SERVICES	1. Shows to whom and date delivered 15¢ With delivery to addressee only 65¢ 2. Shows to whom, date and where delivered 35¢ With delivery to addressee only 55¢	
DELIVER TO ADDRESSEE ONLY	3. Shows to whom and date delivered 35¢	
SPECIAL DELIVERY (extra fee required)	4. Shows to whom and date delivered 35¢	

PS Form 3800 NO INSURANCE COVERAGE PROVIDED— (See circle)
Apr. 1971 NOT FOR INTERNATIONAL MAIL * 070-1371 0-4

No. 225332

SENDER: Be sure to follow instructions on other side

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S)
(Additional charges required for these services)

☒ Show to whom, date and address ☐ Deliver ONLY
to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO.

SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)

Ben S Brooks

CERTIFIED NO.

By: *Ben S Brooks*

225332

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

UNITED NO.

DATE DELIVERED

FROM WHERE DELIVERED (Only if requested, and include ZIP Code)

JUL 8 - 1973

August 2, 1973

To: All Royalty Owners
Deer Canyon Area

Re: Deer Canyon Unit Agreement
Consent & Ratification Form
Ledy County, New Mexico

On May 28, 1973 we mailed you a letter in regard to the above with ten copies of Consent and Ratification Form to be signed before Notary Public and nine copies returned. To date we have not received these executed Consents and it is very important that they be returned at the earliest possible date so that all our paper work be completed and the well begun. We did send a follow up letter to you on June 21, 1973 and received return receipt from you.

Yours very truly,

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch
Charles E. Koch

CEK:wc

Tract #14 - Ben S. Brooks 5% ORR R2

No. 225334

RECEIPT FOR CERTIFIED MAIL—30c (plus postage)

SENT TO		POSTMARK CITY DATE
Mr. Ben S. Brooks		
STREET AND NO.		
P. O. Box 1971		
P.O., STATE AND ZIP CODE		
Oklahoma City, Oklahoma 73101		8/2/73
CERTIFIC SERVICES FOR ADDITIONAL FEES		
RETURN	1. Shows to whom and date delivered	15c
RECEIPT	2. Shows to whom, date and address delivered	35c
SERVICES	3. Shows to whom, date and address delivered	35c
DELIVER TO ADDRESSEE ONLY		35c
SPECIAL DELIVERY		35c
PS Form 3800, April 1971		
NO INSURANCE COVERAGE PROVIDED— FOR POST INTERNATIONAL MAIL (See other side) GPO: 1971 O-421-713		

SENDER: Be sure to follow instructions on other side

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S) (Additional charges required for these services)	
<input type="checkbox"/> Show to whom, date and address where delivered	<input type="checkbox"/> Deliver ONLY to addressee
RECEIPT	
Received the numbered article described below	
REGISTERED NO.	SIGNATURE OF NAME OF ADDRESSEE (Must always be filled in)
225334	Ben S. Brooks
SEARCHED NO.	BY: <i>Charles E. Koch</i>
INDEXED NO.	SIGNATURE OF ADDRESSEE'S AGENT, IF ANY
DATE DELIVERED	SHOW WHERE DELIVERED (Only if requested and include ZIP Code)
7 1973	

August 21, 1973

Mr. Ben S. Brooks
915 Stanley
Ardmore, Oklahoma 73401

Re: 04C - Deer Canyon Unit Area
Eddy County, New Mexico
Consent and Ratification Forms

Dear Mr. Brooks:

In accordance with our telephone conversation today I am
enclose a copy of our letter to all Royalty Owners together
with Unit Agreement and Ten copies of Consent as stated in
that letter.

Please let us hear from you at the earliest possible date
as we are preparing to complete paper work on this unit and
begin drilling of a well.

Yours very truly,

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch

CEK:wc

Enclosures

RECEIPT FOR CERTIFIED MAIL—30¢ (plus postage)

SENT TO Mr. Ben S. Brooks		POSTMARK OR DATE
STREET AND NO. 915 Stanley St.		8/21/73
NO. STATE AND ZIP CODE Ardmore, Oklahoma 73401		
OPTIONAL SERVICES FOR ADDITIONAL FEES		
PAYMENT	1. Charges to whom and date delivered	15¢
RECEIPT	2. Shows to whom, date and where delivered	50¢
SERVICES	3. Shows to whom, date and where delivered	35¢
RECEIVED TO ADDRESSEE ONLY		50¢
SPECIAL DELIVERY (extra fee required)		

No. 225339

PS Form 3800
1-71

NO INSURANCE COVERAGE PROVIDED—
NOT FOR INTERNATIONAL MAIL

(See other side)
GPO: 1972 O-400-241

Tract #14 - Ben S. Brooks 5% ORR

SENDER: Be sure to follow instructions on other side

PLEASE FURNISH SERVICE(S) INDICATED BY CHECKED BLOCK(S)
(Additional charges required for these services)

☐ Show to whom, date and address
where delivered

☐ Deliver ONLY
to addressee

RECEIPT

Received the numbered article described below

REGISTERED NO.

SIGNATURE OR NAME OF ADDRESSEE (Must always be filled in)

Ben S. Brooks

CERTIFIED NO.

225339

X

SIGNATURE OF ADDRESSEE'S AGENT, IF ANY

INSURED NO.

DATE DELIVERED

8-23-73

SHOW WHERE DELIVERED (Check if registered, and insured and copy)

U.S. POSTAL SERVICE
OFFICIAL BUSINESS



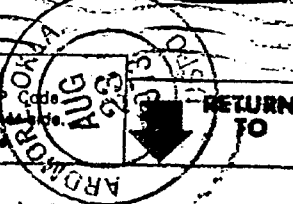
PENALTY FOR PRIVATE
USE TO AVOID PAYMENT
OF POSTAGE: \$300



Postmark of Delivering Office

SENDER INSTRUCTIONS

- Print in the space below your name, address, including ZIP Code
- If special services are desired, check block(s) on other side.
 - Moisten gummed ends and attach to back of article.



Roberts, Koch & Cartwright
205 Bldg. of Southwest
Midland, Texas 79701

PS Form 3811 Nov. 1970 c55-16-91277-1

August 1, 1973

Aztec Oil & Gas Company
2000 First National Bank Building
Dallas, Texas 75202

Gentlemen:

This letter shall constitute conditional acceptance to your farmout agreement of April 2, 1973 to Roberts, Koch & Cartwright pertaining to State Lease L-522 covering Lots 1 through 8, S/2 N/2 and S/2 Section 2, Township 20 South, Range 21 East, Eddy County, New Mexico.

Our acceptance of your farmout agreement is subject to and conditioned upon the following changes:

1. The initial test well will be at a location in the NW/4 Section 14, Township 20 South, Range 21 East, Eddy County, New Mexico.
2. The second sentence of Paragraph 1 shall be amended to state:

"It is further Aztec's understanding that by executing the Unit Agreement and Unit Operating Agreement, Aztec will thenceforth be entitled to interests as specified therein subject to farmout agreements from Cities Service Oil Company, Petroleum, Inc. and Union Oil Company of California which Roberts shall make a good faith effort to satisfy."

3. Paragraph 2 on Page 2 is amended to state as follows:

"First Test Well: Within thirty (30) days after the effective date of the proposed Unit Agreement (not later than October 15, 1973), Roberts agrees to commence actual drilling of the first test well on unitized land at a location of Roberts' choice in the NW/4 of said Section 14, Township 20 South, Range 21 East."

~~4. Paragraph 4 is amended to read as follows.~~

"Rights Earned: Roberts shall be entitled to earn interest as particularly set forth in Section 5.1 and 5.2 of the Unit Operating Agreement for the Deer Canyon Unit with rights of Aztec as set forth therein. Additionally, in the event the first test well is a dry hole and the second test well is not drilled under the terms of the unit operating agreement, Aztec will assign to Roberts 1/2 of Aztec's interest in all of the unitized land, subject to said unit operating agreement, down to a depth of 100 feet below total depth drilled." CEK

~~5. Paragraph 5 of the farmout agreement shall be deemed deleted.~~ CEK

~~6. Inasmuch as the ownership and rights to be earned are fully set forth in Articles 5.1 and 5.2 of the Unit Operating Agreement, Sections 6 C, D, E and F of the farmout agreement shall be deemed deleted.~~ CEK

7. Roberts shall have the right to assign all or any portion of its interest acquired from Aztec to Natural Gas Pipe Line Company of America and Hilliard Oil & Gas, Inc. LAS

8. Roberts shall not be liable in damages for failure to drill the initial test well or second test well, the sole penalty therefor being the loss of right to earn acreage of Aztec as set forth in the Unit Operating Agreement.

~~9. At such time as assignment is executed and delivered pursuant to the Unit Operating Agreement, the provisions of the farmout agreement shall no longer apply.~~ CEK

10. The first sentence of Paragraph 2 of Exhibit A shall be amended to state: "To adequately test to Aztec's good faith satisfaction the objective formation to determine whether it is capable of producing oil or gas in paying quantities." CEK

11. Notwithstanding the provisions of said Unit Agreement or Unit Operating Agreement Aztec shall have available to it as to each and every well drilled in the Unit Area the option set out in numbered paragraph 5 of said Farmout Agreement. In the event a second test well is drilled pursuant to Section 5.6 of the Unit Operating Agreement it shall as to Aztec's interest be deemed a well drilled under numbered paragraph 5 of said Farmout Agreement. Wherever a working interest percentage is set out in said Farmout Agreement with regard to Aztec's interest such percentage shall be deemed to be the applicable percentages in Exhibit "A" to said Unit Operating Agreement.

If the foregoing changes are acceptable to you, please so indicate by your signature hereinbelow, whereupon said changes shall be an amendment of the original farmout agreement referred to above, and said farmout agreement shall be deemed to cover all of Lots 1 through 8, S/2 N/2 and S/2 Section 2, Township 20 South, Range 21 East, Eddy County, New Mexico.

Very truly yours,

ROBERTS, KOCH & CARTWRIGHT

By Charles E. Koch

Accepted:

AZTEC OIL & GAS COMPANY

By Kenneth A. Swanson *KS*

Vice President

ATTEST:

By: Wanda M. Sanders

ASSISTANT SECRETARY

STATE OF TEXAS)
)
COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared KENNETH A. SWANSON, known to me to be the Vice President of AZTEC OIL & GAS COMPANY, who acknowledged to me that he executed the foregoing instrument for the purposes and consideration therein expressed on behalf of such company and in the capacity therein expressed.

Given under my hand and seal of office this the 13th day of September, 1973.

Betty Jane Blevins
Notary Public in and for
Dallas County, Texas

My commission expires:

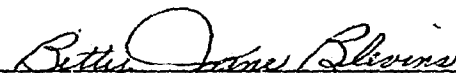
6-1-75

STATE OF TEXAS

COUNTY OF DALLAS

BEFORE ME, the undersigned authority, on this day personally appeared Charles E. Koch, partner on behalf of ROBERTS, KOCH AND CARTWRIGHT, a partnership, known to me to be the person whose name is subscribed to the foregoing instrument and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this the 13th day of September, 1973.


Notary Public in and for
Dallas County, Texas

My Commission Expires:

6-1-75

FARMOUT AGREEMENT

THIS AGREEMENT, made and entered into this 2nd day of April, 1973, by and between AZTEC OIL & GAS COMPANY, 2000 First National Bank Building, Dallas, Texas 75202, (hereinafter referred to as "Aztec"), and Roberts, Koch and Cartwright, 205 Building of the Southwest, Midland, Texas 79701, (hereinafter referred to as "Roberts"),

W I T N E S S E T H :

WHEREAS, Roberts has proposed the formation of a Federal Unit known as the Deer Canyon Unit of Eddy County, New Mexico and has submitted a Unit Agreement to cover the development of said unit, which agreement will be submitted to the U.S.G.S. for approval; and

WHEREAS, Roberts has proposed to drill a Morrow Sand test to a depth of approximately Eight Thousand Seven Hundred Feet (8,700') and at a location in the SW/4 of Section 11 or the NW/4 of Section 14, Township 20 South, Range 21 East, Eddy County, New Mexico; and

WHEREAS, Aztec owns an oil and gas lease covering the following described land located in Eddy County, New Mexico, to-wit:

Township 20 South, Range 21 East
Section 2: Lots 1 through 8 and *3/4 NW/4, S/2*
containing 729.20 acres, more or less.
(State of New Mexico Lease L-6522)
(Aztec Lease Number NM-897); and

WHEREAS, Roberts has proposed that Aztec subscribe to the Unit Agreement above set forth which agreement shall include all of Sections 1 through 4, 9 through 16, and 21 through 24, all in Township 20 South, Range 21 East and covering 10,620.45 surface acres, herein defined as "unitized land"; and

WHEREAS, Roberts has agreed to drill the test well provided for in the Unit Agreement and Aztec has agreed that Roberts may acquire a certain portion of Aztec's interest in the unitized land by the drilling of said well in accordance with the terms and provisions hereinafter set forth.

NOW, THEREFORE, for and in consideration of the mutual covenants and agreements herein contained, it is agreed by and between the parties as follows:

1. UNIT AGREEMENT: Roberts agrees to submit the final Unit Agreement to Aztec for execution and in this connection, it is understood that Exhibit "A" and "B" will properly reflect the acreage subject to this Unit Agreement and will be attached thereto. It is further Aztec's understanding that by executing the Unit Agreement, Aztec will thenceforth own a 7.3952% working interest in the unitized land, which interest is subject to the farmout provisions of this agreement. Although the term "unitized land" is defined in the Unit Agreement, it contains no depth limitation, nevertheless it is understood that this farmout agreement does not apply to depths below 100' below the total depth drilled in the first test well.

2. FIRST TEST WELL: On or before sixty (60) days from the date the U.S.G.S. approves the proposed Unit Agreement (but not after July 1, 1973), Roberts agrees to commence the actual drilling of the first test well on unitized land at a location of Roberts' choice in the SW/4 of Section 11 or the NW/4 of Section 14, Township 20 South, Range 21 East.

3. OBLIGATION DEPTH: The first test well shall be drilled to test the Morrow Sand or to a total depth of Eight Thousand Seven Hundred Feet (8,700'), whichever occurs first.

4. RIGHTS EARNED: In the event the first test well drilled hereunder is completed as a producing well, at any depth, in paying quantities and upon request within thirty (30) days from completion, Aztec agrees to assign to Roberts the following interest in unitized land as defined and set forth in the Unit Agreement:

A. All of Aztec's 7.3952% working interest in the proration unit surrounding said well with Aztec reserving a 5% overriding royalty (reduced to Aztec's working interest) and limiting rights herein to 100' below total depth drilled in said first test well.

(1) At such time as the income which Roberts receives from the sale of production from said well equals Roberts' cost of drilling, completing, equipping, and operating said well (after deducting one-eighth (1/8) royalty and production taxes) then Aztec's reserved overriding royalty shall convert to a 3.6976% working interest.

B. An undivided one-half (1/2) of Aztec's 7.3952% working interest in unitized land, excluding the proration unit described in A. above and limited

to 100' below the total depth drilled in the first test well.

C. In the event the first test well is completed as a dry hole, Aztec will assign to Roberts one-half ($1/2$) of Aztec's 7.3952% working interest in the entire unitized land to a depth of 100' below the total depth drilled.

5. SUBSEQUENT WELLS: Wells which may be drilled on unitized land subsequent to the first test well shall be drilled in accordance with the terms of a Unit Operating Agreement, the terms of which have not been agreed upon at this time, but which, among other things, will contain a non-consent provision to the effect that Aztec shall have the option to convert its 3.6976% working interest to its pro rata share of a 5% overriding royalty as to the proration unit surrounding each well so drilled. This non-consent option shall be a continuing option on a well-to-well basis.

A. After payout (as defined in Paragraph 4 above), as to any well drilled herein, Aztec elects to retain an overriding royalty, such reserved overriding royalty shall convert to 3.6976% working interest in and to the well and proration unit.

6. MISCELLANEOUS PROVISIONS:

A. The first test well drilled hereunder shall be drilled, logged, tested, and completed either as a producer or dry hole subject to the following:

- (1) In the manner of a prudent operator.
- (2) Subject to the provisions of Exhibit "A" attached hereto.

B. Any assignment to Roberts shall be without warranty of title either expressed or implied.

C. Aztec's working interest in the unitized land shall not be subject to any lease burdens in excess of a one-eighth ($1/8$) royalty.

D. The 5% overriding royalty which Aztec may reserve hereunder shall be 5% (reducible to Aztec's working interest) of the market value at the well of all oil, gas and other hydrocarbons produced, saved and marketed from or attributable to the wells burdened by Aztec's overriding royalty.

E. During the payout period on each well where Aztec reserves an overriding royalty, Roberts agrees to furnish Aztec with quarterly payout status reports.

(1) At payout of each well, Roberts agrees to execute such instruments as may be required to effect a conversion to a working interest, the effective date of which shall be the first day of the month following the month in which

payout occurs. Roberts agrees to place no additional burdens on the well or proration unit in addition to the one-eighth (1/8) royalty.

F. Failure to drill the first test well as set forth herein shall result in the termination of this agreement forthwith, subject to Roberts' liability for all accrued cost, risk and expense.

G. Roberts agrees to hold Aztec harmless from any loss, cost, claim or liability of every kind arising out of Roberts' operation and Roberts agrees to keep the unitized land free of any liens and encumbrances.

H. Roberts agrees not to assign any rights herein without Aztec's prior consent.

I. Any conflict between this agreement and the Unit Agreement and/or Unit Operating Agreement shall be resolved in favor of this agreement.

7. RENTALS: In the event Aztec has to pay a rental on the farmout acreage prior to the time that Roberts may earn any right hereunder, Roberts agrees to reimburse Aztec for 100% of the rental amount so paid. Aztec shall not be liable for error in such payment or nonpayment due to mistake or oversight.

It is agreed that this agreement shall be binding upon the parties hereto, their representatives, successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day and year first hereinabove written.

ATTEST:

AZTEC OIL & GAS COMPANY

Kenneth A. Swanson
Secretary

Quilman B. Davis
Quilman B. Davis
President

ROBERTS, KOCH AND CARTWRIGHT

By Charles E. Koch

PROVISIONS APPLICABLE TO TEST WELLS

The party drilling any test well provided for in the agreement to which this schedule is attached agrees and binds himself/itself to observe and comply with the provisions hereof as follows; failure to comply with these provisions shall release Aztec from its obligations and covenants contained in the agreement to which this Exhibit is attached and made a part:

1. To conduct all operations in accordance with approved and accepted practices prevailing in the field or area where the well is drilled.
2. To adequately test to Aztec's satisfaction the objective formation to determine whether it is capable of producing oil or gas in paying quantities. Such tests shall also be made with respect to all other formations in which a show of oil or gas is encountered.
3. To accord Aztec the freedom of the derrick floor and full and free access to the well and the records thereof at any and all times.
4. To give Aztec reasonable notice and sufficient time to have a representative present before any testing, coring or logging of a prospective oil or gas zone or the plugging of the well. Such notice shall be given to:

Mr. Ken Wood, Aztec Oil & Gas Co., 2000 First National Bank Bldg., Dallas, Texas 75202 Office: 741-1272 Res. 254-8090	Mr. Lester Duke, Aztec Oil & Gas Co., P.O. Box 837, Hobbs, New Mexico 88240 Off: EX 3-5844 Home: 397-1409
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5. To advise Aztec, in writing, before commencing operations, the name and address of the geologist or engineer servicing the well.
6. To furnish Aztec, without cost to Aztec, the following reports, data and information:

DURING THE DRILLING OF THE TEST WELL

- (1) Daily drilling report showing the nature of all work done and depth and formations penetrated, air mailed, telephone or telegraphed to Aztec at the above address daily beginning with the date actual work is commenced at the location and continuing until drilling, logging and testing is completed, or, if a dry hole, the well has been plugged and abandoned.
- (2) One copy of the daily report provided by a hydrocarbon mud logging unit air mailed daily to Aztec, if such a unit is on the well.
- (3) One copy of the drilling time record.
- (4) Formation water samples shall be saved, if recovered, from any drillstem tests which may be taken. Aztec shall be furnished uncontaminated samples thereof unless such samples are submitted to a laboratory for analysis, in which case, one copy of the results of such analysis shall be provided Aztec.
- (5) Formation samples taken at intervals of 10' from surface casing to total depth or at less than 10' intervals as requested by Aztec. Such samples are to be saved at the well for Aztec.

UPON COMPLETION OF THE TEST WELL

- (6) A complete certified driller's log and/or State Completion Report (well record and formation record).
- (7) The following electrical surveys shall be run in the well:
 - (a) From the bottom of the surface casing to total depth:
IES log
 - (b) Covering the objective zone or formation, any other zone or formation in which a show of oil or gas is encountered or indicated and any additional interval which may be requested by Aztec or its representative at the well:
Gamma Ray Sonic or Density log

Two copies of the field print of each log run in the well shall be delivered as soon as available to Aztec's representative at the well. Should such representative not be present when the log is run, the field print copies shall be air mailed, without delay, to one copy each to

Mr. Ken Wood,	Mr. Lester Duke,
Aztec Oil & Gas Co.	Aztec Oil & Gas Co.,
2000 First National Bank Bldg.,	P.O. Box 837,
Dallas, Texas 75202	Hobbs, New Mexico 88240

Two copies of the final print of each log run in the well shall be mailed promptly to Aztec.

(8) Certified copy or photoprint of all well reports required by any governmental office or body.

(9) Two certified copies of the plat of a licensed surveyor showing location of the well and its elevation.

(10) Copy of survey to determine the deviation of the hole from the vertical, if one is made, or if requested by Aztec.

(11) Two copies of any core analysis and two copies of any core report which may be made.

(12) One copy of the sample log or descriptions pertaining to the intervals covered by the geologist examining drilling samples.

(13) Two copies of any bottom-hole pressures taken.

(14) One copy of any directional survey (Eastman, etc.) if run.

(15) Two copies of drillstem tests, if taken.

(16) Two copies of the completion final report prepared by the hydrocarbon mud logging unit, if such a unit is employed.

(17) Two copies of gas, oil ratio tests, if taken.

(18) Two copies of reservoir fluid or gas analysis, if samples are analyzed.

(19) Two copies of open-flow potential and shut-in tests, if gas well.

(20) If a completion is attempted, daily reports covering all work performed, production gauges, pressure information and all other well data shall be mailed to Aztec at no greater intervals than once a week from the commencement of the completion attempt until two months following such completion, as determined by the date of filing of the completion report required by the appropriate state regulatory agency.

STATE OF TEXAS)
COUNTY OF DALLAS)

BEFORE ME, the undersigned authority, on this day personally appeared
QUILMAN B. DAVIS, known to me to be the President of AZTEC OIL & GAS COMPANY,
who acknowledged to me that he executed the foregoing instrument for the
purposes and consideration therein expressed on behalf of such company and
in the capacity therein expressed.

Given under my hand and seal of office this the 11th day of April
1973.

Wanda M. Sanders
Notary Public in and for Dallas
County, Texas

My Commission Expires:
6-1-73

STATE OF TEXAS)
COUNTY OF Midland)

BEFORE ME, the undersigned authority, on this day personally appeared
Charles E. Koch, partner on behalf of ROBERTS, KOCH AND CARTWRIGHT,
a partnership, known to me to be the person whose name is subscribed to the
foregoing instrument and acknowledged to me that he executed the same for the
purposes and consideration therein expressed.

Given under my hand and seal of office this the 6th day of August
1973.

Lu Simon
Notary Public in and for
Midland, County, ~~New Mexico~~ Texas

My Commission Expires:
6-1-75

Roberts, Koch & Cartwright

145 East 12th Street

MIDLAND, TEXAS 79701

A.C. 915 - 655 - 6231

ROSS D. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK L. CARTWRIGHT - GELLOGIST

August 22, 1973

Cities Service Oil Company
P. O. Box 300
Tulsa, Oklahoma 74102

Re: OAC - Deer Canyon Unit
Eddy County, New Mexico

Gentlemen:

Reference is made to farmout contract of June 8, 1973 from Cities Service Oil Company to Roberts, Koch & Cartwright and amendatory letter of August 1, 1973 pertaining to said farmout contract.

In addition to the amendment provided for in said amendatory letter of August 1, 1973, it is our understanding that you have raised the question as to a possible conflict in the Deer Canyon Operating Agreement between Article 3, specifically Section 3.3 and 3.6, relating to voting procedure, and Article 5.6 relating to the drilling of wells by less than all parties.

Please be assured that it is our understanding and construction of this agreement that Article 5.6 will, in any event, govern and control the relationships of the parties as specified therein and would be the controlling provision in the event of non-consent operations.

In effect, therefore, a decision by a majority under the voting procedure would not prevent a part from prevailing under the provisions of Article 5.6.

Yours very truly

ROBERTS, KOCH & CARTWRIGHT

Charles E. Koch
Charles E. Koch

CEK:ms

August 1, 1973

Cities Service Oil Company
P. O. Box 300
Tulsa, Oklahoma 74102

Gentlemen:

Reference is made to Farmout Contract of June 8, 1973 from Cities Service Oil Company to Roberts, Koch and Cartwright. It is the purpose of this letter to conditionally accept such farmout contract, subject to modifications as follows:

1. Paragraph 1(a) is amended to state as follows:

"1. (a) Operator agrees to commence the actual drilling of a well (hereinafter referred to as 'first well') for oil or gas within thirty (30) days from the effective date of the Deer Canyon Unit Agreement at a location on Section 14, Township 20 South, Range 21 East, Eddy County, New Mexico, and thereafter diligently and continuously prosecute the drilling of the first well in a proper and workmanlike manner to a depth sufficient to penetrate the Upper Mississippian (Barnett Shale) Formation (provided, however, Operator shall not in any event be required to drill said well to a depth in excess of 8700 feet) or to such lesser depths with production in paying quantities (as defined in the Deer Canyon Unit Agreement) and complete said well within ninety (90) days from date of commencement. Substitute well may be drilled in lieu of the initial well as provided in Section 5.1 of the Unit Operating Agreement for the Deer Canyon Unit."

2. Paragraph 1(b) shall be amended to contain the following parenthetical expression at the conclusion thereof:

"(Provided, however, Unit Operator shall not in any event be required to drill said well to a depth in excess of 8700 feet.)"

3. Paragraph 1(c) shall be amended to state as follows:

"By the performance of the covenants and conditions of this farmout contract and upon compliance with Section 5.1 of the unit operating agreement, Roberts, Koch & Cartwright shall earn and be entitled to the interest as set forth in Section 5.1 of the unit operating agreement."

4. Paragraph 2(c) shall be amended to provide as follows:

"All formations, sections, zones or other reservoirs in which the presence of oil or gas is indicated shall be thoroughly tested to the good faith satisfaction of Cities and its representative by a reasonable amount of coring, drill stem tests or through casing tests, together with any other approved testing methods and Operator shall make a diligent effort to complete the said well as a commercial producer of oil and/or gas."

5. Paragraph 2(d) shall have the following sentence added thereto:

"Provided, however, that when the well is being drilled with air or gas, the requirements of this Section 2(d) shall not apply."

6. Paragraph 2 (n) is amended to add the following sentence:

"Operator shall have the right to furnish equivalent logs to those set forth above."

7. Paragraph 2(p) shall be amended to state:

"All correlations and determinations of the requirements provided for in this Paragraph 2 shall be made to the good faith satisfaction of Cities' representative."

8. Paragraph 2(s) is amended to state:

"In the event said well is completed as non-productive of oil or gas, or as one not capable of producing oil or gas in paying quantities, Operator shall plug and abandon the same."

9. Paragraph 6 is hereby amended to state:

"In the event the Operator fails to commence or continue (and the cessation of drilling or other operations in connection with such well for thirty (30) days shall be deemed failure to continue drilling) or complete the initial well in accordance with the provisions hereof, this contract shall, at Cities' option, terminate, whereupon Cities shall be subject to the terms of the Deer Canyon Unit Operating Agreement, the same as if it had not farmed out acreage to Roberts, Koch & Cartwright herein.

10. Paragraph 7 of said agreement is amended to state:

"The said leases and the said lands are situated within the Unit Area for the Deer Canyon Unit and will be subject to the Deer Canyon Unit Agreement and, notwithstanding anything contained herein to the contrary, it is understood and agreed if Operator is unable for any reason to secure the required approvals and agreements from parties necessary to consummate the Deer Canyon Unit Agreement and Unit Operating Agreement, this Agreement shall become null and void without further obligation or liability on the part of either party hereto to the other. For the purpose of determining reimbursement to Operator for costs of all wells drilled pursuant to this Agreement as provided in Exhibit "B", the Accounting Procedure attached to the Deer Canyon Unit Operating Agreement as Exhibit "B" shall control. The interest of Cities shall be subject to the terms and provisions of the Deer Canyon Unit Operating Agreement which shall be effective upon the signature of the same by Cities. Once the assignments pursuant to this agreement are executed and delivered, the terms and provisions of the Deer Canyon Unit Operating Agreement shall thereafter apply, rather than this farmout agreement."

11. Operator shall have the right to assign all or any part of its interest hereunder to Natural Gas Pipe Line Company of America and Hilliard Oil & Gas, Inc. and shall notify Cities of such assignment. Said parties shall assume their proportionate part of the burdens and obligations of this agreement.

12. Operator shall not be liable in damages for failure to drill the well provided for in this agreement and in the Unit Operating Agreement, the sole penalty therefor being the loss of rights as prescribed in this farmout contract to earn acreage.

13. Cities' rights under the Unit Agreement and Unit Operating Agreement as to acreage owned by Aztec Oil & Gas Company, Petroleum, Inc. and Union Oil Company of California shall be subject to farmout agreements from said parties which Roberts, Koch & Cartwright shall make a good faith effort to satisfy.

14. Exhibit "B" to the farmout contract shall be amended as follows:

(a) Paragraph 1 is amended to state as follows:

"1. There is excepted and reserved from the leases and lands assigned herein all rights granted by said leases below the depth to which this Assignment is made, together with the right to drill wells for and produce and market any and all minerals appearing in said lands below said depth and an overriding royalty of 28.47535% of one-sixteenth of eight-eighths (1/16 of 8/8) of all oil, casinghead gas, gas, condensate and/or distillate and other minerals produced from the lands assigned herein under said leases, with the right to convert the overriding royalty to 14.23768% of working interest as specified in the Deer Canyon Unit Operating Agreement."

(b) Paragraph 2 of said Assignment of Operating Rights shall be deemed deleted for the reason that the same is expressly provided for in Section 5.1 of the Deer Canyon Unit Agreement.

(c) Paragraph 7 shall be deemed deleted inasmuch as the farmout contract will no longer be operative once the assignment is to be executed and delivered.

(d) There shall be added to said assignment a statement as follows:

"This Assignment of Operating Rights is subject to the terms and provisions of the Unit Operating Agreement for the Deer Canyon Unit dated _____ day of _____, 1973."

(e) Paragraph 16 relating to call on oil and gas shall be deleted.

15. Exhibit "C" to the farmout contract shall be amended as follows:

(a) Paragraph 5 relating to the farmout contract shall be deemed deleted for the reasons set forth above.

(b) Paragraph 7 relating to call on oil and gas shall be deleted.

(c) There shall be a paragraph added to said assignment which states:

"This assignment is subject to all of the terms and provisions of the Unit Operating Agreement for the Deer Canyon Unit dated the 1st day of September, 1973."

The foregoing changes are changes necessary to conform to the Deer Canyon Unit Operating Agreement, and we will be happy to discuss them with you. If you agree to the foregoing, please so indicate by your signature below, whereupon the farmout contract of June 8, 1973 shall be deemed amended accordingly.

Very truly yours,

ROBERTS, KOCH & CARTWRIGHT

By

Charles E. Koch

Agreed:

CITIES SERVICE OIL COMPANY

By

Mark F. Payton
Mark F. Payton
Attorney-in-Fact

FARMOUT CONTRACT

THIS FARMOUT CONTRACT made and entered into this 8th day of June, 1973, by and between CITIES SERVICE OIL COMPANY, a Delaware corporation, whose address is P. O. Box 300, Tulsa, Oklahoma 74102, hereinafter called "Cities," and

ROBERTS, KOCH AND CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, hereinafter called "Operator";

WITNESSETH:

WHEREAS, Cities is the owner of the oil and gas leases (hereinafter referred to as "said leases") covering and embracing the lands (hereinafter referred to as "said lands") described in Exhibit "A," which is attached hereto and made a part hereof; and

WHEREAS, the Operator desires to acquire an assignment or conveyance of said leases covering the said lands on the conditions hereinafter set forth,

NOW, THEREFORE, in consideration of the sum of One Dollar (\$1.00) in hand paid by Cities to the said Operator and of the mutual covenants herein contained, the parties hereto agree as follows:

1. (a) Operator agrees to commence the actual drilling of a well (hereinafter referred to as "first well") for oil or gas within thirty (30) days from the effective date of the Deer Canyon Unit Agreement at a location on Section 10, Township 20 South, Range 21 East, Eddy County, New Mexico, and thereafter diligently and continuously prosecute the drilling of the first well in a proper and workmanlike manner to a depth sufficient to penetrate the Upper Mississippian (Barnett Shale) Formation or to such lesser depth with production in paying quantities (as defined in the Deer Canyon Unit Agreement) and complete said first well within ninety (90) days from date of commencement.

(b) In the event the first well is completed as a dry hole or as a well not capable of producing oil and/or gas in paying quantities (as defined in the Deer Canyon Unit Agreement), Operator is granted the option to commence a well (hereinafter referred to as "second well") within eighty (80) days from completion of the first well at a location of Operator's choice on lands within the Unit Area for the said Deer Canyon Unit and thereafter diligently and continuously prosecute the drilling of the second well in a proper and workmanlike manner to a depth sufficient to penetrate the Upper Mississippian (Barnett Shale) Formation or to such lesser depth with production in paying quantities (as defined in the Deer Canyon Unit Agreement) and complete said second well within ninety (90) days from date of commencement.

(c) By the performance of the covenants and conditions hereof and upon completion of either the first or second well as a well capable of producing oil and/or gas in paying quantities (as defined in the Deer Canyon Unit Agreement), Operator shall acquire all of Cities' interest in the drilling unit for said producing well covering rights down to and including, but not below, the depth of one hundred feet (100') below the greatest depth drilled in said producing well, subject to an overriding royalty of 28.47213% of one-sixteenth (1/16) of all production with the option to convert the overriding royalty to a net 14.236065% working interest. Operator shall also acquire an undivided one-half (1/2) (a net 14.236065%) of Cities' interest in that portion of the Deer Canyon Unit Area not allocated to the said producing well together with an undivided one-half (1/2) (a net 14.236065%) of Cities' right, title and interest in and to the said leases insofar as they cover the said lands covering rights to one hundred feet (100') below the greatest depth drilled in said producing well; provided, however, in the event any portion of said lands are included in the drilling unit for such producing well, Operator shall acquire all of Cities' interest in the said leases insofar as same cover the said lands included within the drilling unit covering rights to one hundred feet (100') below the greatest depth drilled in said producing well subject to an overriding royalty of 28.47213% of an undivided one-sixteenth (1/16) of all production with the option to convert the overriding royalty to a net 14.236065% working interest. All the rights acquired pursuant hereto shall be subject to the further provisions of this agreement.

2. The said well or wells (hereinafter referred to in the singular if more than one well is drilled hereunder) shall be drilled according to the following covenants and understanding:

(a) All operations shall be conducted at the sole expense of Operator in a proper and workmanlike manner and in accordance with all applicable laws and regulations of the constituted authorities, and Operator shall defend, indemnify and hold Cities and its officers, directors, agents, employees and invitees harmless from all liability for damage (including attorney's fees) to the person (including death) and/or property of all persons arising from the performance or non-performance of Operator's operations conducted hereunder.

(b) Prior to the commencement of the said well, Operator shall coordinate the drilling, coring, testing and logging program for said well with Cities' Region Office.

(c) All formations, sections, zones or other reservoirs in which the presence of oil or gas is indicated shall be thoroughly tested to the satisfaction of Cities and its representative by a reasonable amount of coring, drill stem tests or through casing tests, together with any other approved testing methods and Operator shall make a diligent attempt to complete the said well as a commercial producer of oil and/or gas. If in the opinion of Cities' representative the presence of oil or gas or indication thereof justifies running pipe, all necessary casing or pipe shall be used to insure a proper test. Operator shall treat the formations in which oil or gas or indications thereof are present in a manner to improve reservoir conditions, including adequate acidizing and/or fracturing when in the judgment of a reasonable and prudent Operator such treatment on said well would prove beneficial.

(d) Operator agrees to maintain adequate mud to assure good sample returns, drill stem testing and electric logging operations, and Operator shall take ten (10) foot cutting samples from surface casing to total depth and daily deliver samples of such cuttings, at Operator's expense, to:

Midland Sample Cut and Library
707 South Connell Street
Midland, Texas 79701

(e) If requested by Cities, Operator shall furnish Cities samples of all cores recovered.

(f) No oil base or oil emulsion mud shall be used in the drilling of this well, without prior written consent from Cities.

(g) Operator agrees to forward each day, to Cities' representative, a copy of Operator's previous day's drilling report showing the formation or formations penetrated including the correct depths thereof and daily mudlogger reports if a mudlogging unit is used on the said well. Operator also agrees to telephone each day at Operator's own expense, prior to 9:30 o'clock a.m., Cities' representative informing of the formations penetrated and the correct depths thereof, the tops called and intervals tested.

(h) Operator agrees to install a gas detector from the Wolfcamp Formation.

(i) Operator shall keep drilling time at ten (10) foot intervals from the base of surface casing to total depth.

(j) Operator shall permit Cities, at its election, to lower a geophone, dipmeter, or similar instrument into said well for the purpose of making any test desired; provided that Cities shall reimburse Operator for any cost incurred as a result of Cities performing any such test.

(k) Operator shall notify Cities' representative in sufficient time (at least twenty-four (24) hours in advance) to allow said representative to witness the running of all logs, all coring and testing of formations, the drilling

FARMOUT CONTRACT
Page Three

of said well into known or expected producing horizons and before drilling through any unexpected showing of oil or gas.

(i) Cities' representative shall have access to the derrick floor at all times and shall have access to and be furnished with all information on drilling progress.

(m) Operator agrees to run a Sonic - Gamma Ray; Dual Induction Laterolog and Microlaterolog and promptly furnish Cities' representative three (3) field prints and three (3) finished prints thereof. Operator also agrees to promptly furnish Cities' representative three (3) field prints and three (3) finished prints of all other logs which have been run.

(n) All notices and other information required under the provisions of this Paragraph 2, to be furnished Cities' representative shall be furnished to:

<u>NAME OF REPRESENTATIVE</u>	<u>OFFICE</u> <u>MONDAY THRU FRIDAY</u>	<u>RESIDENCE</u> <u>WEEKENDS & HOLIDAYS</u>
Mr. Ed King Cities Service Oil Company 800 Vaughn Building Midland, Texas 79701	(915) 684-1731	(915) 682-3143

who is designated as Cities' representative. Cities reserves the right to replace said representative and shall furnish Operator with the name, address and telephone numbers of any such new representative. All samples, notices and other information required to be furnished Cities to its Region office shall be furnished to said office at the following address:

Cities Service Oil Company
800 Vaughn Building
Midland, Texas 79701

Attn: Mr. Ed King

(o) Operator agrees to give Cities' representative an immediate, detailed and authentic report of the results of all drill stem tests or other tests made during the drilling of said well.

(p) All correlations and determinations of the requirements provided for in this Paragraph 2, shall be made to the satisfaction of Cities' representative.

(q) Operator shall promptly furnish Cities' representative three (3) copies of any forms filed with the State Regulatory Commission or Agency.

(r) On completion of the well, Operator shall furnish Cities a complete driller's log certified by Operator as being correct.

(s) In the event said well is completed as non-productive of oil or gas, or as one not capable of producing oil or gas in paying quantities, Operator shall plug and abandon the same, but not until Cities, if it so elects, has had a reasonable opportunity of examining the formations and measuring the depth of the well, using so far as necessary the tools and workmen of Operator, and such abandonment shall not be commenced without Cities' expressed consent and approval.

3. Upon completion of the first or second well as a producer of oil and/or gas in paying quantities as herein provided and upon receipt of request from Operator, Cities agrees to assign to Operator without warranty of title either express or implied and in the form and language either as set forth in Exhibit "B," which is attached hereto and made a part hereof, or Exhibit "C," which is attached hereto and made a part hereof, covering interests earned by Operator as provided in Paragraph 1. (c). Failure of Operator to so request assignment from Cities within thirty (30) days after completion of a well shall automatically terminate Operator's right to receive such assignment. Upon delivery to said Operator of any assignment or conveyance as herein contemplated, the Operator agrees to secure

the approval of said assignment or conveyance, if necessary, and to file same for recording within ten (10) days after such delivery in the proper County Office and furnish Cities with the recording data thereof.

4. After the commencement of the first well, Cities shall continue to pay all delay rentals becoming due under the leases insofar as same cover the acreage as set forth in Exhibit "A" hereto and shall furnish Operator with statements for such payment. Operator, upon receipt of said statement, shall reimburse Cities for said payment or payments to the extent of fifty percent (50%) thereof. In the event Cities fails to make proper payment of any delay rental through mistake or oversight where such rental is required to continue a lease in force, there shall be no liability of any kind, money or otherwise, against Cities for failure to pay such rental.

It will be assumed that the parties hereto concur in the continuation of the leases covered hereby by the payment of such rentals as are required unless either of the parties notifies the other prior to the tenth day of the month preceding the month in which the rental date falls of its recommendation to terminate a given lease and not participate in such rental payment. In the event the party notified desires to pay the entire rental and acquire an assignment of the cancelling party's interest, the cancelling party will furnish to the party desiring to continue the lease an assignment of its interest within thirty (30) days after the cancelling party receives request for such assignment.

Should both parties concur in the termination of a lease covered hereby by non-payment of rental, Cities will prepare, in due course of business, a joint release and forward same to Operator for its execution.

5. While operations are being conducted hereunder on any leasehold interest covered hereby upon which Cities then holds legal title, Operator agrees to carry adequate insurance as required by Cities and agrees to furnish Cities, before commencing operations, valid certificates of insurance satisfactory to Cities of policies carried by Operator hereunder.

6. In the event the Operator fails to commence or continue (and the cessation of drilling or other operations in connection with such well for thirty (30) days shall be deemed failure to continue drilling) or complete any well in accordance with the provisions hereof, this contract shall, at Cities' option, terminate. Upon Operator's failure to conduct the drilling operations as provided for herein, Cities may, at its option, take possession of all tools placed thereon by Operator and complete said well at Cities' expense and liability; however, the exercise of this option shall in no way relieve Operator from liability for damages accruing to Cities as a result of Operator's default.

7. The said leases and the said lands are situated within the Unit Area for the Deer Canyon Unit and will be subject to the Deer Canyon Unit Agreement and, notwithstanding anything contained herein to the contrary, it is understood and agreed if Operator is unable for any reason to secure the required approvals and agreements from parties necessary to consummate the Deer Canyon Unit Agreement and Unit Operating Agreement, this Agreement shall become null and void without further obligation or liability on the part of either party hereto to the other. For the purpose of determining reimbursement to Operator for costs of all wells drilled pursuant to this Agreement as provided in Exhibit "B," the Accounting Procedure attached to the Deer Canyon Unit Operating Agreement as Exhibit "B" shall control. Any commitment to the Deer Canyon Unit Agreement and Unit Operating Agreement by Cities through its execution or ratification of Unit Operating Agreement shall not prejudice its right and option to reject provisions of said Operating Agreement which it determines unnecessary or undesirable, specifically as to the said Operating Agreement (but not by way of limitation), Cities does not accept and will not operate under the terms of Article 5.6, Operations by Less Than All Parties, and Cities' ratification of said Operating Agreement will be made with the understanding that the provisions of Article 5.7 shall apply to any well proposed on the Unit Area except in the event of a required well (The said Operating Agreement does not contain a provision pertaining to required wells which will be, but not by way of limitation, a requirement by Cities that such a provision be contained in the said Operating Agreement). At such time as Operator has been reim-

bursed for a well as provided in Exhibit "B" and if Cities has elected to convert its overriding royalty to a working interest, the said Deer Canyon Operating Agreement, as may be modified pursuant hereto, shall become operative and effective as to such well. Notwithstanding any assignment which may be delivered by Cities to Operator pursuant to the terms of this Agreement, all rights and interests reserved by Cities pursuant hereto will be based upon the interest credited to the said leases and said lands within the entire unit and not limited specifically to the said lands.

8. Cities' interest in the Deer Canyon Unit Agreement, which it retains pursuant to this agreement, will be as described in Exhibit "A" to the Unit Operating Agreement and if for any reason the participating parties change, thereby creating a change of the interests of the parties thereunder, then the interests specifically set forth herein shall likewise be changed accordingly.

9. Time shall be the essence of this Farmout Contract in all of its parts. This contract shall be executed in duplicate. The terms, covenants and conditions hereof shall run in favor of and be binding upon the parties hereto, their successors and assigns, and shall run with the said leaseholds and lands and shall be capable of specific performance.

10. This Farmout Contract may not be assigned by Operator without the prior written consent of Cities.

This Farmout Contract shall not become binding or effective unless it is executed by all parties and returned to Cities within thirty (30) days from the date of the acknowledgment of Cities' execution.

IN WITNESS WHEREOF, the Operator has hereunto caused its name and Cities has hereunto caused its name to be subscribed the day and year first above written.

CITIES SERVICE OIL COMPANY

By Mark F. Payton
Mark F. Payton Attorney-in-Fact

ROBERTS, KOCH AND CARTWRIGHT

By Ross D. Roberts
ROSS D. ROBERTS, a partner

By Charles E. Koch
CHARLES E. KOCH, a partner

By Jack Cartwright
JACK CARTWRIGHT, a partner

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COUNTY OF TULSA)

On this 29th day of June, 1973, before me personally appeared Mark F. Payton, to me known to be the person who executed the foregoing instrument as Attorney-in-Fact in behalf of CITIES SERVICE OIL COMPANY, a Delaware corporation, and acknowledged that he executed the same as the free act and deed of said Cities Service Oil Company.

Sherry K. Snow
Sherry K. Snow Notary Public

My Commission Expires:

May 5, 1976

STATE OF Texas)
) SS
COUNTY OF Midland)

On this 21st day of August, 1973, before me personally appeared Ross D. Roberts, Charles E. Koch and Jack C. Cartwright, to me known to be the persons described in and who executed the foregoing instrument, as ROBERTS, KOCH AND CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack Cartwright, and acknowledged that they executed the same as their free act and deed.

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

Carolyn H. Santiago
Notary Public

My Commission Expires:

6-1-75

EXHIBIT "A" - Attached to and made a part of Farmout Contract dated June 8, 1973,
between CITIES SERVICE OIL COMPANY and ROBERTS, KOCH AND CARTWRIGHT.

SCHEDULE OF OIL AND GAS LEASES

LEASE NUMBER: 1-07X6-3014363 (File 3014363)
SERIAL NUMBER: NM 10570
OIR RESERVED: 3X
DATE: November 1, 1969
LESSOR: The United States of America
LESSEE: Cities Service Oil Company
RECORDING DATA: October 20, 1969, at 10:00 A.M. in the
Office of the Bureau of Land Management,
Santa Fe, New Mexico

DESCRIPTION: SW $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 4, Township 20
South, Range 21 East, NMPM, Eddy County,
New Mexico, containing a total of 200.00
acres.

LEASE NUMBER: 1-07X6-3014364 (File 3014364)
SERIAL NUMBER: NM 12543
OIR RESERVED: 3X
DATE: November 1, 1970
LESSOR: The United States of America
LESSEE: Cities Service Oil Company
RECORDING DATA: May 14, 1973, at 11:35 A.M. in Book 100,
Page 555 of the Miscellaneous Records of
Eddy County, New Mexico

DESCRIPTION: NE $\frac{1}{4}$, NW $\frac{1}{4}$, SE $\frac{1}{4}$ of Section 9, W $\frac{1}{2}$ SW $\frac{1}{4}$ of
Section 10, NW $\frac{1}{4}$, NE $\frac{1}{4}$ SW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$
of Section 15, Township 20 South, Range
21 East, NMPM, Eddy County, New Mexico,
containing a total of 1000.00 acres.

LEASE NUMBER: 1-07X6-3014382 (File 3014382)
SERIAL NUMBER: NM 9798
OIR RESERVED: 4X
DATE: July 1, 1969
LESSOR: The United States of America
LESSEE: Cities Service Oil Company

DESCRIPTION: NE $\frac{1}{4}$ of Section 23, Lots 1, 2, 3, 4, W $\frac{1}{2}$
E $\frac{1}{2}$, W $\frac{1}{2}$ of Section 24, Township 20 South,
Range 21 East, NMPM, Eddy County, New
Mexico, containing a total of 792.00
acres, more or less.

LEASE NUMBER: 1-07X6-3014410 (File 3014410)
SERIAL NUMBER: NM 883
OIR RESERVED: 5X
DATE: December 1, 1966
LESSOR: The United States of America
LESSEE: Cities Service Oil Company

DESCRIPTION: NE $\frac{1}{4}$, SW $\frac{1}{4}$ of Section 21, NW $\frac{1}{4}$ of Section 22,
Township 20 South, Range 21 East, NMPM,
Eddy County, New Mexico, containing a
total of 640.00 acres.

EXHIBIT "A"
SCHEDULE OF OIL AND GAS LEASES
Page Two

LEASE NUMBER:	1-07X6-3014496 (File 3014496)
STATE LEASE NO.:	LG-0176
DATE:	May 1, 1972
LESSOR:	State of New Mexico
LESSEE:	Cities Service Oil Company
RECORDING DATA:	May 4, 1973, at 2:05 P.M. in Book 99, Page 934 of the Miscellaneous Records of Eddy County, New Mexico
DESCRIPTION:	3 $\frac{1}{4}$ NW $\frac{1}{4}$ of Section 9, containing 80.00 acres; SW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ of Section 15, containing 80.00 acres; all in Township 20 South, Range 21 East, Eddy County, New Mexico, containing a total of 160.00 acres.

EXHIBIT "B" - Attached to and made a part of Farmout Contract dated June 8, 1973, between CITIZES SERVICE OIL COMPANY and ROBERTS, KOCH AND CARTWRIGHT.

ASSIGNMENT OF OPERATING RIGHTS

KNOW ALL MEN BY THESE PRESENTS that CITIZES SERVICE OIL COMPANY, a Delaware corporation, whose address is P. O. Box 300, Tulsa, Oklahoma 74102, herein called "Assignor," in consideration of Ten Dollars (\$10.00) and other valuable considerations paid, does hereby grant, convey, sell, assign and transfer unto

ROBERTS, KOCH AND CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, herein called "Assignee,"

operating rights from the surface down to and including, but not below, the depth of _____ feet (depth to be inserted in accordance with the contract to which this Exhibit is attached) under the hereinafter described lands, to-wit:

(Leases and lands to be inserted to be in accordance with
that certain Farmout Contract to which this Exhibit is attached)

1. There is excepted and reserved from the leases and lands assigned herein all rights granted by said leases below the depth to which this Assignment is made, together with the right to drill wells for and produce and market any and all minerals appearing in said lands below said depth and an overriding royalty of 28.47213% of one-sixteenth of eight-eighths ($1/16$ of $8/8$) of all oil, casinghead gas, gas, condensate and/or distillate and other minerals produced from the lands assigned herein under said leases, with the right to convert the overriding royalty of 28.47213% of one-sixteenth of eight-eighths ($1/16$ of $8/8$) to a net 14.236065% working interest.

2. (a) Within sixty (60) days after the completion of a producing well on the lands covered hereby or on a spacing unit which includes any of the said lands, Assignee shall furnish Assignor with an itemized statement of the cost of drilling, testing, completing and equipping such well, together with an inventory of the cost of operations and the quantities and qualities of oil, casinghead gas, gas, condensate and/or distillate and other minerals produced from such well, together with the amount of proceeds from the sale of such production in the preceding month, such reports, together with a complete well record shall be furnished Assignor, Citizess Service Oil Company, P. O. Box 300, Tulsa, Oklahoma 74102, Attention: Property Services Manager, Production Division.

(b) Assignee shall immediately notify Assignor when the value of all oil, casinghead gas, gas, distillate and/or condensate and other minerals produced and saved from each such well (together with the processed value, if any, of such production and the proceeds from the sale of any material and equipment from said well) less the Lessor's royalty and Assignor's overriding royalty, equals one hundred percent (100%) of the total cost and expense of drilling, testing, completing and equipping the said well (including one hundred percent (100%) of the cost of operations incurred up to the time such value equals the total cost). The notice provided for herein shall be given to Assignor to the attention of Manager, Land Department, Citizess Service Oil Company, P. O. Box 300, Tulsa, Oklahoma 74102, and to the Property Services Manager, Production Division, and Assignor shall have the separate option as to each such well, to be exercised within thirty (30) days from receipt of said notice, either to convert its overriding royalty to a one-half ($1/2$) working interest or retain its overriding royalty.

(c) If Assignor converts to a one-half ($1/2$) working interest, Assignee shall assign to Assignor an undivided one-half ($1/2$) interest in the operating rights under leases herein assigned insofar as said leases cover lands within the spacing unit for such well, together with a proportionate one-half ($1/2$) interest (a net 14.236065%) in the said well and material and equipment therein and thereon; and such assignment to Assignor shall be free and clear of liens and encumbrances and Assignor shall release its overriding royalty to such lands. The effective date of Assignor's acquisition of a working interest and the release of its overriding royalty shall be the date that the value of production from said well equals the total cost of said well as provided in Paragraph 2. (b) hereof.

EXHIBIT "B"
ASSIGNMENT OF OPERATING RIGHTS
Page Two

(For the purpose of computing the day in which the value of production equals said total cost, the overriding royalty payable to Assignor and the working interest income, together with all costs and expenses shall be calculated on a daily basis for the actual month in which the said value equals the said total cost. Said costs and expenses, including the overriding royalty payable to Assignor and/or the working interest income, shall be apportioned on a daily basis for said month and Assignee shall adjust costs, expenses and revenue to the day so calculated).

3. The overriding royalty herein excepted and reserved by Assignor is in addition to the royalty payable to Lessors under the terms of the leases herein assigned and is also in addition to any other royalty, overriding royalty or payment out of production to which said leases may be burdened.

(THE FOLLOWING PARAGRAPH TO BE INSERTED IF THE LEASE
ASSIGNED HEREIN IS A FEDERAL LEASE)

"It is agreed that the obligation to pay any overriding royalty or payments out of production of oil created herein, which, when added to overriding royalties or payments out of production previously created and to the royalty payable to the United States, aggregate in excess of seventeen and one-half percent (17½%), shall be suspended when the average production of oil per well per day averaged on the monthly basis is 15 barrels or less."

4. Each extension of the lease or leases covered hereby, in whole or in part, shall maintain and continue in effect the rights and interests reserved by Assignor in each lease so extended and in the land covered thereby.

Should a renewal or new lease or leases covering the land described or referred to in this Assignment, or a part of or interest in said land, or a part of or interest in such a lease, be acquired by Assignee, or by a third party wholly or partly for Assignee or Assignee's benefit, within ten (10) years from the date of expiration of the primary term of the lease covered hereby, or from the date of the expiration of the primary term of the lease covered hereby having the latest such date, if more than one lease is covered hereby, the rights and interests herein reserved by Assignor shall attach and apply to each such renewal or new lease, the lands described therein and the estate created thereby with the same result and effect as such reserved rights and interests attach and apply to the lease or leases assigned hereby, the land described or referred to herein and the estates created by such assigned lease or leases.

5. Assignor and Assignee each covenant and agree that it shall not create any lien, encumbrance or other burden upon the interest of the other party in the said lease.

6. Assignor and Assignee shall cooperate in the filing of all necessary reports or other information as may be required by any governmental agency with respect to said lease.

7. This Assignment is made subject to the provisions and conditions of that certain Farmout Contract dated June 8, 1973, between the said Assignor and the said Assignee.

8. Assignee shall drill all wells necessary to protect said leases from drainage through offset wells to said leases. In the event Assignee fails to comply with the express or implied covenants and conditions of said leases, Assignee shall, at Assignor's option, reassign the acreage remaining undrilled to Assignor, retaining around each producing well, if any, the lands attributed to such well under any valid well spacing rule or regulation of any governmental authority or attributed to such well for allowable purposes by any governmental authority.

9. If Assignee should decide to abandon any lease covered hereby or allow such lease to terminate for failure to develop same or for any other reason, Assignee shall notify Assignor in writing forty-five (45) days prior to the inten-

EXHIBIT "B"
ASSIGNMENT OF OPERATING RIGHTS
Page Three

ded effective date of such abandonment or termination and Assignor is granted the option, to be exercised within ten (10) days after the receipt of notice in writing of such purpose, to reacquire the rights assigned to Assignee hereunder free and clear of liens and encumbrances together with the material in and around the well then on said land and necessary in the operation of said well at a price equal to the reasonable salvage value of said materials, if any.

10. As to each and every well that Assignee drills on the lands described herein, or on lands within a pooled unit that includes any lands described herein, Assignee shall notify Assignor in writing of the following items:

- (a) The exact legal description of the location.
- (b) The date actual drilling is commenced.
- (c) The total depth drilled.
- (d) The date of completion.
- (e) Whether completed as a producer of oil and/or gas or as a dry hole.
- (f) The date any production commences.
- (g) The date any well is shut-in.
- (h) The date and amount of payment of any shut-in royalty.

Such written notice shall be given to Assignor within five (5) days after the occurrence of each of said items.

11. Assignee shall furnish free of cost to Assignor any and all well and geological information as is provided in Paragraph 2. of the hereinabove referred to contract.

12. Should Assignee commence any such well which will be drilling over the end of the primary term of any lease described herein, Assignee shall give Assignor written notice of such drilling at least ten (10) days prior to the end of such primary term.

13. Assignor reserves and is hereby granted a lien upon said leases herein assigned and all equipment placed on the lands described herein and Assignee's share of all minerals produced therefrom to secure the performance of the conditions and covenants herein on the part of Assignee and to secure the payment of any damages accruing to Assignor by reason of any breach of said conditions and covenants. This Assignment is expressly conditioned upon the faithful performance by the Assignee of all the conditions and covenants herein on its part to be performed.

14. Unless otherwise expressly provided for herein, any notice to be given pursuant to this Assignment by Assignee shall be given to Assignor to the attention of Manager of Land Department, Cities Service Oil Company, P. O. Box 300, Tulsa, Oklahoma 74102.

15. In the event Assignee desires to sell all or any part of its interest in said leases, Assignor shall have a preferential right to purchase the same. In such event, Assignee shall promptly communicate in writing to Assignor the offer received by it from a purchaser ready, able, and willing to purchase the same, together with the name and address of such prospective purchaser, and Assignor shall thereupon have an option for a period of ten (10) days after receipt by said Manager of said notice to purchase Assignee's interest at the price offered by the prospective purchaser. No assignment hereunder shall be recognized until Assignor has been furnished with a copy of the recorded instrument.

16. Assignor reserves the option, to be exercised from time to time and as often as desired, of purchasing all of the Assignee's interest in the oil, gas, casinghead gas and other minerals produced from and/or allocated to the lands covered by this Assignment; for oil at the posted market price offered by responsible purchasers in the field on the date of each delivery; for gas at the price prevailing in the field at the time or times of the exercise of this option; and for casinghead gas at the average prevailing price being paid by responsible purchasers in the field.

EXHIBIT "B"
ASSIGNMENT OF OPERATING RIGHTS
Page Four

TO HAVE AND TO HOLD the same unto the said Assignee, its successors and assigns, according to the terms and conditions of said leases, the said Assignee to perform all of such conditions and covenants thereof as to the portion of lands herein assigned, but subject however to the provisions and conditions of said contract hereinbefore mentioned. This Assignment is made without warranty of title either express or implied.

The reservations herein made and the provisions and covenants contained herein shall attach to and run with the lease or leases assigned and the land herein described or referred to and shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

IN WITNESS WHEREOF, the said CITIES SERVICE OIL COMPANY, as Assignor, has executed this instrument this _____ day of _____, 19____.

CITIES SERVICE OIL COMPANY

By (AN EXHIBIT - NOT FOR SIGNATURE)
Attorney-in-Fact

(ADD ACKNOWLEDGMENT)

EXHIBIT "C" - Attached to and made a part of Farmout Contract dated June 8, 1973, between CITIES SERVICE OIL COMPANY and ROBERTS, KOCH AND CARTWRIGHT.

ASSIGNMENT OF OPERATING RIGHTS

KNOW ALL MEN BY THESE PRESENTS that CITIES SERVICE OIL COMPANY, a Delaware corporation, whose address is P. O. Box 300, Tulsa, Oklahoma 74102, herein called "Assignor," in consideration of Ten Dollars (\$10.00) and other valuable considerations paid, does hereby grant, convey, sell, assign and transfer unto

ROBERTS, KOCH AND CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, herein called "Assignee,"

an undivided one-half (1/2) of its interest in operating rights from the surface down to and including, but not below, the depth of _____ feet (depth to be inserted in accordance with the contract to which this Exhibit is attached) under the hereinafter described lands, to-wit:

(Leases and lands to be inserted to be in accordance with that certain Farmout Contract to which this Exhibit is attached)

1. There is excepted and reserved from the leases and lands assigned herein all rights granted by said leases below the depth to which this Assignment is made, together with the right to drill wells for and produce and market any and all minerals appearing in said lands below said depth.

2. Each extension of the lease or leases covered hereby, in whole or in part, shall maintain and continue in effect the rights and interests reserved by Assignor in each lease so extended and in the land covered thereby.

Should a renewal or new lease or leases covering the land described or referred to in this Assignment, or a part of or interest in said land, or a part of or interest in such a lease, be acquired by Assignee, or by a third party wholly or partly for Assignee or Assignee's benefit, within ten (10) years from the date of expiration of the primary term of the lease covered hereby, or from the date of the expiration of the primary term of the lease covered hereby having the latest such date, if more than one lease is covered hereby, the rights and interests herein reserved by Assignor shall attach and apply to each such renewal or new lease, the lands described therein and the estate created thereby with the same result and effect as such reserved rights and interests attach and apply to the lease or leases assigned hereby, the land described or referred to herein and the estates created by such assigned lease or leases.

3. Assignor and Assignee each covenant and agree that it shall not create any lien, encumbrance or other burden upon the interest of the other party in the said lease.

4. Assignor and Assignee shall cooperate in the filing of all necessary reports or other information as may be required by any governmental agency with respect to said lease.

5. This Assignment is made subject to the provisions and conditions of that certain Farmout Contract dated June 8, 1973, between the said Assignor and the said Assignee.

6. In the event Assignee desires to sell all or any part of its interest in said leases, Assignor shall have a preferential right to purchase the same. In such event, Assignee shall promptly communicate in writing to Assignor the offer received by it from a purchaser ready, able, and willing to purchase the same, together with the name and address of such prospective purchaser, and Assignor shall thereupon have an option for a period of ten (10) days after receipt by said Manager of said notice to purchase Assignee's interest at the price offered by the prospective purchaser. No assignment hereunder shall be recognized until Assignor has been furnished with a copy of the recorded instrument.

EXHIBIT "C"
ASSIGNMENT OF OPERATING RIGHTS
Page Two

7. Assignor reserves the option, to be exercised from time to time and as often as desired, of purchasing all of the Assignee's interest in the oil, gas, casinghead gas and other minerals produced from and/or allocated to the lands covered by this Assignment; for oil at the posted market price offered by responsible purchasers in the field on the date of each delivery; for gas at the price prevailing in the field at the time or times of the exercise of this option; and for casinghead gas at the average prevailing price being paid by responsible purchasers in the field.

TO HAVE AND TO HOLD the same unto the said Assignee, its successors and assigns, according to the terms and conditions of said leases, the said Assignee to perform all of such conditions and covenants thereof as to the portion of lands herein assigned, but subject however to the provisions and conditions of said contract hereinbefore mentioned. This Assignment is made without warranty of title either express or implied.

The reservations herein made and the provisions and covenants contained herein shall attach to and run with the lease or leases assigned and the land herein described or referred to and shall be binding upon and inure to the benefit of Assignor and Assignee and their respective successors and assigns.

IN WITNESS WHEREOF, the said CITYES SERVICE OIL COMPANY, as Assignor, has executed this instrument this _____ day of _____, 19____.

CITYES SERVICE OIL COMPANY

By (AN EXHIBIT - NOT FOR SIGNATURE)*
Attorney-in-Fact

(ADD ACKNOWLEDGMENT)



KERR-McGEE CORPORATION

KERR-McGEE CENTER • OKLAHOMA CITY, OKLAHOMA 73102

August 27, 1973

Roberts, Koch and Cartwright
205 Building of the Southwest
Midland, Texas 79701

Re: Deer Canyon Unit
Eddy County, New Mexico

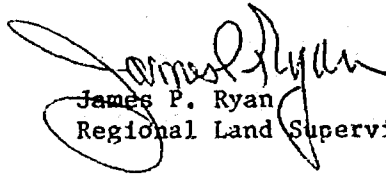
Gentlemen:

Kerr-McGee Corporation does not choose to participate in the Deer Creek Unit which you are in the process of forming. We do not believe that our disinclination to participate will lessen your chances of obtaining unit approval by the U. S. Geological Survey.

We will be supporting your unit well with a dry hole contribution and we wish you success in this venture.

Very truly yours,

KERR-McGEE CORPORATION


James P. Ryan
Regional Land Supervisor

JPR:cb

August 1, 1973

Petroleum, Inc..
500 Colorado State Bank Building
Denver, Colorado 80202

Gentlemen:

Reference is made to your letter agreement of March 27, 1973, to Roberts, Koch & Cartwright pertaining to lands in Sections 1, 3, 4 and 10, Township 20 South, Range 21 East, Eddy County, New Mexico. It is the purpose of this letter to conditionally accept such agreement, subject to modifications as follows:

1. Paragraph 1 is amended to state as follows:

"1. Farmee must commence or cause to be commenced actual drilling of a test well to be located in the NW/4 Section 14, Township 20 South, Range 21 East, Eddy County, New Mexico, in accordance with the provisions of the Unit Agreement for the Deer Canyon Unit and Unit Operating Agreement for such unit, said well to be commenced not later than October 30, 1973. Said well is to be drilled at Farmee's sole cost, risk and expense."

2. Paragraph 6 is amended to state as follows:

"6. By the performance of the covenants and conditions of this farmout contract and upon compliance with Section 5.1 of the Unit Operating Agreement, Roberts, Koch & Cartwright shall earn and be entitled to the assignment from Petroleum, Inc. as set forth in Section 5.1 of the Unit Operating Agreement."

3. Paragraph 7 is amended to state as follows:

"7. The assignment to be delivered by Farmor shall be subject to all of the terms and provisions of the Deer Canyon Unit Operating Agreement and Deer Canyon Unit Agreement."

4. Farmee shall have the right to assign all or any part of its interest hereunder to Natural Gas Pipe Line Company of America and Hilliard Oil & Gas, Inc. and shall notify Farmor of such assignment. Such parties shall assume their proportionate part of the burdens and obligations of this agreement.

5. Farmee shall not be liable in damages for failure to drill the well provided for in this agreement and in the Unit Operating Agreement, the sole penalty therefor being the loss of rights as prescribed in this farmout contract to earn acreage.

6. The rights of Farmor under the Unit Agreement and Unit Operating Agreement for the Deer Canyon Unit as to acreage owned by Aztec Oil & Gas Company, Cities Service Oil Company and Union Oil Company of California shall be subject to farmout agreements from said parties which Farmee shall make a good faith effort to satisfy.

The foregoing changes are necessary to conform to the Deer Canyon Unit Operating Agreement and we will be happy to discuss them with you. If you agree to the foregoing, please so indicate by your signature below, whereupon your agreement of March 27, 1973 shall be deemed amended accordingly.

Very truly yours,

ROBERTS, KOCH & CARTWRIGHT

By

Charles E. Koch

Agreed:

PETROLEUM, INC.

By

[Signature]

Attorney in Fact

Roberts, Koch & Cartwright.

205 Building of the Southwest

MIDLAND, TEXAS 79701

A/C 915 - 683 - 6231

ROSS D. ROBERTS - ENGINEER
CHARLES E. KOCH - LANDMAN
JACK C. CARTWRIGHT - GEOLOGIST

March 27, 1963

Roberts, Koch & Cartwright
205 Building of Southwest
Midland, Texas 79701

Attention: Mr. Charles Koch

Re: NM-22-S, NM0452514
Eddy County, New Mexico

Gentlemen:

Upon acceptance by you, this letter will constitute an agreement between Roberts, Koch & Cartwright, hereinafter called "Farmee", and Petroleum, Inc., hereinafter called "Farmor", with respect to the matters herein contained.

1. Within six months after approval of the Deer Canyon Unit, Farmee must commence or cause to be commenced the actual drilling of a test well to be located in the C/SW $\frac{1}{4}$ of Section 11, Township 20 South, Range 21 East, Eddy County, New Mexico, but in no case will the test be commenced later than October 30, 1973. This test will be diligently drilled in a good and workmanlike manner and drilling will continue until, irrespective of encountering production of oil and/or gas, said well has been drilled to a depth sufficient to penetrate the upper Mississippian (Barnett Shale) formation or to a depth of 9,500 feet, whichever is lesser. Said test well is to be drilled at Farmee's sole risk and expense.
2. Time is of the essence of this agreement and Farmee's failure, for any cause, to comply with all of its obligations herein created shall relieve Farmor of any and all obligations herein imposed upon it. Untimely compliance shall have the same effect as noncompliance.
3. The agents and representatives of Farmor shall have free and convenient access to the location, well and derrick floor during the drilling of said well at all times for the purpose of witnessing the progress of the drilling of said well, and shall be given all information regarding cuttings, cores, drill-

Roberts, Koch & Cartwright
Page 2
March 27, 1973

ing depths and any other information they desire.

4. During the course of the drilling of said well, there shall be furnished free of cost to the Farmor:

- a. Daily comprehensive drilling reports of the progress of said well, said report to be given by telephone by 11:00 a.m. (MST).
- b. Two approved copies of all notices to and from governmental agencies both before and after the drilling of the well, including a survey plat showing the exact location of said well, together with the ground elevation.
- c. All information in connection with or obtained from the drilling of said well, including but not limited to any surveys of the hole however made.
- d. Upon completion of the drilling of the well, electrical well log surveys, and other surveys, shall be made at Farmee's expense and two (2) field prints delivered to Farmor as follows:
 - (1) Induction-Electric Survey or Dual Induction Laterolog from total depth to base of the surface casing.
 - (2) Compensated Formation Density Log or other adequate porosity devices.
- e. Upon completion of the well, as herein provided, four (4) certified copies of the geologist's report, four copies of each electrical log survey, all other surveys and tests, and also four certified copies of the official plugging record, if said well should be dry, shall be furnished our office. If said well is completed as a producing well, Farmor shall be furnished daily production reports for a period of thirty (30) days from completion date.

All notices, data, reports, sample, copies and information to be furnished hereunder shall, unless otherwise specifically herein provided, be given, mailed or delivered to:

Roberts, Koch & Cartwright
Page 3
March 27, 1973

Bob Cowdery	Phone: 303-893-9921
Petroleum, Inc.	After hours and week
500 Colorado State Bank Bldg.	ends,
Denver, Colorado 80202	Phone: 303-233-5413

or his designated representative at the same address.

5. It is the express purpose of drilling the said test well to test adequately and properly all prospective oil or gas bearing zones or horizons, and Farmee agrees to test adequately all such zones or horizons, including the drillstem testing of any zone or horizon indicated from information obtained in connection with the drilling of the well to be possible producing zones or horizons. Advance notification shall be given of Farmee's intention to core or drillstem test any zone. In the event Farmee should unexpectedly encounter showings of oil or gas, Farmee agrees to notify Farmor at once so that Farmor may have an opportunity to have such showings investigated. Farmor's representative or waive such right.

6. When and only if the Farmee has timely and fully complied with all of its obligations hereunder, including the drilling of a test well in the manner specified, Farmor shall assign to Farmee an undivided two-thirds (2/3) interest, upon request, without warranty of title, express or implied, in the following lands:

Township 20 South, Range 21 East
Lots 10, 11 SW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$, and W $\frac{1}{2}$ SE Section 1
S $\frac{1}{2}$ Section 3
SW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$, Section 4
N $\frac{1}{2}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ Section 10,

it being understood that this two-thirds (2/3), as well as the undivided one-third (1/3), retained by the Farmor in the above described land shall be included in the Deer Canyon Unit and will participate in the unit on all tests drilled, other than the initial test well or any substitute for the test well to the extent of the percentage relationship that the acres involved in those interests bear to the acreage involved in the unit as a whole.

Roberts, Koch & Cartwright

Page 4

March 27, 1973

It is further understood that the Farmor shall receive its proportionate share of a five percent of eight-eighths (5% of 8/8) overriding royalty of any hydrocarbons produced from the initial test well. This share will be in the same percentage relationship that the 1,481.37 acres involved in the farmout bears to the 9,860.45 acres participating in the unit. After the Farmee has recovered 100% of the cost of drilling, completing and operating the initial test well, then this overriding royalty interest will be convertible by the Farmor to a working interest on the basis of one-third of the percentage relationship between the 1,481.37 acres involved in this farmout and the 9,860.45 acres participating in the unit. Effective date of the assignment of the working interest shall be 7:00 a.m. on the first day of the month following the month in which Farmee has recovered the above-described costs.

7. It is further agreed that all test wells drilled on the acreage subject to the unit shall be drilled and operated under the terms of a mutually agreeable operating agreement.

8. From and after the execution of this agreement, and until such time as Farmee has lost all rights under this agreement, or alternatively obtained the right to assignment, Farmee agrees, binds and obligates itself to protect, indemnify and save Farmor wholly harmless from any and all loss, cost, claim, demand, expense, damages, liabilities, suits, actions, judgments and decrees in anywise growing out of, attributable to or resulting from your performance of this agreement.

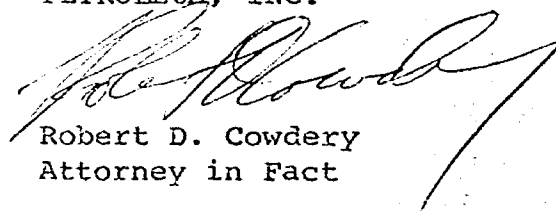
9. It is further agreed that Farmee shall be responsible for all costs and expenses that may arise directly or incidentally out of Farmee's compliance with this agreement, that this agreement does not set up a partnership or joint venture between the parties hereto and that the same is personal in the sense that neither this agreement nor any of Farmee's rights hereunder may, prior to Farmee's fulfillment of its obligations hereunder, be assigned by Farmee to any third party without the prior consent of Farmor to such assignment, and any attempted assignment will be null and void. Any assignment made by Farmee subsequent to its completion of its obligations hereunder shall recite that same is made pursuant and subject to the terms and provisions of the letter agreement.

Roberts, Koch & Cartwright
Page 5
March 27, 1973

It is understood that this letter covers our entire agreement with respect to the matters herein contained, which agreement will be null and void if not accepted by you and such acceptance evidenced by returning one accepted copy of this letter to Petroleum, Inc., 500 Colorado State Bank Building, Denver, Colorado 80202, within ten (10) days from the date hereof.

Yours very truly,

PETROLEUM, INC.


Robert D. Cowdery
Attorney in Fact

RDC:mcm:wc

AGREED TO AND ACCEPTED THIS 6th
DAY OF August 1973.

ROBERTS, KOCH & CARTWRIGHT

BY: Charles E. Kohl



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87301

I. R. TRUJILLO
CHAIRMAN
LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER
STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

September 25, 1973

Mr. Jason Kellahin
Kellahin & Fox
Attorneys at Law
Post Office Box 1769
Santa Fe, New Mexico

Re: CASE NO. 5065
ORDER NO. R-4634

Applicant:
Roberts, Koch & Cartwright

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

A. L. Porter, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/ir

Copy of order also sent to:

Hobbs OCC X
Artesia OCC X
Aztec OCC

Other Unit Division - State Land Office

Corr 5065

Recd 7-19-73

Rec. 9-19-73

Wm. Roberts Locks sent
rights approval of the Deer
Canyon Unit agreement.

Push

Tom O'K

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

Case 5065

IN THE MATTER OF THE APPLICATION
OF ROBERTS, KOCH & CARTWRIGHT FOR
APPROVAL OF A UNIT AGREEMENT, EDDY
COUNTY NEW MEXICO

A P P L I C A T I O N

COMES NOW Roberts, Koch & Cartwright, and apply to the Oil Conservation Commission of New Mexico for approval of a unit agreement, as an exploratory unit, Eddy County New Mexico, and in support thereof would show the Commission:

Applicant proposes to form its Deer Canyon Unit, consisting of 10,620.45 acres of which 9,091.75 acres or 85.6 per cent are federal lands, and 1,529.20 acres or 14.4 per cent are State of New Mexico Lands. No fee lands are included in the unit. Unitized lands lie in Townships 20 South, Range 21 East, N.M.P.M., Sections 1,2,3,4,9,10,11,12,13,14,15,16,21,22,23, and 24.

Applicant has obtained approval as to form of the Unit Agreement from the Commissioner of Public Lands, and from the Department of the Interior, United States Geological Survey.

Applicant proposes to commence a well within the unit on or before October 31, 1973, and said well, drilled as an exploratory well, to be located in the NW/4 of Section 14, Township 20 South, Range 21 East, N.M.P.M.

DOCKET MAILED

9-7-73

WHEREFORE applicant prays that this application be set for hearing before the Commission or the Commission's duly appointed examiner, and that after notice and hearing as required by law the Commission enter its order approving the unit agreement.

Respectfully submitted,

ROBERTS, KOCH & CARTWRIGHT

By Jason W. Kellahin
KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF ROBERTS, KOCH & CARTWRIGHT FOR
APPROVAL OF A UNIT AGREEMENT, EDDY
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Respectfully submitted,

ROBERTS, KOCH & CARTWRIGHT

By KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF ROBERTS, KOCH & CARTWRIGHT FOR
APPROVAL OF A UNIT AGREEMENT, EDDY
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the unit agreement.

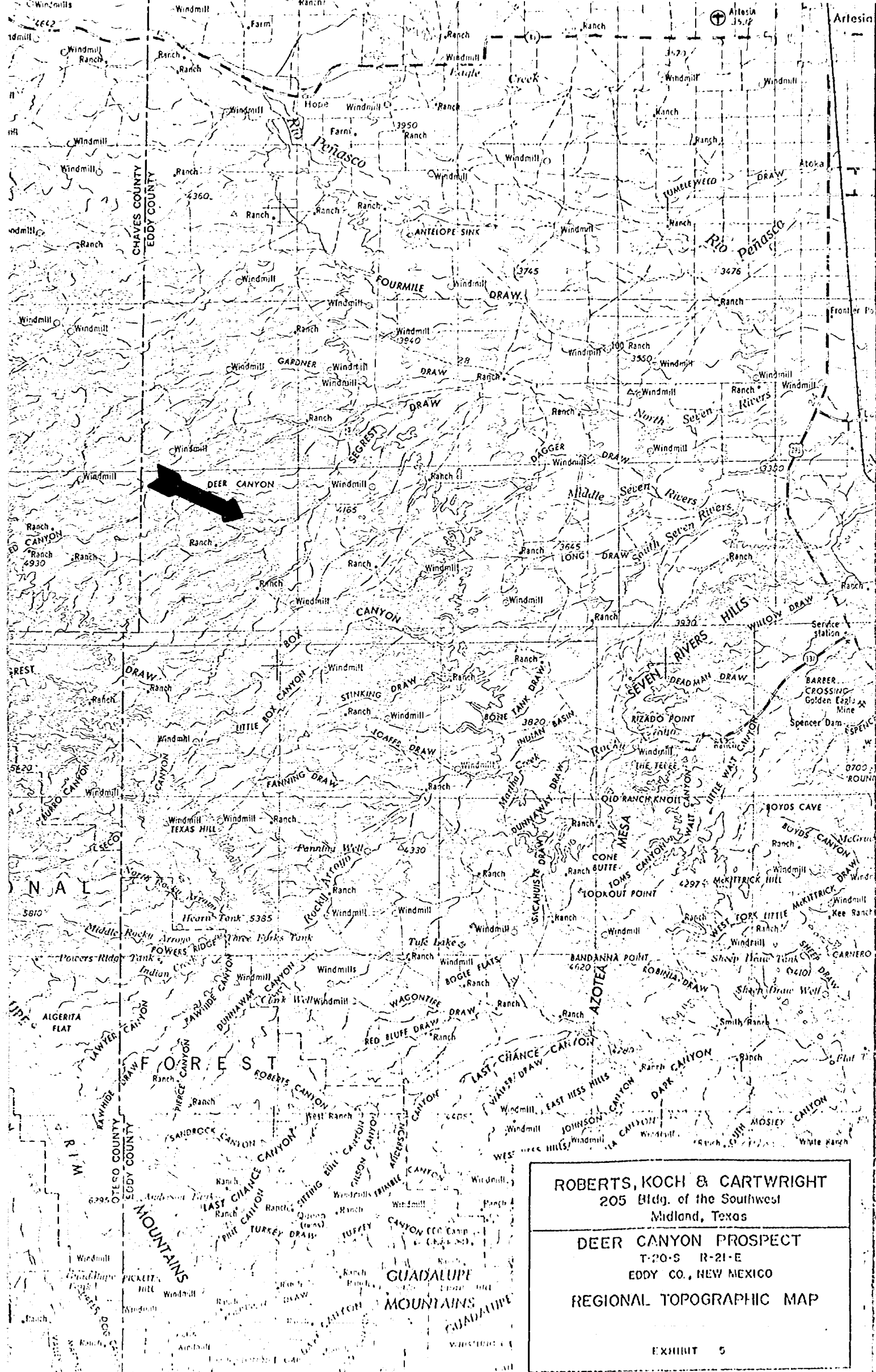
Respectfully submitted,

ROBERTS, KOCH & CARTWRIGHT

By James W. Killahin
KELLAHIN & FOX
P. O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

32	33	34	35	36	37
State	State	State	State	State	State
5	4	3	2	1	6
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
3	9	10	11	12	7
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
17	16	15	14	13	18
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
20	21	22	23	24	19
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
29	28	27	26	25	30
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
32	33	34	35	36	31
State	U.S.	U.S.	U.S.	State	U.S.
2	3	4	5	6	7
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
9	10	11	12	13	8
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
15	16	17	18	19	14
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
21	22	23	24	25	20
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
28	29	30	31	32	26
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
35	36	37	38	39	33
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
42	43	44	45	46	40
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
49	50	51	52	53	47
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
56	57	58	59	60	54
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
63	64	65	66	67	61
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
70	71	72	73	74	68
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
77	78	79	80	81	75
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
84	85	86	87	88	82
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
91	92	93	94	95	89
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
98	99	100	101	102	96
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
105	106	107	108	109	103
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
112	113	114	115	116	110
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
119	120	121	122	123	117
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
126	127	128	129	130	124
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
133	134	135	136	137	131
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
140	141	142	143	144	138
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
147	148	149	150	151	145
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
154	155	156	157	158	152
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
161	162	163	164	165	159
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
168	169	170	171	172	166
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
175	176	177	178	179	173
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
182	183	184	185	186	180
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
189	190	191	192	193	187
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
196	197	198	199	200	194
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
203	204	205	206	207	201
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
210	211	212	213	214	208
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
217	218	219	220	221	215
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
224	225	226	227	228	222
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
231	232	233	234	235	229
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
238	239	240	241	242	236
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
245	246	247	248	249	243
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
252	253	254	255	256	250
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
259	260	261	262	263	257
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
266	267	268	269	270	264
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
273	274	275	276	277	271
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
280	281	282	283	284	278
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
287	288	289	290	291	285
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
294	295	296	297	298	292
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
301	302	303	304	305	299
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
308	309	310	311	312	306
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
315	316	317	318	319	313
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
322	323	324	325	326	320
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
329	330	331	332	333	327
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
336	337	338	339	340	334
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
343	344	345	346	347	341
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
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U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
357	358	359	360	361	355
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
364	365	366	367	368	362
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
371	372	373	374	375	369
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
378	379	380	381	382	376
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
385	386	387	388	389	383
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
392	393	394	395	396	390
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
399	400	401	402	403	397
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
406	407	408	409	410	404
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
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U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
420	421	422	423	424	418
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
427	428	429	430	431	425
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
434	435	436	437	438	432
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
441	442	443	444	445	439
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
448	449	450	451	452	446
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
455	456	457	458	459	453
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
462	463	464	465	466	460
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
469	470	471	472	473	467
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
476	477	478	479	480	474
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
483	484	485	486	487	481
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
490	491	492	493	494	488
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
497	498	499	500	501	495
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
504	505	506	507	508	502
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
511	512	513	514	515	509
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
518	519	520	521	522	516
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
525	526	527	528	529	523
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
532	533	534	535	536	530
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
539	540	541	542	543	537
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
546	547	548	549	550	544
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
553	554	555	556	557	551
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
560	561	562	563	564	558
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
567	568	569	570	571	565
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
574	575	576	577	578	572
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
581	582	583	584	585	579
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
588	589	590	591	592	586
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
595	596	597	598	599	593
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
602	603	604	605	606	600
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
609	610	611	612	613	607
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
616	617	618	619	620	614
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
623	624	625	626	627	621
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
630	631	632	633	634	628
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
637	638	639	640	641	635
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
644	645	646	647	648	642
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
651	652	653	654	655	649
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
658	659	660	661	662	656
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
665	666	667	668	669	663
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
672	673	674	675	676	670
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
679	680	681	682	683	677
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
686	687	688	689	690	684
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
693	694	695	696	697	691
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
700	701	702	703	704	698
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
707	708	709	710	711	705
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
714	715	716	717	718	712
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
721	722	723	724	725	719
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
728	729	730	731	732	726
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
735	736	737	738	739	733
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
742	743	744	745	746	740
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
749	750	751	752	753	747
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
756	757	758	759	760	754
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
763	764	765	766	767	761
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
770	771	772	773	774	768
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
777	778	779	780	781	775
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
784	785	786	787	788	782
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
791	792	793	794	795	789
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
798	799	800	801	802	796
U.S.	U.S.	U.S.	U.S.	U.S.	U.S.
805	806	807	808	809	803
U.S.					



COMPANY
TEXAS OIL & GAS CORPORATION

WELL #
1

LOCATION
660' FSL & 660' FWL

SECTION
17

SPUDDED
2-14-66

TOTAL DEPTH
7186'

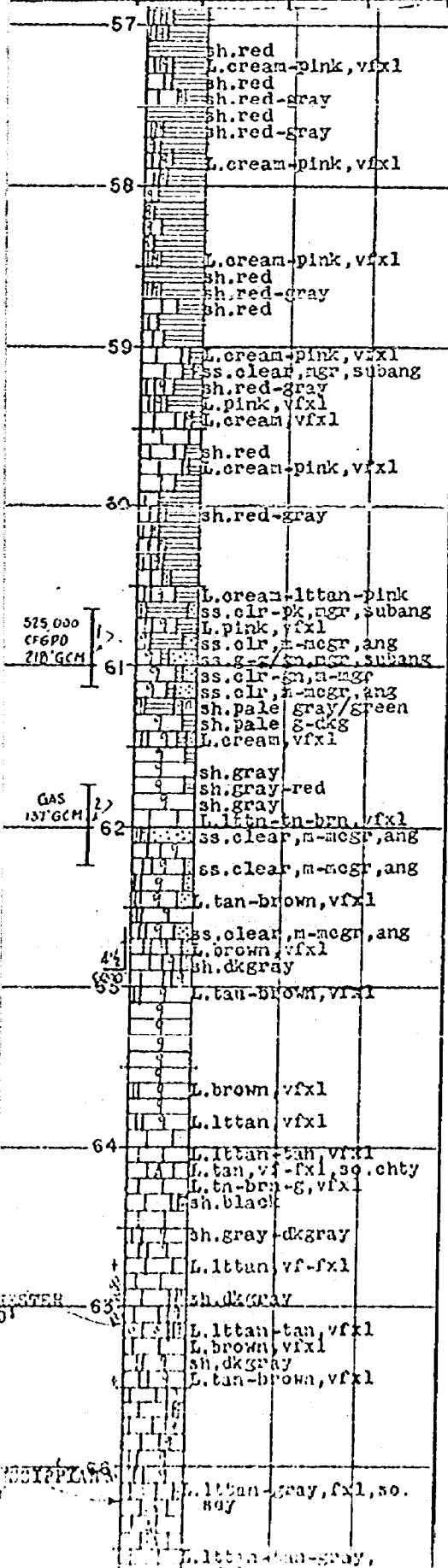
20E

POTENTIAL
TESTING

LOG RECORD
3/8" @ 143' / 175 sx, 8 5/8" @ 1790' /

2 sx, 4 1/2" @ 6290' / 75 sx.

RECORDED BY
L. BECKMANN



OFFICE TEXAS OIL & GAS COMPANY

USE FEDERAL "A"

WELL NO. 1

LOC. Sec 17, T-19-S, R-20-E, 660 FSL & FWL of Section

MAPS
F R. 2-12-66 ORJ. 7500' METHOD. R. SPUD. 2-13-66

CTR. CARLOS C. R. ELEV D. F. 4730'

LOGS
TD. 7186' 1m. PRD. 6290' ADD LOC. P & A

PAY ZONE TOP PAY PRODUCING INTERVAL IP BO W BSAW HRS TEST

Stn. 6071 6071-6213 F 536,000 C/GCD

(ST Gas Well)

CHOKE GOR GTY CP TP POT DATE TREATMENT

43/64 150 34 4-17-66 A/2000

RE/59,000

CSG-TBG-PKR RECORD REACHED T. D. 3-14-66

13 3/8 - 143 - 175 4 1/2 - 6290 - 75

8 5/8 - 1790 - 1052

COUNTY CHAVES, N.M. FIELD WILDCAT (DEVONIAN)

WELL: TEXAS OIL & GAS - FEDERAL "A" #1 ELEV 4730'

DATE	WELL RECORD	SPL (LOG) MARKERS
TD 7186' 1m		Glor (968)
DSI 6065-6115, Op 2', GTS 12" @ rate		Yeso (1042)
525,000 CFGPD, Rec 218' GCM, 60" ISTP		Fullerton (2338)
1868, EP 80-131, 2' ESTP 1868		Ato St (2950)
DSI 6175-6227, Op 2', GTS 100" tsm		Cisco (3206)
Rec 137 GCM, 60" ISTP 731, EP 43-43		Grayson (3545)
2' ESTP 1675		Sta (6050)
DSI 7065-7186, Op 1', Rec 651' MW +		Chaster (6423)
5135' Sol War, 60" ISTP 2604, EP 1609-		Miss (6585)
1696, 60" ESTP 2604		Wood (6935)
Perf 1 @ 6193, 6194, 6195, 6196, 6197,		Dev (6980)
6198, 6204, 6205, 6211, 6212, 6213		
A/1000: WF/20,000 + 38,000		
Flowed 1,000,000 CFGPD, CP 100, 2" Pkg		
Perf 1 @ 6071, 6073, 6075, 6077, 6083,		
6086, 6089, 6091, 6094, 6096, 6098,		
6100, 6102		
A/1000 (6071-6102)		
Flowed NW & AW & gas @ rate 500,000 CFGPD		
WF/39,000 + 30,000 (6071-6102)		
Flowed 900,000 CFGPD, TP 65#, CP 250#		
(6071-6102)		
Flowed 250 MCF + 10 BWPD		
	(7-22-66)	

apphient 2-G

5064-

Charles Koch

9-19-73

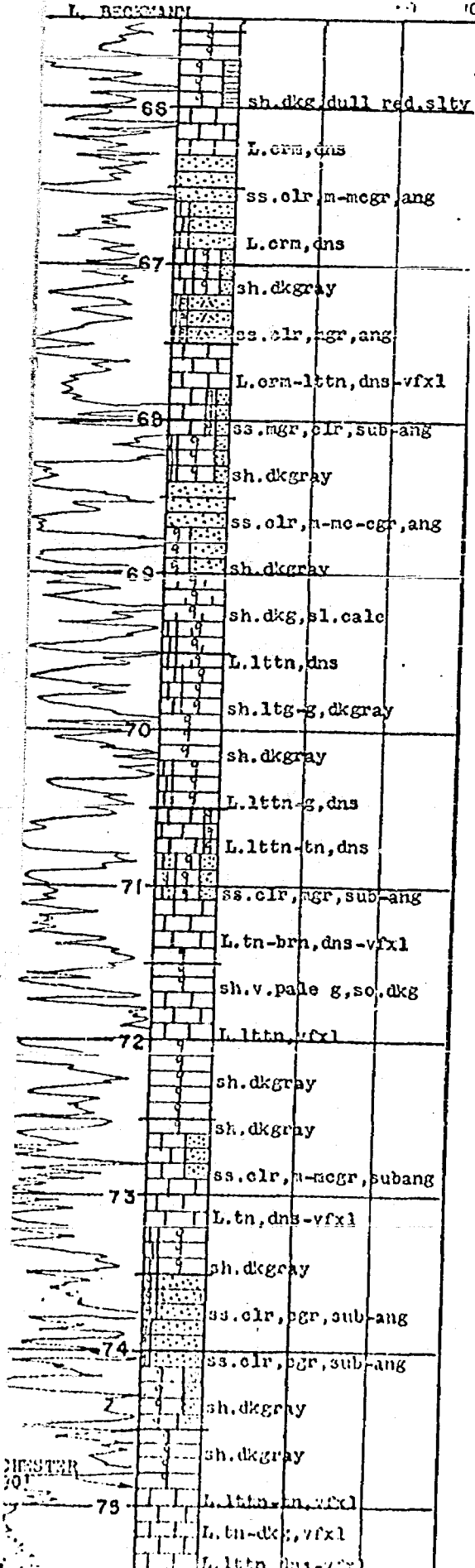
TEXAS OIL & GAS CORPORATION
FEDERAL "B"
2310' FNL & 990' FNL
Sec. 15-20S-20E
3-16-66
4-12-66
8166'

TEXAS OIL & GAS CORPORATION
FEDERAL "B"
WELL NO. 1
Sec 15, T-20-S, R-20-E, 2310' FNL & 990' FNL of Sec.
3-24-66
7500'
RT
3-16-66
Cactus Drilg. Co.
ELEV D. F.
4733 KB
8137' Lm
4-12-66
PLUGGED & ABANDONED

3 3/8" @ 102' / 175 sx... 8 5/8" @ 1801'
600 sx
SCRIBED BY

CHOKE GOR GT CP TP POT DATE TREATMENT

CSG-TBG-PKR RECORD
13-3/8" 102/175
8-5/8" 1801/600



WELL RECORD		SPL (LOG) MARKERS	
DATE	WELL RECORD	SPL (LOG) MARKERS	
TD 8137' Lm		Abo Sh	3090
TD 8057' CO cavings		Wlfc Red Sh	
No cores or tests			4090
P&A 4-12-66		Penn	5670
(4-14-66)		Miss	7190
		Wdfd	7595
		Dev	8040
		Clor	(1123)
		Yeso	(1194)
		Fullerton	(2425)
		Abo Sh	(3070)
		Wlfc Lm	(4000)
		Wlfc Sh	(4082)
		Penn	(5674)
		Chester Lm	
			(7482)
		Miss	(7644)
		Wdfd	(8005)
		Dev	(8040)

The Subsurface Library
P. O. Box 942
Midland, Texas

DATE		COMPANY	
MEXICO		TOM BROWN DRILLING CO., INC.	
JUNTY	FARM	WELL #	
EDDY	Kewanee-STATE	1	
LOC	LOCATION		
		660' FNL & 660' FNL	
SECTION			
2		Sec. 2-20S-23E	
T	R	SPOOLED	TOTAL DEPTH
		10-25-63	
		COMPLETED	
OS	23E	11-29-63	8780'
ELEVATION		POTENTIAL	
		12010' 2,150,000 GALLONS	
ASING RECORD			
1-5/8" O 21041/975 sx. 4 1/2" @ 8501' /			
100 sx.			
DESCRIBED BY			
J. L. BROWN			
		L. tan-brown, vfx	
		L. ltan-tan, dns-vfx	
		L. ltan-tan, dns-vfx	
		ss. lgr, ang, ase gins	
		ss. m-cgr, ang	
		L. ltan, dns-vfx	
		ss. mgr, ang	
		L. ltan-tan, vfx	
		ss. m-cgr, ang	
		L. tan-brown, vfx	
		L. tan-brown, vfx	
		ss. mgr, ang	
		L. brown, vfx	
		ss. mgr, ang	
		ss. mgr, ang	
		L. tan-brown, vfx	
		L. dk brown, vfx	
		L. dk brown, vfx	
		L. tan-brown, dns-vfx	
		ss. m-cgr, ang	
		ss. lgr, ang-sub. ang	
		L. tan-brown, vfx	
		ss. lgr, ang-sub. ang	
		L. ltan-tan, vfx	
		L. tan-brown, vfx	

Wildcat

Brown, Tom Drlg. Co., Inc.
 #1 Kewanee-State
 660' fr N & W Lines of
 Sec. 2-20S-23E
 PD 9200'
 Oper's Elev. 4038'

Spudded 10-25-63, COMPLETED 11-29-63, TD 8780',
 Prod. Int. 8501-8780' (Open Hole-Morrow), IP CAOF
 2150 MCFGPD. Well blew out @ 8590', estimated
 5280 MCFGPD, completed natural. MULTI-TEST:

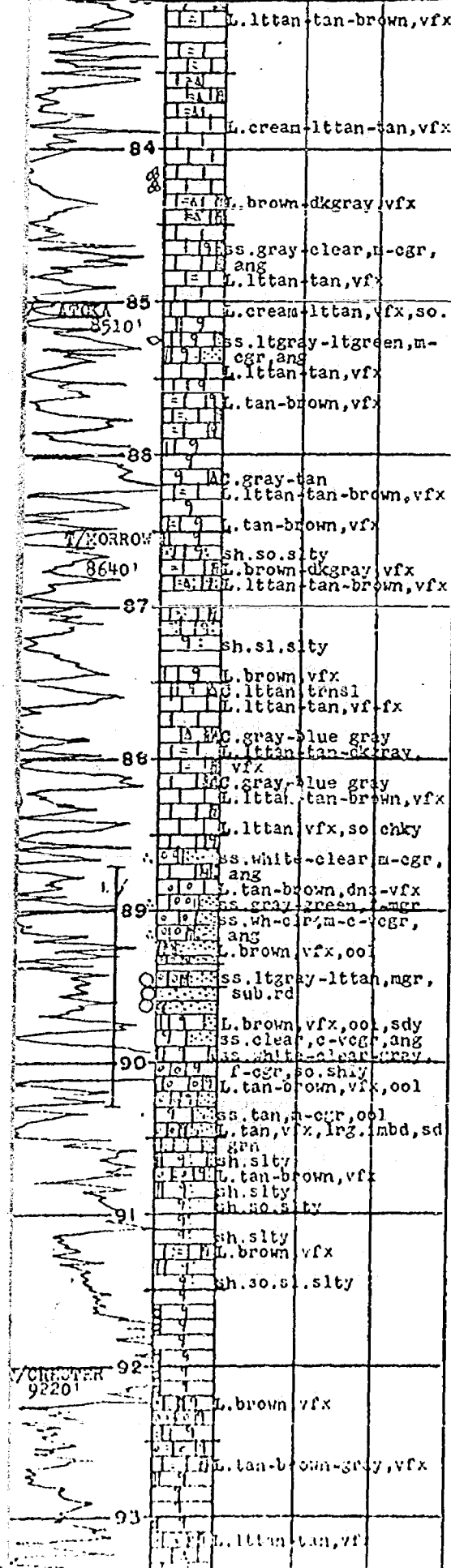
Gas Volume	Choke	Time	TP
Flwd 261 MCFGPD	7/32"	3 hrs	2522#
482	7/32"	3 hrs	2422#
769	3/8"	3 hrs	2260#
906	3/8"	3 hrs	2116#

LOG TOPS: San Andres 295', Glorieta 1706', Abo
 3713', Wolfcamp 5160', Cisco 6093', Strawn 7703',
 Morrow 8572', Chester 8710'. Casing: 8 5/8" @
 2059' W/875 sx., 4 1/2" @ 8501' with 500 sx.

DATE	COMPANY	
1964	PAN AMERICAN PETROLEUM CORP.	
UNIT	FAHM	WELL #
EDDY	LONG DRAW UNIT	1
DECK	LOCATION	
	1880' FSL & 860' FEL	
SECTION		
25	Sec. 25-20S-23E	
R	SPUDED	TOTAL DEPTH
	4-28-64	
	COMPLETED	
IS 23E	6-11-64	9400'
EVALUATION	POTENTIAL	
	DRY AND ABANDONED.	

SINO RECORD

1-3/8" @ 493' / 820 sx, 9-5/8" @ 2865' /



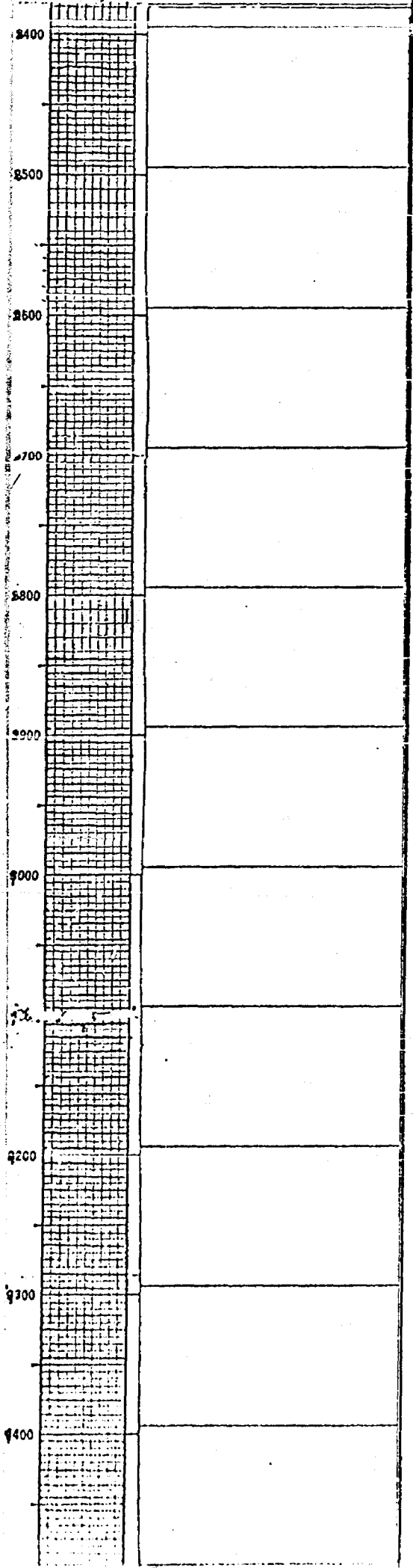
Wildcat

Pan American Petroleum Corp.
 #1 Long Draw Unit
 1880' FSL & 860' FEL
 Sec. 25, T-20S, R-23E
 PD 9300'
 Operator's Elevation 4061' DF

Dry

Spud 4-28-64, Plugged & Abandoned 6-11-64, TD 9396'.
 DST (Morrow) 8870-9030', open 2 hrs, tool plugged, rec
 280' drlg. mud, 2 hr ISIP 3310#, no FP, 2 hr FSIP 3310#.
 Ran Logs & Velocity Survey @ TD. LOG TOPS: San Andres
 265', Glorieta 1709', Yeso 1800', Abo 4060', Wolfcamp
 5403', Canyon 7294', Strawn 8042', Atoka 8522', Morrow (?)
 8638', Chester 9221', Mississippian Lime 9362'. Casing:
 13 3/8" @ 493' w/820 sx, 9 5/8" @ 2865' w/200 sx.

COUNTY, El Paso
 AREA El Paso
 OPERATOR Magnolia
 LEASE & NO. State FW
 LOCATION 11-22-47 P&A 7-27-48
TD 11312 Igneous
No tsts. in Atoka-Morrow Interval
 ELEV. 4164 T.D.
 ARGO OIL CORPORATION Ross-Martin



Magnolia #1 Burro Hills Unit
 Spud 11-22-47 P&A 7-27-48
 TD 11312 Igneous
 No tsts. in Atoka-Morrow Interval

OWWO Std. of Texas #1 State "E-6584"
 Spud 2-16-54 P&A 4-20-54
 CO to 10335 Logged
 6 DST's Devonian - Rec. Sulp. wtr.

DST 8828-8950 (Atoka-Morrow)

Op 3:00
 GTS: 20 TSTM
 Rec. 4730' GCSW
 FP 350-2175
 30" SIP 3100

DST 8670-8813 (Atoka)

Op 3:00
 GTS: 1:15 TSTM
 Rec. 300' GCM
 FP 250
 30" SIP 1000

[illegible]

PENNZOIL UNITED, INC.,
 FEDERAL "28"
 SEC 28, T-21-S, R-21-E (G)
 1980 FNL & FEL of Sec
 UNIQUE NO. 30-015-20245
 MAPS _____ CO.ORD _____
 F. R. 8-14-69 OBJ. 10,500' RT SPUD 8-14-69
 CTR. Ard Drlg. LAHEE CLASS _____ ELEV D. F. _____
 LOGS _____ SPLS _____ GL 4811' KB
 TD 9370' GW PBD _____ ABD LOC. _____ P & A 10-11-69
 PAY ZONE _____ PROD INTERVAL _____ IP _____ DO _____ W _____ HRS _____ CHK _____ TEST BASIS _____

PLUGGED & ABANDONED						
GOR	GTY	CP	TP	BHP	POT DATE	TREATMENT

CSG 9 5/8 - 1680 - 775

COUNTY	EDDY, NEW MEX., FIELD WILDCAT (ELLEN)		
WELL:	PENNZOIL #1, FEDERAL "28"		ELEV
DATE	WELL RECORD	REACHED T. D.	SPL (LOG) MARKERS
	TD 9370' GW		Glor (1705)
	DST 6305-25, couldn't get on bottom		Tubb (2600)
	DST 6306-25, Op 80", R/164' sli GCM,		Abo (3177)
	60"ISIP/1922, FP 184-785, 2'FSIP/2103,		Hueco Lm (4063)
	HP 3852-3539;		Cisco (4982)
	DST 7666-7806, Op 90", R/70' Mud, 60"		Canh (5430)
	ISIP/2004, FP 224-179, 2'FSIP/2270,		Strn (5982)
	HP 3779;		L/Strn Lm (6342)
	DST 7795-8005, Op 90", R/410 Mud, 60"		Atoka (6575)
	ISIP/2820, FP 190-285, 90"ISIP/2727,		Morrow Lm (6784)
	HP 3930-3907;		L/Morrow Lm (6938)
	DST 8241-8325, Op 35", Pkr failed,		U/Miss (7052)
	R/440' Mud, 60"ISIP/2998, FP 72';		L/Miss (7265)
	DST 8446-8526, Op 90", R/440 Mud,		Sil-Dev (7648)
	90"ISIP/3091, FP 138-230, 2'FSIP/3091,		Mont (8193)
	HP 3956		Ellen (8383)
			Bliss Sd (9177)
			Pre-Camb (9300)

COUNTY EDDY, NEW MEXICO FIELD WILDCAT (MORROW)
 OPR MAX M. WILSON
 USE BIG SKY WELL NO 1
 LOC Sec 29, T-20-S, R-21-E (J)
 1980 FSL & 1980 FSL of Sec

UNIQUE NO 30-015-20505
 MAPS CO-ORD
 F. R. 1-24-73 ORJ 8500' KT SPUD 3-14-73
 CTR GACERS LAHEE CLASS ELEV D. F.
 LOGS SPLS GL 4631'
 TO 7915' PPD ABD LOC P & A 4-21-73

PAY ZONE	PROD INTERVAL	IP	DO	W	HRS	CHK	TEST BASIS
PLUGGED & ABANDONED							
GOR	CTY	CP	TP	BHP	POT DATE	TREATMENT	
CSG	13 3/8 - 40 - 40						
	8 5/8 - 1538						

DATE	WELL RECORD	REACHED T. D.	SPL (LOG) MARKERS
	TD 7915'	P&A 4-21-73	Chg (1314)
	Dale Pak 7062-71 (Sard)		Tubb (2660)
	DST 6737-90 (Str) Tool Plug, No Rec		Abo (3250)
	DST 7050-83, Op 75", Rec 5 gals OF,		Wife Ln (4496)
	60"ISIP/70, FP 42-42, 120"FSIP/224		Gleno (6087)
	DST 7220-7384, Op 110", CTS 41" @ est		Gary (6365)
	10,000 CMC PD 1/4"ck, Rec 390' GCM		Str "C" (6615)
	60"ISIP/2261, FP 168-224, 180"FSIP/		Atoka (6910)
	2303, HP 3502-3502		Morrow (7365)
	SP DST 7220-7384, No Rec		Barnett (7628)
	SP DST 7220-7384, No Rec		Chester (7687)
	SP DST 7387-99, Op 2'30", Rec 20' GCM		Miss (7822)
	90"ISIP/1410, FP 117-151, 5'FSIP/2063		
	HP 3629-3612		
	SP DST 7190-7283, Op 3', Rec 20 gals SGCM,		
	90"ISIP/2303, FP 42-70, 180"FSIP/2294		
	HP 3613-3613		
	(5-2-73)		

Geologic Report

Proposed Deer Canyon Unit

Eddy County, New Mexico

PURPOSE:

The purpose of this report is to present the geologic reasons for forming a 10,620.45 acre Federal Unit in which an 8700' wildcat well will be drilled to test the Pennsylvanian Morrow formation in or near section 14, T-20-S, R-21-E, Eddy County, New Mexico.

ENCLOSURES:

- Exhibit 1 - Regional Atoka-Morrow Isopachous Map (Morrow Production Indicated) - Horizontal Scale 1" = 8000'.
- Exhibit 2 - Structure Map - Base Pennsylvania (w/superimposed Isopachous Map Atoka-Morrow) - Horizontal Scale 1" = 4000'.
- Exhibit 3 - Regional Cross Section AA' - (Hung stratigraphically-Top Abo)
- Exhibit 4 - Regional Cross Section BB" - (Hung Strata-graphically-Base Strawn)
- Exhibit 5 - Plat Regional Topographic Map.

DISCUSSION:

Regional subsurface relationships indicate that the Deer Canyon Prospect is located favorably to encounter well developed gas bearing Morrow sands. The prospect area located on the northwest flank of the Delaware Basin is on depositional trend with established production and is structurally high on a regional basis. This wildcat prospect encompassing 16 sections affords an excellent opportunity to establish a large reserve of gas.

GENERAL DISCUSSION:

The Deer Canyon Unit Prospect encompasses 16 sections in Township T-20-S, R-21-E in extreme western Eddy County, New Mexico. The unit is located approximately 18 miles south of the town of Hope and is approximately 25 miles southwest of the city of Artesia. The unit area which includes sections 1-4, 9-16, and 21-24 has a total of 10,620.45 acres within the unit boundry. The arid climate hill and arroyo topography of the area has been determined by the denditic drainage pattern superimposed on the eastward regional dip of outcropping upper Permian carbonates. See Exhibit 5. The prospect area encompasses an area of rolling hills and intervening arroyos which produce relief of 100 to 200 feet. The area is accessible by ranch roads leading from Hope to the north or from roads leading westward from the Artesia-Carlsbad Highway (US 283). The initial well in the unit will be drilled in the vicinity of the common corner of sections 10, 11, 14 & 15 at an estimated surface elevation of 4200'. The location area is accessible from ranch roads in the arroyos.

BEFORE EXAMINER
EXHIBIT NO. 2-N
CASE NO. 5065
Submitted by Charles Koch
Hearing Date 9-19-73

REGIONAL GEOLOGIC SETTING:

The Deer Canyon Unit is located on the northwest flank of the Delaware Basin. See Exhibit I. Regional isopachous of the Atoka-Morrow interval illustrates the general despositional configuration of the area during early Pennsylvanian time. The unit area occurs near the up-dip limits of deposition of Morrow age sediments and is located in an embayment. The embayment is formed where regional despositional strike changes from a northeast-southwest alignment to a general southeast-northwest alignment. It is postulated that the axis of the embayment situated between the positive feature to the south and broad positive shelf area to the north is an area where a concentration of clastics occurs. Clastics derived from the positive source areas should have been transported into the structurally low areas during time of deposition. Well developed clastic deposits should be preserved in that area.

Based on the assumption that the isopachous of the Atoka-Morrow interval is indicative of depositional strike the Deer Canyon Unit is on general strike with Morrow sands which have well developed reservoir character and are productive. The Atoka-Morrow interval represents a sequence of deposition that transgressed from the southeast toward the northwest. The near-shore high energy clastic facies of succeeding time intervals shifted onto the shelf area in stages. The isopachous values generally conform to strike of various time units. During particular stages (as indicated by particular isopachous values) thicker, more porous, more areally extensive reservoirs were developed than in other periods. Those trends with the better reservoir development have yielded better production. The Deer Canyon prospect is indicated to occur within the trend of a particular time unit in which good reservoir development occurs. See Exhibit I.

Due to regional eastward tilt of the northwest flank of the Delaware Basin, the Morrow interval will be encountered at a regionally high position in the Deer Canyon Unit Area.

Within the area of the Deer Canyon Unit, approximately 11,000 feet of sedimentary section occurs. Permian San Andres dolomites outcrop at the surface. the 8700' test in the unit will penetrate the Permian and the entire Pennsylvanian interval. The test will be drilled to 8700', or top of the Barnett shale (upper Miss.). See Exhibit 3. Regional Cross Section AA (exhibit 3), a stratigraphic section, depicts the stratigraphic column that will be penetrated below the top of the Abo. Although the Morrow unit is considered the primary target in the area, secondary possibilities for production are afforded by bedded carbonates and clastic zones in the Wolfcamp and upper Pennsylvanian interval. A prognosis of formation to be encountered in the subject well is as follows:

Surface Elevation	4200 ±	DEPTH	DATUM
San Andres		outcrop	
T. Glorieta sd.		1600 ±	(+2600)
T. Abo		3600 ±	(+ 600)
T. Wolfcamp		5000 ±	(- 800)
T. Upper Penn.		6600 ±	(-2400)
T. Strawn		7200 ±	(-3000)
T. Atoka		7800 ±	(-3600)
T. Morrow		8100 ±	(-3900)
Base Morrow - T. Barnett		8400 ±	(-4200)
TD		8700 ±	

DRLINEATION OF THE DEER CANYON UNIT:

The Deer Canyon Unit encompasses 16 sections in Township T-20-S, R-21-E, in which productive Morrow age sands are indicated to occur. The unit outline generally includes the area in which 550 to 700' of Atoka-Morrow interval occurs. Please refer to Exhibit 2. Based on regional control, the optimum development of Morrow sands occurs locally along the Northwest Flank of the Delaware Basin within the genetic unit defined by the 400 - 700' isopachous interval. Based on the sparse control directly related to the unit area, the optimum thickness of the Atoka-Morrow is 550 - 700' based on the relationships indicated in the Cass Ranch area (Sec. 2, T-20-S, R-23-E). The Tom Brown #1 Kewanee blew out from a Morrow sand unit encountered in the interval 8570' - 8625'. Please refer to Exhibit 4. That well was completed in November, 1963 and subsequently produced 0.23 BCF gas before abandonment in 1971. The productive well had 557' of Atoka-Morrow interval. Offset wells drilled in sections 34 and 35 Township 19-S, 23-E had 512' and 525' of gross interval, respectively. Morrow sands in those wells were tight and poorly developed. Based on the relationship in this area, a 550' value for Atoka-Morrow thickness is considered a realistic updip limit for productive sands in the Morrow in the prospect area. The loss of porosity and permeability due to loss of sand development provides the critical trapping relationship for the local area.

Intrepretation of structural control indicates that the Morrow interval will be structurally high to the Cass Ranch production (Sec. 2, T-20-S, R-23-E).

Production established from Morrow Sands in the Rocky Arroyo Area (Sec. 33, T-21-S, R-22, Sec. 8 & 17, T-21-S, R-22-E) and shows from sands encountered in section 16, T-21, R-22-S further indicated that the genetic unit anticipated in the Deer Canyon Unit has regional extent and continuity along the defined trend.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
September 19, 1973

EXAMINER HEARING

IN THE MATTER OF:

The Application of Roberts,
Koch & Cartwright for a unit
agreement, Eddy County, New
Mexico

Case No. 5065

BEFORE: ELVIS A. UTZ, Examiner

TRANSCRIPT OF HEARING

1 MR. UTZ: The next case looks like 5065.

2 MR. DERRYBERRY: Application of Roberts, Koch &
3 Cartwright for a unit agreement, Eddy County, New Mexico.

4 CHARLES KOCH,

5 a witness, having been first duly sworn according
6 to law, upon his oath testified as follows:

7 DIRECT EXAMINATION

8 BY MR. KELLAHIN:

9 Q Would you state your name, please?

10 A Charles Koch.

11 Q Are you a member of the firm Roberts, Koch & Cartwright?

12 A Yes, sir, I am.

13 Q Where are you located?

14 A Midland, Texas.

15 Q Have you testified before the Oil Conservation Commission
16 before?

17 A Yes, sir.

18 Q Made your qualifications a matter of record?

19 A Yes, sir.

20 Q Are you familiar with the Application in Case No. 5065?

21 A Yes, sir.

22 Q What is the applicant proposing in this case?

23 A Proposing to drill an exploration Federal unit comprised
24 of 10,620 acres in Township 20 South, Range 21 East, to
25 a depth of approximately 8700 feet, Upper Mississippian

1 Barnett shale formation.

2 Q Now, referring to the Exhibit No. 1 which is the form
3 of unit agreement, has that unit agreement been used by
4 the United Geological Survey Department of Interior?

5 A Subject to the approval of the NMOCC in the State of
6 New Mexico.

7 Q Has the State of New Mexico approved it?

8 A Not until I finish with you all.

9 Q Do you have preliminary approval?

10 A Yes, I do.

11 Q All that is waiting for the Oil Conservation Commission?

12 A That's correct.

13 Q Is there any fee land in the unit?

14 A None.

15 Q It's all Federal and State?

16 A Yes, sir.

17 Q Do you have a breakdown of what proportions are Federal
18 and what is State?

19 A It's Exhibit 1. We have approximately 14.4 percent as
20 State land; 85.6 percent is Federal.

21 Q Have all the working interest owners signed the unit
22 agreement?

23 A All except one, Kerr McGee. They have elected not to
24 participate in the unit.

25 Q Are they making any contribution to the unit?

1 A They're making a dry hole contribution.

2 Q Does the unit agreement require the drilling of an
3 exploratory well?

4 A Yes, sir. It did.

5 Q What are the terms of drilling that well?

6 A The well is to be located in the northwest quarter,
7 Section 14, Township 20 South, Range 21 East. The footage
8 location is 660 from the west, 1980 from the north line,
9 required depth 8700 feet, test the Upper Mississippian
10 formation Barnett shale at a lesser depth.

11 Q Are there other drilling commitments contained in the
12 unit?

13 A In the unit?

14 Q Yes, sir.

15 A No, sir.

16 Q Are you operating on an agreement?

17 A Continuous development on some of the working interest
18 parties, yes.

19 Q Is that contingent upon drilling a pour on the first well?

20 A Contingent upon drilling a pour on the first well.

21 Q Have you estimated this exploratory unit? Have you made
22 a study of the geological formations involved here?

23 A Yes, sir.

24 Q And is that report contained in the Exhibits 2-A through
25 2-H, inclusive?

- 1 A Yes, sir.
- 2 Q Could we just briefly identify those exhibits?
- 3 A Starting with A, it's a land plat description of the
- 4 area.
- 5 Q That shows the Connier Hip Well?
- 6 A Correct. B is a regional Atoka-Morrow Isopachous map.
- 7 C is a structural map, base Pennsylvanian.
- 8 D is a regional cross section across the prospect
- 9 and so is E.
- 10 Q Are those based on wells in the vicinity?
- 11 A In the proximity, prospect. The topographical map would
- 12 be F. We have logs, description, scout pictures of the
- 13 existing wells in the proximity and this last is a
- 14 geological report on the proposed prospect.
- 15 Q Now, what is the closest well to this prospect?
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- 17 Q Yes, sir.
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- 20 A There has been one offsetting the unit within a mile in
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- 4 probably not.
- 5 Q What interest do they hold?
- 6 A Mr. Maurice Grundy holds a 3 percent override under
- 7 approximately 1000 acres. Mr. Ben Brooks has 5 percent
- 8 override under 280 acres.
- 9 Q Well, is their non-participation in the unit causing any
- 10 problem to you?
- 11 A No, sir.
- 12 Q Now, the Exhibit No. 1 which is the unit agreement, has
- 13 that been fully executed?
- 14 A Yes, sir.
- 15 Q This particular copy?
- 16 A Yes, sir.
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- 18 approved by this Commission?
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- 23 under your supervision?
- 24 A They were prepared by my general partner geologist.
- 25 Q Have you examined them and do they accurately represent

1 the geological description?

2 A That's correct.

3 MR. KELLAHIN: At this time I'll offer Exhibit 1 and
4 Exhibits 2-A through 2-H.

5 MR. UTZ: Without objection, Exhibits 1, 2-A through
6 2-H will be accepted into the record in this case.

7 Other questions of the witness?

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9 MR. UTZ: The witness may be excused. Statements in
10 the case?

11 MR. KELLAHIN: If the Commission please, there is a
12 little urgency in getting this approved as soon as
13 possible and we would appreciate if it could be handled
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16 MR. KELLAHIN: Thank you.

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dearnley, meier & associates

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1218 FIRST NATIONAL BANK BLDG. EAST • ALBUQUERQUE, NEW MEXICO 87108

1 STATE OF NEW MEXICO)
2) SS
3 COUNTY OF BERNALILLO)

4 I, CLAUDIA FAHRENTHOLD, a court reporter in and for
5 the County of Bernalillo, State of New Mexico, do hereby
6 certify that the foregoing and attached Transcript of
7 Hearing before the New Mexico Oil Conservation Commission
8 was reported by me; and that the same is a true and correct
9 record of the said proceedings to the best of my knowledge,
10 skill and ability.

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12 COURT REPORTER
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22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the Bernalillo hearing of June 10, 1973,
25 heard by me on September 18, 1973.

New Mexico Oil Conservation Commission

dearnley, meier & associates

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BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO
September 19, 1973

EXAMINER HEARING

IN THE MATTER OF:)

Case No. 5065

The Application of Roberts,)
Koch & Cartwright for a unit)
agreement, Eddy County, New)
Mexico)

BEFORE: ELVIS A. UTZ, Examiner

TRANSCRIPT OF HEARING

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5 a witness, having been first duly sworn according
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2 COUNTY OF BERNALILLO) SS

3 I, CLAUDIA FAHRENTHOLD, a court reporter in and for
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7 was reported by me; and that the same is a true and correct
8 record of the said proceedings to the best of my knowledge,
9 skill and ability.

10 Claudia Fahrenthold
11 COURT REPORTER

22 I do hereby certify that the foregoing is
23 a complete record of the proceedings in
24 the New Mexico Oil Conservation Commission
25 held by me on August 14, 1965, at 10:30 A.M.
Examiner
New Mexico Oil Conservation Commission

Docket No. 26-73

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 19, 1973

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Richard L. Stamets, Alternate Examiner:

CASE 4745: (Reopened) (Continued from the August 22, 1973, Examiner Hearing)

In the matter of Case No. 4745 being reopened pursuant to the provisions of Order No. R-4365, which order established special rules and regulations for the Penasco Draw San Andres-Yeso Pool, Eddy County, New Mexico, including a provision for classification of oil wells and gas wells, the spacing thereof, and a limiting gas-oil ratio of 3000 to 1. All interested parties may appear and show cause why said pool rules should remain in effect.

CASE 5047: (Continued and Readvertised)

Application of Chace Oil Company for the amendment of Order No. R-4555, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of the special rules and regulations for the South Lindrith Gallup-Dakota Pool, Rio Arriba County, New Mexico, as promulgated by Order No. R-4555, to provide for the classification of oil wells and gas wells, the assignment of 320-acre units to gas wells, and to provide for approval of unorthodox locations for wells drilled as oil wells but classified as gas wells upon completion.

CASE 5063: Application of Shell Oil Company for an unorthodox oil well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of an unorthodox location for its Sanger Well No. 6Y to be located 1220 feet from the North line and 180 feet from the West line of Section 27, Township 18 South, Range 38 East, Hobbs Pool, Lea County, New Mexico.

CASE 5064: Application of Exxon Corporation for a dual completion, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion (conventional) of its South Carlsbad 2 Gas Com. Well No. 1 located in Unit J of Section 27, Township 23 South, Range 26 East, Eddy County, New Mexico, to produce gas from the South Carlsbad-Strawn and South Carlsbad-Morrow Gas Pools through the casing-tubing annulus and tubing, respectively.

CASE 5065: Application of Roberts, Koch & Cartwright for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Deer Canyon Unit Area comprising 10,620 acres, more or less, of Federal and State lands in Township 20 South, Range 21 East, Eddy County, New Mexico.

CASE 5057: (Continued and readvertised)

Application of Coquina Oil Corporation for an unorthodox location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill a proposed gas well at an unorthodox location 330 feet from the South and East lines of Section 12, Township 18 South, Range 25 East, West Atoka-Morrow Gas Pool, Eddy County, New Mexico, the S/2 of Section 12 to be dedicated to the well. In the alternative, applicant seeks approval of an unorthodox location 660 feet from the South and East lines of said Section 12.

CASE 5066: Application of Burleson & Huff for a non-standard gas proration unit and compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of a 160-acre non-standard gas proration unit comprising the NE/4 of Section 29, Township 25 South, Range 37 East, Jalmat Gas Pool, Lea County, New Mexico, to be dedicated to its Coll Well No. 1-A located in Unit G of said Section 29.

Applicant further seeks an order of the Commission pooling all mineral interests in the Jalmat Gas Pool underlying the aforesaid quarter section. Also to be considered will be the cost of recompleting said well and the allocation of such costs, as well as actual operating costs and charges for supervision. Also to be considered is the designation of applicant as operator of the well and a charge for risk involved in recompleting said well.

CASE 5067: Application of American Quasar Petroleum Co. of New Mexico for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Dune Unit Area comprising 2,576 acres, more or less, of Federal and Fee lands in Township 23 South, Range 31 East, and Township 24 South, Ranges 30 and 31 East, Lea County, New Mexico.

CASE 5068: Southeastern nomenclature case calling for the creation and extension of the vertical and horizontal limits of certain pools in Lea County, New Mexico:

(a) Create a new pool in Lea County, New Mexico, classified as an oil pool for Strawn production and designated as the Townsend-Strawn Pool, with special vertical limits defined as being the Strawn formation from 11,325 feet to 11,535 feet as on the log of the discovery well, the Ralph E. & J. C. Williamson Harrod State No. 1 in Unit U of Section 4, Township 16 South, Range 35 East, NMPM. Said pool would comprise:

TOWNSHIP 16 SOUTH, RANGE 35 EAST, NMPM
Section 4: SW/4

(b) Extend the vertical limits of the Tubb Gas Pool in Lea County, New Mexico, as established by Rule 25 of the Special Rules for said pool as promulgated by Order No. R-1670, downward to include the entire interval from 100 feet above the Tubb marker to the top of the

Examiner Hearing - Wednesday - September 19, 1973

Docket No. 26-73
-3-

(Case 5068 continued from Page 2)

Drinkard formation, in order to eliminate the zone of no-nomenclature which exists between the Tubb and Drinkard Pools.

(c) Extend the Bell Lake-Pennsylvanian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM
Section 6: NW/4

(d) Extend the Querecho Plains-Queen Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 23: SW/4
Section 26: W/2

(e) Extend the Wantz-Granite Wash Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 22 SOUTH, RANGE 37 EAST, NMPM
Section 24: NE/4

DRAFT

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

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

CASE No. 5065

Order No. R- 4634

APPLICATION OF Roberts, Koch & Cartwright
FOR APPROVAL OF THE Deer Canyon
UNIT AGREEMENT, Eddy, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
Sept. 19, 1963, at Santa Fe, New Mexico, before Examiner
ELVIS A. UTE.

NOW, on this _____ day of _____, 196__, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

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

(2) That the applicant, Roberts, Koch & Cartwright
seeks approval of the Deer Canyon Unit Agreement
covering 10,620.45 acres, more or less, of State Federal lands
and Fee
described as follows:

Eddy COUNTY, NEW MEXICO
TOWNSHIP 20 S, RANGE 21 E, NMPM, all of

~~Sections~~ 1, 2, 3, 4, 9, 10, 11, 12,
13, 14, 15, 16, 21, 22, 23, & 24.

Section 1 Through 4, 9 Through 16, and All
21 Through 24

Sections 1 Through 4, 9, 10, 11, 12,
Section 13 Through 16, All
Sections 21 Through 24, All

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

IT IS THEREFORE ORDERED:

(1) That the Deer Canyon Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

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

**CASE 5066: Appli. of BURLESON &
HUFF FOR A NON-STANDARD GAS PRO-
DUCTION UNIT & COMPULSORY POOLING.**