

CASE 5557: Appl. of C & K PETRO-
LEUM INC. for a UNIT AGREEMENT,
Eddy County, New Mexico

CASE NO.

5557

APPLICATION,
TRANSCRIPTS,
SMALL EXHIBITS,
ETC.

Unit Name POWER DEEP UNIT (EXPLORATORY)
Operator C & K Petroleum, Inc.
County RDY

ace

DATE	03C-CASE-NO.	5557	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
12-22-75	APPROVED	03C ORDER NO. R-5104	12-23-75	5,686.22	1,440.00	4,246.22	-0-	Yes	5-ys.
Commissioner									

UNIT AREA

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 36: 411

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Section 31 and 32: 411

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Sections 1 and 12: 411

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Sections 5 and 6: 411
Sections 7 and 8: 411

Unit Name POWER DEEP UNIT (EXPLORATORY)
Operator C & K Petroleum, Inc.
County EDDY

STATE TRACT NO.	LEASE NO.	INST-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
16	B-1565-2	C.S.	36 -	17S	30E	S/2NE/4	<u>NOT COMMITTED</u>		<u>80.00</u>	Getty Oil Company
17	B-2130-16	C.S.	36 -	17S	30E	NW/4NW/4	12-9-75	40.00		Cities Service Oil Co.
18	B-3627-3	C.S.	36 -	17S	30E	N/2SW/4	12-12-75	80.00		Hondo Oil & Gas Co.
19	B-3627-23	C.S.	36 -	17S	30E	SW/4SW/4	<u>NOT COMMITTED</u>		<u>40.00</u>	El Paso Natural Gas Co.
20	B-3627-32	C.S.	32 -	17S	31E	SE/4NE/4	12-9-75	40.00		Cities Service Oil Co.
21	E-6015	C.S.	32 -	17S	31E	NW/4, N/2NE/4, SW/4NE/4	12-17-75	280.00		Mobil Oil Corporation
22	K-5609	C.S.	36 -	17S	30E	N/2NE/4, E/2NW/4, SW/4NW/4, N/2SE/4, SW/4SE/4, SE/4SW/4	12-9-75	360.00		Cities Service Oil Co.
23	L-121	C.S.	32 -	17S	31E	S/2	12-9-75	320.00		Allied Chemical Corp.
24	L-182	Pen	6 -	18S	31E	SE/4	12-9-75	160.00		Allied Chemical Corp.
25	L-4051	C.S.	36 -	17S	30E	SE/4SE/4	11-21-75	40.00		Pennzoil United Inc.

Unit Name POWER DEEP UNIT (EXPLORATORY)
Operator C & K Petroleum, Inc.
County EDDY

DATE 12-22-75 OCC CASE NO. 5557 EFFECTIVE DATE 12-23-75 TOTAL ACREAGE 5,686.22 STATE 1,440.00 FEDERAL 4,246.22 INDIAN-FEE -0- SEGREGATION CLAUSE Yes TERM 5 yrs.
APPROVED 12-22-75 OCC ORDER NO. R-5104
Commissioner September 30, 1975

UNIT AREA

TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 36: All

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Section 31 and 32: All

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Sections 1 and 12: All

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Sections 5 and 6: All
Sections 7 and 8: All

9-27-76
TERMINATED
9-20-76

Unit Name POWER DEEP UNIT (EXPLORATORY)
Operator C & K Petroleum, Inc.
County EDDY

STATE TRACT NO.	LEASE NO.	INST-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
16	B-1565-2	C.S.	36-	17S	30E	S/2NE/4	<u>NOT COMMITTED</u>		<u>80.00</u>	Getty Oil Company
17	B-2130-16	C.S.	36-	17S	30E	NW/4NW/4	12-9-75	40.00		Cities Service Oil Co.
18	B-3627-3	C.S.	36-	17S	30E	N/2SW/4	12-12-75	80.00		Hondo Oil & Gas Co.
19	B-3627-23	C.S.	36-	17S	30E	SW/4SW/4	<u>NOT COMMITTED</u>		<u>40.00</u>	El Paso Natural Gas Co.
20	B-3627-32	C.S.	32-	17S	31E	SE/4NE/4	12-9-75	40.00		Cities Service Oil Co.
21	E-6015	C.S.	32-	17S	31E	NW/4, N/2NE/4, SW/4NE/4	12-17-75	280.00		Mobil Oil Corporation
22	K-5609	C.S.	36-	17S	30E	N/2NE/4, E/2NW/4, SW/4NW/4, N/2SE/4, SW/4SE/4, SE/4SW/4	12-9-75	360.00		Cities Service Oil Co.
23	L-121	C.S.	32-	17S	31E	S/2	12-9-75	320.00		Allied Chemical Corp.
24	L-182	Pen	6-	18S	31E	SE/4	12-9-75	160.00		Allied Chemical Corp.
25	L-4051	C.S.	36-	17S	30E	SE/4SE/4	11-21-75	40.00		Pennzoil United Inc.

8-27-76
TERMINATED
8-20-76



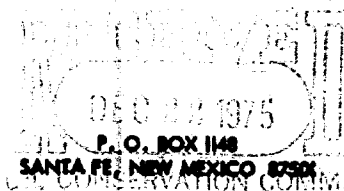
PHIL R. LUCERO
COMMISSIONER

State of New Mexico



Commissioner of Public Lands
December 22, 1975

TELEPHONE
303-627-2743



Mr. Randolph M. Richardson
P. O. Box 819
Roswell, New Mexico 88201

Re: C&K Petroleum, Inc.
POWER DEEP UNIT
Eddy County, New Mexico

Dear Mr. Richardson:

The Commissioner of Public Lands has this date given final approval to the Power Deep Unit, Eddy County, New Mexico, which you submitted on behalf of C&K Petroleum, Inc. This approval is subject to like approval by the United States Geological Survey.

Enclosed are Five (5) Certificates of approval. We are furnishing the USGS with a copy of our letter of approval.

Please advise this office when the USGS approves the agreement so that we may finish processing same.

Very truly yours,

PHIL R. LUCERO
COMMISSIONER OF PUBLIC LANDS

BY:
RAY D. GRAMM, Director
Oil and Gas Division

REL/RDG/s
encls.
cc:

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

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. 5557
Order No. R-5104

APPLICATION OF C & K PETROLEUM, INC.
FOR APPROVAL OF THE POWER DEEP 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 24, 1975, at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter.

NOW, on this 30th day of September, 1975, 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, C & K Petroleum, Inc., seeks
approval of the Power Deep Unit Agreement covering 5686.22 acres,
more or less, of State and Federal lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 36: All

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Sections 31 and 32: All

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Sections 1 and 12: All

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Sections 5 and 6: All
Sections 7 and 8: All

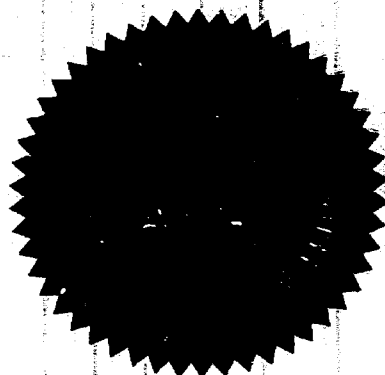
(3) That approval of the proposed unit agreement should
promote the prevention of waste and the protection of correla-
tive rights within the unit area.

-2-
Case No. 5557
Order No. R-5104

IT IS THEREFORE ORDERED:

- (1) That the Power Deep 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.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Phil R. Lucero
PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member

Joe D. Ramey
JOE D. RAMEY, Member & Secretary

S E A L

jr/

RANDOLPH M. RICHARDSON

OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

P. O. BOX 819

ROSWELL, NEW MEXICO 88201

February 20, 1976

FEB 24 1976

OIL CONSERVATION COMM.
Santa Fe

OFFICE 505 622-8801
HOME 505 622-7985

In Re: Power Deep Unit Agreement,
Case No. 5557
Order No. R-5104

Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen,

Please refer to the captioned Unit and Order. In reviewing my files I cannot determine whether or not I forwarded an approved and executed copy of the Unit Agreement as required by the order.

Consequently, I am enclosing for your files a copy of the Unit Agreement showing all signatures, approval by the U. S. G. S. and Commissioner of Public Lands. If you already have a copy, you may throw this one away.

As of my last report, the Initial Test Well will probably be plugged and abandoned, consequently the entire matter is probably already solved.

Thank you, and if you need anything more, please advise.

Yours very truly,

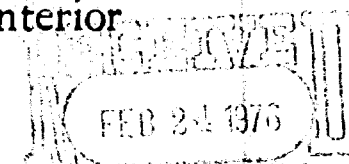
R. M. Richardson
R. M. Richardson



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201



OIL CONSERVATION COMM.
Santa Fe
December 23, 1975

Randolph M. Richardson
P.O. Box 819
Roswell, New Mexico 88201

Gentlemen:

One approved copy of the Power Deep unit agreement, Eddy County, New Mexico, with C & K Petroleum, Inc., as unit operator, is returned herewith. Such agreement has been assigned No. 14-08-0001-14273 and is effective as of December 23, 1975, the date of approval. For your record purposes, please note that the first paragraph of our designation letter of September 25, 1975, incorrectly referred to the subject unit as the Powder Deep unit agreement.

You are requested to furnish the New Mexico Oil Conservation Commission and all other interested principals with evidence of this approval.

Sincerely yours,

CARL C. TRAYWICK
Acting Area Oil and Gas Supervisor

CERTIFICATION--DETERMINATION

DEC 22 1975

U.S. GEOLOGICAL SURVEY
ALBUQUERQUE, NEW MEXICO

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

A. Approve the attached agreement for the development and operation of the Power Deep Unit Area, State of New Mexico, County of Eddy.

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

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

Dated DEC 23 1975.

Carol E. [Signature]
ACTING Oil and Gas Supervisor, United States Geological Survey

Contract Number 14-08-0001-14273

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
POWER DEEP UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 5th day of September, 1975, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

W I T N E S S E T H :

WHEREAS, the parties hereto are the owners of working, royalty, or other oil and gas interests in the unit area subject to this agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-29 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interest of the State of New Mexico; and,

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

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

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

herein set forth;

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

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

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

T-17-S, R-30-E, NMPM
Sec. 36: All

T-17-S, R-31-E, NMPM
Secs. 31 & 32: All

T-18-S, R-30-E, NMPM
Secs. 1 & 12: All

T-18-S, R-31-E, NMPM
Secs. 5, 6, 7 & 8: All

Containing 5,686.22 acres more or less

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

hereinafter referred to as "Land Commissioner," and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," or on demand of the Land Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably, the first day of a month subsequent to the date of notice.

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

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

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

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands

shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all non-participating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor of the Land Commissioner and promptly notify all parties in interest.

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

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil and gas in the hereinabove specified lands committed to this agreement, as to all depths and formations below the base of the San Andres Formation, which for the purpose of this agreement, is identified as being at a depth of 4,550 feet on Schlumberger Sonic Log of the Odessa Natural Gasoline Company #1 El Paso State well located 660' FNL and 660' FEL of Section 36, T-17-S, R-30-E, NMPM, Eddy County, New Mexico are unitized and designated as unitized substances under the terms of this agreement and said lands shall constitute lands referred to herein as unitized subject to this agreement.

4. UNIT OPERATOR. C & K PETROLEUM, INC.

is hereby designated as Unit Operator and by signature hereto as Unit Operator

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

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

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

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

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other interest in unitized substances; but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations to the new duly qualified successor Unit Operator or to the common agent, if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment, and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working-interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until

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

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs, and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working-interest owners and the

Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working-interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working-interest owners as may be agreed upon by Unit Operator and the working-interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Land Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Land Commissioner, if on State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Mississippian Formation has been penetrated and all beds of the Pennsylvanian Age tested _____, or until at a lesser depth unitized substances shall be discovered which can be produced in paying

quantities (to-wit: quantities sufficient to repay the costs of drilling, completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 12,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit

for the approval of the Supervisor and the Land Commissioner a plan for an additional specified period for the development and operation of the unitized land.

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

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

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

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

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

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Land Commissioner, the Unit Operator shall submit for approval by the Supervisor and the Land Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor and the Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the

effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor and the Land Commissioner. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor and the Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor and the Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

In the absence of agreement at any time between the Unit Operator and the Supervisor and the Land Commissioner as to the proper definition or redefinition

of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands and the Land Commissioner for the State lands and the amount thereof shall be deposited, as directed by the Supervisor and the Land Commissioner, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

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

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

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

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

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

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

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and the Unit Operator, or the working-interest owner in case

of the operation of a well by a working-interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working-interest owners responsible therefor under existing contracts, laws, and regulations, or by the Unit Operator, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working-interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall

operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

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

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

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

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

all leases, subleases, and contracts are particularly modified in accordance with the following:

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Land Commissioner, or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in

accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

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

(h) In the event the Initial Test Well is commenced prior to the expiration date of the shortest term State Lease within the Unit Area, any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

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

remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas; said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

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

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

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Supervisor and the Land Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances are produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered are produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the working-interest owners signatory hereto, with the approval of the Supervisor and the Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

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

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

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and the Commissioner of Public Lands and to appeal from orders issued under the regulations of said Department or Land Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior or the Land Commissioner or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

23. NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses

set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

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

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the unit operator subject to approval of the Supervisor and the Land Commissioner.

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

27. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of

funds due the United States or the State of New Mexico should be withheld, but such funds shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice delivered to the Supervisor and the Land Commissioner and the Unit Operator prior to the approval of this agreement by the Supervisor. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working-interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working-interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this unit unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Land Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the Supervisor and the Land Commissioner.

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

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

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

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

- (1) Accept those working-interests rights subject to this agreement and the unit operating agreement; or
- (2) Lease the portion of such land as is included in a participating area established hereunder subject to this agreement and the unit operating agreement.
- (3) Provide for the independent operation of any part of such land that are not then included within a participating area established hereunder.

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

stances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

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

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

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

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

33. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working-interest owners, nor any of them, shall be subject to any forfeiture, termination, or expiration of any right hereunder or under any leases or contracts subject hereto.

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

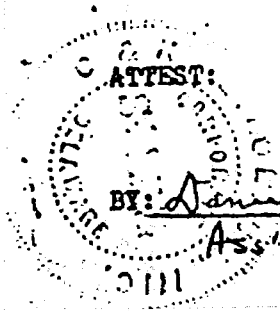
34. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing in this agreement shall modify or change either the special Federal Lease stipulations relating to surface management or such special Federal Lease stipulations relating to surface and environmental protection, attached to and made a part of, Oil and Gas Leases covering lands within the Unit Area.

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

The drilling or abandonment of any well on unitized land shall be done in accordance with applicable oil and gas operating regulations, including such requirements as to Federal lands as may be prescribed by the Supervisor and as to State lands by the Commissioner, as necessary to prevent the infiltration of oil, gas or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.

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

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



C & K PETROLEUM, INC.

BY: Dennis McCourtney Lebow
Asst. Secretary

BY: W. D. Kennedy

Address: 5-15

UNIT OPERATOR

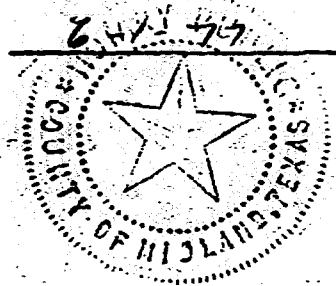
STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 17th day of November, 1975, by W. D. Kennedy who is Exec Vice President of C & K PETROLEUM, INC. a Delaware (State of Incorp.)

corporation, for and on behalf of said Corporation.

My Commission Expires:

Doreen Buel
Notary Public



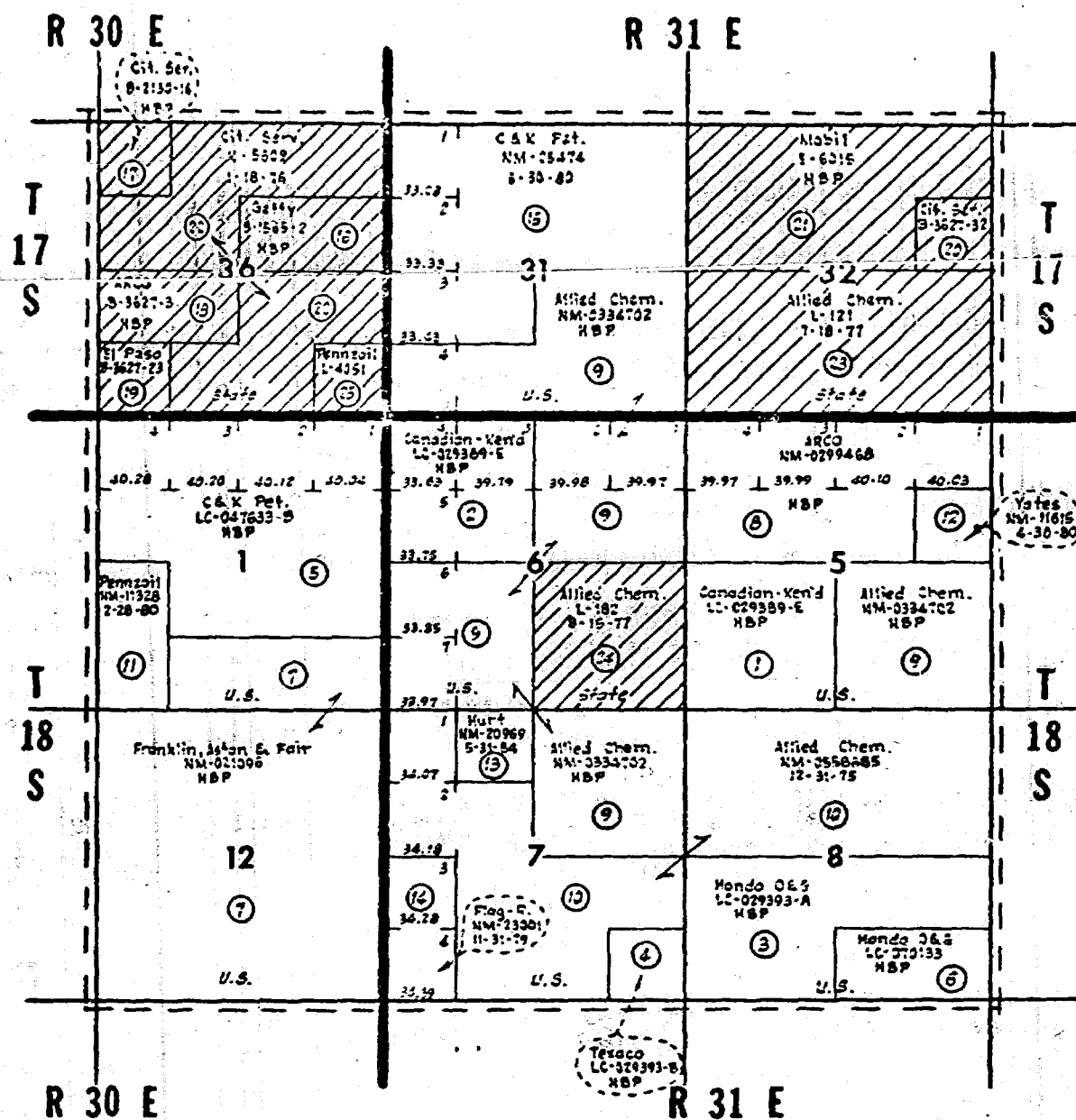


EXHIBIT "B"

SCHEDULE OF LANDS AND LEASES
POWER DEEP UNIT AREA
EDDY COUNTY, NEW MEXICO

TRACT DESCRIPTION	ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1. T-18-S, R-31-E, NMEPM Sec. 5; SW ¹ / ₄	160.00	LC-029389-E Renewal-HBP	U.S.A. Schedule "D"	Canadian Kenwood Co. T. R. Parker	93.25% Hondo Oil & Gas Co. 6.75% \$16,000.00 out of	Canadian Kenwood Co. 93.25% T. R. Parker 6.75%
2. T-18-S, R-31-E, NMEPM Sec. 6; Lots 3, 4 & 5, SE ¹ / ₄ NW ¹ / ₄	147.37	Same base lease and ownership as Tract #1, above, except no production payment burden * *Alps Oil Company owns operating rights above 4000 feet on lots 3, 4, and 5.				
3. T-18-S, R-31-E, NMEPM Sec. 8; SW ¹ / ₄ , NE ¹ / ₄ SE ¹ / ₄	240.00	LC-029393-A Renewal-HBP	U.S.A. Schedule "C"	Hondo Oil & Gas Co.	All None	Hondo Oil & Gas Co.
4. T-18-S, R-31-E, NMEPM Sec. 7; SE ¹ / ₄ SE ¹ / ₄	40.00	LC-029393-B Renewal-HBP	U.S.A. Schedule "D"	Texaco, Inc.	All Below 4,000 Feet Jimmie Collier Atlantic Richfield Co. Unknown Kincaid & Watson Drl. Co. \$500 per acre out of J. H. Moore \$500 per acre out of Frank Bateman \$250 per acre out of	Above 4,000 Feet Kincaid & Watson et al Below 4,000 Feet Texaco, Inc.
5. T-18-S, R-30-E, NMEPM Sec. 1; Lots 1, 2, 3 & 4, NE ¹ / ₄ SW ¹ / ₄ , NE ¹ / ₄ SE ¹ / ₄ , SE ¹ / ₄ NE ¹ / ₄	440.64	LC-047633-B Renewal-HBP	U.S.A. Schedule "D"	Sibyl V. Perry	All Below 4,500 Feet Sibyl V. Perry	Above 4,500 Feet Eastland Oil et al Below 4,500 Feet C & K Petroleum, Inc.

I-18-S, R-31-E, NMPM 80.00

LC-070133

U.S.A. Schedule "C"

Herman J. Ledbetter

All

Below 3,500 Feet
B. J. Ginsberg 7.50000%

Above 3,500 Feet
Herman J. Ledbetter

I-18-S, R-30-E, NMPM 760.00
Sec. 1; S/SEK, SEKSWK
Sec. 12; All

NM-021096
Renewal-HBP

U.S.A. Schedule "D"

Franklin, Aston & Fair, Inc. 75.00%
Yates Petroleum Corp. 10.00%
Featherstone Farms 2.00%
Maude L. Mackey, Trust 1.00%
William Dooley Estate 3.00%
Rogers Aston 4.50%
Rogers Aston, Executor 4.50%

Yates Brothers 1.25000%*

Franklin, Aston & Fair, Inc. 75.000000%

Rogers Aston and First National Bank in Dallas, Co-Trustees of the "C" Trust u/w/o Bert Aston, Deceased

*Payable out of Yates Petroleum Corp. Interest only.

**Operating rights below 3,500 feet owned by virtue of operating Agreement not filed with Bureau of Land Management.

Rogers Aston, Trustee of the Esther Aston Trust No. 1 00.750000%

Rogers Aston, Trustee of the Esther Aston Trust No. 2 00.750000%

Rogers Aston 01.875000%

Ladora Lucas 01.125000%

Tom P. Stephens 01.125000%

James T. Jennings and Roger L. Cople, Co-Trustees of the Todd Memorial Trust 01.125000%

Yates Petroleum Corporation 10.000000%

Robert B. Mackey and Old Kent Bank & Trust Co. of Grand Rapids, MI., Co-Trustees of the Estate of Maude L. Mackey, Deceased 01.000000%

Featherstone Farms 02.000000%

William Patrick Dooley 01.333300%

Helen Dooley Perkins 00.666700%

The Estate of Isabel Polhemus Ironside, Deceased 01.000000%

T-18-S, R-31-E, NMPM Sec. 5; Lots 1, 2, 3 & 4, SW/4NW/4, SW/4NE/4	NM-0299463 HBP	U.S.A. 12.5%	Atlantic Richfield Co.	All	Margaret P. Partridge Associated Royalty Co.	1.500000%	Above 4,000 Feet Eastland Oil Co. et al (as to Lots 3 & 4, SW/4NE/4, Sec. 5 only)
T-18-S, R-31-E, NMPM Sec. 5; SE/4 Sec. 6; Lots 1, 2, SW/4NE/4, Lots 6, 7, E/4SW/4 Sec. 7; NE/4	NM-0334702 HBP	U.S.A. 12.5%	Allied Chemical Corp.	All	Pearson-Sibert Oil Co. A. F. Gilmore Co. Robert D. Fitting Halbergen & Co. E. B. Hall	1.330000% 1.330000% 1.000000% 0.670000% 0.670000%	Allied Chemical Corp.
T-17-S, R-31-E, NMPM Sec. 31; SE/4, Lot 4, SE/4SW/4							
T-18-S, R-31-E, NMPM Sec. 7; Lots 1, 2, SE/4NW/4, E/4SW/4, W/4SE/4, NE/4SE/4, Sec. 8; NW/4	NM-0558685 12-31-75	U.S.A. 12.5%	Allied Chemical Corp.	All	Amex Petroleum Corp.	5.000000%	Allied Chemical Corp.
T-18-S, R-30-E, NMPM Sec. 1; W/4SE/4	NM-11328 02-28-80	U.S.A. 12.5%	Pennzoil Company	All	Harry Ptasynski	5.000000%	Pennzoil Company
T-18-S, R-31-E, NMPM Sec. 5; SE/4NE/4	NM-11615 04-30-80	U.S.A. 12.5%	Yates Petroleum Corp.	All	A. Lansdale	5.000000%	Yates Petroleum Corp.
T-18-S, R-31-E, NMPM Sec. 7; NE/4NW/4	NM-20969 05-31-84	U.S.A. 12.5%	Cecile Hurt	All	None		Cecile Hurt
T-18-S, R-31-E, NMPM Sec. 7; Lots 3, 4	NM-23001 11-31-79	U.S.A. Schedule "B"	Flag-Redfern Oil Co.	All	None		Flag-Redfern Oil Co.
T-17-S, R-31-E, NMPM Sec. 31; Lots 1, 2, 3 NE/4SW/4, E/4NW/4, NE/4	NM-25474 06-30-80	U.S.A. Schedule "B"	C & K Petroleum, Inc.	100.00%	None		C & K Petroleum, Inc. 100.00%
TOTAL: 4,246.22 Acres Federal Lands							

Below 4,000 Feet
Atlantic Richfield Co.

STATE OF NEW MEXICO LANDS

T-17-S, R-30-E, NMEP Sec. 36; S1/4NW1/4	80.00	B-1565-2 HBP	State 12.5%	Getty Oil Co.	All	None	Getty Oil Company
T-17-S, R-30-E, NMEP Sec. 36; NW1/4NW1/4	40.00	B-2130-16 HBP	State 12.5%	Cities Service Oil Co.	All	None	Cities Service Oil Co.
T-17-S, R-30-E, NMEP Sec. 36; NW1/4NW1/4	80.00	B-3627-3 HBP	State 12.5%	Hondo Oil & Gas Co.	All	None	Hondo Oil & Gas Co.
T-17-S, R-30-E, NMEP Sec. 36; SW1/4SW1/4	40.00	B-3627-23 HBP	State 12.5%	El Paso Natural Gas Co.	All	None	El Paso Natural Gas Co.
T-17-S, R-31-E, NMEP Sec. 32; SE1/4NE1/4	40.00	B-3627-32 HBP	State 12.5%	Cities Service Oil Co.	All	None	Cities Service Oil Co.
T-17-S, R-31-E, NMEP Sec. 32; NW1/4, NW1/4NE1/4, SW1/4NE1/4	280.00	E-6015 HBP	State 12.5%	Mobil Oil Corporation	All	None	Mobil Oil Corporation
T-17-S, R-30-E, NMEP Sec. 36; NW1/4NE1/4, E1/4NW1/4, SW1/4NW1/4, NW1/4SE1/4, SW1/4SE1/4	360.00	K-5609 01-18-76	State 12.5%	Cities Service Oil Co.	All	None	Cities Service Oil Co.
T-17-S, R-31-E, NMEP Sec. 32; S1/2	320.00	L-121 07-18-77	State	Allied Chemical Corp.	All	None	Allied Chemical Corp.
T-18-S, R-31-E, NMEP Sec. 6; SE1/4	160.00	L-182 08-15-77	State 12.5%	Allied Chemical Corp.	All	None	Allied Chemical Corp.
T-17-S, R-30-E, NMEP Sec. 36; SE1/4SE1/4	40.00	L-4051 01-20-80	State 12.5%	Pennzoil Company	All	None	Pennzoil Company
TOTAL: 1,440.00 acres State of New Mexico Lands							

Recapitulation

4,246.22 Acres Federal Lands, 74.68% of Unit Area
1,440.00 Acres State Lands, 25.32% of Unit Area
Total: 5,686.22 Acres All Lands, 100.00% of Unit Area

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Thayne D. Miller
Eileen Clark

CANADIAN KENWOOD COMPANY
By [Signature] General Partner

INDIVIDUAL 1-2

STATE OF MINNESOTA
COUNTY OF HENNEPIN SS

The foregoing instrument was acknowledged before me this 1st day of December, 1975, by David M. Winton, General Partner.

MY COMMISSION EXPIRES:

[Signature]
Notary Public
EVELYN S. MEYER
Notary Public, Hennepin County, Minn.
My Commission Expires July 24, 1976.

CORPORATE

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975 by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

T. R. Parker
Arvince L. Parker

INDIVIDUAL

1-2

STATE OF Oregon
COUNTY OF Josephine

The foregoing instrument was acknowledged before me this 28th day of November, 1975, by T. R. Parker & Arvince L. Parker.

MY COMMISSION EXPIRES:

April 17, 1976

James J. Stasi
Notary Public

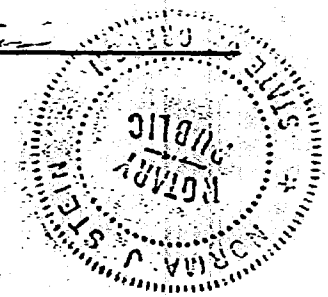
CORPORATE

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975 by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

Notary Public



CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ATTEST:

Yvonne Brooks
Asst. Secretary

HONDO OIL & GAS COMPANY

BY: Stanley L. Smith
Vice-President

INDIVIDUAL

3-6

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____.

MY COMMISSION EXPIRES: _____

Notary Public

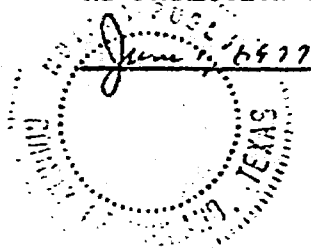
CORPORATE

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 12th day of December, 1975 by Stanley L. Smith who is Vice President of Hondo Oil & Gas Company a New Mexico Corporation, for and on behalf of said Corporation.

MY COMMISSION EXPIRES: _____

Jim Jones
Notary Public



CONSENT AND RATIFICATION:
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Richard L. Perry

Richard L. Perry

INDIVIDUAL

5

STATE OF Nebraska
COUNTY OF Harlan

The foregoing instrument was acknowledged before me this 1st day of

October, 1975, by Richard L. Perry & Richard L. Perry

MY COMMISSION EXPIRES:

Richard L. Perry
Notary Public

CORPORATE

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975 by _____ who is _____

of _____ a _____ Corporation,

for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

FRANKLIN, ASTON & FAIR, LTD.

By: Tom P. Stephens
General Partner

INDIVIDUAL

7

STATE OF NEW MEXICO

COUNTY OF CHAVES

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

December, 1975, by Tom P. Stephens, General Partner

MY COMMISSION EXPIRES:

November 1979

Nancy Rogers
Notary Public

CORPORATE

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975 by _____ who is _____

of _____ a _____ Corporation,

for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ATTEST:

By: 

Assistant Secretary

YATES PETROLEUM CORPORATION


Vice President

INDIVIDUAL

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____

MY COMMISSION EXPIRES: _____

Notary Public

CORPORATE

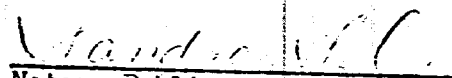
STATE OF New Mexico

COUNTY OF Eddy

The foregoing instrument was acknowledged before me this 4th day of December, 1975 by John A. Yates who is Vice President of Yates Petroleum Corporation a New Mexico Corporation, for and on behalf of said Corporation.

MY COMMISSION EXPIRES: _____

3/28/76


Notary Public

CONSENT AND RATIFICATION:
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ATTEST:

By: [Signature]

Assistant Secretary

YATES PETROLEUM CORPORATION

[Signature]
Vice President

INDIVIDUAL

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____

MY COMMISSION EXPIRES: _____

Notary Public

CORPORATE

STATE OF New Mexico
COUNTY OF Eddy

The foregoing instrument was acknowledged before me this 4th day of December, 1975 by John A. Yates who is Vice President of Yates Petroleum Corporation a New Mexico Corporation, for and on behalf of said Corporation.

MY COMMISSION EXPIRES: _____

[Signature]
Notary Public

3/28/76

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

BANK OF AMERICA, Trustee U/W of
Isabel Polhenas Ironside

By: [Signature]
Trust Officer

INDIVIDUAL

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975, by _____.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

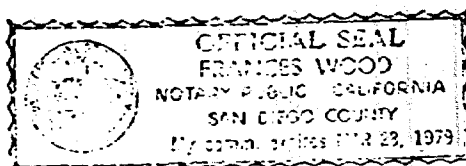
STATE OF CALIFORNIA
COUNTY OF SAN DIEGO

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

December, 1975 by W. W. Trice who is Trust Officer
of Bank of America National Trust and Savings Association Corporation,
for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

[Signature]
Notary Public



CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Attest: [Signature]
By: [Signature]
Assistant Cashier

[Signature]
Rogers, Aston, And
First National Bank in Dallas

By: [Signature]
Vice President-Trust

INDIVIDUAL Co-Trustees of the "C" Trust
U/W/O Bert Aston
ID# 75-6086645

STATE OF N. Mexico
COUNTY OF Lincoln

the foregoing instrument was acknowledged before me this 9th day of October, 1975, by [Signature]

MY COMMISSION EXPIRES:
MARCH 22, 1977

[Signature]
Notary Public

CORPORATE

STATE OF Texas
COUNTY OF Dallas

The foregoing instrument was acknowledged before me this 17th day of December, 1975 by G. L. Wanner who is Vice President of First National Bank in Dallas a National Banking Association Corporation, for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

[Signature]
Notary Public

LITTLE GROOMS, Notary Public
In and for Dallas County, Texas
My commission expires June 1, 1981

Notary Public for First National Bank in Dallas on condition that it shall have no liability to the individual capacity or any successor, partnership or individual herein contained.

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

_____ LaDora Lucas

INDIVIDUAL

STATE OF New Mexico
COUNTY OF Chaves

The foregoing instrument was acknowledged before me this 22nd day of December, 1975, by LaDora Lucas

MY COMMISSION EXPIRES:

12-31-78

Notary Public

CORPORATE

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975 by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

FEATHERSTONE FARMS, LTD.

(Olen F. Featherstone II - General Partner)

INDIVIDUAL

7

STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 4 day of December, 1975, by Olen F. Featherstone II, General Partner of FEATHERSTONE FARMS, LTD., a limited partnership, MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF _____

COUNTY OF _____

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

1975 by _____

who is _____

of _____ a _____ Corporation,

for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Scarlet J. Hanson
Scarlet J. Hanson
Laura J. Tupper
Laura J. Tupper
Beth Ann Visser
Beth Ann Visser

Frederick W. Gaul
Frederick W. Gaul, Trust Real Estate Officer,
Old Kent Bank & Trust Company, Co-Trustees of
the Maude Mackey Trust
Robert B. Mackey
Robert B. Mackey

INDIVIDUAL

STATE OF Michigan
COUNTY OF Kent

The foregoing instrument was acknowledged before me this 4th day of December, 1975, by Robert B. Mackey.

MY COMMISSION EXPIRES:

4-2-77

Shirley Murphy
Notary Public

CORPORATE

STATE OF Michigan
COUNTY OF Kent

The foregoing instrument was acknowledged before me this 4th day of December, 1975 by Frederick W. Gaul who is Trust Real Estate Officer of Old Kent Bank & Trust Company a Michigan Corporation, for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

4-2-77

Shirley Murphy
Notary Public

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

William P. Dooley
(My sole and separate
property) (A single man)
INDIVIDUAL

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this 3 day of December, 1975, by WILLIAM P. DOOLEY.

MY COMMISSION EXPIRES:

Oct. 29, 1978

Notary Public

CORPORATE

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975 by _____ who is _____

of _____ a _____ Corporation,

for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

Oct. 29, 1978

Notary Public

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Helen Dooley Perkins

INDIVIDUAL

STATE OF New Mexico
COUNTY OF Eddy

The foregoing instrument was acknowledged before me this 5th day of December, 1975, by Helen Dooley Perkins.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975 by _____ who is _____

of _____ a _____ Corporation,

for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Rogers Aston
Rogers Aston, individually and as Trustee
of Esther Aston Trust No. 1 and Esther
Aston Trust No. 2

INDIVIDUAL

STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 9th day of
December, 1975, by Rogers Aston, individually, and as Trustee of Esther
Aston Trust No. 1 and Esther Aston Trust No. 2.
MY COMMISSION EXPIRES:

MARCH 22, 1977

Wm. H. Hansen
Notary Public

CORPORATE

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975 by _____ who is _____
of _____ a _____ Corporation,
for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

Tom P. Stephens

Tom P. Stephens

INDIVIDUAL

STATE OF NEW MEXICO

COUNTY OF CHAVES

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

December, 1975, by Tom P. Stephens

MY COMMISSION EXPIRES:

December 18, 1979

Nancy Rogers
Notary Public

CORPORATE

STATE OF NEW MEXICO

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975 by _____ who is _____

of _____ a _____ Corporation,

for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

TODD MEMORIAL TRUST

by

by

Co-Trustees

INDIVIDUAL

STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 20th day of

November, 1975, by James T. Jennings & Roger L. Copple.

Co-Trustees of Todd Memorial Trust.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975 by _____ who is _____

of _____ a _____ Corporation,

for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

Notary Public

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ATLANTIC RICHFIELD COMPANY

BY: S. L. Smith
Attorney-in-Fact

INDIVIDUAL

STATE OF _____
COUNTY OF _____

Filed NM 05/11/76
Power of Attorney
Filed NM 05/11/76

1-8-18

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975, by _____.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 11th day of

December, 1975 by S. L. Smith, who is Attorney-in-Fact

of ATLANTIC RICHFIELD COMPANY a Pennsylvania Corporation,
for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

June 1, 1977

Yvonne Brooks Yvonne Brooks
Notary Public

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ALLIED CHEMICAL CORPORATION

BY:

Lyle L. Livingston
Attorney-in-Fact

INDIVIDUAL

9-10-15-23-24

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975, by _____.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 9th day of

December, 1975 by Lyle L. Livingston who is Attorney-in-Fact

of Allied Chemical Corporation a New York Corporation,

for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

6-1-77

Linda Lou Harrison
Notary Public

LINDA LOU HARRISON
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1977

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

PENNZOIL COMPANY

By: W. C. Hayes
Agent and Attorney-in-Fact

APPROVED

KW

INDIVIDUAL

11-25

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975, by _____.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 21 day of

November, 1975 by W. C. HAYES who is Agent & Attorney-in-Fact

of PENNZOIL COMPANY a Delaware Corporation,

for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

June 1, 1977

Notary Public

MARJORIE L. MATTHEWS

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

ATTEST:
By: Dale Stice
Dale Stice, Assistant Secretary

FLAG-REDFERN OIL COMPANY
By: John J. Redfern, Jr.
John J. Redfern, Jr., President

INDIVIDUAL

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1975, by _____.

MY COMMISSION EXPIRES: _____

Notary Public

CORPORATE

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 24th day of November, 1975 by John J. Redfern, Jr. who is President of FLAG-REDFERN OIL COMPANY a Delaware Corporation, for and on behalf of said Corporation.

MY COMMISSION EXPIRES: _____

Sarah Vanderford
Notary Public

June 1, 1977

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

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

Wiley C Hill
Attorney-in-Fact

INDIVIDUAL

17-20-22

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975, by _____.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF Oklahoma
COUNTY OF TULSA

The foregoing instrument was acknowledged before me this 9th day of

December 1975 by Wiley C. Hill who is Attorney-in-Fact

of CITIES SERVICE OIL COMPANY a Delaware Corporation,

for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

JUL 25 1976

Evelyn M. Schultz
Notary Public
Evelyn M. Schultz

CONSENT AND RATIFICATION
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Power Deep Unit Area embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 5th day of September, 1975, and acknowledged that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Power Deep Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

MOBIL OIL CORPORATION

J. S. Wright, Jr.
Attorney in Fact

Approved
Land *Li.*
Legal *RDK*
T. R. *7/4*
Expl.
Prod. *7/4*

INDIVIDUAL

2/

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975, by _____.

MY COMMISSION EXPIRES:

Notary Public

CORPORATE

STATE OF Texas

COUNTY OF Midland

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

December, 1975 by F. S. Wright, Jr. who is Attorney-in-Fact

of Mobil Oil Corporation a New York Corporation,

for and on behalf of said Corporation.

MY COMMISSION EXPIRES:

My Commission expires
June 1, 1977

Wanda Phillips
Notary Public

WANDA PHILLIPS, Notary Public
In and for Midland County, Texas



NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

POWER DEEP UNIT

EDDY COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated September 5, 1975, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the afore-said statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 22nd. day of December, 19 75.

Philip J. ...
COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

B ORE 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. 5557
Order No. R-5104

APPLICATION OF C & K PETROLEUM, INC.
FOR APPROVAL OF THE POWER DEEP 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 24, 1975, at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter.

NOW, on this 30th day of September, 1975, 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, C & K Petroleum, Inc., seeks
approval of the Power Deep Unit Agreement covering 5686.22 acres,
more or less, of State and Federal lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 17 SOUTH, RANGE 30 EAST, NMPM
Section 36: All

TOWNSHIP 17 SOUTH, RANGE 31 EAST, NMPM
Sections 31 and 32: All

TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM
Sections 1 and 12: All

TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Sections 5 and 6: All
Sections 7 and 8: All

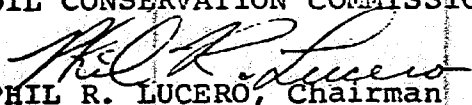
(3) That approval of the proposed unit agreement should
promote the prevention of waste and the protection of correla-
tive rights within the unit area.

IT IS THEREFORE ORDERED:

- (1) That the Power Deep 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.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION


PHIL R. LUCERO, Chairman

EMERY C. ARNOLD, Member


JOE D. RAMEY, Member & Secretary

S E A L

jr/

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION

OF THE
POWER DEEP UNIT AREA
COUNTY OF EDDY

STATE OF NEW MEXICO

NO. _____

"Deep"
from 4500' on down

THIS AGREEMENT, entered into as of the 5th day of September,
1975, by and between the parties subscribing, ratifying, or consenting hereto,
and herein referred to as the "parties hereto,"

W I T N E S S E T H :

WHEREAS, the parties hereto are the owners of working, royalty, or other
oil and gas interests in the unit area subject to this agreement; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as
amended, 30 U. S. C. Secs. 181 et seq., authorizes Federal lessees and their re-
presentatives to unite with each other, or jointly or separately with others, in
collectively adopting and operating a cooperative or unit plan of development or
operation of any oil or gas pool, field, or like area, or any part thereof for the
purpose of more properly conserving the natural resources thereof whenever determined
and certified by the Secretary of the Interior to be necessary or advisable in the
public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 7-11-29 N.M. Statutes 1955 Annotated)
to consent to or approve this agreement on behalf of the State of New Mexico, insofar
as it covers and includes lands and mineral interest of the State of New Mexico; and,

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

WHEREAS, the parties hereto hold sufficient interests in the _____

Power Deep Unit Area covering the land hereinafter des-
cribed to give reasonably effective control of operations therein; and

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

95% WI } committed.
85% Rty }

herein set forth;

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

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

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

T-17-S, R-30-E, NMPM
Sec. 36: All

T-17-S, R-31-E, NMPM
Secs. 31 & 32: All

T-18-S, R-30-E, NMPM
Secs. 1 & 12: All

T-18-S, R-31-E, NMPM
Secs. 5, 6, 7 & 8: All

Containing 5,712.70 acres more or less

Amended

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

hereinafter referred to as "Land Commissioner," and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," or on demand of the Land Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably, the first day of a month subsequent to the date of notice.

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

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

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

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands

shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all non-participating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor of the Land Commissioner and promptly notify all parties in interest.

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

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil and gas in the hereinabove specified lands committed to this agreement, as to all depths and formations below the base of the San Andres Formation, which for the purpose of this agreement, is identified as being at a depth of 4,550 feet on Schlumberger Sonic Log of the Odessa Natural Gasoline Company #1 El Paso State well located 660' FNL and 660' FEL of Section 36, T-17-S, R-30-E, NMPM, Eddy County, New Mexico are unitized and designated as unitized substances under the terms of this agreement and said lands shall constitute lands referred to herein as unitized subject to this agreement.

4. UNIT OPERATOR. C & K PETROLEUM, INC.

is hereby designated as Unit Operator and by signature hereto as Unit Operator

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

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

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

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

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

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

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working-interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 per cent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until

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

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs, and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working-interest owners and the

Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working-interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working-interest owners as may be agreed upon by Unit Operator and the working-interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Land Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Land Commissioner, if on State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Mississippian Formation has been penetrated and all beds of the Pennsylvanian Age tested _____, or until at a lesser depth unitized substances shall be discovered which can be produced in paying

quantities (to-wit: quantities sufficient to repay the costs of drilling, completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not, in any event, be required to drill said well to a depth in excess of 12,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on Federal land or of the Land Commissioner if on State land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit

for the approval of the Supervisor and the Land Commissioner a plan for an additional specified period for the development and operation of the unitized land.

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

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

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

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

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

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Land Commissioner, the Unit Operator shall submit for approval by the Supervisor and the Land Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor and the Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the

effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor and the Land Commissioner. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor and the Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor and the Land Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

In the absence of agreement at any time between the Unit Operator and the Supervisor and the Land Commissioner as to the proper definition or redefinition

of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands and the Land Commissioner for the State lands and the amount thereof shall be deposited, as directed by the Supervisor and the Land Commissioner, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

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

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

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

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

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

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

14. ROYALTY SETTLEMENT. The United States and any State and any royalty owner who is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and the Unit Operator, or the working-interest owner in case

of the operation of a well by a working-interest owner as herein provided for in special cases, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working-interest owners responsible therefor under existing contracts, laws, and regulations, or by the Unit Operator, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

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

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working-interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall

operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

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

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

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

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

all leases, subleases, and contracts are particularly modified in accordance with the following:

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

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

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Land Commissioner, or his duly authorized representative, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in

accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

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

(h) In the event the Initial Test Well is commenced prior to the expiration date of the shortest term State Lease within the Unit Area, any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

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

remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas; said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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

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

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

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Supervisor and the Land Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances are produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered are produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement. This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the working-interest owners signatory hereto, with the approval of the Supervisor and the Land Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

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

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

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and the Commissioner of Public Lands and to appeal from orders issued under the regulations of said Department or Land Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior or the Land Commissioner or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

23. NOTICES. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses

set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

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

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the unit operator subject to approval of the Supervisor and the Land Commissioner.

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

27. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of

funds due the United States or the State of New Mexico should be withheld, but such funds shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Land Commissioner, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice delivered to the Supervisor and the Land Commissioner and the Unit Operator prior to the approval of this agreement by the Supervisor. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working-interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working-interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. A non-working interest may not be committed to this unit unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Land Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within sixty (60) days by the Supervisor and the Land Commissioner.

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

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

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

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

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

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

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

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

stances in such lands by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized.

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

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

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

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

33. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working-interest owners, nor any of them, shall be subject to any forfeiture, termination, or expiration of any right hereunder or under any leases or contracts subject hereto,

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

34. SURFACE AND ENVIRONMENTAL PROTECTION STIPULATIONS. Nothing in this agreement shall modify or change either the special Federal Lease stipulations relating to surface management or such special Federal Lease stipulations relating to surface and environmental protection, attached to and made a part of, Oil and Gas Leases covering lands within the Unit Area.

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

The drilling or abandonment of any well on unitized land shall be done in accordance with applicable oil and gas operating regulations, including such requirements as to Federal lands as may be prescribed by the Supervisor and as to State lands by the Commissioner, as necessary to prevent the infiltration of oil, gas or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.

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

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

ATTEST:

C & K PETROLEUM, INC.

BY: _____

BY: _____

Address:

UNIT OPERATOR

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this _____ day of

_____, 1975, by _____ who is

_____ of C & K PETROLEUM, INC. a _____
(State of Incorp.)

_____ corporation, for and on behalf of said Corporation.

My Commission Expires:

Notary Public

EXHIBIT "B"

SCHEDULE OF LANDS AND LEASES
POWER DEEP UNIT AREA
EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION	ACRES	SERIAL NO. & EXPIRATION DATE	BASIC ROYALTY & PERCENTAGE	LESSEE OF RECORD AND PERCENTAGE	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1.	T-18-S, R-31-E, NMEP Sec. 5; SW $\frac{1}{4}$	160.00	LC-029389-E Renewal-HBP	U.S.A. Schedule "D"	Canadian Kenwood Co. T. R. Parker	93.25% Atlantic Richfield Co. \$126,400 out of	Above 4,000 Feet 12.50000% Alps Oil Co. et al Below 4,000 Feet Canadian Kenwood Co. 93.25% T. R. Parker 6.75%
2.	T-18-S, R-31-E, NMEP Sec. 6; Lots 3, 4 & 5, SE $\frac{1}{4}$ NW $\frac{1}{4}$	147.37	Same base lease and ownership as Tract #1, above, except no production payment burden				
3.	T-18-S, R-31-E, NMEP Sec. 8; SW $\frac{1}{4}$, NYSE $\frac{1}{4}$	240.00	LC-029393-A Renewal-HBP	U.S.A. Schedule "C"	Hondo Oil & Gas Co.	All None	Hondo Oil & Gas Co.
4.	T-18-S, R-31-E, NMEP Sec. 7; SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	LC-029393-B Renewal-HBP	U.S.A. Schedule "D"	Texaco, Inc.	All Below 4,000 Feet Jimmie Collier Atlantic Richfield Co. Unknown Kincaid & Watson Drl. Co. \$500 per acre out of J. H. Moore \$500 per acre out of Frank Bateman \$250 per acre out of	Above 4,000 Feet Kincaid & Watson et al Below 4,000 Feet Texaco, Inc.
5.	T-18-S, R-30-E, NMEP Sec. 1; Lots 1, 2, 3 & 4, NE $\frac{1}{4}$ SW $\frac{1}{4}$, NYSE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{2}$	440.64	LC-047633-B Renewal-HBP	U.S.A. Schedule "D"	C & K Petroleum, Inc.	All Below 4,500 Feet Sibly V. Perry	Above 4,500 Feet Eastland Oil et al Below 4,500 Feet C & K Petroleum, Inc.

6. T-18-S, R-31-E, NMPM 80.00 LC-C70133 U.S.A. Herman J. Ledbetter ALL Below 3,500 Feet
Sec. 8; S $\frac{1}{2}$ SE $\frac{1}{4}$ Renewal-HBP Schedule "C" B. J. Ginsberg 7.50000%

Above 3,500 Feet
Herman J. Ledbetter

Below 3,500 Feet
Hondo Oil & Gas Co.

7. T-18-S, R-30-E, NMPM 760.00 NM-C21096 U.S.A. Franklin, Aston & Fair, Inc. 75.00% Yates Brothers 1.25000%*
Sec. 1; S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Renewal-HBP Schedule "D" Yates Petroleum Corp. 10.00%
Sec. 12; All Featherstone Farms 2.00%
Maude L. Mackey, Trust 1.00%
William Doolley Estate 3.00%
Rogers Aston 4.50%
Rogers Aston, Executor 4.50%

Franklin, Aston & Fair, Inc.
75.000000%

Rogers Aston and First National
Bank in Dallas, Co-Trustees of the
"C" Trust w/w/o Bert Aston,
Deceased
02.250000%

*Payable out of Yates Petroleum Corp.
Interest only.

Rogers Aston, Trustee of the Esther
Aston Trust No. 1
00.750000%

Rogers-Aston, Trustee of the Esther
Aston Trust No. 2
00.750000%

Rogers Aston
01.875000%

Ladora Lucas
01.125000%

Tom P. Stephens
01.125000%

James T. Jennings and Roger L.
Copley, Co-Trustees of the Todd
Memorial Trust
01.125000%

Yates Petroleum Corporation
10.000000%

Robert B. Mackey and Old Kent Bank
& Trust Co. of Grand Rapids, Mi.,
Co-Trustees of the Estate of
Maude L. Mackey, Deceased
01.000000%

Olen F. Featherstone
02.000000%

William Patrick Doolley
01.333300%

Helen Doolley Perkins
00.666700%

The Estate of Isabel Polhemus
Ironside, Deceased
01.000000%

STATE OF NEW MEXICO LANDS

17. T-17-S, R-30-E, NMEP Sec. 36; SWANEX	80.00	B-1565-2 HBP	State 12.5%	Getty Oil Co.	All	None	Getty Oil Company
18. T-17-S, R-30-E, NMEP Sec. 36; NWANEX	40.00	B-2130-16 HBP	State 12.5%	Cities Service Oil Co.	All	None	Cities Service Oil Co.
19. T-17-S, R-30-E, NMEP Sec. 36; NWANEX	80.00	B-3627-3 HBP	State 12.5%	Atlantic Richfield Co.	All	None	Atlantic Richfield Co.
20. T-17-S, R-30-E, NMEP Sec. 36; SWANEX	40.00	B-3627-23 HBP	State 12.5%	El Paso Natural Gas Co.	All	None	El Paso Natural Gas Co.
21. T-17-S, R-31-E, NMEP Sec. 32; SEANEX	40.00	B-3627-32 HBP	State 12.5%	Cities Service Oil Co.	All	None	Cities Service Oil Co.
22. T-17-S, R-31-E, NMEP Sec. 32; NWANEX, NWANEX, SWANEX, NWANEX, SWANEX, SEANEX	280.00	E-6015 HBP	State 12.5%	Mobil Oil Corporation	All	None	Mobil Oil Corporation
23. T-17-S, R-31-E, NMEP Sec. 32; SWANEX	360.00	K-5609 01-18-76	State 12.5%	Cities Service Oil Co.	All	None	Cities Service Oil Co.
24. T-17-S, R-31-E, NMEP Sec. 6; SEANEX	320.00	L-121 07-18-77	State	Allied Chemical Corp.	All	None	Allied Chemical Corp.
25. T-17-S, R-31-E, NMEP Sec. 6; SEANEX	160.00	L-182 08-15-77	State 12.5%	Allied Chemical Corp.	All	None	Allied Chemical Corp.
26. T-17-S, R-30-E, NMEP Sec. 36; SEANEX	40.00	L-4051 01-20-80	State 12.5%	Pennzoil Company	All	None	Pennzoil Company

TOTAL: 1,440.00 acres State of New Mexico Lands

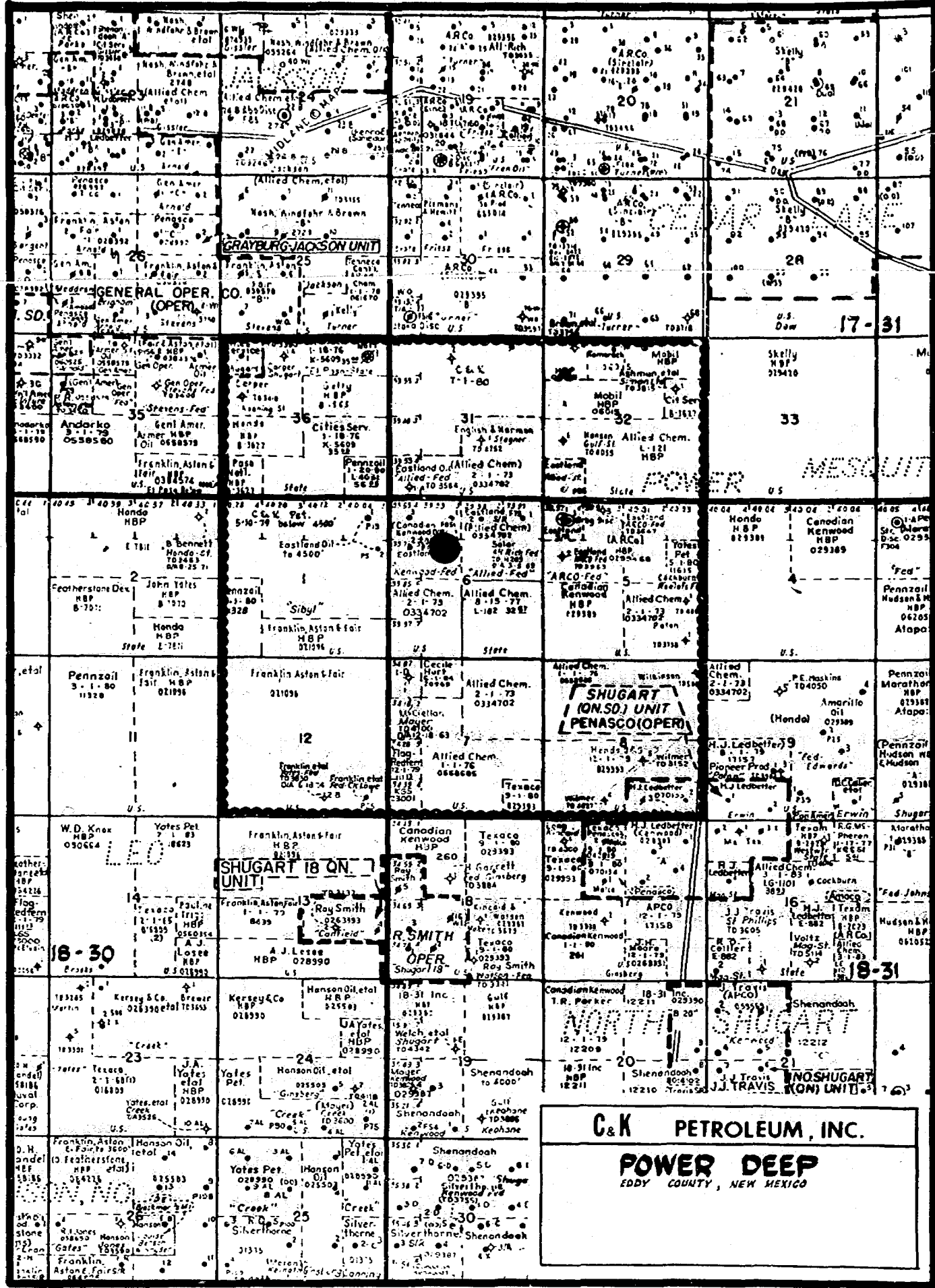
Recapitulation
4,246.22 Acres Federal Lands, 74.78% of Unit Area
1,440.00 Acres State Lands, 25.21% of Unit Area
Total: 5,686.22 Acres All Lands, 100.00% of Unit Area

GEOLOGICAL REPORT
OF
PROPOSED POWER, DEEP UNIT
EDDY COUNTY, NEW MEXICO

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
22-75 EXHIBIT NO. 1
CASE NO. 5557

Table of Contents

- I. Land Plat
- II. Structure Map
- III. Stratigraphic Crossection B-B'
- IV. Geological Report
- V. Logs showing base of San Andres marker pick used to define upper limit of proposed unit.



GEOLOGICAL REPORT
Proposed Power, Deep Unit

The purpose of this report is to present the geological reasons for forming a nine section Federal unit to drill a 12,000' Morrow wildcat in Section 6, T-18-S, R-31-E, Eddy County, New Mexico.

The proposed Power, Deep unit is located 28 miles northeast of Carlsbad, New Mexico, in northeast Eddy County, and contains all of Section 36, T-17-S, R-30-E, all of Sections 31 and 32, T-17-S, R-31-E, all of Sections 1 and 12, T-18-S, R-30-E and all of Sections 5, 6, 7 and 8, T-18-S, R-31-E. The proposed unit will not include shallow rights above the depth of 4550' defined as the base of the San Andres in the Odessa Natural Gasoline #1 El Paso - State well located 660' FNL and 660' FEL of Section 36, T-17-S, R-30-E, Eddy County, New Mexico.

The proposed unit is situated on the northern edge of the Delaware Basin. The proposed test well will penetrate the entire Pennsylvanian and younger sediments and is projected to a total depth of 12,000' in the Mississippian Chester formation.

The primary objective is Lower Pennsylvanian Morrow sands, with secondary potential in Wolfcamp, Strawn and Atoka intervals. The structural trend shown on the map intersects regional Morrow sand depositional trends and forms the basis of the prospect. The Morrow sand has produced within the proposed unit area in the NE/4 of Section 36, T-17-S, R-30-E, but the well is now abandoned. This well also tested 15' of free oil in the Wolfcamp indicating shallower potential in the proposed unit area.

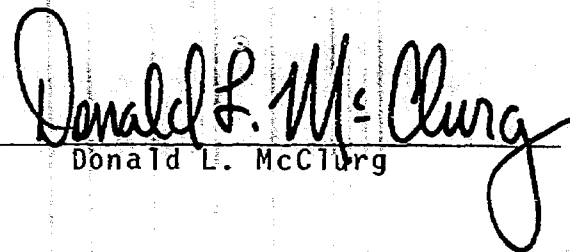
Immediately north of the proposed unit, the Atoka sand produced over 12,000 barrels of oil and is now abandoned. This well is located in the SW/4 of Section 30, T-17-S, R-31-E. The Section 30 well also tested the Morrow sand, flowing 150 MCFGPD, indicating a relatively impermeable updip Morrow section. The presence of the impermeable Morrow sand updip is also indicated by a well in Section 29, T-17-S, R-31-E which did not test the Morrow (indicating no show) and logs show the sands to be low porosity.

The impermeable Morrow indicated just north of the proposed unit separates the Morrow production in Cedar Lake and Fren fields to the north and northeast from the potential production within the proposed unit.

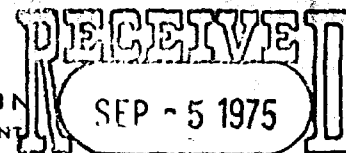
Downdip and east of the proposed unit, a well in Section 3, T-18-S, R-31-E, tested a thick (50') well developed Morrow sand and recovered gas cut salt water. This well produced nearly 14,000 barrels of oil from Strawn Carbonates and had oil and gas shows in three separate tests in the Wolfcamp as shown on Crosssection B-B'.

Southeast of the proposed unit and along the same structural trend, the Shugart field produces from Atoka sands and deeper Siluro-Devonian Carbonates showing additional possibilities in the area.

In summary, the proposed Power Deep Unit will test Morrow sand potential on structure as well as shallower Atoka, Strawn and Wolfcamp possibilities.


Donald L. McClurg

Case 5557



RANDOLPH M. RICHARDSON
OIL AND GAS LAND AND UNIT CONSULTANT
FEDERAL - STATE - FEE
P. O. BOX 819
ROSWELL, NEW MEXICO 88201
September 4, 1975

OIL CONSERVATION COMM.
Santa Fe

OFFICE 505 622-8801
HOME 505 622-7985

In Re: Power Deep Unit Area
Eddy County, New Mexico

Mr. Dan Nutter
New Mexico Oil Conservation Commission
P. O. Box 2088
Santa Fe, New Mexico 87501

Dear Mr. Nutter,

Pursuant to telephone conversation I am enclosing three copies of Application for Approval of the captioned Unit, which Application also contains a request for a hearing.

You will also find one copy of the Unit Agreement enclosed.

Exhibits "A" and "B" to the Unit Agreement have not been drafted, consequently as Exhibit "A" I attached a Xerox shot of a land ownership map, and as Exhibit "B" I attached a list of the State Leases.

Exhibits "A" and "B" will be furnished as soon as completed, and this should be several days before the September 24th hearing date.

If all is not in order, or if you need any additional information at this time, please let me know.

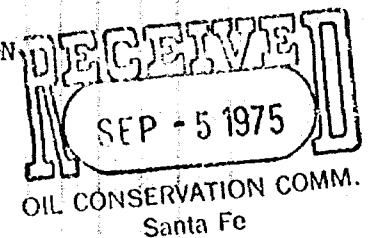
Yours truly,

R. M. Richardson
R. M. Richardson

Xerox copy: C & K Petroleum, Inc.

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO



New Mexico Oil Conservation Commission
Santa Fe, New Mexico 87501

Comes the undersigned C & K Petroleum, Inc. with the offices at Midland, Texas, and files herewith one (1) copy of the proposed Unit Agreement for the development and operation of the Power Deep Unit Area, Eddy County, New Mexico, and hereby makes application for the approval of said Unit Agreement as provided by law, and in support thereof, states:

1. That the proposed Unit Area covered by said Agreement embraces 5,712.70 acres of land, more or less, more particularly described as follows:

T-17-S, R-30-E, NMPM
Sec. 36: All

T-17-S, R-31-E, NMPM
Secs. 31 & 32: All

T-18-S, R-30-E, NMPM
Secs. 1 & 12: All

T-18-S, R-31-E, NMPM
Secs. 5, 6, 7 & 8: All

Eddy County, New Mexico

2. That of the lands embraced within the proposed Unit, 4,272.70 acres are lands of the United States, being 74.79% of the Area and 1,440.00 acres are State of New Mexico lands, being 25.21% of the Area.

3. That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological features involved, and that in the event of a discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That C & K Petroleum, Inc. is designated as the Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the Unit Area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to penetrate the Mississippian Formation, but applicant is not obligated to drill said well in any event to a depth in excess of 12,000 feet.

5. Only those depths and formations below the base of the San Andres Formation are to be unitized.

6. That applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances and that said Unit Agreement is in the interest of conservation of prevention of waste as contemplated by the New Mexico Oil Conservation rules and regulations.

7. That Application for Approval of said Unit Agreement is being filed with the Commissioner of Public Lands.

8. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner of the matter of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that this matter be heard at the first available hearing following this date.

DATED this 4th day of September, 1975. C & K PETROLEUM, INC.

DOCKET MAILED

Date 9/12/75

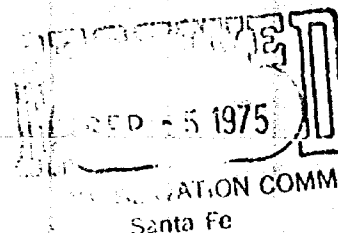
BY: Randolph M. Richardson
Randolph M. Richardson
Attorney at Law
P. O. Box 819
Roswell, New Mexico 88201

Total
acreage
amended

Case 5557

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO



New Mexico Oil Conservation Commission
Santa Fe, New Mexico 87501

Comes the undersigned C & K Petroleum, Inc. with the offices at Midland, Texas, and files herewith one (1) copy of the proposed Unit Agreement for the development and operation of the Power Deep Unit Area, Eddy County, New Mexico, and hereby makes application for the approval of said Unit Agreement as provided by law, and in support thereof, states:

1. That the proposed Unit Area covered by said Agreement embraces 5,712.70 acres of land, more or less, more particularly described as follows:

T-17-S, R-30-E, NMPM
Sec. 36: All

T-17-S, R-31-E, NMPM
Secs. 31 & 32: All

T-18-S, R-30-E, NMPM
Secs. 1 & 12: All

T-18-S, R-31-E, NMPM
Secs. 5, 6, 7 & 8: All

Eddy County, New Mexico

2. That of the lands embraced within the proposed Unit, 4,272.70 acres are lands of the United States, being 74.79% of the Area and 1,440.00 acres are State of New Mexico lands, being 25.21% of the Area.

3. That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological features involved, and that in the event of a discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That C & K Petroleum, Inc. is designated as the Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the Unit Area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to penetrate the Mississippian Formation, but applicant is not obligated to drill said well in any event to a depth in excess of 12,000 feet.

5. Only those depths and formations below the base of the San Andres Formation are to be unitized.

6. That applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances and that said Unit Agreement is in the interest of conservation of prevention of waste as contemplated by the New Mexico Oil Conservation rules and regulations.

7. That Application for Approval of said Unit Agreement is being filed with the Commissioner of Public Lands.

8. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner of the matter of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that this matter be heard at the first available hearing following this date.

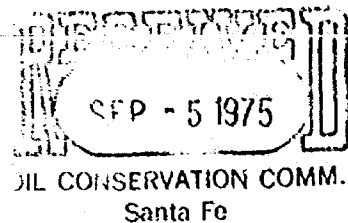
DATED this 4th day of September, 1975. C & K PETROLEUM, INC.

BY: Randolph M. Richardson
Randolph M. Richardson
Attorney at Law
P. O. Box 819
Roswell, New Mexico 88201

Case 5557

BEFORE THE OIL CONSERVATION COMMISSION
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
POWER DEEP UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO



New Mexico Oil Conservation Commission
Santa Fe, New Mexico 87501

Comes the undersigned C & K Petroleum, Inc. with the offices at Midland, Texas, and files herewith one (1) copy of the proposed Unit Agreement for the development and operation of the Power Deep Unit Area, Eddy County, New Mexico, and hereby makes application for the approval of said Unit Agreement as provided by law, and in support thereof, states:

1. That the proposed Unit Area covered by said Agreement embraces 5,712.70 acres of land, more or less, more particularly described as follows:

T-17-S, R-30-E, NMPM
Sec. 36: All

T-17-S, R-31-E, NMPM
Secs. 31 & 32: All

T-18-S, R-30-E, NMPM
Secs. 1 & 12: All

T-18-S, R-31-E, NMPM
Secs. 5, 6, 7 & 8: All

Eddy County, New Mexico

2. That of the lands embraced within the proposed Unit, 4,272.70 acres are lands of the United States, being 74.79% of the Area and 1,440.00 acres are State of New Mexico lands, being 25.21% of the Area.

3. That Applicant is informed and believes, and upon such information and belief states, that the proposed unit area covers all or substantially all of the geological features involved, and that in the event of a discovery of oil or gas thereon, that said Unit Agreement will permit the producing area to be developed and operated in the interest of conservation and the prevention of waste of the unitized substances.

4. That C & K Petroleum, Inc. is designated as the Unit Operator in said Unit Agreement, and, as such, is given authority under the terms thereof to carry on all operations necessary for the development and operation of the Unit Area for oil and gas subject to all applicable laws and regulations. That said Unit Agreement provides for the drilling of an Initial Test Well to a depth sufficient to penetrate the Mississippian Formation, but applicant is not obligated to drill said well in any event to a depth in excess of 12,000 feet.

5. Only those depths and formations below the base of the San Andres Formation are to be unitized.

6. That applicant believes that in the event oil or gas is discovered in paying quantities on lands within the Unit Area, that the field or area can be developed more economically and efficiently under the terms of said Unit Agreement, to the end that maximum recovery will be obtained of unitized substances and that said Unit Agreement is in the interest of conservation of prevention of waste as contemplated by the New Mexico Oil Conservation rules and regulations.

7. That Application for Approval of said Unit Agreement is being filed with the Commissioner of Public Lands.

8. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after approval by the United States Department of Interior, an approved copy will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a hearing be held before an examiner of the matter of said Unit Agreement, and that upon said hearing, said Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste. Applicant respectfully requests that this matter be heard at the first available hearing following this date.

DATED this 4th day of September, 1975. C & K PETROLEUM, INC.

BY: Randolph M. Richardson
Randolph M. Richardson
Attorney at Law
P. O. Box 819
Roswell, New Mexico 88201

Dockets Nos. 23-75 and 24-75 are tentatively set for hearing on October 8, and October 15, 1975. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 24, 1975

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO

The following cases will be heard before Daniel S. Nutter, Examiner, or Joe D. Ramey, Alternate Examiner:

- CASE 5555: Application of Lone Star Producing Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced water into the Devonian formation through the open-hole interval from 12,180 feet to 12,226 feet in its Santa Fe Well No. 2 located in Unit 0 of Section 19, Township 9 South, Range 37 East, East Crossroads-Devonian Pool, Lea County, New Mexico.
- CASE 5556: Application of Atlantic Richfield Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced water by injection into the San Andres formation through the open-hole interval from 4,573 feet to 4,682 feet in its State "F" TG Well No. 5 located in Unit A of Section 36, Township 17 South, Range 33 East. Vacuum Grayburg-San Andres Pool, Lea County, New Mexico.
- CASE 5557: Application of C & K Petroleum, Inc. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Power Deep Unit comprising 5,713 acres, more or less, of State and Federal lands in Townships 17 and 18 South, Ranges 30 and 31 East, Eddy County, New Mexico.
- CASE 5558: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its BZ Well No. 12 to be drilled at a point 660 feet from the South and West lines of Section 21, Township 17 South, Range 25 East, Eddy County, New Mexico, to have dedicated the W/2 of said Section 21.
- CASE 5559: Application of Yates Petroleum Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled at a point 660 feet from the North and West lines, or in the alternative, 1980 feet from the North line and 660 feet from the West line of Section 30, Township 17 South, Range 26 East, Eddy County, New Mexico, to have dedicated the N/2 of said Section 30.

Case 5557
Don —

Bill —

Unitized only
below the
base of the
San Andres

(Power Deep
Unit)

622 - 8801

Randy Richardson Name

Memo

4/3 From

D. S. NUTTER
CHIEF ENGINEER

To C & K Petroleum Inc

5600 acres 5712.70

7ed & State 5713.

T 17 & 18 S

R 30 31

18-30

18-31

Eddy Co

Power Deep
Case Unit Area.
5557

DRAFT

dr/
h

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:

W. J. R.
J. R.
CASE No. 5557

Order No. R- 5104

Bill
APPLICATION OF C & K PETROLEUM, INC.
FOR APPROVAL OF THE POWER DEEP
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 24, 1965, at Santa Fe, New Mexico, before Examiner
Daniel S. Nutter.

NOW, on this _____ day of September, 1965, 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, C & K Petroleum, Inc.,

seeks approval of the Power Deep Unit Agreement
covering 5686.22 State, and
5773 acres, more or less, of Federal lands
described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 17 South, RANGE 30 East, NMPM

Section 34: All
TOWNSHIP 17 South, RANGE 31 EAST, NMPM

Sections 31 and 32: All
TOWNSHIP 18 SOUTH, RANGE 30 EAST, NMPM

Sections 1 and 12: All
TOWNSHIP 18 SOUTH, RANGE 31 EAST, NMPM
Sections 5 and 6: All
Sections 7 and 8: All

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 24, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of C & K Petroleum, Inc.
for a unit agreement, Eddy County,
New Mexico.

CASE
5557

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

Thomas Derryberry, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

Randolph M. Richardson, Esq.
Attorney at Law
J. P. White Building
Roswell, New Mexico.

sid morrish reporting service
General Court Reporting Service
825 Calle Maja, No. 122, Santa Fe, New Mexico 87501
Phone (305) 982-9212

I N D E X

Page

DONALD L. McCLURG

Direct Examination by Mr. Richardson

3

Cross Examination by Mr. Nutter

9

EXHIBIT INDEX

Page

Offered Admitted

Applicant's Exhibit No. 1, Report

9

9

Applicant's Exhibit No. 2, Map

9

9

Applicant's Exhibit No. 3, Cross Sec.

9

9

Applicant's Exhibit No. 3, Log

9

9

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 MR. NUTTER: We will call the next Case 5557.

2 MR. DERRYBERRY: Case 5557, application of C & K
3 Petroleum, Inc., for a unit agreement, Eddy County, New Mexico.

4 MR. RICHARDSON: Randolph M. Richardson, Roswell,
5 New Mexico, appearing on behalf of the applicant and I have
6 one witness.

7 (THEREUPON, the witness was duly sworn.)

8 DONALD L. McCLURG

9 called as a witness, having been first duly sworn, was
10 examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. RICHARDSON:

13 Q Mr. McClurg, would you please state your name and
14 your present occupation?

15 A My name is Donald L. McClurg and I'm a consultant
16 for C & K.

17 Q Would you state briefly your educational background
18 and experience that would enable you to testify before the
19 Commission as an expert witness?

20 A I graduated from the University of Texas, El Paso,
21 in 1960 with a Bachelor of Science degree in geology. I
22 worked for six and a half years for Amoco Production Company
23 and a year for Great Western and consulting since that
24 time.

25 Q Have you ever testified before the Commission as

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 an expert witness?

2 A. Yes, sir.

3 Q Are you familiar with Power Deep Unit area and
4 matters contained in the application to the Commission for
5 approval of the unit agreement?

6 A. Yes, sir.

7 MR. RICHARDSON: Are the qualifications acceptable?

8 MR. NUTTER: Yes, sir.

9 Q (Mr. Richardson continuing.) Is the form of the
10 unit agreement prescribed by Federal regulations?

11 A. Yes, sir.

12 Q Has a unit area been designated by the United
13 States Geological Survey as an area logically suitable for
14 development under a unit plan of operation?

15 A. Yes, sir.

16 Q Can you explain to the Commission, the unit is
17 designated Power Deep, can you explain the connotation of
18 the word "deep" in this particular case?

19 A. The unit is proposed from forty-five hundred and fifty
20 feet down and will not be concerned with the shallow production.
21 There is some San Andres production within the unit area
22 and the unit will exclude the shallow production.

23 There is a typographical error on the application
24 on the unit agreement that reads forty-five hundred feet and
25 it should read forty-five hundred and fifty feet. We will

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 correct this.

2 Q Will you please tell the Commission the number
3 of acres within the unit area and the number and percentage
4 of acreage of Federal and State land?

5 A The total number of acreage is five thousand,
6 six hundred and eighty-six, point twenty-two. The Federal
7 acreage is seventy-four point seventy-eight percent and
8 twenty-five point twenty-one State land.

9 Q And the number of acres of State land within the
10 unit?

11 A The number of acres of State land is one thousand,
12 four hundred and forty acres.

13 Q And the number of acres of Federal land?

14 A Four thousand, two hundred and forty-six, point
15 twenty-two.

16 Q Could you tell the Commission the Township and
17 Range in which the Unit is located and with reference to, say
18 the nearest town?

19 A All right. The Unit covers, it is in the inter-
20 section of several ranges and townships here, but it covers
21 Section 31 and 32 in Township 17 South, Range 31 East;
22 Section 36 in Township 17 South, 30 East; Sections 1 and
23 12 in 18 South, 30 East; and Sections 5, 6, 7 and 8 in 18
24 South, 31 East.

25 The location to the nearest town is twenty-eight miles

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 northeast of Carlsbad.

2 Q Would you please refer to the geological report
3 which has been introduced in this Case and marked Exhibits One
4 through Four?

5 Was this report prepared by you or others directly
6 under your control and supervision?

7 A Yes, sir. The report was prepared by me and we
8 have four parts.

9 The Exhibit One is the written report which
10 includes the land plat illustrating the area.

11 Exhibit Two is a structure map which is contoured
12 on the top of the Mississippian unconformity, or the base
13 of the Morrow section. The map indicates a structural trend
14 running northwest-southeast across the area with a structure
15 under the unit area. And the structural trend is thought to
16 cross at approximately right angles with the stratigraphic
17 and depositional trends of Morrow sands. And that is the
18 basis of the prospect, the intersection of the depositional
19 sand trend with the structural trend indicated.

20 The cross section which is Exhibit Three,
21 illustrates three BF prime, illustrates three wells in the
22 general area of the unit. The map also indicates there is
23 Morrow production north of the unit area, but as indicated
24 by the brown line, this production is thought to be separated
25 from potential Morrow production in the unit area because of

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 one dry hole in the Morrow and one well that tested a small
2 amount of gas, one hundred and fifty thousand cubic feet
3 in the Morrow.

4 Other potentials in the area are indicated by the
5 fact that the well in Section 30 of 17, 31, Sinclair 77 B
6 Turner, produced oil from the Atoka with an accumulative of
7 twelve thousand three hundred and forty-two barrels of oil
8 and it is now abandoned.

9 And in Section 3 of 18 South, 31 East, the Pennzoil
10 Federal well potentialized from the Strawn and produced an
11 accumulative of thirteen thousand, nine hundred and ninety-
12 nine barrels of oil.

13 So this is an indication of other potential
14 pays in the area.

15 Also one other well to point out within the unit
16 area in Section 36 of 17, 30 in the northeast corner. El Paso
17 drilled a well which was completed from the Morrow. It is
18 now abandoned and had an accumulative of one hundred and
19 three thousand, six hundred and forty-seven MCF, plus
20 twenty-four, seventy-four barrels of condensate.

21 So we have shows in several zones in the nearby
22 proximity to the unit area.

23 The final exhibit is a Xerox of two logs which
24 are the two deepest wells within the unit area. It includes
25 the Odessa Natural Gasoline El Paso State well and the

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 Union Texas Atlantic Federal, and the purpose of this log
2 is to illustrate the marker that is being used to indicate
3 the base of the San Andres or the upper limit of the unit.

4 Q Would you please tell the Commission your conclusions
5 as to formations likely to be encountered and considered
6 prospective production?

7 A As I previously pointed out the Strawn and the
8 Atoka have produced either in nearby proximity to the unit,
9 the Morrow has produced on the unit and then the Wolfcamp
10 was tested. And as shown on the cross section BB prime in
11 the Pennzoil 1-A Federal well, there were three tests in the
12 Wolfcamp, all of which indicated shows of oil.

13 Q Could you please tell the Commission the projected
14 depth and the proposed location of the initial test well?

15 A The proposed depth is twelve thousand feet and
16 the proposed initial location is the northwest quarter of
17 Section 6, 18 South, 31 East.

18 Q Have other working interest owners within the
19 area been contacted?

20 A Yes, sir.

21 Q In your opinion, what percentage of the working
22 interest will be committed and what percentage of the royalty
23 will be committed?

24 A Ninety-five percent of the working interest and
25 eighty-five percent of the royalty interest.

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 Q In your opinion, will the operation of this area
2 under the proposed unit plan of operation be in the interest
3 of conservation and the prevention of waste?

4 A Yes, sir.

5 Q In the event of production will the correlative
6 rights of all parties to the unit agreement be protected?

7 A Yes, sir.

8 MR. RICHARDSON: We would like to enter the
9 geological report marked Exhibits One through Four into
10 evidence.

11 MR. NUTTER: The geological report is one exhibit,
12 including Exhibits One through Four, is that it?

13 MR. RICHARDSON: Right.

14 MR. NUTTER: The geological report, including
15 Exhibits One through Four will be admitted into evidence.

16 CROSS EXAMINATION

17 BY MR. NUTTER:

18 Q Mr. McClurg, an inspection of your Exhibit Number
19 Two, which is the structure on the top of the Mississippian,
20 I presume here we have got a nose that would be reflected
21 back up into the Pennsylvanian formation also, is that it?

22 A Yes, sir, the top of the Mississippian unconformity
23 is essentially the base of the Morrow section.

24 Q And then this nose would be backed up by a line
25 of non-porous formations?

1 A. Yes, sir.

2 Q. Which would isolate the nose?

3 A. That's right. The nose would be cut off by the
4 brown line indicated where the two wells show very tight --

5 Q. And then it has been your intent here to unitize
6 nine sections of land which more or less cover this nose and
7 give you control of the structure in the event production is
8 found?

9 A. Right.

10 Q. Now, do you think you have sufficient acreage there
11 to gain control of the structure?

12 A. I think so, we seem to have the structure pretty
13 well delineated.

14 Q. You say ninety-five percent of the working interest
15 and eighty-five percent of the royalty is committed to the
16 unit, is this lack of five percent working interest and
17 fifteen percent royalty, will this lack cause any in-
18 efficient operation in the unit?

19 A. No, sir, I don't think so, and as I understand it
20 we are still pursuing these other interests.

21 MR. RICHARDSON: I might add there, this is an
22 old producing area and we have twenty-six working interest
23 owners, and some of them, well, I think approximately eight
24 or ten of them, have got less than a one percent interest.
25 One of these real old, old leases that is just cut all to

sid morrish-reporting service

General Court Reporting Service
825 Calle Mejia, No. 172, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 hell and that is the reason we just made a guess, because
2 there are so many working interest owners and some of the
3 royalty. We guessed the royalty fairly low because we also
4 have numerous estates and due to these old producing leases
5 we have these dead people and, gosh, I don't know what else.
6 Some of them we literally can't find.

7 MR. NUTTER: But you do have those figures that
8 were put in the record as committed?

9 MR. RICHARDSON: As verbally committed.

10 MR. NUTTER: And there is a possibility that some
11 of these others may be located and you may increase this
12 amount?

13 MR. RICHARDSON: We hope to increase the working
14 interest percentage to one hundred percent, but it will
15 not be one hundred percent because we have already had two
16 definite turn-downs. Oh, from Texaco, for instance it only
17 has forty acres out of the entire nine sections, and also one
18 other company that had only forty acres. It was El Paso and
19 they said their percentage was just too darn small to fool
20 with, that it would cost them more money to process the
21 papers than it would be to join in. But those percentages
22 probably will increase.

23 MR. NUTTER: Then it is the provision in the
24 unit agreement that a well would be drilled that would test
25 all of the Pennsylvanian formation to a maximum depth of

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 121, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 twelve thousand feet, and that you feel you have possibilities
2 in the Atoka, Strawn, and what other formations in the
3 Penn that there might be?

4 THE WITNESS: Uh-huh.

5 MR. NUTTER: Are there any further questions of
6 Mr. McClurg? He may be excused.

7 Do you have anything further, Mr. Richardson?

8 MR. RICHARDSON: No, sir, except that we will
9 correct the unit agreement and prepare you a formal Exhibit
10 B and give you corrected pages or a complete new corrected
11 agreement, if you like.

12 MR. NUTTER: I think just the amended pages will
13 be sufficient.

14 MR. RICHARDSON: That depth deal in there between,
15 well, we started off with the ownership in the unit as forty-
16 five hundred feet. That is where most of the shallow farmout
17 agreements have gone to and that is what we were talking about
18 with the USGS as to where to cut it off and they say, well,
19 pick a definite marker and tie it back into a well, so we
20 picked a marker and just kept on talking about forty-five
21 hundred feet when the marker was fifty, forty-five, fifty, but
22 that will be changed to forty-five fifty as a marker.

23 MR. NUTTER: Does anyone else have anything they
24 wish to offer in Case 5557? We will take the case under
25 advisement.

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122 Santa Fe, New Mexico 87501
Phone (505) 982-9212

State of New Mexico)
) ss.
 County of Santa Fe)

I, SIDNEY F. MORRISH, a court reporter, do hereby
 certify that the foregoing and attached Transcript of Hearing
 before the New Mexico Oil Conservation Commission was reported
 by me, and the same is a true and correct record of the said
 proceedings to the best of my knowledge, skill and ability.

Sidney F. Morrish
 Sidney F. Morrish, Court Reporter

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 5557
 heard by me on 9/24/75
Abraham Examiner
 New Mexico Oil Conservation Commission

sid morrish reporting service
 General Court Reporting Service
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
 Phone (505) 982-9212

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 24, 1975

EXAMINER HEARING

IN THE MATTER OF:

Application of C & K Petroleum, Inc.
for a unit agreement, Eddy County,
New Mexico.

CASE
5557

BEFORE: Daniel S. Nutter, Examiner.

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the New Mexico Oil
Conservation Commission:

Thomas Derryberry, Esq.
Legal Counsel for the Commission
State Land Office Building
Santa Fe, New Mexico

For the Applicant:

Randolph M. Richardson, Esq.
Attorney at Law
J. P. White Building
Roswell, New Mexico.

sid morrison reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

I N D E X

Page

DONALD L. McCLURG

Direct Examination by Mr. Richardson

3

Cross Examination by Mr. Nutter

9

EXHIBIT INDEX

Page

Offered Admitted

Applicant's Exhibit No. 1, Report

9

9

Applicant's Exhibit No. 2, Map

9

9

Applicant's Exhibit No. 3, Cross Sec.

9

9

Applicant's Exhibit No. 3, Log

9

9

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 992-9212

1 MR. NUTTER: We will call the next Case 5557.

2 MR. DERRYBERRY: Case 5557, application of C & K
3 Petroleum, Inc., for a unit agreement, Eddy County, New Mexico.

4 MR. RICHARDSON: Randolph M. Richardson, Roswell,
5 New Mexico, appearing on behalf of the applicant and I have
6 one witness.

7 (THEREUPON, the witness was duly sworn.)

8 DONALD L. McCLURG

9 called as a witness, having been first duly sworn, was
10 examined and testified as follows:

11 DIRECT EXAMINATION

12 BY MR. RICHARDSON:

13 Q Mr. McClurg, would you please state your name and
14 your present occupation?

15 A My name is Donald L. McClurg and I'm a consultant
16 for C & K.

17 Q Would you state briefly your educational background
18 and experience that would enable you to testify before the
19 Commission as an expert witness?

20 A I graduated from the University of Texas, El Paso,
21 in 1960 with a Bachelor of Science degree in geology. I
22 worked for six and a half years for Amoco Production Company
23 and a year for Great Western and consulting since that
24 time.

25 Q Have you ever testified before the Commission as

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, N.E. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 an expert witness?

2 A Yes, sir.

3 Q Are you familiar with Power Deep Unit area and
4 matters contained in the application to the Commission for
5 approval of the unit agreement?

6 A Yes, sir.

7 MR. RICHARDSON: Are the qualifications acceptable?

8 MR. NUTTER: Yes, sir.

9 Q (Mr. Richardson continuing.) Is the form of the
10 unit agreement prescribed by Federal regulations?

11 A Yes, sir.

12 Q Has a unit area been designated by the United
13 States Geological Survey as an area logically suitable for
14 development under a unit plan of operation?

15 A Yes, sir.

16 Q Can you explain to the Commission, the unit is
17 designated Power Deep, can you explain the connotation of
18 the word "deep" in this particular case?

19 A The unit is proposed from forty-five hundred and fifty
20 feet down and will not be concerned with the shallow production.
21 There is some San Andres production within the unit area
22 and the unit will exclude the shallow production.

23 There is a typographical error on the application
24 on the unit agreement that reads forty-five hundred feet and
25 it should read forty-five hundred and fifty feet. We will

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 correct this.

2 Q Will you please tell the Commission the number
3 of acres within the unit area and the number and percentage
4 of acreage of Federal and State land?

5 A The total number of acreage is five thousand,
6 six hundred and eighty-six, point twenty-two. The Federal
7 acreage is seventy-four point seventy-eight percent and
8 twenty-five point twenty-one State land.

9 Q And the number of acres of State land within the
10 unit?

11 A The number of acres of State land is one thousand,
12 four hundred and forty acres.

13 Q And the number of acres of Federal land?

14 A Four thousand, two hundred and forty-six, point
15 twenty-two.

16 Q Could you tell the Commission the Township and
17 Range in which the Unit is located and with reference to, say,
18 the nearest town?

19 A All right. The Unit covers, it is in the inter-
20 section of several ranges and townships here, but it covers
21 Section 31 and 32 in Township 17 South, Range 31 East;
22 Section 36 in Township 17 South, 30 East; Sections 1 and
23 12 in 18 South, 30 East; and Sections 5, 6, 7 and 8 in 18
24 South, 31 East.

25 The location to the nearest town is twenty-eight miles

1 northeast of Carlsbad.

2 Q Would you please refer to the geological report
3 which has been introduced in this Case and marked Exhibits One
4 through Four?

5 Was this report prepared by you or others directly
6 under your control and supervision?

7 A Yes, sir. The report was prepared by me and we
8 have four parts.

9 The Exhibit One is the written report which
10 includes the land plat illustrating the area.

11 Exhibit Two is a structure map which is contoured
12 on the top of the Mississippian unconformity, or the base
13 of the Morrow section. The map indicates a structural trend
14 running northwest-southeast across the area with a structure
15 under the unit area. And the structural trend is thought to
16 cross at approximately right angles with the stratigraphic
17 and depositional trends of Morrow sands. And that is the
18 basis of the prospect, the intersection of the depositional
19 sand trend with the structural trend indicated.

20 The cross section which is Exhibit Three,
21 illustrates three BB prime, illustrates three wells in the
22 general area of the unit. The map also indicates there is
23 Morrow production north of the unit area, but as indicated
24 by the brown line, this production is thought to be separated
25 from potential Morrow production in the unit area because of

sid morish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 one dry hole in the Morrow and one well that tested a small
2 amount of gas, one hundred and fifty thousand cubic feet
3 in the Morrow.

4 Other potentials in the area are indicated by the
5 fact that the well in Section 30 of 17, 31, Sinclair 77 B
6 Turner, produced oil from the Atoka with an accumulative of
7 twelve thousand three hundred and forty-two barrels of oil
8 and it is now abandoned.

9 And in Section 3 of 18 South, 31 East, the Pennzoil
10 Federal well potentialed from the Strawn and produced an
11 accumulative of thirteen thousand, nine hundred and ninety-
12 nine barrels of oil.

13 So this is an indication of other potential
14 pays in the area.

15 Also one other well to point out within the unit
16 area in Section 36 of 17, 30 in the northeast corner. El Paso
17 drilled a well which was completed from the Morrow. It is
18 now abandoned and had an accumulative of one hundred and
19 three thousand, six hundred and forty-seven MCF, plus
20 twenty-four, seventy-four barrels of condensate.

21 So we have shows in several zones in the nearby
22 proximity to the unit area.

23 The final exhibit is a Xerox of two logs which
24 are the two deepest wells within the unit area. It includes
25 the Odessa Natural Gasoline El Paso State well and the

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 Union Texas Atlantic Federal, and the purpose of this log
2 is to illustrate the marker that is being used to indicate
3 the base of the San Andres or the upper limit of the unit.

4 Q Would you please tell the Commission your conclusions
5 as to formations likely to be encountered and considered
6 prospective production?

7 A As I previously pointed out the Strawn and the
8 Atoka have produced either in nearby proximity to the unit,
9 the Morrow has produced on the unit and then the Wolfcamp
10 was tested. And as shown on the cross section BB prime in
11 the Pennzoil 1-A Federal well, there were three tests in the
12 Wolfcamp, all of which indicated shows of oil.

13 Q Could you please tell the Commission the projected
14 depth and the proposed location of the initial test well?

15 A The proposed depth is twelve thousand feet and
16 the proposed initial location is the northwest quarter of
17 Section 6, 18 South, 31 East.

18 Q Have other working interest owners within the
19 area been contacted?

20 A Yes, sir.

21 Q In your opinion, what percentage of the working
22 interest will be committed and what percentage of the royalty
23 will be committed?

24 A Ninety-five percent of the working interest and
25 eighty-five percent of the royalty interest.

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 Q In your opinion, will the operation of this area
2 under the proposed unit plan of operation be in the interest
3 of conservation and the prevention of waste?

4 A Yes, sir.

5 Q In the event of production will the correlative
6 rights of all parties to the unit agreement be protected?

7 A Yes, sir.

8 MR. RICHARDSON: We would like to enter the
9 geological report marked Exhibits One through Four into
10 evidence.

11 MR. NUTTER: The geological report is one exhibit,
12 including Exhibits One through Four, is that it?

13 MR. RICHARDSON: Right.

14 MR. NUTTER: The geological report, including
15 Exhibits One through Four will be admitted into evidence.

16 CROSS EXAMINATION

17 BY MR. NUTTER:

18 Q Mr. McClurg, an inspection of your Exhibit Number
19 Two, which is the structure on the top of the Mississippian,
20 I presume here we have got a nose that would be reflected
21 back up into the Pennsylvanian formation also, is that it?

22 A Yes, sir, the top of the Mississippian unconformity
23 is essentially the base of the Morrow section.

24 Q And then this nose would be backed up by a line
25 of non-porous formations?

sid morrish reporting service

General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

1 A Yes, sir.

2 Q Which would isolate the nose?

3 A That's right. The nose would be cut off by the
4 brown line indicated where the two wells show very tight --

5 Q And then it has been your intent here to unitize
6 nine sections of land which more or less cover this nose and
7 give you control of the structure in the event production is
8 found?

9 A Right.

10 Q Now, do you think you have sufficient acreage there
11 to gain control of the structure?

12 A I think so, we seem to have the structure pretty
13 well delineated.

14 Q You say ninety-five percent of the working interest
15 and eighty-five percent of the royalty is committed to the
16 unit, is this lack of five percent working interest and
17 fifteen percent royalty, will this lack cause any in-
18 efficient operation in the unit?

19 A No, sir, I don't think so, and as I understand it
20 we are still pursuing these other interests.

21 MR. RICHARDSON: I might add there, this is an
22 old producing area and we have twenty-six working interest
23 owners, and some of them, well, I think approximately eight
24 or ten of them, have got less than a one percent interest.
25 One of these real old, old leases that is just cut all to

1 hell and that is the reason we just made a guess, because
2 there are so many working interest owners and some of the
3 royalty. We guessed the royalty fairly low because we also
4 have numerous estates and due to these old producing leases
5 we have these dead people and, gosh, I don't know what else.
6 Some of them we literally can't find.

7 MR. NUTTER: But you do have those figures that
8 were put in the record as committed?

9 MR. RICHARDSON: As verbally committed.

10 MR. NUTTER: And there is a possibility that some
11 of these others may be located and you may increase this
12 amount?

13 MR. RICHARDSON: We hope to increase the working
14 interest percentage to one hundred percent, but it will
15 not be one hundred percent because we have already had two
16 definite turn-downs. Oh, from Texaco, for instance it only
17 has forty acres out of the entire nine sections, and also one
18 other company that had only forty acres. It was El Paso and
19 they said their percentage was just too darn small to fool
20 with, that it would cost them more money to process the
21 papers than it would be to join in. But those percentages
22 probably will increase.

23 MR. NUTTER: Then it is the provision in the
24 unit agreement that a well would be drilled that would test
25 all of the Pennsylvanian formation to a maximum depth of

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (305) 982-9212

1 twelve thousand feet, and that you feel you have possibilities
2 in the Atoka, Strawn, and what other formations in the
3 Penn that there might be?

4 THE WITNESS: Uh-huh.

5 MR. NUTTER: Are there any further questions of
6 Mr. McClurg? He may be excused.

7 Do you have anything further, Mr. Richardson?

8 MR. RICHARDSON: No, sir, except that we will
9 correct the unit agreement and prepare you a formal Exhibit
10 B and give you corrected pages or a complete new corrected
11 agreement, if you like.

12 MR. NUTTER: I think just the amended pages will
13 be sufficient.

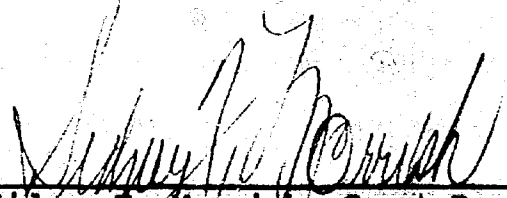
14 MR. RICHARDSON: That depth deal in there between,
15 well, we started off with the ownership in the unit as forty-
16 five hundred feet. That is where most of the shallow farmout
17 agreements have gone to and that is what we were talking about
18 with the USGS as to where to cut it off and they say, well,
19 pick a definite marker and tie it back into a well, so we
20 picked a marker and just kept on talking about forty-five
21 hundred feet when the marker was fifty, forty-five, fifty, but
22 that will be changed to forty-five fifty as a marker.

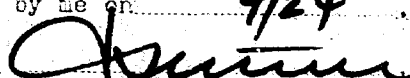
23 MR. NUTTER: Does anyone else have anything they
24 wish to offer in Case 5557? We will take the case under
25 advisement.

sid morrish reporting service
General Court Reporting Service
825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
Phone (505) 982-9212

State of New Mexico)
) ss.
 County of Santa Fe)

I, SIDNEY F. MORRISH, a court reporter, do hereby
 certify that the foregoing and attached Transcript of Hearing
 before the New Mexico Oil Conservation Commission was reported
 by me, and the same is a true and correct record of the said
 proceedings to the best of my knowledge, skill and ability.


 Sidney F. Morrish, Court Reporter

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 5557
 heard by me on 9/24, 1975

 Examiner
 New Mexico Oil Conservation Commission

sid morrish reporting service
 General Court Reporting Service
 825 Calle Mejia, No. 122, Santa Fe, New Mexico 87501
 Phone (505) 982-9212