

CASE 3469: Application of GULF for
approval of the SPRINGS UNIT
AGREEMENT, EDDY COUNTY, N. MEX.

CASE No.

3469

Application,

TRANSCRIPTS,

SMALL Exhibits

ETC.

dearnley-meier reporting service, inc.

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

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PAGE 1

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

September 28, 1966

EXAMINER HEARING

IN THE MATTER OF:

Application of Gulf Oil Corporation
for a unit agreement, Eddy County,
New Mexico.

Case No. 3469

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: Case 3469.

MR. HATCH: Application of Gulf Oil Corporation
for a unit agreement, Eddy County, New Mexico.

MR. KASTLER: I'm Bill Kastler from Roswell,
New Mexico, an attorney, appearing on behalf of Gulf Oil
Corporation. Our two witnesses in this case will be Mr.
Jack P. Cavanaugh and W. T. Penry. Will you please stand and
be sworn?

(Witnesses sworn.)

(Whereupon, Gulf's Exhibits
1 through 6 were marked
for identification.)

MR. UTZ: Are there any other appearnaces?

MR. KASTLER: Not in this case.

W. T. PENRY

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

DIRECT EXAMINATION

BY MR. KASTLER:

Q Please state your name, by whom you are employed,
where, and in what capacity.

A W. T. Penry; I'm employed by the Gulf Oil
Corporation, Roswell, New Mexico, as a geologist.

Q Have you previcusly appeared as a witness before
the New Mexico Oil Conservation Commission or an Examiner

Hearing of the New Mexico Oil Conservation Commission?

A No.

Q Will you please briefly review your educational background?

A I graduated in 1951 from the Virginia Polytechnical Institute in Blacksburg, Virginia. I went to work for Gulf Oil Corporation immediately afterwards.

Q In 1951?

A In 1951.

Q What has been your practical experience as a petroleum geologist after graduation?

A I worked as a geologist and geophysicist at the Gulf Research and Development Company, Pittsburgh until 1954, and from then I worked in eastern Venezuela for Gulf from 1954 until 1960. Since that time I have been located in Roswell, New Mexico with the Gulf Oil Corporation.

Q You have been located in Roswell since approximately 1960, Mr. Penry?

A 1961. I am not sure of the exact date.

Q Are you familiar with the geology in the southeast quarter of New Mexico, and more particularly the area in the vicinity of this proposed Springs Unit Area?

A Yes, I am.

MR. KASTLER: Are the witness's qualifications

satisfactory?

MR. UTZ: I believe they are.

Q (By Mr. Kastler) Now, Mr. Penry, will you state in your own words what the geological picture is pertaining to the proposed Springs Unit?

A Yes, I would like to introduce Exhibit No. 1. This is a location map showing the outline of the proposed Springs Unit and the proposed 9,000 foot test. It's in Eddy County, New Mexico on the northwestern margin of the Delaware Basin, about seven miles south of Lakewood and eleven miles northwest of Carlsbad.

Specifically, the proposed test is in the Southwest of the Northeast, Section 34, in Township 20 South, Range 26 East. Geologically this test would be drilled in the Upper Pennsylvanian transition zone, located between the Basin and the shelf facies, as is shown here on the map. This test would be drilled with the anticipation of encountering Cisco reef dolomite, which is the prolific reservoir in the Indian Basin field located ten miles to the southwest.

I would like to call your attention to the cross section A-A1 shown on this map, which connects the proposed location with nearby well control. The existence of Cisco reef dolomite in the proposed unit area is indicated by the reef type sediments that we encountered in our Gulf No. 4

Seven Rivers Hills Unit, which is located in Section 4 of 21 South, 25 East, also in the J. M. Kelly Lake McMillan Well, which is located in Section 36 of 20 South, 26 East.

Q You encountered reef in that?

A Yes, Cisco reef. If there are no questions on this map, I would like to introduce the cross section A-A¹ as Exhibit 2. The legend of the cross section uses conventional symbols for differentiating the various lithologic units. The horizontal scale is shown graphically and actually is one inch equal two thousand feet horizontally, and the vertical scale is one inch equal a thousand feet. The line of section starting on the west goes through the Phillips No. 1 Seven Rivers Hills Unit. The Gulf No. 4 Seven Rivers Hills Unit, the proposed location, the J. M. Kelly Lake McMillan Unit, and then east to the Ralph Lowe Hanson No. 1 Federal.

Q Reading left to right from the wells on this Exhibit No. 2, they correspond exactly with the wells as shown on the cross section line A-A¹ in Exhibit No. 1, is that not correct?

A Yes, they do.

Q Go ahead.

A Under the proposed location you can see the development shown here of the Cisco reef, and as previously mentioned, it was encountered in the J. M. Kelly Lake

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McMillan Unit and in the Gulf No. 4 Seven Rivers Hills Unit. If there are no cross sections, I would like to introduce Exhibit No. 3, which is a structure map showing contours on the Upper Penn-Cisco structure. The contour interval is 100 feet, the scale is one inch equal 3,000 feet. The control wells in the area, and you can see that they are rather numerous, are circled in red, and the datum is posted nearby the well.

Q I believe you have a total of ten control wells?

A Yes, that's correct. Some 500 feet of closure is mapped above a water test in the Gulf No. 4 Seven Rivers Hills Unit that is located in Section 4 of 21 South, 25 East. I would also like to point out that on the north end of the proposed unit we see in Section 15 of 20 South, 26 East, it joins against the Pecos River Deep Unit, and you can see this sketched in with a dashed line on the map.

It starts actually up here in Section 3, comes down, goes west to Section 4, down, and then half-way through Section 9 and down the west side of Section 15. If there are no questions on this map I would like to introduce the final exhibit -- Excuse me.

Q I would like to ask you a question. Your 4700-foot contour line appears to quite neatly surround and define the unit area, doesn't it?

A Yes.

Q Except for this area to the north, which is, as you say, already unitized under the Pecos River Deep Unit?

A That's true, except for the North Half of Section 23 where there is a dry hole located.

Q And you have well control to indicate the reason for that curvature?

A Yes.

Q Mr. Penry, is this being proposed as a unit of only deep structures or shallow structures or as unitization for all lands and all zones underneath the surface of the land?

A I believe it to be all zones.

Q Please go on with Exhibit No. 4.

A No. 4 would be the next exhibit, and it's an isopach of the Upper Penn-Cisco reef. The contour interval is 100 feet. The scale is one inch equal 3,000 feet. Here again, the control wells are circled in red and the isopach values are shown nearby. We're indicating some 500 feet of reef development through the proposed unit area.

MR. UTZ: You've only contoured the area over which you have reasonable control?

A Yes, sir.

Q (By Mr. Kastler) Also here you seem to have a

pinchout at the vicinity of the South Line of the Pecos River Deep Unit.

A That is correct. It's controlled by a zero point in the Adams Bend Well, located in Section 23. The evidence of reef development through the proposed unit area, together with the some 500 feet of structural advantage that I believe that we can gain as shown on Exhibit 3, in my opinion justifies the proposed location, the proposed test. These are all my exhibits, if there are any questions.

Q I don't have any.

MR. KASTLER: I would like to move that Exhibits 1, 2, 3 and 4, which were prepared by Mr. Penry, be entered into evidence at this time.

MR. UTZ: Without objection they will be entered into the record of this case.

(Whereupon, Gulf's Exhibits 1 through 4 were offered and admitted in evidence.)

MR. KASTLER: No further questions.

CROSS EXAMINATION

BY MR. UTZ:

Q On your Exhibit No. 3, Mr. Penry, the control you have for this nose that you run up into in Sections 10 and 11, what's the township and range up there?

A That would be in Section 11, that would be 20

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South, 26 East.

Q The control for that nose is entirely based on the well in Section 11, is that correct?

A Principally, yes, sir.

Q If it wasn't for that there wouldn't be any reason for it, you could just cut across and might have more symmetrical structure, would you not?

A That is correct.

Q And the control for all contours inside the 4700-foot contour, you really don't have much control. You are just kind of guessing at the total thickness, aren't you?

A Well, we have, inside of the 4700-foot contour there's no control, yes, sir. We have tried to use a gradient established worked out between say the Gulf well and the well, the Atlantic Richfield well down in Section 11.

Q Well, we hope its thicker than you say it is.

MR. UTZ: Any other questions? The witness may be excused.

(Witness excused.)

J. P. CAVANAUGH

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

DIRECT EXAMINATION

BY MR. KASTLER:

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Q Please state your name and by whom you are employed and where and in what capacity.

A My name is J. P. Cavanaugh. I am employed by Gulf Oil Corporation in Roswell, New Mexico as a land man.

Q Have you had past experience handling such unit operating agreements as Gulf has been directly interested in, either as an operator or non-operating party?

A Yes, sir, over twelve years.

Q Have you previously appeared before the New Mexico Commission and testified as a land man?

A Yes, sir, I have. That was in Case 3215 on March 10th, 1965.

Q You are familiar with the Springs Unit Agreement and Unit Operating Agreements?

A Yes, I am.

Q And you have copies of those agreements for introduction here as Exhibits No. 5 and 6, is that not correct?

A That is correct.

Q Would you please refer to Exhibit A, which is a portion of the Unit Agreement, which is Exhibit No. 5, and state how many acres are involved in the proposed Unit Agreement?

A There are 5,138.59 acres involved in the Springs Unit Area.

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Q Has this same land, to your recollection, been unitized previously?

A Yes, portions of this land, the greater portion of this land has been unitized previously in the Adams Bend Unit; Pan American was the operator.

Q Previous to that had it been unitized, if you know?

A Previous to that it was in the Seven Rivers Hills Unit where Gulf was operator.

Q Each of those units have terminated and now this is the next proposed unit?

A Yes. This Unit Operating Agreement at least supercedes the Adams Bend Operating Unit Agreement.

Q What is the character of the land within the unit as to state, federal or fee acreage?

A In this unit over 93% of the acreage is federal land and a little over 6% is fee lands. There are no lands belonging to the State of New Mexico in this unit.

Q Is there any of the land in the unit area which at this time you have reason to believe will not be committed to the unit area?

A Yes. We have been advised by the Continental Oil Company that 592 acres that is located in Section 2, Township 21 South, Range 25 East will not be committed due to various

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budgetary problems they have. However, they have given us an acreage contribution within the unit area of some fee lands that they own.

Q And they have indeed consented to the unitization including this land, although they will not commit their tract No. --

A Tract No. 18.

Q Is that a correct statement?

A That is a correct statement.

Q Are there any other lands that will be uncommitted, to your knowledge?

A To my knowledge there are not any other lands that will be uncommitted lands.

Q Are you familiar with the terms and provisions of the Unit Agreement?

A Yes, sir, I am. This is a federal style Unit Agreement providing for commencement of drilling operations within six months after the effective date, drilling to the objective depth of 9,000 feet, in order to complete a test of the Cisco Formation of the Pennsylvanian age. There will be orderly development drilling conforming to the federal regulations and the Unit Agreement.

Q Are there provisions for subsequent joinder by either working interest owners or royalty owners?

A Yes. Prior to the commencement of the drilling of the well any working interest owner or royalty owner may join after the well is commenced, there is a provision for subsequent joinder.

Q In the Unit Operating Agreement, which is Exhibit No. 6, is there the usual provision as to the cost of the test well, provision for non-consent operations and so forth; primarily, I am asking you is the cost of the test well agreed upon and covered?

A The cost of the test well is agreed upon and is covered by virtue of this agreement and various agreements with other companies not a party to these agreements.

Q In your opinion, would the formation of this unit be in the interest of protection of correlative rights and prevention of waste?

A I certainly do think so, and based on the fact that unit plans are cooperative plans and they provide the best method of orderly development, payment of costs, allocation of production, and we certainly do believe it prevents waste.

Q Are there any early-expiring leases?

A Yes. Unfortunately we have quite a number of early-expiring leases. They are all federal leases that expire on October 31, 1966. These tracts are Tracts 1 through

12, Tracts 16, 17, 20 and 21, or a total of 16 federal leases aggregating some 3668 acres.

Q Have the Regional Supervisor of Oil and Gas Operations and the United States Geological Survey Director granted any preliminary approval to this unit?

A Yes, by letter dated October 8, 1966, signed by Arthur Baker, the Director of the United States Geological Survey in Washington, designates this unit area as a local unit area.

Q They have indicated that they will grant its final approval prior to October 31, 1966 so that these leases can be saved by drilling?

A Yes, they have.

Q Do you have any royalty owners or other working interest owner commitments?

A We have all the working interest owner commitments by virtue of correspondence and letters, not as parties to these agreements as yet. The royalty owners at this time have not been contacted, but as is readily obvious, the United States has consented and they are the greatest royalty owner in the unit.

Q When do you anticipate drilling will commence?

A We hope to have this well started, certainly prior to October 30, and we hope that the Commission will

approve our unit as well as Washington, United States Geological Survey.

Q Are these agreements and Unit Operating Agreements labeled Exhibits 5 and 6?

A They are.

Q Are they the true copies of the instruments and exhibits which will be submitted to the government for final approval?

A Yes, basically they are the instruments that will be submitted to the government for final approval.

MR. KASTLER: I would like to move that Exhibits 5 and 6 now be admitted into evidence.

MR. UTZ: Five and 6 will be entered into the record of this case.

(Whereupon, Gulf's Exhibits 5 and 6 were offered and admitted in evidence.)

MR. KASTLER: That concludes my questions of Mr. Cavanaugh.

MR. UTZ: Any questions of the witness? The witness may be excused.

(Witness excused.)

MR. UTZ: Any statements in this case?

MR. KASTLER: No.

MR. UTZ: If there are none, the case will be taken under advisement.

I N D E X

<u>WITNESS</u>		<u>PAGE</u>
W. T. PENRY		
Direct Examination by Mr. Kastler		2
Cross Examination by Mr. Utz		8
J. P. CAVANAUGH		
Direct Examination by Mr. Kastler		9
<u>EXHIBITS</u>	<u>MARKED</u>	<u>OFFERED AND ADMITTED</u>
Gulf's Nos. 1 through 6	2	8
Gulf's Nos. 4 and 5	2	15

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STATE OF NEW MEXICO)
) SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Witness my Hand and Seal this 25th day of October, 1966.

Ada Dearnley
NOTARY PUBLIC

My Commission Expires:
June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Bernalillo County of Case No. 3469, heard by me on Sept 28, 1966.
Enoch A. [Signature], Secretary
New Mexico Oil Conservation Commission

EXHIBIT "B"
SPRINGS UNIT
EDDY COUNTY, NEW MEXICO
(REVISED EFFECTIVE OCTOBER 1, 1967)

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
1	T. 20 S. - R. 26 E. Sec. 23: S/2	320.00	LC-070032-B 10-31-68	A11 - U.S.A.	Gulf Oil Corporation	Pauline A. Galt \$750/Acre PP out of 5%	Surface to 8900' Gulf Oil Corporation 74.03350% Pan American Petroleum Corporation 25.00000% Yates Petroleum Corporation 0.96650%
							From 8900' to Base Penn Gulf Oil Corporation 50.00000% Pan American Petroleum Corporation 50.00000%
							Below Base Penn Formation Gulf Oil Corporation 100.00000%
2	T. 20 S. - R. 25 E. Sec. 33: NE/4	160.00	LC-070498 10-31-68	A11 - U.S.A.	Gulf Oil Corporation	None	Surface to 8900' Gulf Oil Corporation 74.03350% Pan American Petroleum Corporation 25.00000% Yates Petroleum Corporation 0.96650%
							From 8900' to Base Penn Gulf Oil Corporation 50.00000% Pan American Petroleum Corporation 50.00000%
							Below Base Penn Formation Sinclair Oil & Gas Company 100.00000%
3	T. 20 S. - R. 26 E. Sec. 22: N/2 NE/4, S/4 NE/4	120.00	LC-071847 10-31-68	A11 - U.S.A.	Cities Service Oil Co. Gulf Oil Corporation Pan American Petroleum Corp. Phillips Petroleum Co.	Childress Royalty Co., E.E. Nearburg, Ann: A. (Nearburg) Reischman, Tom Ingram, E.H. Ward-Tr. \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boiling 1/4%	Surface to 8900' Cities Service Oil Co. 3.57143% Gulf Oil Corporation 56.03829% Pan American Petroleum Corporation 25.00000% Phillips Petroleum Co. 14.28571% Yates Petroleum Corp. 1.10457% From 8900' to Base Penn Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corporation 50.00000% Phillips Petroleum Co. 14.28571%

EXHIBIT "B" - SPRINGS UNIT, EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE	
3								
Contd.								
4	T. 20 S. - R. 26 E. Sec. 22: SE/4 NE/4	40.00	LC-071847-A 10-31-68	A11 - U.S.A.	Cities Service Oil Co. 50.00000% Phillips Petroleum Co. 50.00000%	Childress Royalty Co., E.E. Nearburg, Anna A. (Nearburg) Reischman, Tom Ingram, E.H. Ward-Tr. \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boiling 1/4%	Below Base Penn Formation	
							Surface to 8900'	
							Cities Service Oil Co.	3.57143%
							Gulf Oil Corporation	56.03829%
							Pan American Petroleum Corporation	25.00000%
							Phillips Petroleum Co.	14.28571%
							Yates Petroleum Corp.	1.10457%
							From 8900' to Base Penn	
							Cities Service Oil Co.	7.14286%
							Gulf Oil Corporation	28.57143%
							Pan American Petroleum Corporation	50.00000%
							Phillips Petroleum Co.	14.28571%
							Below Base Penn Formation	
							Cities Service Oil Co.	3.57143%
							Gulf Oil Corporation	14.28571%
							Pan American Petroleum Corporation	75.00000%
							Phillips Petroleum Co.	7.14286%
5	T. 20 S. - R. 26 E. Sec. 21: E/2 SE/4 Sec. 27: SW/4 SW/4 Sec. 28: S/2 NE/4, SE/4 SE/4, NE/4 NE/4	280.00	NM-03215 H.B.P.	A11 - U.S.A.	Cities Service Oil Co. 3.57143% Gulf Oil Corporation 56.03829% Pan American Petroleum Corp. 25.00000% Phillips Petroleum Co. 14.28571% Yates Petroleum Corp. 1.10457%	Childress Royalty Co., E.E. Nearburg, Anna A. (Nearburg) Reischman, Tom Ingram, E.H. Ward-Tr. \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boiling 1/4%	Surface to 8900'	
							Cities Service Oil Co.	3.57143%
							Gulf Oil Corporation	56.03829%
							Pan American Petroleum Corporation	25.00000%
							Phillips Petroleum Co.	14.28571%
							Yates Petroleum Corp.	1.10457%
							From 8900' to Base Penn	
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EXHIBIT "B" - SPRINGS UNIT, EDDY COUNTY, NEW MEXICO

PAGE 3

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5							
Contd.							
6	T. 20 S. - R. 26 E. Sec. 21: NW/4 SE/4 Sec. 27: E/2 NW/4 Sec. 28: N/2 SE/4, SW/4 SE/4 Sec. 33: SE/4	400.00	NM-03215-A H.B.P.	A11 - U.S.A.	Cities Service Oil Co. 50.00000% Phillips Petroleum Co. 50.00000%	Childress Royalty Co., E.E.Nearburg, Anna A. (Nearburg) Reischman, Tom Ingram, E.H.Ward-Tr. \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Below Base Penn Formation Surface to 8900' Cities Service Oil Co. 3.57143% Gulf Oil Corporation 56.03829% Pan American Petroleum Corporation 25.00000% Phillips Petroleum Co. 14.28571% Yates Petroleum Corp. 1.10457% From 8900' to Base Penn Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corporation 50.00000% Phillips Petroleum Co. 14.28571%
7	T. 20 S. - R. 26 E. Sec. 22: SW/4 Sec. 27: NW/4 NW/4	200.00	NM-03217 10-31-68	A11 - U.S.A.	Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. 14.28571%	Childress Royalty Co., E.E.Nearburg, Anna A. (Nearburg) Reischman, Tom Ingram, E.H.Ward-Tr. \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Surface to 8900' Cities Service Oil Co. 3.57143% Gulf Oil Corporation 56.03829% Pan American Petroleum Corporation 25.00000% Phillips Petroleum Co. 14.28571% Yates Petroleum Corp. 1.10457% From 8900' to Base Penn Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corporation 50.00000% Phillips Petroleum Co. 14.28571%

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PAGE 4

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7							
Contd.							
8	T. 20 S. - R. 26 E. Sec. 22: NW/4, SE/4	320.00	NW-03217-A 10-31-68	A11 - U.S.A.	Cities Service Oil Co. 50.00000% Phillips Petroleum Co. 50.00000%	Childress Royalty Co., E.E.Nearburg, Anna A. (Nearburg) Reischman, Tom Ingram, E.H.Ward-Tr. \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Below Base Penn Formation Surface to 8900' Cities Service Oil Co. 3.57143% Gulf Oil Corporation 56.03829% Pan American Petroleum Corporation 25.00000% Phillips Petroleum Co. 14.28571% Yates Petroleum Corp. 1.10457% From 8900' to Base Penn Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corporation 50.00000% Phillips Petroleum Co. 14.28571%
9	T. 20 S. - R. 26 E. Sec. 21: W/2 NE/4	80.00	NW-03365 10-31-68	A11 - U.S.A.	Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. 14.28571%	Childress Royalty Co., E.E.Nearburg, Anna A. (Nearburg) Reischman, Tom Ingram, E.H.Ward-Tr. \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Surface to 8900' Cities Service Oil Co. 3.57143% Gulf Oil Corporation 56.03829% Pan American Petroleum Corporation 25.00000% Phillips Petroleum Co. 14.28571% Yates Petroleum Co. 1.10457% From 8900' to Base Penn Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corporation 50.00000% Phillips Petroleum Co. 14.28571%

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9									
Contd.									
10	T. 20 S. - R. 26 E. Sec. 21: E/2 NE/4	80.00	NM-03365-A 10-31-68	A11 - U.S.A.	Cities Service Oil Co. 50.00000% Phillips Petroleum Co. 50.00000%	Childress Royalty Co., E.E. Nearburg, Anna A. (Nearburg) Reischman, Tom Ingram, E.H. Ward - Tr. \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%		Below Base Penn Formation Cities Service Oil Co. 3.57143% Gulf Oil Corporation 56.03625% Pan American Petroleum Corporation 25.00000% Phillips Petroleum Co. 14.28571% Yates Petroleum Corp. 1.10457% From 8900' to Base Penn Cities Service Oil Co. 7.14236% Gulf Oil Corporation 28.57143% Pan American Petroleum Corporation 50.00000% Phillips Petroleum Co. 14.28571%	
11	T. 20 S. - R. 26 E. Sec. 27: A11 of E/4 SW/4 East of Pecos River	5.20	NM-038724 10-31-68	A11 - U.S.A.	Cities Service Oil Co.	Peter Q. Nyce, Jr. & Christine P. Nyce 1%		Surface to 8900' Cities Service Oil Co. 25.00000% Gulf Oil Corporation 48.06693% Pan American Petroleum Corporation 25.00000% Yates Petroleum Corp. 1.93302% Below 8900' Cities Service Oil Co. 50.00000% Pan American Petroleum Corporation 50.00000%	

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
12	I. 20 S. - R. 26 E. Sec. 27: N/2 SE/4 East of Pecos River	21.00	NM-038124-A 10-31-68	A11 - U.S.A.	Pan American Petroleum Corporation	Peter Q. Nyce, Jr. & Christine P. Nyce 1%	Surface to 8900' Gulf Oil Corporation 48.06700% Pan American Petroleum Corporation 50.00000% Yates Petroleum Corp. 1.93300% Below 8900' Pan American Petroleum Corporation 100.00000%
13	I. 20 S. - R. 26 E. Sec. 34: W/2 SE/4	80.00	NM-0225012 3-31-72	A11 - U.S.A.	Gulf Oil Corporation	Chevron Oil Co. 12.5%	Gulf Oil Corporation 100.00000%
14	I. 20 S. - R. 26 E. Sec. 27: SE/4 SW/4, SW/4 SE/4	80.00	NM-0228979 2-28-72	A11 - U.S.A.	Gulf Oil Corporation	The Masi Co. 5%	Surface to 8900' Gulf Oil Corporation 74.03350% Pan American Petroleum Corporation 25.00000% Yates Petroleum Corp. 0.96650% From 8900' to Base Penn Gulf Oil Corporation 50.00000% Pan American Petroleum Corporation 50.00000%
15	I. 20 S. - R. 26 E. Sec. 27: E/2 NE/4	80.00	NM-0283953A 6-30-72	A11 - U.S.A.	Gulf Oil Corporation	David M. Evans 5%	Below Base Penn Formation Gulf Oil Corporation 100.00000%
16	I. 20 S. - R. 26 E. Sec. 34: W/2, NW/4 NE/4	360.00	NM-0338754 10-31-68	A11 - U.S.A.	Gulf Oil Corporation	Henry D. Galvin \$500/Acre PP out of .5% - George D. Riggs \$500/Acre PP out of 2.25% - Neil H. Wills \$500/Acre PP out of 2.25%	Below Base Penn Formation Gulf Oil Corporation 100.00000% Surface to 8900' Gulf Oil Corporation 74.03350% Pan American Petroleum Corporation 25.00000% Yates Petroleum Corp. 0.96650%

(Page No. 6 Revised January 18, 1968, effective Oct. 1, 1967)

EXHIBIT "B" - SPRINGS UNIT, EDDY COUNTY, NEW MEXICO

PAGE 7

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
16							
Contd.							
17	T. 20 S. - R. 26 E. Sec. 26: E/2, NW/4, E/2 SW/4 Sec. 34: E/2 E/2, SW/4 NE/4 Sec. 35: E/2, E/2 W/2	1,240.00	NM-0338758 10-31-68	All - U.S.A.	Gulf Oil Corporation	Pauline A. Galt \$500/Acre PP out of .5% - George D. Riggs \$500/Acre PP out of 2.25% - Neil H. Wills \$500/Acre PP out of 2.25%	From 8900' to Base Penn Gulf Oil Corporation 50.00000% Pan American Petroleum Corporation 50.00000% Below Base Penn Formation Gulf Oil Corporation 100.00000% Surface to 8900' Gulf Oil Corporation 74.03350% Pan American Petroleum Corporation 25.00000% Yates Petroleum Corp. 0.96650% From 8900' to Base Penn Gulf Oil Corporation 50.00000% Pan American Petroleum Corporation 50.00000%
18	T. 21 S. - R. 25 E. Sec. 2: Lots 1, 3, 9 & 16 incl.	592.00	NM-0454228-A 12-31-73	All - U.S.A.	Continental Oil Co.	Ervin J. Levers \$1000/Acre PP out of 3%	Below Base Penn Formation Gulf Oil Corporation 100.00000% Continental Oil Co. 100.00000%
19	T. 21 S. - R. 25 E. Sec. 3: Lots 1, 3, 9 & 16	148.47	NM-0558961 1-31-76	All - U.S.A.	Gulf Oil Corporation	Max W. Coll II 1.25% N.W. Glade 1.25% C.H. Spaulding 1.25% E.I. Vetter 2.50%	Gulf Oil Corporation 100.00000%
20	T. 20 S. - R. 26 E. Sec. 27: SW/4 NW/4, lying East of Pecos River Sec. 28: NW/4 NE/4 lying East of Pecos River	14.00	BLM-A-026872 10-31-68	All - U.S.A.	Cities Service Oil Co.	Peter Q. Nyce, Jr. & Christine P. Nyce 1% Surface to 8900' Cities Service Oil Co. 12.50000% Gulf Oil Corporation 61.03024% Pan American Petroleum Corporation 25.00000% Yates Petroleum Corp. 1.44976% From 8900' to Base Penn Cities Service Oil Co. 25.00000% Gulf Oil Corporation 25.00000% Pan American Petroleum Corporation 50.00000%	Below Base Penn Formation Cities Service Oil Co. 30.00000% Pan American Petroleum Corporation 50.00000%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
21	T. 20 S. - R. 26 E. Sec. 21: All SW/4 SE/4 lying East of Pecos River	28.00	BLM-A-026872-A 10-31-68	A11 - U.S.A.	Pan American Petroleum Corporation	Peter Q. Nyce, Jr. & Christine P. Nyce 1%	Surface to 8900' Gulf Oil Corporation 61.05025% Pan American Petroleum Corporation 37.50000% Yates Petroleum Corp. 1.44975% From 8900' to Base Penn Gulf Oil Corporation 25.00000% Pan American Petroleum Corporation 75.00000% Below Base Penn Pan American Petroleum Corporation 100.00000%
22	T. 20 S. - R. 26 E. Sec. 26: W/2 SW/4 lying East of Pecos River Sec. 35: W/2 W/2 lying East of Pecos River	65.50	BLM-A-032236-B H.B.P.	A11 - U.S.A.	Gulf Oil Corporation	Elk Oil Co. 2%	Gulf Oil Corporation 100.00000%
23	T. 20 S. - R. 26 E. Sec. 21: W/2 NE/4	80.00	BLM-A-0426336 9-30-73	A11 - U.S.A.	Pan American Petroleum Corporation	F.J. Bradshaw 3%	Surface to 8900' Gulf Oil Corporation 48.06700% Pan American Petroleum Corporation 50.00000% Yates Petroleum Corp. 1.93300% Below 8900' Pan American Petroleum Corporation 100.00000%
24	T. 20 S. - R. 26 E. Sec. 27: Fairchild Farm Trs. 785, 786, 787, 788, 789, 790, being all of W/2 S/2 & SE/4 SE/4 SAVE & EXCEPT that acreage lying & being on the left or east bank of the Pecos River & SAVE & EXCEPT Fairchild Farm Tr. 784 conveyed to W.M. Truitt by Tax Deed recorded in Vol. Dg. Pg. 31, Deed Records, Eddy Co., N.M., & being approx. the north 16 acres of NW/4 SW/4	155.50	Fee Lease 6-25-68	A11 - T.D. Hardesty	Pan American Petroleum Corporation	None	Surface to 8900' Gulf Oil Corporation 48.06700% Pan American Petroleum Corporation 50.00000% Yates Petroleum Corp. 1.93300% Below 8900' Pan American Petroleum Corporation 100.00000%
23 Tracts		Federal Lands		4,794.17 Acres		93.29738% of Unit Area	

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND INTEREST PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
25	T. 20 S. - R. 26 E. Sec. 27: Fairchild Farm Tr. 784, being approx. the North 16 acres of NW/4 SW/4	16.00	Fee Lease 6-26-68	All - W.M. Truitt	Pan American Petroleum Corporation	None	Surface to 8900' Gulf Oil Corporation 48.06700% Pan American Petroleum Corporation 50.00000% Yates Petroleum Corp. 1.93300% Below 8900' Pan American Petroleum Corporation 100.00000%
26	T. 20 S. - R. 26 E. Sec. 26: W/2 SW/4 Sec. 35: W/2 W/2 SAVE & EXCEPT all that part of each of the above described tracts lying & being on the left or east bank of the Pecos River & SAVE & EXCEPT Lots 26 & 29 of the Thacker Subdivision	94.01	Fee Lease 6-27-68	All - C.L. Thacker	Pan American Petroleum Corporation	None	Surface to 8900' Gulf Oil Corporation 48.06700% Pan American Petroleum Corporation 50.00000% Yates Petroleum Corp. 1.93300% Below 8900' Pan American Petroleum Corporation 100.00000%
27	T. 20 S. - R. 26 E. Sec. 21: SW/4 SE/4 being a part of the Fairchild Farm Tr. 781 Sec. 27: SW/4 NW/4 Sec. 28: NW/4 NE/4 being Fairchild Farm Tr. 782, 783 & a part of 781, SAVE & EXCEPT all that part of each of the above described tracts lying & being on the left or east bank of the Pecos River	74.75	Fee Lease 6-9-68	All - C.C. Foster	Yates Petroleum Corp.	None	Yates Petroleum Corp. 100.00000%
28	T. 20 S. - R. 26 E. Sec. 35: Lot 26 of Thacker Subdivision, a subdivision of Tr. 791 & 792 of Fairchild Farmlands located in W/2 W/2	2.00	Fee Lease 7-9-68	All - H.O. Scott	Pan American Petroleum Corporation	None	Surface to 8900' Gulf Oil Corporation 48.06700% Pan American Petroleum Corporation 50.00000% Yates Petroleum Corp. 1.93300% Below 8900' Pan American Petroleum Corporation 100.00000%

EXHIBIT "B" - SPRINGS UNIT, EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
29	T. 20 S. - R. 26 E. Sec. 35: Lot 29 of Thacker Subdivision, a subdivision of Trs. 791 & 792 of Fairchild Farmlands located in W/2 W/2	2.16	Fee Lease 7-2-68	All - George A. Holman	Pan American Petroleum Corporation	None	Surface to 8900' Gulf Oil Corporation 48.06700% Pan American Petroleum Corporation 50.00000% Yates Petroleum Corp. 1.93300% Below 8900' Pan American Petroleum Corporation 100.00000%

6 Tracts	Fee Lands	344.42 Acres	6.70262% of Unit Area
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RECAPITULATION

FEDERAL LANDS	4,794.17 ACRES	93.29738% UNIT AREA
FEE LANDS	344.42 ACRES	6.70262% UNIT AREA
TOTAL LANDS	5,138.59 ACRES	100.00000% UNIT AREA



United States Department of the Interior

GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

December 13, 1974

Gulf Oil Company - U.S.
Attention: Mr. J. L. Pike
P.O. Drawer 1150
Midland, Texas 79701

Gentlemen:

Termination of the Springs unit agreement No. 14-08-C001-8817, Eddy County, New Mexico, pursuant to Section 20 thereof, was approved on this date effective as of January 1, 1975.

Copies of the termination are being distributed to the appropriate Federal offices and you are requested to furnish notice of this approval to each party in interest.

Sincerely yours,

N. O. FREDERICK
Area Oil and Gas Supervisor

cc:
BLM, Santa Fe (w/cy appln)
✓ NMOCC, Santa Fe (ltr only)
Bureau of Reclamation, Amarillo, Tx. (ltr only)
Area Geologist (ltr only)
Artesia (w/cy appln)
Accounts

JAGillham:ds

Drawer 1857
Roswell, New Mexico 88201

September 22, 1969

Gulf Oil Company
P. O. Box 1938
Roswell, New Mexico 88201

Attention: Mr. William V. Kastler

Gentlemen:

The third revision of the Cisco participating area for the Springs unit agreement, Eddy County, New Mexico, number 14-08-0001-8817, was approved on September 22, 1969 by the Regional Oil and Gas Supervisor, U. S. Geological Survey, effective as of December 1, 1968.

By the third revision, the participating area is enlarged from 1,404.87 acres to 1,764.87 acres based on the completion of well No. 1 Levers on noncommitted land in lot 5 sec. 2, T. 21 S., R. 25 E., with an initial potential of 4,400 MCF of gas and 264 barrels of condensate per day on December 19, 1968, from the Cisco Canyon, 8,083 to 8,104 feet.

Copies of the approved application are being distributed to the appropriate Federal offices and one approved copy is returned herewith. You are requested to inform all interested parties with appropriate evidence of this approval.

Sincerely yours,

(ORIG. SGN) JOHN A. ANDERSON

JOHN A. ANDERSON
Regional Oil and Gas Supervisor

cc:
Washington (w/cy of appln.)
Artesia (w/cy of appln.)
NMOCC, Santa Fe (ltr. only) ✓
Accounts



IN REPLY REFER TO:

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

August 15, 1967

Gulf Oil Corporation
P. O. Box 1938
Roswell, New Mexico 88201

Attention: Mr. William V. Kestler

Gentlemen:

The following described ratifications and joinders relating to the Springs unit agreement, No. 14-08-001-8817, Eddy County, New Mexico, were filed with this office on August 1, 1967, by Gulf Oil Corporation:

<u>Overriding Royalty Owner</u>	<u>Federal Land Unit Tract Number</u>
Eugene E. Aarburg E. H. Ward, Executor and Testamentary Trustee under the Will of Julia Brinard, Deceased	3, 4, 5, 6, 7, 8, 9 and 10
	3, 4, 5, 6, 7, 8, 9 and 10

Copies of the ratifications and joinders are being distributed to the appropriate Federal offices. All surplus copies are returned herewith.

Sincerely yours,

(ORIG. SGD.) CARL C. TRAYWICK

CARL C. TRAYWICK
Acting Oil and Gas Supervisor

cc:
Washington (w/cy. joinders)
BIM, Santa Fe (w/cy. joinders)
Artesia (w/cy. joinders)
MSOCC, Santa Fe (Ltr. only) ✓

67 AUG 17 AM 10 20

OIL CONSERVATION COMMISSION
P. O. BOX 2088
SANTA FE, NEW MEXICO

August 30, 1967

C
Gulf Oil Corporation
P. O. Drawer 1938
Roswell, New Mexico 88201

ATTENTION: Mr. W. B. Hopkins

Re: 1967 Plan of Development
Springs Unit
Eddy County,
New Mexico

O
P
Y
Gentlemen:

This is to advise that the New Mexico Oil Conservation Commission has this date approved the 1967 Plan of Development dated June 7, 1967 for the Springs Unit, Eddy County, New Mexico, subject to like approval by the United States Geological Survey and the Commissioner of Public Lands of the State of New Mexico.

Two approved copies of the plan are returned herewith.

Very truly yours,

A. L. PORTER, Jr.,
Secretary-Director

ALP/JEK/br
cc: Commissioner of Public Lands
Santa Fe, New Mexico

United States Geological Survey
P. O. Drawer 1857
Roswell, New Mexico 88201



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

IN REPLY REFER TO:

June 9, 1967

Gulf Oil Corporation
P. O. Drawer 1938
Roswell, New Mexico 88201

Attention: Mr. W. B. Hopkins

Gentlemen:

Your 1967 plan of development dated June 7, 1967, for the Springs unit agreement, Eddy County, New Mexico, proposing the drilling of two Pennsylvanian wells, has been approved on this date, subject to like approval by the appropriate State officials. One of the two wells was spudded on February 10 and abandoned as a dry hole on March 15, 1967.

Two approved copies of the plan are enclosed.

Sincerely yours

(ORIG. SGD.) BILLY J. SHOGER

BILLY J. SHOGER
Acting Oil and Gas Supervisor

cc:
Washington (w/cy of plan)
Artesia (w/cy of plan)
N.M.O.C.C., Santa Fe, (ltr. only)

67 JUN 12 AM 8 14

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. B. Hopkins
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

June 7, 1967

P. O. Drawer 1938
Roswell, New Mexico 88201

United States Geological Survey
Post Office Drawer 1857
Roswell, New Mexico 88201

Commissioner of Public Lands
Post Office Box 1148
Santa Fe, New Mexico 87501

Secretary-Director
New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Plan of Development
Springs Unit
Eddy County, New Mexico

Gentlemen:

Gulf Oil Corporation, the Unit Operator of the Springs Unit, herewith files for approval the following Plan of Development for the entire calendar year 1967:

By way of history, the Springs Unit No. 1 well, located 1980 feet from the north line and 1980 feet from the east line of Section 34, T-20-S, R-26-E, Eddy County, New Mexico, was spudded October 27, 1966, and completed December 10, 1966. The well was drilled to a total depth of 8800 feet beneath the surface and completed as a well capable of producing in paying quantities through perforations 8004 - 8062 feet.

The Springs Unit No. 2 well, located 1650 feet from the south line and 754 feet from the east line of Section 27, T-20-S, R-26-E, Eddy County, New Mexico, was spudded February 10, 1967, and plugged and abandoned on March 15, 1967, after being drilled as a dry hole to a total depth of 8800 feet beneath the surface.

The Springs Unit No. 3 well, located 1980 feet from the south line and 660 feet from the west line of Section 34, T-20-S, R-26-E, Eddy County, New Mexico, was spudded May 7, 1967, and is currently drilling with the objective in the Pennsylvanian formation, being the producing formation in the Springs Unit No. 1 well mentioned above.

This is to request that the drilling of the Springs Unit No. 2 and No. 3 wells be full compliance with the drilling requirements under the Unit for 1967. Further time is needed to organize and evaluate the information obtained from drilling the Springs Unit No. 2 and No. 3 wells.



United States Geological Survey
Commissioner of Public Lands
New Mexico Oil Conservation Commission

June 7, 1967
Page 2

Approval of this Plan of Development by the Secretary-Director of the Oil Conservation Commission, Commissioner of Public Lands, State of New Mexico, and the Supervisor of the United States Geological Survey is respectfully requested.

Yours very truly,
GULF OIL CORPORATION

W R Hopkins
District Manager

CW:sz

EXTENSION TO DECEMBER 31, 1967 APPROVED

Oil and Gas Supervisor
United States Geological Survey

Date: _____

Commissioner of Public Lands for the
State of New Mexico

Date: _____

A. L. Porter

Oil Conservation Commission for the
State of New Mexico

Date: 8.30.67

cc: Cities Service Oil Company
Cities Service Building
Bartlesville, Oklahoma 74003

Cities Service Oil Company
Post Office Box 760
Roswell, New Mexico 88201
Attention: Mr. James Holcomb

Pan American Petroleum Corporation
Post Office Box 1410
Fort Worth, Texas 76101

Phillips Petroleum Company
Post Office Box 791
Midland, Texas 79701

Yates Petroleum Corporation
309 Carper Building
Artesia, New Mexico 88210

State of New Mexico
Oil Conservation Commission



STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

OTHER

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. B. Hopkins
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

August 29, 1966

P. O. Drawer 1938
Roswell, New Mexico 88201

Case 3469

Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Springs Unit Agreement, Covering All or Parts
of Sections 21, 22, 23, 26, 27, 28, 33, 34 and
35 of Township 20 South, Range 26 East, and
Sections 2 and 3 of Township 21 South, Range 25
East, Eddy County, New Mexico

Dear Mr. Porter:

Gulf Oil Corporation hereby requests the approval of an exploratory unit in Eddy County, New Mexico, containing 5,138.59 acres, more or less. The approval of this proposed unit plan will, in principle, tend to promote the conservation of oil and gas and the prevention of waste.

A reasonable interpretation of subsurface and seismic information indicates that a 9,000-foot test of the Cisco formation of the Pennsylvanian structure is sufficient to warrant the approval of this proposed Unit. The proposed drillsite is in the southwest quarter of the northeast quarter of Section 34, Township 20 South, Range 26 East.

Gulf Oil Corporation, as the proposed Unit Operator, agrees to file with the Commission an executed original of the proposed Unit Agreement within thirty days after the effective date thereof, and to observe and obey all further rules and orders of the Oil Conservation Commission.

The proposed Unit Area consists entirely of Federal and fee lands, all of which are covered by oil and gas leases. All parties in interest will be invited to join the Unit and the Unit Agreement will be so drawn as to protect the correlative rights of all concerned.

It is, therefore, respectfully requested that this matter be set for hearing at some convenient date, possibly on September 28, 1966.

Yours very truly,

W. B. Hopkins
W. B. Hopkins

DOCKET MAILED

Date 9-15-66

WVK:sz



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. 3469
Order No. R-3128

APPLICATION OF GULF OIL CORPORATION
FOR APPROVAL OF THE SPRINGS UNIT AGREE-
MENT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 28, 1966,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 4th day of October, 1966, 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, Gulf Oil Corporation, seeks approval
of the Springs Unit Agreement covering 5138.59 acres, more or less,
of Federal and Fee lands described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM
Section 21: E/2 Section 28: E/2
Section 22: All Section 33: E/2
Section 23: S/2 Section 34: All
Section 26: All Section 35: All
Section 27: All

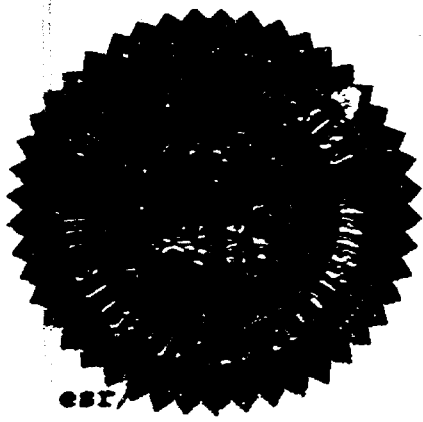
TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM
Section 2: Lots 1 through 16
Section 3: Lots 1, 8, 9, and 16

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

IT IS THEREFORE ORDERED:

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

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



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

Jack M. Campbell
JACK M. CAMPBELL, Chairman

Gordon B. Hays
GORDON B. HAYS, Member

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

Case 3469

Hend 9-28-66

Rec. 9-29-66

1. approve Gulf's Springs unit agreement.
2. Description of unit.

20 S - 26 E

sec. 21	E/2
sec 22	A/1
✓ 23	S/2
✓ 26, 27	A/1
✓ 28	E/2
✓ 33	E/2
✓ 34, 35	A/1
21 S - 25 26 E	

sec. 2 - Lots 1 thru 16,
✓ 3 Lots 1, 8, 9, 16

Thudt



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Drawer 1037
Roswell, New Mexico 88201

IN REPLY REFER TO:

February 16, 1967

Gulf Oil Corporation
P. O. Box 1938
Roswell, New Mexico 88201

Attention: Mr. William V. Kastler

Gentlemen:

The following described ratifications and joinders relating to the Springs unit agreement No. 14-68-001-8017, Eddy County, New Mexico, were filed by Gulf Oil Corporation on February 13 with the Regional Oil and Gas Supervisor, Roswell, New Mexico:

<u>Overriding Royalty Owner</u>	<u>Federal Land Unit Tract Number</u>
Childress Royalty Company	3,4,5,6,7,8,9, and 10
Tom L. and Joan L. Ingram	3,4,5,6,7,8,9, and 10
Robert E. and Mary L. Boling	3,4,5,6,7,8,9, and 10
Patric Q. Myce, Jr. and Christine P. Myce	11,12,20, and 21
Henry B. and Irene L. Galvin	16
Elk Oil Company	22

<u>Basic Royalty Owner</u>	<u>Fed Land Unit Tract Number</u>
W. M. and Wilma D. Truitt	25
C. C. and Gladys Foster	27
George A. and Mabel C. Holman	29

Tract Nos. 16 and 22, Federal leases New Mexico 0338754 and BLM-A 032236-B, respectively, and fee tracts 25, 27, and 29 are fully committed by the attached joinders effective March 1, 1967.

Copies of the ratifications and joinders are being distributed to the appropriate Federal offices. All surplus copies are returned herewith.

cc:

Washington (w/cy joinders)
BLM, Santa Fe (w/cy joinders)
Artesia (w/cy joinders)
NMCC, Santa Fe (Ltr. only)✓

Sincerely yours,

(Orig. Sec.) BILLY J. SHOGER

BILLY J. SHOGER
Acting Oil and Gas Supervisor

DOCKET: EXAMINER HEARING - WEDNESDAY - SEPTEMBER 28, 1966

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

The following cases will be heard before Elvis A. Utz, Examiner, or
Daniel S. Nutter, Alternate Examiner:

- CASE 3459: Application of Pennzoil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Grayburg-San Andres formation through eight wells located in Sections 28 and 33, Township 17 South, Range 33 East, Maljamar Pool, Lea County, New Mexico.
- CASE 3460: Application of Penroc Oil Corporation for an unorthodox gas well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to drill and complete a well at an unorthodox location 1,500 feet from the South and East lines of Section 19, Township 21 South, Range 24 East, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico. Applicant, upon completion of said well in the Upper Pennsylvanian formation, proposes to abandon its Indian Federal Well No. 1, located in Unit G of said Section 19, insofar as the Upper Pennsylvanian formation only is concerned.
- CASE 3461: Application of Cities Service Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Southeast Maljamar Grayburg-San Andres Unit Area comprising 1,080 acres, more or less, of State and Federal lands in Sections 29, 30 and 32, Township 17 South, Range 33 East, Lea County, New Mexico.
- CASE 3462: Application of Cities Service Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its Southeast Maljamar Grayburg-San Andres Unit by the injection of water into the Grayburg-San Andres formation through eleven wells located in Sections 29, 30 and 32, Township 17 South, Range 33 East, Lea County, New Mexico.
- CASE 3463: Application of Continental Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Reed-Sanderson Unit Area comprising 1041 acres, more or less, of Federal and fee lands in Township 20 South, Range 36 East, Lea County, New Mexico.

CASE 3464: Application of Continental Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project by the injection of water into the Queen formation through 13 wells located in Sections 3, 4, 9, and 10, Township 20 South, Range 36 East, Eumont Pool, Lea County, New Mexico.

CASE 3465: Application of Amerada Petroleum Corporation for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Jenkins-Cisco Pool underlying the SW/4 of Section 19, Township 9 South, Range 35 East, Lea County, New Mexico.

CASE 3466: Application of Skelly Oil Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Lovington Paddock Unit Area comprising 3325 acres, more or less, of Federal, fee and State lands in Townships 16 and 17 South, Ranges 36 and 37 East, Lea County, New Mexico.

CASE 3467: Application of Skelly Oil Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its Lovington Paddock Unit by the injection of water into the Lovington Glorieta (Paddock) formation through 22 wells located in said unit area, Lovington Paddock Pool, Lea County, New Mexico.

CASE 3468: Application of Tenneco Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Grayburg-Jackson West Cooperative Unit Area comprising 2,000 acres, more or less, of State and fee lands in Township 17 South, Range 29 East, Eddy County, New Mexico.

CASE 3469: Application of Gulf Oil Corporation for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of its Springs Unit Area comprising 5,139 acres, more or less, of Federal and fee lands in Township 20 South, Range 26 East, and Township 21 South, Range 25 East, Eddy County, New Mexico.

CASE 3470: Application of Gulf Oil Corporation for a special gas-oil ratio limitation, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Rule 506 of the Commission Rules and Regulations to provide for a limiting gas-oil ratio of 6000 cubic feet of gas per barrel of oil in the Justis Blinbry Pool, Lea County, New Mexico.

ir/

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

Case 3469

W. B. Hopkins
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

August 29, 1966

P. O. Drawer 1938
Roswell, New Mexico 88201

Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Springs Unit Agreement, Covering All or Parts
of Sections 21, 22, 23, 26, 27, 28, 33, 34 and
35 of Township 20 South, Range 26 East, and
Sections 2 and 3 of Township 21 South, Range 25
East, Eddy County, New Mexico

Dear Mr. Porter:

Gulf Oil Corporation hereby requests the approval of an exploratory unit in Eddy County, New Mexico, containing 5,138.59 acres, more or less. The approval of this proposed unit plan will, in principle, tend to promote the conservation of oil and gas and the prevention of waste.

A reasonable interpretation of subsurface and seismic information indicates that a 9,000-foot test of the Cisco formation of the Pennsylvanian structure is sufficient to warrant the approval of this proposed Unit. The proposed drillsite is in the southwest quarter of the northeast quarter of Section 34, Township 20 South, Range 26 East.

Gulf Oil Corporation, as the proposed Unit Operator, agrees to file with the Commission an executed original of the proposed Unit Agreement within thirty days after the effective date thereof, and to observe and obey all further rules and orders of the Oil Conservation Commission.

The proposed Unit Area consists entirely of Federal and fee lands, all of which are covered by oil and gas leases. All parties in interest will be invited to join the Unit and the Unit Agreement will be so drawn as to protect the correlative rights of all concerned.

It is, therefore, respectfully requested that this matter be set for hearing at some convenient date, possibly on September 28, 1966.

Yours very truly,

W. B. Hopkins
W. B. Hopkins

WVK:sz



Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. B. Hopkins
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
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August 29, 1966

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Case 3469

Mr. A. L. Porter, Jr.
Secretary-Director
New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

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Yours very truly,

W. B. Hopkins
W. B. Hopkins

WVK:sz



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:

Jsu
CASE No. 3469

Order No. R- 3128

APPLICATION OF GULF OIL CORPORATION
FOR APPROVAL OF THE SPRINGS
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 28, 1966, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this October day of October, 1966, 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, Gulf Oil Corporation,
seeks approval of the Springs Unit Agreement
covering 5138.59 ~~5139~~ acres, more or less, of ~~State~~ Federal lands
and Fee
described as follows:

EDDY COUNTY, NEW MEXICO
TOWNSHIP 20 South RANGE 26 East, NMPM

Section 21: E/2
Section 22: all
Section 23: S/2
Section 26: all
Section 27: all
Section 28: E/2
Section 33: E/2
Section 34: all
Section 35: all

Township 21 South, Range ²⁵ 26 East, NMPM

Section 2: Lots 1 through 16
Section 3: Lots 1, 8, 9, and 16

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

IT IS THEREFORE ORDERED:

(1) That the Springs 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.

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PAGE 1

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
September 28, 1966

EXAMINER HEARING

IN THE MATTER OF:

Application of Gulf Oil Corporation
for a unit agreement, Eddy County,
New Mexico.

Case No. 3469

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

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MR. UTZ: Case 3469.

MR. HATCH: Application of Gulf Oil Corporation for a unit agreement, Eddy County, New Mexico.

MR. KASTLER: I'm Bill Kastler from Roswell, New Mexico, an attorney, appearing on behalf of Gulf Oil Corporation. Our two witnesses in this case will be Mr. Jack P. Cavanaugh and W. T. Penry. Will you please stand and be sworn?

(Witnesses sworn.)

(Whereupon, Gulf's Exhibits 1 through 6 were marked for identification.)

MR. UTZ: Are there any other appearnaces?

MR. KASTLER: Not in this case.

W. T. PENRY

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

DIRECT EXAMINATION

BY MR. KASTLER:

Q Please state your name, by whom you are employed, where, and in what capacity.

A W. T. Penry; I'm employed by the Gulf Oil Corporation, Roswell, New Mexico, as a geologist.

Q Have you previously appeared as a witness before the New Mexico Oil Conservation Commission or an Examiner



Hearing of the New Mexico Oil Conservation Commission?

A No.

Q Will you please briefly review your educational background?

A I graduated in 1951 from the Virginia Polytechnical Institute in Blacksburg, Virginia. I went to work for Gulf Oil Corporation immediately afterwards.

Q In 1951?

A In 1951.

Q What has been your practical experience as a petroleum geologist after graduation?

A I worked as a geologist and geophysicist at the Gulf Research and Development Company, Pittsburgh until 1954, and from then I worked in eastern Venezuela for Gulf from 1954 until 1960. Since that time I have been located in Roswell, New Mexico with the Gulf Oil Corporation.

Q You have been located in Roswell since approximately 1960, Mr. Penry?

A 1961. I am not sure of the exact date.

Q Are you familiar with the geology in the southeast quarter of New Mexico, and more particularly the area in the vicinity of this proposed Springs Unit Area?

A Yes, I am.

MR. KASTLER: Are the witness's qualifications

satisfactory?

MR. UTZ: I believe they are.

Q (By Mr. Kastler) Now, Mr. Penry, will you state in your own words what the geological picture is pertaining to the proposed Springs Unit?

A Yes, I would like to introduce Exhibit No. 1. This is a location map showing the outline of the proposed Springs Unit and the proposed 9,000 foot test. It's in Eddy County, New Mexico on the northwestern margin of the Delaware Basin, about seven miles south of Lakewood and eleven miles northwest of Carlsbad.

Specifically, the proposed test is in the Southwest of the Northeast, Section 34, in Township 20 South, Range 26 East. Geologically this test would be drilled in the Upper Pennsylvanian transition zone, located between the Basin and the shelf facies, as is shown here on the map. This test would be drilled with the anticipation of encountering Cisco reef dolomite, which is the prolific reservoir in the Indian Basin field located ten miles to the southwest.

I would like to call your attention to the cross section A-A¹ shown on this map, which connects the proposed location with nearby well control. The existence of Cisco reef dolomite in the proposed unit area is indicated by the reef type sediments that we encountered in our Gulf No. 4

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Seven Rivers Hills Unit, which is located in Section 4 of 21 South, 25 East, also in the J. M. Kelly Lake McMillan Well, which is located in Section 36 of 20 South, 26 East.

Q You encountered reef in that?

A Yes, Cisco reef. If there are no questions on this map, I would like to introduce the cross section A-A¹ as Exhibit 2. The legend of the cross section uses conventional symbols for differentiating the various lithologic units. The horizontal scale is shown graphically and actually is one inch equal two thousand feet horizontally, and the vertical scale is one inch equal a thousand feet. The line of section starting on the west goes through the Phillips No. 1 Seven Rivers Hills Unit. The Gulf No. 4 Seven Rivers Hills Unit, the proposed location, the J. M. Kelly Lake McMillan Unit, and then east to the Ralph Lowe Hanson No. 1 Federal.

Q Reading left to right from the wells on this Exhibit No. 2, they correspond exactly with the wells as shown on the cross section line A-A¹ in Exhibit No. 1, is that not correct?

A Yes, they do.

Q Go ahead.

A Under the proposed location you can see the development shown here of the Cisco reef, and as previously mentioned, it was encountered in the J. M. Kelly Lake

McMillan Unit and in the Gulf No. 4 Seven Rivers Hills Unit.

If there are no cross sections, I would like to introduce Exhibit No. 3, which is a structure map showing contours on the Upper Penn-Cisco structure. The contour interval is 100 feet, the scale is one inch equal 3,000 feet. The control wells in the area, and you can see that they are rather numerous, are circled in red, and the datum is posted nearby the well.

Q I believe you have a total of ten control wells?

A Yes, that's correct. Some 500 feet of closure is mapped above a water test in the Gulf No. 4 Seven Rivers Hills Unit that is located in Section 4 of 21 South, 25 East. I would also like to point out that on the north end of the proposed unit we see in Section 15 of 20 South, 26 East, it joins against the Pecos River Deep Unit, and you can see this sketched in with a dashed line on the map.

It starts actually up here in Section 3, comes down, goes west to Section 4, down, and then half-way through Section 9 and down the west side of Section 15. If there are no questions on this map I would like to introduce the final exhibit -- Excuse me.

Q I would like to ask you a question. Your 4700-foot contour line appears to quite neatly surround and define the unit area, doesn't it?

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A Yes.

Q Except for this area to the north, which is, as you say, already unitized under the Pecos River Deep Unit?

A That's true, except for the North Half of Section 23 where there is a dry hole located.

Q And you have well control to indicate the reason for that curvature?

A Yes.

Q Mr. Penry, is this being proposed as a unit of only deep structures or shallow structures or as unitization for all lands and all zones underneath the surface of the land?

A I believe it to be all zones.

Q Please go on with Exhibit No. 4.

A No. 4 would be the next exhibit, and it's an isopach of the Upper Penn-Cisco reef. The contour interval is 100 feet. The scale is one inch equal 3,000 feet. Here again, the control wells are circled in red and the isopach values are shown nearby. We're indicating some 500 feet of reef development through the proposed unit area.

MR. UTZ: You've only contoured the area over which you have reasonable control?

A Yes, sir.

Q (By Mr. Kastler) Also here you seem to have a

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pinchout at the vicinity of the South Line of the Pecos River Deep Unit.

A That is correct. It's controlled by a zero point in the Adams Bend Well, located in Section 23. The evidence of reef development through the proposed unit area, together with the some 500 feet of structural advantage that I believe that we can gain as shown on Exhibit 3, in my opinion justifies the proposed location, the proposed test. These are all my exhibits, if there are any questions.

Q I don't have any.

MR. KASTLER: I would like to move that Exhibits 1, 2, 3 and 4, which were prepared by Mr. Penry, be entered into evidence at this time.

MR. UTZ: Without objection they will be entered into the record of this case.

(Whereupon, Gulf's Exhibits 1 through 4 were offered and admitted in evidence.)

MR. KASTLER: No further questions.

CROSS EXAMINATION

BY MR. UTZ:

Q On your Exhibit No. 3, Mr. Penry, the control you have for this nose that you run up into in Sections 10 and 11, what's the township and range up there?

A That would be in Section 11, that would be 20

South, 26 East.

Q The control for that nose is entirely based on the well in Section 11, is that correct?

A Principally, yes, sir.

Q If it wasn't for that there wouldn't be any reason for it, you could just cut across and might have more symmetrical structure, would you not?

A That is correct.

Q And the control for all contours inside the 4700-foot contour, you really don't have much control. You are just kind of guessing at the total thickness, aren't you?

A Well, we have, inside of the 4700-foot contour there's no control, yes, sir. We have tried to use a gradient established worked out between say the Gulf well and the well, the Atlantic Richfield well down in Section 11.

Q Well, we hope its thicker than you say it is.

MR. UTZ: Any other questions? The witness may be excused.

(Witness excused.)

J. P. CAVANAUGH

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

DIRECT EXAMINATION

BY MR. KASTLER:

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Q Please state your name and by whom you are employed and where and in what capacity.

A My name is J. P. Cavanaugh. I am employed by Gulf Oil Corporation in Roswell, New Mexico as a land man.

Q Have you had past experience handling such unit operating agreements as Gulf has been directly interested in, either as an operator or non-operating party?

A Yes, sir, over twelve years.

Q Have you previously appeared before the New Mexico Commission and testified as a land man?

A Yes, sir, I have. That was in Case 3215 on March 10th, 1965.

Q You are familiar with the Springs Unit Agreement and Unit Operating Agreements?

A Yes, I am.

Q And you have copies of those agreements for introduction here as Exhibits No. 5 and 6, is that not correct?

A That is correct.

Q Would you please refer to Exhibit A, which is a portion of the Unit Agreement, which is Exhibit No. 5, and state how many acres are involved in the proposed Unit Agreement?

A There are 5,138.59 acres involved in the Springs Unit Area.

Q Has this same land, to your recollection, been unitized previously?

A Yes, portions of this land, the greater portion of this land has been unitized previously in the Adams Bend Unit; Pan American was the operator.

Q Previous to that had it been unitized, if you know?

A Previous to that it was in the Seven Rivers Hills Unit where Gulf was operator.

Q Each of those units have terminated and now this is the next proposed unit?

A Yes. This Unit Operating Agreement at least supercedes the Adams Bend Operating Unit Agreement.

Q What is the character of the land within the unit as to state, federal or fee acreage?

A In this unit over 93% of the acreage is federal land and a little over 6% is fee lands. There are no lands belonging to the State of New Mexico in this unit.

Q Is there any of the land in the unit area which at this time you have reason to believe will not be committed to the unit area?

A Yes. We have been advised by the Continental Oil Company that 592 acres that is located in Section 2, Township 21 South, Range 25 East will not be committed due to various

budgetary problems they have. However, they have given us an acreage contribution within the unit area of some fee lands that they own.

Q And they have indeed consented to the unitization including this land, although they will not commit their tract No. --

A Tract No. 18.

Q Is that a correct statement?

A That is a correct statement.

Q Are there any other lands that will be uncommitted, to your knowledge?

A To my knowledge there are not any other lands that will be uncommitted lands.

Q Are you familiar with the terms and provisions of the Unit Agreement?

A Yes, sir, I am. This is a federal style Unit Agreement providing for commencement of drilling operations within six months after the effective date, drilling to the objective depth of 9,000 feet, in order to complete a test of the Cisco Formation of the Pennsylvanian age. There will be orderly development drilling conforming to the federal regulations and the Unit Agreement.

Q Are there provisions for subsequent joinder by either working interest owners or royalty owners?

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A Yes. Prior to the commencement of the drilling of the well any working interest owner or royalty owner may join after the well is commenced, there is a provision for subsequent joinder.

Q In the Unit Operating Agreement, which is Exhibit No. 6, is there the usual provision as to the cost of the test well, provision for non-consent operations and so forth; primarily, I am asking you is the cost of the test well agreed upon and covered?

A The cost of the test well is agreed upon and is covered by virtue of this agreement and various agreements with other companies not a party to these agreements.

Q In your opinion, would the formation of this unit be in the interest of protection of correlative rights and prevention of waste?

A I certainly do think so, and based on the fact that unit plans are cooperative plans and they provide the best method of orderly development, payment of costs, allocation of production, and we certainly do believe it prevents waste.

Q Are there any early-expiring leases?

A Yes. Unfortunately we have quite a number of early-expiring leases. They are all federal leases that expire on October 31, 1966. These tracts are Tracts 1 through

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12, Tracts 16, 17, 20 and 21, or a total of 16 federal leases aggregating some 3668 acres.

Q Have the Regional Supervisor of Oil and Gas Operations and the United States Geological Survey Director granted any preliminary approval to this unit?

A Yes, by letter dated October 8, 1966, signed by Arthur Baker, the Director of the United States Geological Survey in Washington, designates this unit area as a local unit area.

Q They have indicated that they will grant its final approval prior to October 31, 1966 so that these leases can be saved by drilling?

A Yes, they have.

Q Do you have any royalty owners or other working interest owner commitments?

A We have all the working interest owner commitments by virtue of correspondence and letters, not as parties to these agreements as yet. The royalty owners at this time have not been contacted, but as is readily obvious, the United States has consented and they are the greatest royalty owner in the unit.

Q When do you anticipate drilling will commence?

A We hope to have this well started, certainly prior to October 30, and we hope that the Commission will

approve our unit as well as Washington, United States Geological Survey.

Q Are these agreements and Unit Operating Agreements labeled Exhibits 5 and 6?

A They are.

Q Are they the true copies of the instruments and exhibits which will be submitted to the government for final approval?

A Yes, basically they are the instruments that will be submitted to the government for final approval.

MR. KASTLER: I would like to move that Exhibits 5 and 6 now be admitted into evidence.

MR. UTZ: Five and 6 will be entered into the record of this case.

(Whereupon, Gulf' Exhibits 5 and 6 were offered and admitted in evidence.)

MR. KASTLER: That concludes my questions of Mr. Cavanaugh.

MR. UTZ: Any questions of the witness? The witness may be excused.

(Witness excused.)

MR. UTZ: Any statements in this case?

MR. KASTLER: No.

MR. UTZ: If there are none, the case will be taken under advisement.

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I N D E X

<u>WITNESS</u>	<u>PAGE</u>
W. T. PENRY	
Direct Examination by Mr. Kastler	2
Cross Examination by Mr. Utz	8

J. P. CAVANAUGH	
Direct Examination by Mr. Kastler	9

<u>EXHIBITS</u>	<u>MARKED</u>	<u>OFFERED AND ADMITTED</u>
Gulf's Nos. 1 through 6	2	8
Gulf's Nos. 4 and 5	2	15

dearnley-meier

SPECIALIZING IN: DEPOSITIONS, HEARINGS, STATEMENTS, EXPERT TESTIMONY, DAILY COPY, CONVENTIONS

1120 SIMMS BLDG. • P.O. BOX 1092 • PHONE 243-6691 • ALBUQUERQUE, NEW MEXICO
1203 FIRST NATIONAL BANK EAST • PHONE 256-1294 • ALBUQUERQUE, NEW MEXICO



STATE OF NEW MEXICO)
) SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Witness my Hand and Seal this 25th day of October, 1966.

Ada Dearnley
NOTARY PUBLIC

My Commission Expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Executive Hearing of Case No. 3469, heard by me on Sept. 25, 1966.

Thos. J. [Signature] Examiner
New Mexico Oil Conservation Commission

Gulf Oil Corporation

LAW DEPARTMENT

Edwin S. Hurst
PERSONAL ATTORNEY
MILLAND, TEXAS
ATTORNEY, ROSWELL
William V. Kastler

April 5, 1968

P. O. Box 1938
Roswell, N. M. 88201

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

Attention: Mr. J. E. Kapteina

CO APR 8 AM 11 00

Re: Springs Unit, Eddy County, New Mexico

Gentlemen:

Pursuant to a recent request I am enclosing herewith for your unit files numerous photocopies of instruments pertaining to the Springs Unit which is an exploratory unit in Eddy County, New Mexico, on which production has been established. The instruments transmitted are more fully identified as follows:

- (1) Certificate of Effectiveness, approval of the U. S. Geological Survey, approval of the New Mexico Oil Conservation Commission, a recorded copy of the Certificate of Effectiveness, Certification -- Determination executed by the Director of the U. S. Geological Survey, the Unit Agreement, Ratifications by all Working Interest Owners in the Unit Area with the exception of Continental Oil Company and Exhibits "A" & "B".
- (2) Unit Operating Agreement (Working Interest Owners' approvals attached to the Unit Agreement simultaneously approve the Unit Operating Agreement.) Exhibits "C", "D" and "E".
- (3) Subsequent Joinders of Royalty Owners with transmittal letter from Billy J. Shoger, Acting Oil & Gas Supervisor of the U. S. Geological Survey dated February 16, 1967.
- (4) Royalty Owners' Subsequent Joinders filing of which is acknowledged in a transmittal letter from Carl C. Traywick, Acting Oil & Gas Supervisor of the U. S. Geological Survey dated August 15, 1967.
- (5) Correspondence pertaining to the 1967 Plan of Development consisting of State Land Office Letter dated June 9, 1967, U. S. Geological Survey letter dated June 9, 1967 approving the attached Plan of Development and Oil Conservation Commission letter dated August 30, 1967 approving the same.
- (6) Copy of Plan of Development dated March 5, 1968 submitted to U. S. Geological Survey which is yet unapproved.



The New Mexico Oil Conservation Commission
Attention: Mr. J. E. Kapteina
April 5, 1968
Page 2

- (7) Correspondence pertaining to the Initial and First Revision of the Participating Area consisting of (a) Gulf's Application dated January 17, 1967 for the approval of the Initial Participating Area, (b) Gulf's Application for the First Revision of the Initial Participating Area dated June 15, 1967 attached to (c) U. S. Geological Survey's letter dated August 25, 1967 approving the Initial Participating Area as of December 10, 1966 and approving the First Revised Participating Area as of March 1, 1967.
- (8) Gulf's Application for the Second Revision of the Participating Area dated February 29, 1968 attached to U. S. Geological Survey's letter dated March 29, 1968 approving the Second Revised Participating Area effective as of June 1, 1967.
- (9) Copy of Revised Exhibit "B" to the Unit Agreement, revised effective October 1, 1967. [The revision was made necessary by the assignment of various working interests as a result of the working interest owners' apportionment of drilling costs covering the initial test well, and also cleaning up various and sundry clerical errors.]

I trust these instruments will satisfy the purposes of completing your files and I regret that I have not kept you currently supplied with copies of these instruments. I am taking procedural steps to insure that in the future as to this and all other Gulf units under your jurisdiction you will be supplied with all pertinent information, requests, etc. which are required.

Very truly yours,


William V. Kastler

WVK:ejj

Enclosures

Gulf Oil Corporation

LAW DEPARTMENT

April 5, 1968

P. O. Box 1938
Roswell, N. M. 86201

Edwin S. Hurst
DIVISIONAL ATTORNEY
MIDLAND, TEXAS
ATTORNEY ROSEWELL
William V. Kestler

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

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The New Mexico Oil Conservation Commission
Attention: Mr. J. E. Kapteina
April 5, 1968
Page 2

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I trust these instruments will satisfy the purposes of completing your files and I regret that I have not kept you currently supplied with copies of these instruments. I am taking procedural steps to insure that in the future as to this and all other Gulf units under your jurisdiction you will be supplied with all pertinent information, requests, etc. which are required.

Very truly yours,


William V. Kastler

WVK:ejl

Enclosures

CERTIFICATE OF EFFECTIVENESS
SPRINGS UNIT
EDDY COUNTY, NEW MEXICO
EFFECTIVE DATE: OCTOBER 26, 1966

WHEREAS, a Unit Agreement for the development and operation of the Springs Unit Area was heretofore approved by the New Mexico Oil Conservation Commission in Order No. R-3128 dated October 4, 1966, and by the Director of the United States Geological Survey on October 26, 1966; and

WHEREAS, Tract No. 18 owned by Continental Oil & Gas Company was not committed to said Unit Agreement on the effective date; and

WHEREAS, it is desirable that this certificate be executed as notice of the effectiveness of the Springs Unit.

NOW, THEREFORE, Gulf Oil Corporation as Unit Operator does hereby declare and certify that said Unit shall be and is effective, with the effective date of October 26, 1966, and that a description of the lands as to which said Unit is in effect is as follows:

Township 20 South, Range 26 East, N.M.P.M.

Section 21: E/2
Section 22: All
Section 23: S/2
Section 26: All
Section 27: All
Section 28: E/2
Section 33: E/2
Section 34: All
Section 35: All


Township 21 South, Range 25 East, N.M.P.M.

Section 2: All
Section 3: Lots 1, 8, 9 and 16

Tract 18 which is not committed to the Unit Agreement covers all of Section 2, Township 21 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. The entire Unit covers a total of 5,138.59 acres, more or less.

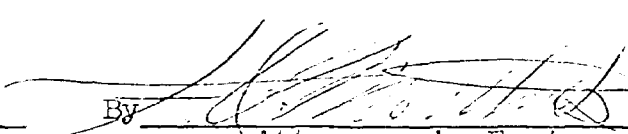
IN WITNESS WHEREOF, this certificate is executed this 31st day of October, 1966.

ATTEST:


Assistant Secretary

GULF OIL CORPORATION

By


Attorney-in-Fact

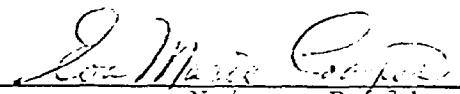
STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 31st day of October, 1966, by F. O. MORTLOCK, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

August 15, 1970


Notary Public

APR 8 AM 8 07



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242



OCT 27 1966

Gulf Oil Corporation
Post Office Box 1938
Roswell, New Mexico 88201

Gentlemen:

On October 26, 1966, W. T. Pecora, Director of the Geological Survey, approved the Springs unit agreement, Eddy County, New Mexico, filed by your company as unit operator. This agreement has been designated No. 14-08-0001-8817, and is effective as of the date of approval.

Enclosed is one copy of the approved unit agreement for your records. We request that you furnish all interested principals with whatever evidence of this approval is deemed appropriate.

Sincerely yours,

W. T. Pecora
For the Director

Enclosure

RECEIVED

OCT 28 1966

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

OCT 18 1966
U.S. AIR FORCE SURVEY
ROSWELL, 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. 3469
Order No. R-3128

APPLICATION OF GULF OIL CORPORATION
FOR APPROVAL OF THE SPRINGS UNIT AGREE-
MENT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on September 28, 1966,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 4th day of October, 1966, 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, Gulf Oil Corporation, seeks approval
of the Springs Unit Agreement covering 5138.59 acres, more or less,
of Federal and Fee lands described as follows:

EDDY COUNTY, NEW MEXICO

TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM

Section 21: E/2	Section 28: E/2
Section 22: All	Section 33: E/2
Section 23: S/2	Section 34: All
Section 26: All	Section 35: All
Section 27: All	

TOWNSHIP 21 SOUTH, RANGE 25 EAST, NMPM

Section 2: Lots 1 through 16
Section 3: Lots 1, 8, 9, and 16

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

-2-

CASE No. 3469

Order No. R-3128

IT IS THEREFORE ORDERED:

(1) That the Springs Unit Agreement is hereby approved.

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

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

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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

JACK M. CAMPBELL, Chairman

GUYTON B. HAYS, Member

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

S E A L

esr/

CERTIFICATE OF EFFECTIVENESS
SPRINGS UNIT
EDDY COUNTY, NEW MEXICO
EFFECTIVE DATE: OCTOBER 26, 1966

WHEREAS, a Unit Agreement for the development and operation of the Springs Unit Area was heretofore approved by the New Mexico Oil Conservation Commission in Order No. R-3128 dated October 4, 1966, and by the Director of the United States Geological Survey on October 26, 1966; and

WHEREAS, Tract No. 18 owned by Continental Oil & Gas Company was not committed to said Unit Agreement on the effective date; and

WHEREAS, it is desirable that this certificate be executed as notice of the effectiveness of the Springs Unit.

NOW, THEREFORE, Gulf Oil Corporation as Unit Operator does hereby declare and certify that said Unit shall be and is effective, with the effective date of October 26, 1966, and that a description of the lands as to which said Unit is in effect is as follows:

Township 20 South, Range 26 East, N.M.P.M.

Section 21: E/2
Section 22: All
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Section 2: All
Section 3: Lots 1, 8, 9 and 16

Tract 18 which is not committed to the Unit Agreement covers all of Section 2, Township 21 South, Range 25 East, N.M.P.M., Eddy County, New Mexico. The entire Unit covers a total of 5,138.59 acres, more or less.

IN WITNESS WHEREOF, this certificate is executed this 31st day of October, 1966.

GULF OIL CORPORATION

ATTEST:

Assistant Secretary

By

Attorney-in-Fact

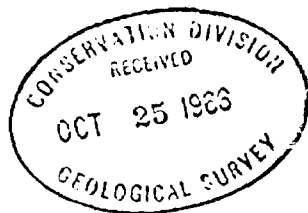
STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 31st day of October, 1966, by F. O. MORTLOCK, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

Notary Public

My Commission Expires:
August 15, 1970



OCT 25 1966
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

CERTIFICATION -- DETERMINATION

14-08-0001 3817 1

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 Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, I do hereby:

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

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

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

Dated OCT 26 1966

W. P. Peters
~~ASST~~ Director, United States Geological Survey

RECEIVED
OCT 18 1966
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

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

THIS AGREEMENT, entered into as of the 2nd day of
October, 1966, 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 agree-
ment; 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 parties hereto hold sufficient interests in the
Springs Unit Area covering the land hereinafter
described to give reasonably effective control of operations there-
in; and

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

1 set forth;

2 NOW, THEREFORE, in consideration of the premises and the 2
3 promises herein contained, the parties hereto commit to this agree- 3
4 ment their respective interests in the below-defined unit area, and 4
5 agree severally among themselves as follows: 5

6 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 6
7 February 25, 1920, as amended, supra, and all valid pertinent 7
8 regulations, including operating and unit plan regulations, hereto- 8
9 fore issued thereunder or valid, pertinent, and reasonable regula- 9
10 tions hereafter issued thereunder are accepted and made a part of 10
11 this agreement as to Federal lands, provided such regulations are 11
12 not inconsistent with the terms of this agreement; and as to non- 12
13 Federal lands, the oil and gas operating regulations in effect as 13
14 of the effective date hereof governing drilling and producing opera- 14
15 tions, not inconsistent with the terms hereof or the laws of the 15
16 State in which the non-Federal land is located, are hereby accepted 16
17 and made a part of this agreement. 17

18 2. UNIT AREA. The area specified on the map attached hereto 18
19 marked exhibit A is hereby designated and recognized as constitu- 19
20 ting the unit area, containing 5,138.59 acres, more or less. 20

21 Exhibit A shows, in addition to the boundary of the unit area, 21
22 the boundaries and identity of tracts and leases in said area to 22
23 the extent known to the Unit Operator. Exhibit B attached hereto 23
24 is a schedule showing to the extent known to the Unit Operator 24
25 the acreage, percentage, and kind of ownership of oil and gas in- 25
26 terests in all land in the unit area. However, nothing herein 26
27 or in said schedule or map shall be construed as a representation 27
28 by any party hereto as to the ownership of any interest other than 28
29 such interest or interests as are shown in said map or schedule as 29
30 owned by such party. Exhibits A and B shall be revised by the 30
31 Unit Operator whenever changes in the unit area render such re- 31
32 vision necessary, or when requested by the Oil and Gas Supervisor, 32
33 hereinafter referred to as "Supervisor" and not less than six 33
34 copies of the revised exhibits shall be filed with the Supervisor. 34

35 The above-described unit area shall when practicable be 35

1 expanded to include therein any additional tract or tracts regarded 1
2 as reasonably necessary or advisable for the purposes of this agree- 2
3 ment, or shall be contracted to exclude lands not within any par- 3
4 ticipating area whenever such expansion or contraction is necessary 4
5 or advisable to conform with the purposes of this agreement. Such 5
6 expansion or contraction shall be effected in the following manner: 6

7 (a) Unit Operator, on its own motion or on demand of the 7
8 Director of the Geological Survey, hereinafter referred to as 8
9 "Director," after preliminary concurrence by the Director, shall 9
10 prepare a notice of proposed expansion or contraction describing 10
11 the contemplated changes in the boundaries of the unit area, the 11
12 reasons therefor, and the proposed effective date thereof, pre- 12
13 ferably the first day of a month subsequent to the date of notice. 13

14 (b) Said notice shall be delivered to the Supervisor, and 14
15 copies thereof mailed to the last known address of each working 15
16 interest owner, lessee, and lessor whose interests are affected, 16
17 advising that 30 days will be allowed for submission to the Unit 17
18 Operator of any objections. 18

19 (c) Upon expiration of the 30-day period provided in the 19
20 preceding item (b) hereof, Unit Operator shall file with the 20
21 Supervisor evidence of mailing of the notice of expansion or con- 21
22 traction and a copy of any objections thereto which have been 22
23 filed with the Unit Operator, together with an application in suf- 23
24 ficient number, for approval of such expansion or contraction and 24
25 with appropriate joinders. 25

26 (d) After due consideration of all pertinent information, 26
27 the expansion or contraction shall, upon approval by the Director, 27
28 become effective as of the date prescribed in the notice thereof. 28

29 (e) All legal subdivisions of unitized lands (i.e., 40 acres 29
30 by Government survey or its nearest lot or tract equivalent in 30
31 instances of irregular surveys, however, unusually large lots or 31
32 tracts shall be considered in multiples of 40 acres, or the nearest 32
33 aliquot equivalent thereof, for the purpose of elimination under 33
34 this subsection), no parts of which are entitled to be in a par- 34
35 ticipating area within 5 years after the first day of the month 35
36 following the effective date of the first initial participating 36

area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, 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, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director. 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 Director and promptly notify all parties in interest.

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

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection

2(c) shall not be considered automatic commitment or recommitment of such lands.

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

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

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor, 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 Opera-
tor 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 per-
formance of its duties or obligations hereunder, be subject to re-
moval by the same percentage vote of the owners of working interests
determined in like manner as herein provided for the selection of
a new Unit Operator. Such removal shall be effective upon notice
thereof to the Director.
The resignation or removal of Unit Operator under this agree-
ment shall not terminate its right, title, or interest as the
owner of a working interest or other interest in unitized sub-
stances, but upon the resignation or removal of Unit Operator be-
coming effective, such Unit Operator shall deliver possession of
all equipment, materials, and appurtenances used in conducting
the unit operations and owned by the working interest owners to
the new duly qualified successor Unit Operator or to the owners
thereof if no such new Unit Operator is elected, to be used for the
purpose of conducting unit operations hereunder. Nothing herein
shall be construed as authorizing removal of any material, equip-
ment 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 negotia-
ted 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 in-
terests in all unitized land, shall by majority vote select a suc-
cessor 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 filed with the Supervisor and approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director at his 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 the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor, prior to approval of this unit agreement.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as

14. 1 otherwise specifically provided, the exercise, 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.

15 9. DRILLING TO DISCOVERY. Within 6 months after the effective
16 date hereof, the Unit Operator shall begin to drill an adequate test
17 well at a location approved by the Supervisor, unless on such ef-
18 fective date a well is being drilled conformably with the terms
19 hereof, and thereafter continue such drilling diligently until the
20 Cisco formation of Pennsylvanian age has been tested or until at a
21 lesser depth unitized substances shall be discovered which can be pro-
22 duced in paying quantities (to wit: quantities sufficient to
23 repay the costs of drilling, and producing operations, with a
24 reasonable profit) or the Unit Operator shall at any time establish
25 to the satisfaction of the Supervisor that further drilling of
26 said well would be unwarranted or impracticable, provided, how-
27 ever, that Unit Operator shall not in any event be required to
28 drill said well to a depth in excess of 9,000 feet. Until the
29 discovery of a deposit of unitized substances capable of being pro-
30 duced in paying quantities, the Unit Operator shall continue
31 drilling diligently one well at a time, allowing not more than 6
32 months between the completion of one well and the beginning of the
33 next well, until a well capable of producing unitized substances
34 in paying quantities is completed to the satisfaction of said
35 Supervisor or until it is reasonably proved that the unitized land
36 is incapable of producing unitized substances in paying quantities

1 in the formations drilled hereunder. Nothing in this section shall 1
 2 be deemed to limit the right of the Unit Operator to resign as pro- 2
 3 vided in Section 5 hereof, or as requiring Unit Operator to com- 3
 4 mence or continue any drilling during the period pending such 4
 5 resignation becoming effective in order to comply with the require- 5
 6 ments of this section. The Director may modify the drilling re- 6
 7 quirements of this section by granting reasonable extensions of 7
 8 time when, in his opinion, such action is warranted. 8

9 Upon failure to comply with the drilling provisions of this 9
 10 section, the Director may, after reasonable notice to the Unit 10
 11 Operator, and each working interest owner, lessee, and lessor at 11
 12 their last known addresses, declare this unit agreement terminated 12

13 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months 13
 14 after completion of a well capable of producing unitized substances 14
 15 in paying quantities, the Unit Operator shall submit for the ap- 15
 16 proval of the Supervisor an acceptable plan of development and 16
 17 operation for the unitized land which, when approved by the Super- 17
 18 visor, shall constitute the further drilling and operating obli- 18
 19 gations of the Unit Operator under this agreement for the period 19
 20 specified therein. Thereafter, from time to time before the ex- 20
 21 piration of any existing plan, the Unit Operator shall submit for 21
 22 the approval of the Supervisor a plan for an additional specified 22
 23 period for the development and operation of the unitized land. 23

24 Any plan submitted pursuant to this section shall provide 24
 25 for the exploration of the unitized area and for the diligent 25
 26 drilling necessary for determination of the area or areas thereof 26
 27 capable of producing unitized substances in paying quantities in 27
 28 each and every productive formation and shall be as complete and 28
 29 adequate as the Supervisor may determine to be necessary for timely 29
 30 development and proper conservation of the oil and gas resources 30
 31 of the unitized area and shall 31

32 (a) specify the number and locations of any wells to be 32
 33 drilled and the proposed order and time for such drilling; and 33

34 (b) to the extent practicable specify the operating prac- 34
 35 tices regarded as necessary and advisable for proper conservation 35
 36 of natural resources. 36

1 Separate plans may be submitted for separate productive zones, sub- 1
2 ject to the approval of the Supervisor. 2

3 Plans shall be modified or supplemented when necessary to meet 3
4 changed conditions or to protect the interests of all parties to this 4
5 agreement. Reasonable diligence shall be exercised in complying 5
6 with the obligations of the approved plan of development. The Super- 6
7 visor is authorized to grant a reasonable extension of the 6-month 7
8 period herein prescribed for submission of an initial plan of 8
9 development where such action is justified because of unusual con- 9
10 ditions or circumstances. After completion hereunder of a well 10
11 capable of producing any unitized substance in paying quantities, 11
12 no further wells, except such as may be necessary to afford pro- 12
13 tection against operations not under this agreement or such as may 13
14 be specifically approved by the Supervisor, shall be drilled except 14
15 in accordance with a plan of development approved as herein provided. 15

16 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well 16
17 capable of producing unitized substances in paying quantities or 17
18 as soon thereafter as required by the Supervisor, the Unit Operator 18
19 shall submit for approval by the Director a schedule, based on sub- 19
20 divisions of the public-land survey or aliquot parts thereof, of all 20
21 unitized land then regarded as reasonably proved to be productive of 21
22 unitized substances in paying quantities; all lands in said schedule 22
23 on approval of the Director to constitute a participating area, ef- 23
24 fective as of the date of completion of such well or the effective 24
25 date of the unit agreement, whichever is later. The acreages of both 25
26 Federal and non-Federal lands shall be based upon appropriate com- 26
27 putations from the courses and distances shown on the last approved 27
28 public-land or other federal survey as of the effective date of the 28
29 initial participating area. Said schedule also shall set forth 29
30 the percentage of unitized substances to be allocated as herein pro- 30
31 vided to each unitized tract in the participating area so established, 31
32 and shall govern the allocation of production from and after the date 32
33 the participating area becomes effective. A separate participating 33
34 area shall be established in like manner for each separate pool or 34
35 deposit of unitized substances or for any group thereof produced as 35
36 a single pool or zone, and any two or more participating areas so 36

1 established may be combined into one with the consent of the owners 1
2 of all working interests in the lands within the participating areas 2
3 so to be combined, on approval of the Director. The participating 3
4 area or areas so established shall be revised from time to time, sub- 4
5 ject to like approval, whenever such action appears proper as a 5
6 result of further drilling operations or otherwise to include ad- 6
7 ditional land then regarded as reasonably proved to be productive 7
8 in paying quantities, or to exclude land then regarded as rea- 8
9 sonably proved not to be productive in paying quantities and the 9
10 percentage of allocation shall also be revised accordingly. The 10
11 effective date of any revision shall be the first of the month in 11
12 which is obtained the knowledge or information on which such re- 12
13 vision is predicated, provided, however, that a more appropriate 13
14 effective date may be used if justified by the Unit Operator and 14
15 approved by the Director. No land shall be excluded from a par- 15
16 ticipating area on account of depletion of the unitized substances. 16

17 It is the intent of this section that a participating area 17
18 shall represent the area known or reasonably estimated to be pro- 18
19 ductive in paying quantities; but, regardless of any revision of 19
20 the participating area, nothing herein contained shall be construed 20
21 as requiring any retroactive adjustment for production obtained 21
22 prior to the effective date of the revision of the participating 22
23 area. 23

24 In the absence of agreement at any time between the Unit 24
25 Operator and the Director as to the proper definition or re- 25
26 definition of a participating area, or until a participating area 26
27 has, or areas have, been established as provided herein, the por- 27
28 tion of all payments affected thereby may be impounded in a manner 28
29 mutually acceptable to the owners of working interests, except 29
30 royalties due the United States, which shall be determined by the 30
31 Supervisor and the amount thereof deposited, as directed by the 31
32 Supervisor, to be held as unearned money until a participating 32
33 area is finally approved and then applied as earned or returned 33
34 in accordance with a determination of the sum due as Federal 34
35 royalty on the basis of such approved participating area. 35

36 Whenever it is determined, subject to the approval of the 36

Supervisor, 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 so long as such land is not within a 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, 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 constituted 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, 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 in a participating area of the land upon which such well is situated, 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 all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to

1 take in kind their share of the unitized substances allocated to such 1
2 tract, and Unit Operator, or in case of the operation of a well by 2
3 a working interest owner as herein in special cases provided for, 3
4 such working interest owner, shall make deliveries of such royalty 4
5 share taken in kind in conformity with the applicable contracts, 5
6 laws, and regulations. Settlement for royalty interest not taken in 6
7 kind shall be made by working interest owners responsible therefor 7
8 under existing contracts, laws and regulations on or before the last 8
9 day of each month for unitized substances produced during the pre- 9
10 ceding calendar month; provided, however, that nothing herein con- 10
11 tained shall operate to relieve the lessees of any land from their 11
12 respective lease obligations for the payment of any royalties due 12
13 under their leases. 13

14 If gas obtained from lands not subject to this agreement is 14
15 introduced into any participating area hereunder, for use in re- 15
16 pressuring, stimulation of production, or increasing ultimate re- 16
17 covery, which shall be in conformity with a plan first approved 17
18 by the Supervisor, a like amount of gas, after settlement as herein 18
19 provided for any gas transferred from any other participating area 19
20 and with due allowance for loss or depletion from any cause, may 20
21 be withdrawn from the formation into which the gas was introduced, 21
22 royalty free as to dry gas, but not as to the products extracted 22
23 therefrom; provided that such withdrawal shall be at such time as 23
24 may be provided in the plan of operations or as may otherwise be 24
25 consented to by the Supervisor as conforming to good petroleum 25
26 engineering practice; and provided further, that such right of 26
27 withdrawal shall terminate on the termination of this unit agree- 27
28 ment. 28

29 Royalty due the United States shall be computed as provided 29
30 in the operating regulations and paid in value or delivered in kind 30
31 as to all unitized substances on the basis of the amounts thereof 31
32 allocated to unitized Federal land as provided herein at the rates 32
33 specified in the respective Federal leases, or at such lower rate 33
34 or rates as may be authorized by law or regulation; provided, that 34
35 for leases on which the royalty rate depends on the daily average 35
36 production per well, said average production shall be determined in 36

1 accordance with the operating regulations as though each partici- 1
 2 pating area were a single consolidated lease. 2

3 15. RENTAL SETTLEMENT. Rental or minimum royalties due on 3
 4 leases committed hereto shall be paid by working interest owners 4
 5 responsible therefor under existing contracts, laws, and regula- 5
 6 tions, provided that nothing herein contained shall operate to re- 6
 7 lieve the lessees of any land from their respective lease obliga- 7
 8 tions for the payment of any rental or minimum royalty in lieu 8
 9 thereof due under their leases. Rental or minimum royalty for 9
 10 lands of the United States subject to this agreement shall be paid 10
 11 at the rate specified in the respective leases from the United 11
 12 States unless such rental or minimum royalty is waived, suspended, 12
 13 or reduced by law or by approval of the Secretary or his duly 13
 14 authorized representative. 14

15 With respect to any lease on non-Federal land containing pro- 15
 16 visions which would terminate such lease unless drilling operations 16
 17 were within the time therein specified commenced upon the land 17
 18 covered thereby or rentals paid for the privilege of deferring such 18
 19 drilling operations, the rentals required thereby shall, notwith- 19
 20 standing any other provision of this agreement, be deemed to accrue 20
 21 and become payable during the term thereof as extended by this 21
 22 agreement and until the required drilling operations are commenced 22
 23 upon the land covered thereby or some portion of such land is in- 23
 24 cluded within a participating area. 24

25 16. CONSERVATION. Operations hereunder for production of 25
 26 unitized substances shall be conducted to provide for the most 26
 27 economical and efficient recovery of said substances without waste, 27
 28 as defined by or pursuant to State or Federal law or regulation. 28

29 17. DRAINAGE. The Unit Operator shall take appropriate and 29
 30 adequate measures to prevent drainage of unitized substances from 30
 31 unitized land by wells on land not subject to this agreement, or, 31
 32 with prior consent of the Director, pursuant to applicable regula- 32
 33 tions pay a fair and reasonable compensatory royalty as determined 33
 34 by the Supervisor. 34

35 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, 35
 36 conditions, and provisions of all leases, subleases, and other 36

1 contracts relating to exploration, drilling, development, or opera-
2 tion for oil or gas of lands committed to this agreement are hereby
3 expressly modified and amended to the extent necessary to make the
4 same conform to the provisions hereof, but otherwise to remain in
5 full force and effect; and the parties hereto hereby consent that
6 the Secretary shall and by his approval hereof, or by the approval
7 hereof by his duly authorized representative, does hereby establish,
8 alter, change, or revoke the drilling, producing, rental, minimum
9 royalty, and royalty requirements of Federal leases committed hereto
10 and the regulations in respect thereto to conform said requirements
11 to the provisions of this agreement, and, without limiting the
12 generality of the foregoing, all leases, subleases, and contracts
13 are particularly modified in accordance with the following:

14 (a) The development and operation of lands subject to this
15 agreement under the terms hereof shall be deemed full performance
16 of all obligations for development and operation with respect to
17 each and every part or separately owned tract subject to this agree-
18 ment, regardless of whether there is any development of any par-
19 ticular part or tract of the unit area, notwithstanding anything to
20 the contrary in any lease, operating agreement or other contract be-
21 and between the parties hereto, or their respective predecessors in
22 interest, or any of them.

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

28 (c) Suspension of drilling or producing operations on all
29 unitized lands pursuant to direction or consent of the Secretary
30 or his duly authorized representative shall be deemed to constitute
31 such suspension pursuant to such direction or consent as to each
32 and every tract of unitized land.

33 (d) Each lease, sublease or contract relating to ex-
34 ploration, drilling, development or operation for oil or
35 lands other than those of the United States committed to this
36 agreement, which, by its terms might expire prior to the termination

1 of this agreement, is hereby extended beyond any such term so pro- 1
2 vided therein so that it shall be continued in full force and effect 2
3 for and during the term of this agreement. 3
4 (e) Any Federal lease for a fixed term of twenty (20) years 4
5 or any renewal thereof or any part of such lease which is made 5
6 subject to this agreement shall continue in force beyond the term 6
7 provided therein until the termination hereof. Any other Federal 7
8 lease committed hereto shall continue in force beyond the term so 8
9 provided therein or by law as to the land committed so long as such 9
10 lease remains subject hereto, provided that production is had in paying 10
11 quantities under this unit agreement prior to the expiration date 11
12 of the term of such lease, or in the event actual drilling operations 12
13 are commenced on unitized land, in accordance with the provisions 13
14 of this agreement, prior to the end of the primary term of such 14
15 lease and are being diligently prosecuted at that time, such lease 15
16 shall be extended for two years and so long thereafter as oil or 16
17 gas is produced in paying quantities in accordance with the pro- 17
18 visions of the Mineral Leasing Act Revision of 1960. 18
19 (f) Each sublease or contract relating to the operation and 19
20 development of unitized substances from lands of the United States 20
21 committed to this agreement, which by its terms would expire prior 21
22 to the time at which the underlying lease, as extended by the im- 22
23 mediately preceding paragraph, will expire, is hereby extended be- 23
24 yond any such term so provided therein so that it shall be con- 24
25 tinued in full force and effect for and during the term of the 25
26 underlying lease as such term is herein extended. 26
27 (g) The segregation of any Federal lease committed to this 27
28 agreement is governed by the following provision in the fourth 28
29 paragraph of Section 17(j) of the Mineral Leasing Act, as amended 29
30 by the Act of September 2, 1960 (74 Stat. 781-784): "Any Federal 30
31 lease heretofore or hereafter committed to any such unit plan 31
32 embracing lands that are in part within and in part outside of the 32
33 area covered by any such plan shall be segregated into separate 33
34 leases as to the lands committed and the lands not committed as of 34
35 the effective date of unitization: Provided, however, That any 35
36 such lease as to the nonunitized portion shall continue in force 36

1 and effect for the term thereof but for not less than two years from
2 the date of such segregation and so long thereafter as oil or gas is
3 produced in paying quantities."

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

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

24 20. EFFECTIVE DATE AND TERM. The agreement shall become effec-
25 tive upon approval by the Secretary or his duly authorized repre-
26 sentative and shall terminate five (5) years from said effective date
27 unless

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

29 (b) if it is reasonably determined prior to the expiration of
30 the fixed term of any extension thereof that the unitized land is
31 incapable of production of unitized substances in paying quanti-
32 ties in the formations tested hereunder and after notice of inten-
33 tion to terminate the agreement on such ground is given by the Unit
34 Operator to all parties in interest at their last known addresses,
35 the agreement is terminated with the approval of the Director, or

36 (c) a valuable discovery of unitized substances has been made

1 or accepted on unitized land during said initial term or any exten- 1
2 sion thereof, in which event the agreement shall remain in effect 2
3 for such term and so long as unitized substances can be produced in 3
4 quantities sufficient pay for the cost of producing same from 4
5 wells on unitized land within any participating area established 5
6 hereunder and, should production cease, so long thereafter as dili- 6
7 gent operations are in progress for the restoration of production or 7
8 discovery of new production and so long thereafter as the unitized 8
9 substances so discovered can be produced as aforesaid, or 9

10 (d) it is terminated as heretofore provided in this agreement. 10
11 This agreement may be terminated at any time by not less than 75 per 11
12 centum, on an acreage basis, of the owners of working interests 12
13 signatory hereto, with the approval of the Director; notice of any 13
14 such approval to be given by the Unit Operator to all parties here- 14
15 to. 15

16 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The 16
17 Director is hereby vested with authority to alter or modify from 17
18 time to time in his discretion the quantity and rate of production 18
19 under this agreement when such quantity and rate is not fixed pur- 19
20 suant to Federal or State law or does not conform to any state-wide 20
21 voluntary conservation or allocation program, which is established, 21
22 recognized, and generally adhered to by the majority of operators 22
23 in such State, such authority being hereby limited to alteration or 23
24 modification in the public interest, the purpose thereof and the 24
25 public interest to be served thereby to be stated in the order of 25
26 alteration or modification. Without regard to the foregoing, the 26
27 Director is also hereby vested with authority to alter or modify 27
28 from time to time in his discretion the rate of prospecting and 28
29 development and the quantity and rate of production under this agree- 29
30 ment when such alteration or modification is in the interest of 30
31 attaining the conservation objectives stated in this agreement and 31
32 is not in violation of any applicable Federal or State law. 32

33 Powers in this section vested in the Director shall only be 33
34 exercised after notice to Unit Operator and opportunity for hearing 34
35 to be held not less than 15 days from notice. 35

36 22. APPEARANCES. Unit Operator shall, after notice to other 36

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

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

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the Unit Operator agrees to comply

1 with all of the provisions of Section 202 (1) to (7) inclusive, of 1
2 Executive Order 11246, (30 F.R. 12319), which are hereby incorporated 2
3 by reference in this agreement. 3

4 27. LOSS OF TITLE. In the event title to any tract of uniti- 4
5 zed land shall fail and the true owner cannot be induced to join in 5
6 this unit agreement, such tract shall be automatically regarded as 6
7 not committed hereto and there shall be such readjustment of future 7
8 costs and benefits as may be required on account of the loss of such 8
9 title. In the event of a dispute as to title as to any royalty, 9
10 working interest, or other interests subject thereto, payment or 10
11 delivery on account thereof may be withheld without liability for 11
12 interest until the dispute is finally settled; provided, that, as 12
13 to Federal land or leases, no payments of funds due the United 13
14 States should be withheld, but such funds shall be deposited as 14
15 directed by the Supervisor to be held as unearned money pending 15
16 final settlement of the title dispute, and then applied as earned 16
17 or returned in accordance with such final settlement. 17

18 Unit Operator as such is relieved from any responsibility 18
19 for any defect or failure of any title hereunder. 19

20 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any 20
21 substantial interest in a tract within the unit area fails or re- 21
22 fuses to subscribe or consent to this agreement, the owner of the 22
23 working interest in that tract may withdraw said tract from this 23
24 agreement by written notice to the Director and the Unit Operator 24
25 prior to the approval of this agreement by the Director. Any oil 25
26 or gas interests in lands within the unit area not committed here- 26
27 to prior to submission of this agreement for final approval may 27
28 thereafter be committed hereto by the owner or owners thereof sub- 28
29 scribing or consenting to this agreement, and, if the interest is 29
30 a working interest, by the owner of such interest also subscribing 30
31 to the unit operating agreement. After operations are commenced 31
32 hereunder, the right of subsequent joinder, as provided in this 32
33 section, by a working interest owner is subject to such requirements 33
34 or approvals, if any, pertaining to such joinder, as may be pro- 34
35 vided for in the unit operating agreement. After final approval 35
36 hereof joinder by a non-working interest owner must be consented 36

1
2
3
4
5
6

in this agreement shall
provisions applicable to
the Bureau of Reclamation.
parties hereto have caused this
have set opposite their respective
names the date of execution.

ATTEST:

[Signature]
Assistant Secretary
Date: October 3 1966

GULF OIL CORPORATION

By [Signature]
Attorney-in-Fact

Law	<u>[Signature]</u>
Serv	<u>[Signature]</u>
Exp.	
Prod.	

UNIT OPERATOR

STATE OF NEW MEXICO
COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this
3rd day of October, 1966, by
[Signature], Attorney-in-Fact for GULF OIL
CORPORATION, a Pennsylvania corporation, on behalf of said corpora-
tion.



My Commission Expires: _____

Eva Marie Cooper
Notary Public

28
1 responsible for the payment of any benefits that may accrue hereunder 2
2 in behalf of such non-working interest. Joinder by any owner of a 3
3 non-working interest, at any time, must be accompanied by appro- 4
4 priate joinder by the owner of the corresponding working interest 5
5 in order for the interest to be regarded as committed hereto. 6
6 Joinder to the unit agreement by a working-interest owner, at any 7
7 time, must be accompanied by appropriate joinder to the unit opera- 8
8 ting agreement, if more than one committed working-interest owner 9
9 is involved, in order for the interest to be regarded as committed 10
10 to this unit agreement. Except as may otherwise herein be provided sub- 11
11 sequent joinders to this agreement shall be effective as of the first 12
12 day of the month following the filing with the Supervisor of duly 13
13 executed counterparts of all or any papers necessary to establish 14
14 effective commitment of any tract to this agreement unless objec- 15
15 tion to such joinder is duly made within 60 days by the Director. 16
17 29. COUNTERPARTS. This agreement may be executed in any number 17
18 of counterparts no one of which needs to be executed by all parties 18
19 or may be ratified or consented to by separate instrument in writing 19
20 specifically referring hereto and shall be binding upon all those 20
21 parties who have executed such a counterpart, ratification, or con- 21
22 sent hereto with the same force and effect as if all such parties 22
23 had signed the same document and regardless of whether or not it is 23
24 executed by all other parties owning or claiming an interest in the 24
25 lands within the above-described unit area. 25
26 30. NO PARTNERSHIP. It is expressly agreed that the relation 26
27 of the parties hereto is that of independent contractors and 27
28 nothing in this agreement contained, expressed or implied, nor 28
29 any operations conducted hereunder, shall create or be deemed 29
30 to have created a partnership or association between the parties 30
31 hereto or any of them. 31

1 31. RECLAMATION LANDS. Nothing in this agreement shall
2 modify the special, Federal-lease stipulations applicable to
3 lands under the jurisdiction of the Bureau of Reclamation.

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

ATTEST:

[Signature]
Assistant Secretary

Date: 31 OCT 1966

GULF OIL CORPORATION

By [Signature]
Attorney-in-Fact

Law	<u>[Signature]</u>
Serv.	<u>[Signature]</u>
Exp.	
Prod.	<u>[Signature]</u>

UNIT OPERATOR

STATE OF NEW MEXICO
COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this
310 day of October, 1966, by
[Signature], Attorney-in-Fact for GULF OIL
CORPORATION, a Pennsylvania corporation, on behalf of said corpora-
tion.



My Commission Expires: _____

Evan Marie Cooper
Notary Public

WORKING INTEREST OWNER'S JOINDER
IN THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
SPRINGS UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Springs Unit, Eddy County, New Mexico", providing for the development and operation of some 5,138.59 acres, more or less, in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, and a counterpart of an instrument entitled "Unit Operating Agreement, Springs Unit Area, Eddy County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a working interest owner, to provide for the development and operation of said lands; and

WHEREAS, said Unit and Unit Operating Agreements each provide for counterpart execution or execution by other instrument in which a party in interest agrees to be bound by the provisions thereof; and

WHEREAS, the undersigned working interest owner (whether one or more) whose interests are defined in said instruments and exhibits thereto, desire to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises and of the mutual advantages to be secured by all who have become parties to said instrument, the undersigned working interest owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 14th day of October, 1966.

CHAS. SERVICE OIL COMPANY

Wiley C. Hill
Wiley C. Hill, Attorney-in-Fact

THE STATE OF Oklahoma

COUNTY OF Washington

The foregoing instrument was acknowledged before me this 14th day of October, 1966, by Wiley C. Hill

Attorney-in-Fact of CHAS. SERVICE OIL COMPANY
a corporation, on behalf of said corporation.

My Commission Expires:
My commission expires July 2, 1967

Virginia Marsh
Notary Public

THE STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____

Notary Public

My Commission Expires:

WORKING INTEREST OWNER'S JOINDER
IN THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
SPRINGS UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Springs Unit, Eddy County, New Mexico, providing for the development and operation of some 5,138.59 acres, more or less, in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, and a counterpart of an instrument entitled "Unit Operating Agreement, Springs Unit Area, Eddy County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a working interest owner, to provide for the development and operation of said lands; and

WHEREAS, said Unit and Unit Operating Agreements each provide for counterpart execution or execution by other instrument in which a party in interest agrees to be bound by the provisions thereof; and

WHEREAS, the undersigned working interest owner (whether one or more) whose interests are defined in said instruments and exhibits thereto, desire to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises and of the mutual advantages to be secured by all who have become parties to said instrument, the undersigned working interest owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this _____ day of _____, 1966.

ATTEST:
Karl R. Gardner
Secretary

PAN AMERICAN PETROLEUM CORPORATION

By- _____

Attorney in Fact

APPROVED
SM

THE STATE OF TEXAS
COUNTY OF TARRANT

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ Attorney in Fact of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires:
June 1, 1967

Notary Public

VELMA B. CRAFT

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____

My Commission Expires:

Notary Public

WORKING INTEREST OWNER'S JOINDER
IN THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
SPRINGS UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Springs Unit, Eddy County, New Mexico", providing for the development and operation of some 5,138.59 acres, more or less, in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, and a counterpart of an instrument entitled "Unit Operating Agreement, Springs Unit Area, Eddy County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a working interest owner, to provide for the development and operation of said lands; and

WHEREAS, said Unit and Unit Operating Agreements each provide for counterpart execution or execution by other instrument in which a party in interest agrees to be bound by the provisions thereof; and

WHEREAS, the undersigned working interest owner (whether one or more) whose interests are defined in said instruments and exhibits thereto, desire to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises and of the mutual advantages to be secured by all who have become parties to said instrument, the undersigned working interest owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 6th day of October, 1966.

PHILLIPS PETROLEUM COMPANY

By Fred Forward
Attorney-in-Fact

THE STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 6th day of October, 1966, by Fred Forward Attorney-in-Fact of PHILLIPS PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires: 6-1-67

Lorraine A. Galow
Notary Public

THE STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____

My Commission Expires: _____

Notary Public

007111

U.S. DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

WORKING INTEREST OWNER'S JOINDER
IN THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
SPRINGS UNIT
ROSWELL, NEW MEXICO
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received a counterpart of an instrument entitled "Unit Agreement, Springs Unit, Eddy County, New Mexico", providing for the development and operation of some 5,138.59 acres, more or less, in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, and a counterpart of an instrument entitled "Unit Operating Agreement, Springs Unit Area, Eddy County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a working interest owner, to provide for the development and operation of said lands; and

WHEREAS, said Unit and Unit Operating Agreements each provide for counterpart execution or execution by other instrument in which a party in interest agrees to be bound by the provisions thereof; and

WHEREAS, the undersigned working interest owner (whether one or more) whose interests are defined in said instruments and exhibits thereto, desire to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises and of the mutual advantages to be secured by all who have become parties to said instrument, the undersigned working interest owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 14th day of October, 1966.
ATTEST: [Signature]
ASST. SECRETARY
SINCLAIR OIL & GAS COMPANY
[Signature]
VICE PRESIDENT

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this 14th day of October, 1966, by _____ of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

[Signature]
Notary Public (State of N.M.)

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____.

My Commission Expires: _____

Notary Public

WORKING INTEREST OWNER'S JOINDER
IN THE UNIT AGREEMENT AND UNIT OPERATING AGREEMENT
SPRINGS UNIT
EDDY COUNTY, NEW MEXICO

WHEREAS, the undersigned has received counterpart of an instrument entitled "Unit Agreement, Springs Unit, Eddy County, New Mexico", providing for the development and operation of some 5,138.59 acres, more or less, in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, and a counterpart of an instrument entitled "Unit Operating Agreement, Springs Unit Area, Eddy County, New Mexico", both of which were executed by Gulf Oil Corporation as the Unit Operator and as a working interest owner, to provide for the development and operation of said lands; and

WHEREAS, said Unit and Unit Operating Agreements each provide for counterpart execution or execution by other instrument in which a party in interest agrees to be bound by the provisions thereof; and

WHEREAS, the undersigned working interest owner (whether one or more) whose interests are defined in said instruments and exhibits thereto, desire to ratify and consent to said Unit Agreement and Unit Operating Agreement by the execution of this instrument, agreeing to be bound by the provisions thereof.

NOW, THEREFORE, in consideration of the premises and of the mutual advantages to be secured by all who have become parties to said instrument, the undersigned working interest owner does by these presents agree to be bound by and does expressly ratify and consent to all of said terms and provisions of the aforesaid Unit Agreement and Unit Operating Agreement.

EXECUTED this 11th day of October, 1966.

ATTEST:

Assistant Secretary

WATTS PETROLEUM CORPORATION

BY: S. P. Yates

S. P. Yates-President

THE STATE OF NEW MEXICO

COUNTY OF EDDY

The foregoing instrument was acknowledged before me this 11th day of October, 1966, by S. P. Yates of WATTS PETROLEUM CORPORATION, a NEW MEXICO corporation, on behalf of said corporation.

My Commission Expires: Nov. 17, 1968

Notary Public

THE STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____

Notary Public

My Commission Expires: _____

OCT 11 1966

U.S. DEPT. OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

CO CO

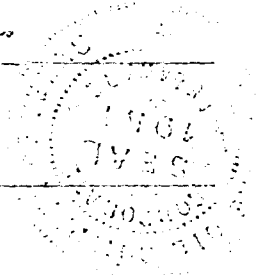
CONSENT AND RATIFICATION OF SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO
BY LESSEE OF RECORD

The undersigned lessee of record hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said agreement is dated the 3rd day of October, 1966, and states that it has caused said agreement to be read and the undersigned is familiar with all of the terms and conditions thereof.

The undersigned lessee of record is not the owner of any royalty, overriding royalty, production payment interests or working interest in the lands or minerals embraced in the said unit area as the result of various and sundry previous agreements and assignments of oil and gas operating rights in the lease or leases more fully shown in Exhibit "B" to the said Springs Unit Agreement. At the express request of the Working Interest Owners, the undersigned lessee of record does hereby consent to and ratify said Springs Unit Agreement, agreeing that all of its oil and gas leasehold estates as shown in Exhibit "B" may be committed to this Unit Agreement and that as lessee of record the undersigned will be bound to said Unit Agreement, the same as if it had executed the original of said Unit Agreement or a counterpart thereof.

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

Walter C. Barnes



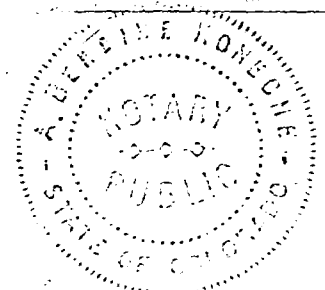
THE STATE OF New Mexico
COUNTY OF Eddy

§
§

The foregoing instrument was acknowledged before me this 10th day of October, 1966, by Walter C. Barnes, of New Mexico, a corporation, on behalf of said corporation.

Notary Public

My Commission Expires: 1968



ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
HARRIS COUNTY, NEW MEXICO

The undersigned, Chevron Oil Company, hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Springs Unit area embracing 5,138.99 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, H.M.P.M., El Paso County, New Mexico, which said Agreement is dated the 3rd day of October, 1966, and states that it has caused said Agreement to be read and the undersigned is familiar with all the terms and conditions thereof.

Although Exhibit "B" to said Unit Agreement shows the undersigned as Lessee of Record, the record title has been assigned to Gulf Oil Corporation subject to a 12.5% overriding royalty excepted and reserved by Chevron Oil Company. At the express request of Gulf Oil Corporation, the undersigned does hereby consent to and ratify the said Springs Unit Agreement as a royalty owner and as the lessee of record.

IN WITNESS WHEREOF this instrument is executed by the undersigned as of the date set forth in its acknowledgement hereinafter written.

CHEVRON OIL COMPANY

By:

H. H. Kuester

Attorney in Fact

By:

H. L. Smith

Attorney in Fact

STATE OF TEXAS
COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 19th day of October, 1966, by H. H. KUESTER and H. L. SMITH, Attorneys in Fact for Chevron Oil Company, a California corporation, on behalf of said corporation.

Barbara Robertson
Notary Public

My Commission Expires

BARBARA ROBERTSON

Notary Public in and for Harris County, Texas

My Commission Expires June 1, 1967

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the _____ day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

Tracy P. Clark and his wife
Mary Jane Clark

THE STATE OF TEXAS

§

COUNTY OF MIDLAND

§

The foregoing instrument was acknowledged before me this 6th day of October, 1966, by Tracy P. Clark and his wife
Mary Jane Clark

John W. Stephens
Notary Public

My Commission Expires:
June 1, 1967

THE STATE OF _____

§

COUNTY OF _____

§

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the _____ day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

Yard & Carter
J. R. H. D. M. Co.

THE STATE OF New Mexico

COUNTY OF Edwards

The foregoing instrument was acknowledged before me this 10 day of October, 1966, by Yard & Carter

My Commission Expires: 10/1/67

Notary Public

THE STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

RECEIVED

NOTARY PUBLIC

W. C. GILBERT
NOTARY PUBLIC

10/24/66

ACKNOWLEDGMENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

I, _____ (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 North, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the 3rd day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

David M. Evans
DAVID M. EVANS

Mildred G. Evans
MILDRED G. EVANS

THE STATE OF COLORADO

COUNTY OF DENVER

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by DAVID M. EVANS AND MILDRED G. EVANS,
HUSBAND AND WIFE

Notary Public

My Commission Expires:
My Commission expires July 20, 1969

THE STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the _____ day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

Pauline A. Salt
A married woman dealing in her separate property

THE STATE OF New Mexico

COUNTY OF Eddy

The foregoing instrument was acknowledged before me this 10th day of October, 1966, by Pauline A. Salt

My Commission Expires:

5-22-70

THE STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires: _____

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the _____ day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

W.W. Hader

William Hader

THE STATE OF Utah)

COUNTY OF San Juan)

The foregoing instrument was acknowledged before me this 18th day of October, 1966, by W.W. Hader and William Hader, Sr.

My Commission Expires:

March 14, 1968

Residing at _____
Notary Public

John Lake City, Utah

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the _____ day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

The Masi Company; By: Mortimer Barton
(Sole Proprietorship)

Post Office Box 705, Santa Fe, New Mexico 87501

THE STATE OF NEW MEXICO §
COUNTY OF SANTA FE §

The foregoing instrument was acknowledged before me this 12th day of October, 1966, by Mortimer Barton for The Masi Company

Notary Public

My Commission Expires: 12/1/67

THE STATE OF _____ §
COUNTY OF _____ §

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires: _____

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,38.59 acres, more or less, of land in Townships 20 and 21 South; Range 10 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the _____ day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by all of the terms and provisions thereof, exactly the same as if the undersigned executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF this instrument is executed by the undersigned as of and at the place set forth in this acknowledgment.

F. J. Bradshaw
F. J. Bradshaw

THE STATE OF Utah
COUNTY OF Salt Lake

The foregoing instrument was acknowledged before me this 11th day of October, 1966, by F. J. Bradshaw and
F. J. Bradshaw, his wife

[Signature]
Notary Public

My Commission Expires: _____

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____ a _____ corporation, on behalf of said corporation.

[Signature]
Notary Public

My Commission Expires: _____

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the 3rd day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

Foster Morrell
Edna E. Morrell

THE STATE OF NEW MEXICO
COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 10th day of October, 1966, by Foster Morrell and Edna E. Morrell, his wife

[Signature]
Notary Public

My Commission Expires: May 14, 1970

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires: _____

OCT 11 1966
U. S. DEPT. OF THE INTERIOR
ROSWELL, NEW MEXICO

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the 15th day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

H. H. Scott
Samuel E. Scott

THE STATE OF New Mexico §
COUNTY OF Santa Fe §

The foregoing instrument was acknowledged before me this 15th day of October, 1966, by H. H. Scott and Samuel E. Scott, husband and wife.

Graydon B. Dickson
Notary Public

My Commission Expires: August 31, 1967

THE STATE OF New Mexico §
COUNTY OF Santa Fe §

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires: _____

U.S. DEPT. OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
ALBUQUERQUE, NEW MEXICO

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 E., N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the _____ day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

C. H. Spaulding

Spaulding

THE STATE OF Utah)

COUNTY OF Salt Lake)

The foregoing instrument was acknowledged before me this 18th day of October, 1966, by C. H. Spaulding and Mary Ann Spaulding, his wife

My Commission Expires:

March 16, 1968

Martin O. Oton

Notary Public
Residing at Salt Lake City, Utah

47

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

C. L. Shaker
Annie M. Shaker

The foregoing instrument was acknowledged before me this 10th day of October, 1966, by C. F. Thacker and
Ernie M. Thacker, his husband and wife

Notary Public

THE STATE OF New York
COUNTY OF Edgewood

Notary Public

My Commission Expires:

ACTIVITY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the _____ day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

E. L. Vetter
Gene F. Vetter

THE STATE OF Utah

COUNTY OF Salt Lake

The foregoing instrument was acknowledged before me this 17th day of October, 1966, by E. L. Vetter and Gene F. Vetter

My Commission Expires:
June 22, 1968

Sandra Gubler
Notary Public

THE STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

EXHIBIT "B"

SPRINGS UNIT - FEDERAL, EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
1	T. 20 S. - R. 26 E. Sec. 23: S/2	320.00	LC-070032-8 11-1-66	All - U.S.A.	Gulf Oil Corporation	Pauline A. Galt \$750/Acre PP out of 5%	OWNERSHIP PERCENTAGE SURFACE TO BASE PENN Gulf Oil Corporation 50.00000% Pan American Petroleum Corp. 50.00000%
			252				BELOW BASE PENN Gulf Oil Corporation 100.00000%
							SURFACE TO BASE PENN Gulf Oil Corporation 50.00000% Pan American Petroleum Corp. 50.00000%
							BELOW BASE PENN Sinclair Oil & Gas Co. 100.00000%
3	T. 20 S. - R. 26 E. Sec. 22: N/2 NE/4, SW/4 NE/4	120.00	LC-071847 11-1-66	All - U.S.A.	Cities Service Oil Co. Gulf Oil Corp. Pan American Petroleum Corp. Phillips Petroleum Co.	Childress Royalty Co., E.E. Nearburg, Tom Ingram, Fred Brainard-\$750/Acre PP out of 5% Foster Morrell 1 2% Tracy Clark & Robert Boling 1/4%	SURFACE TO BASE PENN Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. 14.28571%
							BELOW BASE PENN Cities Service Oil Co. 3.57143% Gulf Oil Corporation 14.28571% Pan American Petroleum Corp. 75.00000% Phillips Petroleum Co. 7.14286%

EXHIBIT "B" - SPRINGS UNIT-FEDERAL, EDDY COUNTY, NEW MEXICO

Page 2

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
4	T. 20 S. - R. 26 E. Sec. 22: SE/4 NE/4	40.00	LC-071847-A 11-1-66	A11 - U.S.A.	Cities Service Oil Co. Phillips Petroleum Co.	Childress Royalty Co., E.E. Nearburg, Tom Ingram, Fred Brainard-\$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	SURFACE TO BASE PENN Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. 14.28571%

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5	T. 20 S. - R. 26 E. Sec. 21: E/2 SE/4 Sec. 27: SW/4 SW/4 Sec. 28: S/2 NE/4, SE/4 SE/4, NE/4 NE/4	280.00	NM-03215 H.B.P.	A11 - U.S.A.	Wilshire Oil Co. of Texas	Childress Royalty Co., E.E. Nearburg, Tom Ingram, Fred Brainard-\$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	SURFACE TO BASE PENN Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. 14.28571%
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BELOW BASE PENN
Cities Service Oil Co. 3.57143%
Gulf Oil Corporation 14.28571%
Pan American Petroleum Corp. 75.00000%
Phillips Petroleum Co. 7.14286%

EXHIBIT "B" - SPRINGS UNIT-FEDERAL, EDDY COUNTY, NEW MEXICO

Page 3

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
6	T. 20 S. - R. 26 E. Sec. 21: NW/4 SE/4 Sec. 27: E/2 NW/4 Sec. 28: N/2 SE/4, SW/4 SE/4 Sec. 33: SE/4	400.00	NM-03215-A H.B.P.	A11 - U.S.A.	Cities Service Oil Co. Phillips Petroleum Co.	Childress Royalty Co., E.E. Nearburg, Tom Ingram, Fred Brainard-\$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	SURFACE TO BASE PENN Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. 14.28571%

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7	T. 20 S. - R. 26 E. Sec. 22: SW/4 Sec. 27: NW/4 NW/4	200.00	NM-03217 11-1-66	A11 - U.S.A.	Cities Service Oil Co. Gulf Oil Corporation Pan American Petroleum Corp. Phillips Petroleum Co.	Childress Royalty Co., E.E. Nearburg, Tom Ingram, Fred Brainard-\$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	SURFACE TO BASE PENN Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. 14.28571%
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BELOW BASE PENN
Cities Service Oil Co. 3.57143%
Gulf Oil Corporation 14.28571%
Pan American Petroleum Corp. 75.00000%
Phillips Petroleum Co. 7.14286%

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TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
8	T. 20 S. - R. 26 E. Sec. 22: NW/4, SE/4	320.00	NM-03217-A 11-1-66	A11 - U.S.A.	Cities Service Oil Co. Phillips Petroleum Co.	Childress Royalty Co., E.E. Nearburg, Tom Ingram, Fred Brainard-\$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	SURFACE TO BASE PENN Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. 14.28571%

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9	T. 20 S. - R. 26 E. Sec. 21: W/2 NE/4	80.00	NM-03365 11-1-66	A11 - U.S.A.	Cities Service Oil Co. Gulf Oil Corporation Pan American Petroleum Corp. Phillips Petroleum Co.	Childress Royalty Co., E.E. Nearburg Tom Ingram, Fred Brainard-\$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	SURFACE TO BASE PENN Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. 14.28571%
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BELOW BASE PENN
Cities Service Oil Co. 3.57143%
Gulf Oil Corporation 14.28571%
Pan American Petroleum Corp. 75.00000%
Phillips Petroleum Co. 7.14286%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
10	T. 20 S. - R. 26 E. Sec. 21: E/2 NE/4	80.00	NM-03365-A 11-1-66	A11 - U.S.A.	Cities Service Oil Co. Phillips Petroleum Co.	Childress Royalty Co., E.E. Nearburg, Tom Ingram, Fred Brainard-\$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	SURFACE TO BASE PENN Cities Service Oil Co. 7.14286% Gulf Oil Corporation 28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. 14.28571%
11	T. 20 S. - R. 26 E. Sec. 27: All of NE/4 SW/4, SE/4 SE/4 East of Pecos River	5.20	NM-038124 11-1-66	A11 - U.S.A.	Cities Service Oil Co.	Peter Q. Nyce, Jr., The Riggs Natl. Bank, Washington, D.C., Co-Execs. of Est. of Peter Corp. 1%	Cities Service Oil Co. 50.00000% Pan American Petroleum Corp. 75.00000% Phillips Petroleum Co. 7.14286%
12	T. 20 S. - R. 26 E. Sec. 27: N/2 SE/4 East of Pecos River	21.00	NM-038124-A 11-1-66	A11 - U.S.A.	Pan American Petroleum Corp.	Peter Q. Nyce, Jr., The Riggs Natl. Bank, Washington, D.C., Co-Execs. of Est. of Peter Q. Nyce, Decd. 1%	Pan American Petroleum 100.00000%
13	T. 20 S. - R. 26 E. Sec. 34: W/2 SE/4	80.00	NM-0225012 3-31-72	A11 - U.S.A.	Chevron Oil Co.	Chevron Oil Co. 12-1/2%	Gulf Oil Corporation * 100.00000%
14	T. 20 S. - R. 26 E. Sec. 27: SE/4 SW/4, SW/4 SE/4	80.00	NM-0228979 2-28-72	A11 - U.S.A.	Gulf Oil Corporation	The Masi Co. 5%	SURFACE TO BASE PENN Gulf Oil Corporation 50.00000% Pan American Petroleum Corp. 50.00000% BELOW BASE PENN Gulf Oil Corporation 100.00000%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
15	T. 20 S. - R. 26 E. Sec. 27: E/2 NE/4	80.00	NM-0283953-A 6-30-72	ATT - U.S.A.	Gulf Oil Corporation	David M. Evans 5%	SURFACE TO BASE PENN Gulf Oil Corporation 50.00000% Pan American Petroleum Corp. 50.00000% BELOW BASE PENN Gulf Oil Corporation 100.00000%
16	T. 20 S. - R. 26 E. Sec. 34: W/2, NW/4 NE/4	360.00	NM-0338754 11-1-56	ATT - U.S.A.	Gulf Oil Corporation	Henry D. Galvin - \$500/Acre PP out of 5%	SURFACE TO BASE PENN Gulf Oil Corporation 50.00000% Pan American Petroleum Corp. 50.00000% BELOW BASE PENN Gulf Oil Corporation 100.00000%
17	T. 20 S. - R. 26 E. Sec. 26: E/2, NW/4, E/2 SW/4 Sec. 34: E/2 E/2, SW/4 NE/4 Sec. 35: E/2, E/2 W/2	1,240.00	NM-0338758 11-1-66	ATT - U.S.A.	Gulf Oil Corporation	Pauline Galt - \$500/Acre PP out of 5%	SURFACE TO BASE PENN Gulf Oil Corporation 50.00000% Pan American Petroleum Corp. 50.00000% BELOW BASE PENN Gulf Oil Corporation 100.00000%
18	T. 21 S. - R. 25 E. Sec. 2: Lots 1 thru 16, incl.	592.00	NM-0454228-A 12-31-73	ATT - U.S.A.	Continental Oil Co.	Ervin J. Levers-\$1000/Acre PP out of 3%	SURFACE TO BASE PENN Continental Oil Co. 100.00000%
19	T. 21 S. - R. 25 E. Sec. 3: Lots 1,8,9 & 16	148.47	NM-0558961 1-31-76	ATT - U.S.A.	Gulf Oil Corporation	Max W. Coll II 1.25% E.I. Vetter 5.00%	Gulf Oil Corporation 100.00000%
20	T. 20 S. - R. 26 E. Sec. 27: SW/4 NW/4, NW/4 SW/4 lying East of Pecos River Sec. 28: NW/4 NE/4 lying East of Pecos River	14.00	BLM-A-026872 11-1-66 00 78.00	ATT - U.S.A.	Cities Service Oil Co.	Peter Q. Nyce, Jr. & The Riggs Natl. Bank, Washington, D.C. Co-Execs. of Est. of Peter Q. Nyce, Decd. 1%	SURFACE TO BASE PENN Cities Service Oil Co. 25.00000% Gulf Oil Corporation 25.00000% Pan American Petroleum Corp. 50.00000%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
20(Cont'd)							
21	T. 20 S. - R. 26 E. Sec. 21: All SW/4 SE/4 lying East of Pecos River	28.00	BLM-A-026872-A 11-1-66	A11 - U.S.A.	Pan American Petroleum Corp.	Peter Q. Nyce, Jr. & The Riggs Natl. Bank, Washington, D.C., Co-Execs. of Est. of Peter Q. Nyce, Decd. 1%	SURFACE TO BASE PENN Pan American Petroleum Corp. 75.00000% Pan American Petroleum Corp. 50.00000%
22	T. 20 S. - R. 26 E. Sec. 26: W/2 SW/4 lying East of Pecos River Sec. 35: W/2 W/2 lying East of Pecos River	65.50	BLM-A-032236 7-31-67	A11 - U.S.A.	Gulf Oil Corporation	Elk Oil Co. 2%	BELOW BASE PENN Pan American Petroleum Corp. 100.00000% Gulf Oil Corporation 100.00000%
23	T. 20 S. - R. 26 E. Sec. 27: W/2 NE/4	80.00	BLM-A-0426336 9-30-73	A11 - U.S.A.	Pan American Petroleum Corp.	F.J. Bradshaw 3%	Pan American Petroleum Corp. 100.00000%
23 Tracts	Federal Lands		4,794.17 Acres		93.29738% of Unit Area		
24	T. 20 S. - R. 26 E. Sec. 27: Fairchild Farm Tr. 785, 786, 787, 788, 789, 790, being all of the N/2 S/2 & SE/4 SE/4 SAVE & EXCEPT that acreage lying & being on the left or east bank of the Pecos River and SAVE & EXCEPT Fairchild Farm Tr. 784 conveyed to W.M. Truitt by Tax Deed recorded in Vol. D-6, Page 31, Deed Records, Eddy County, New Mexico, & being approximately the North 16 acres of NW/4 SW/4.	155.50	Fee Lease 6-25-68	A11 - T.D. Hardesty	Pan American Petroleum Corp.	None	Pan American Petroleum Corp. 100.00000%
25	T. 20 S. - R. 26 E. Sec. 27: Fairchild Farm Tr. 784, being approx. the North 16 acres of NW/4 SW/4.	16.00	Fee Lease 6-26-68	A11 - W.M. Truitt	Pan American Petroleum Corp.	None	Pan American Petroleum Corp. 100.00000%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
26	T. 20 S. - R. 26 E. Sec. 26: W/2 SW/4 Sec. 35: W/2 W/2 SAVE & EXCEPT all that part of each of the above described tracts lying & being on the left or east bank of the Pecos River and SAVE & EXCEPT Lots 26 & 29 of the Thacker Subdivision	94.01	Fee Lease 6-27-68	A11 - C.L. Thacker	Pan American Petro- leum Corp.	None	Pan American Petroleum Corp. 100.00000%
28	T. 20 S. - R. 26 E. Sec. 21: SW/4 SE/4 being a part of the Fairchild Farm Tr. 781 Sec. 27: SW/4 NW/4, NW/4 NW/4 Sec. 28: NW/4 NE/4 being Fairchild Farm Tr. 782, 783 & a part of 781, SAVE & EXCEPT all that part of each of the above described tracts lying & being on the left or east bank of the Pecos River	74.75	Fee Lease 6-9-68	A11 - C.C. Foster	Yates Petroleum Corp.	None	Yates Petroleum Corp. 100.00000%
29	T. 20 S. - R. 26 E. Sec. 35: Lot 26 of Thacker Subdivision located in W/2 W/2 T. 20 S. - R. 26 E. Sec. 35: Lot 29 of Thacker Subdivision located in W/2 W/2	2.00 2.16	Fee Lease 7-9-68 Fee Lease 7-2-68	A11 - H.D. Scott A11 - George A. Holman	Pan American Petro- leum Corp. Pan American Petro- leum Corp.	None	Pan American Petroleum Corp. 100.00000%
6 Tracts	Fee Lands	344.42 Acres			6.70262% of Unit Area		

RECAPITULATION

FEDERAL LANDS	4,794.17 Acres
FEE LANDS	344.42 Acres
TOTAL LANDS	5,138.59 Acres

93.29738% Unit Area
6.70262% Unit Area
100.00000% Unit Area

FILED NOV - 2 1966
at 10:30 AM and was duly
Recorded in Book 117 of Records at
Geraldine Mahaffey County Clerk
Deputy

* Gulf Oil Corporation has the option to acquire all of the working interest from Chevron Oil Company, which Gulf is in the process of exercising.

UNIT OPERATING AGREEMENT
FOR THE SPRINGS UNIT AREA
EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, made and entered into as of the 9th day of October, 1966, by and between GULF OIL CORPORATION, a Pennsylvania corporation with offices in Roswell, New Mexico, hereinafter referred to as "Unit Operator", and such other working interest owners who subscribe to this agreement either by executing an original copy, separate counterparts or who execute separate instruments in writing specifically ratifying and confirming this agreement and agreeing to be bound thereby, which said parties shall have working interests subject to the Unit Agreement for the operation and development of the Springs Unit Area, which said parties are hereinafter referred to as "Working Interest Owners" or as "Non-Operators". It is expressly agreed by and between the Unit Operator and the Working Interest Owners subscribing hereto that this agreement shall supersede and replace the Adams Bend Operating Agreement previously entered into by and between the parties hereto or any of them in conjunction with the Adams Bend Unit which unit was terminated effective as of November 1, 1964.

W I T N E S S E T H :

WHEREAS, the parties hereto have concurrently herewith as of the date hereof, entered into a certain Unit Agreement for the development and operation of the Springs Unit Area, which is hereinafter referred to as "Unit Agreement", embracing lands situated in Eddy County, State of New Mexico, described in Section 1 hereof; and

WHEREAS, Gulf Oil Corporation has been designated as the Unit Operator under the terms of said Unit Agreement and is also a Working Interest Owner under said Unit Agreement and enters into this agreement in both capacities; and

WHEREAS, the undersigned Working Interest Owners have committed certain oil and gas leasehold interests to said Unit Agreement which are to be subject to the terms and conditions thereof; and

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WHEREAS, the parties hereto enter into this agreement pursuant to Section 7 of the Unit Agreement;

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

1. DESCRIPTION OF UNIT AREA. The term "Unit Area" as used herein shall mean and include the following described land:

T. 20 S., R. 26 E., N.M.P.M.

Section 21: E/2
Section 22: All
Section 23: S/2
Section 26: All
Section 27: All
Section 28: E/2
Section 33: E/2
Section 34: All
Section 35: All

T. 21 S., R. 25 E., N.M.P.M.

Section 2: Lots 1 through 16
inclusive
Section 3: Lots 1, 8, 9 and
16

containing 5,138.59 acres, more or less, Eddy County, New Mexico.

For the purposes of this agreement 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 or other Federal survey as of the effective date of the initial participating area created under the Unit Agreement.

2. UNIT OPERATOR AND EMPLOYEES. Gulf Oil Corporation, a corporation, the party hereto named as Unit Operator of the Unit Area under the provisions of the Unit Agreement, or its duly appointed successor Unit Operator, shall have the exclusive right to develop and operate the Unit Area subject to the provisions of this agreement and the Unit Agreement. All individuals employed by Unit Operator in the conduct of operations hereunder shall be the employees of Unit Operator alone and their working hours, rates of compensation and all other matters relating to their employment shall be determined solely by Unit Operator.

3. UNIT OPERATOR - DUTIES. Unit Operator shall in the conduct of operations hereunder:

(a) Consult freely with Working Interest Owners concerning unit operations, and keep Working Interest Owners informed of all matters

arising during the operations of the Unit Area which Unit Operator, in the exercise of its best judgment, considers important;

(b) Keep full and accurate records of all costs incurred, rentals and royalties paid, and controllable materials and equipment, which records, receipts and vouchers in support thereof shall be available for inspection by authorized representatives of the Working Interest Owners at reasonable intervals during usual business hours, at the office of the Unit Operator;

(c) Permit each of the Working Interest Owners, through its duly authorized representatives, but at its sole risk and expense, to have access to the Unit Area at all times and to the derrick floor of each well drilled or being drilled hereunder, for the purpose of observing operations conducted hereunder and inspecting jointly owned materials, equipment and other property, and to have access at reasonable times to information and data in the possession of Unit Operator concerning the Unit Area;

(d) Furnish to each of the other parties who make timely written request therefor, copies of Unit Operator's authorization for expenditures or itemizations thereof in excess of Five Thousand (\$5,000.00) Dollars, and copies of all drilling reports, well logs, basic engineering data, tank tables, gauge reports and run tickets, and reports of stock on hand at the first of each month, if available, and samples of cores or cuttings taken from wells drilled hereunder, containers therefor to be furnished by the party requesting such samples;

(e) Comply with the terms and conditions of the Unit Agreement and all valid applicable Federal and State laws and regulations;

(f) Keep the land in the Unit Area free from liens and encumbrances occasioned by its operations except such liens as the Working Interest Owners elect to contest, and save only the lien granted the Unit Operator under this agreement.

(g) Operator shall dispose of major items of surplus equipment by soliciting sealed bids therefor from all Working Interest Owners

and at least three (3) reputable purchasers of secondhand equipment, thereafter disposing of such surplus equipment to the highest bidder.

4. UNIT OPERATOR - RESTRICTIONS. The Unit Operator shall not do any of the following things without the consent of the Working Interest Owners obtained as herein provided:

(a) Locate, drill, deepen or plug back any well or let any contract therefor, except as otherwise permitted under this agreement. The approval of the drilling, deepening or plugging back of any well shall be construed to mean and include the approval of any reasonably necessary expenditures for the approved operation, including the completing and equipping of all wells except the initial test well, and the necessary lines, separators and necessary tankage if a producer, and if a dry hole, the plugging and abandonment thereof, except as otherwise provided herein;

(b) Make any other expenditures in excess of Five Thousand (\$5,000.00) Dollars for any one single item;

(c) Make any partial relinquishment of the rights of the Unit Operator;

(d) Abandon any well or wells;

(e) Enter into any plans for development of the Unit Area or any participating area or amendment thereof, or any expansion or contraction of the Unit Area or any designation or enlargement of a participating area;

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

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

(h) Make any arrangement for repressuring, cycling or pressure maintenance, or approve or disapprove any change in the existing method of operation;

(i) Contest any encumbrance or lien.

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

Subject to the provisions hereof, Unit Operator shall have full control of the premises subjected hereto and shall conduct and manage the development and operation of unitized lands for the production of unitized substances therefrom for the account of the parties hereto.

5. CONSENT OF WORKING INTEREST OWNERS. In connection with operations conducted by Unit Operator for which consent of Non-Operators is required under this agreement, the Working Interest Owners shall have the right to vote thereon in proportion to their respective participation percentages under this agreement, except that with respect to such operations as are being conducted at the cost of less than all of the Working Interest Owners those Working Interest Owners bearing the cost of such operations shall have the right to vote whenever their consent is required in the proportion that their respective participation percentages under this agreement bear to the total of such percentages of such Working Interest Owners. Except as otherwise specified herein or in the Unit Agreement where unanimity is necessary to authorize expenditures to be charged to the joint account, to surrender or terminate interests, etc., a decision concerning any matter which is concurred in by any two or more of the Working Interest Owners, each owning at least one (1%) per cent and in the aggregate at least seventy (70%) per cent of the total of all Working Interests shall constitute the decision of the Working Interest Owners, which decision shall be binding upon all; provided, however, that if any party owns fifty (50%) per cent or more voting interest, but less than one hundred (100%) per cent, the vote of such party shall not serve to defeat or disapprove any matters unless supported by at least two additional Working Interest Owners.

The Working Interest Owners shall meet in regular or special meetings for the purpose of discussing unit business and of voting on matters in connection therewith, and of exercising any other powers by this agreement or by the Unit Agreement committed to the Working Interest Owners. A special meeting may be called by Operator at any time and shall be called by Operator promptly upon the request of any three (3) Working Interest Owners, or any Working Interest Owner or Owners whose participation percentage total twenty (20%) per cent or more. Each Working Interest Owner shall designate a representative and an alternate to represent it at such meeting, who shall have such powers as are conferred on them by their principal, which powers shall be sufficiently broad to enable the representative to vote on matters coming before said meeting. Notice of meetings and place of holding same shall be served on such representative by the Unit Operator. The representative of the Unit Operator shall act as Chairman at all meetings. Each Working Interest Owner shall have the right, from time to time, on notice to the Unit Operator, to change the representative or the alternate designated by it. It shall be sufficient for the Unit Operator to poll all of the affected Working Interest Owners on all such matters without calling a meeting and any vote so taken pursuant to such poll shall be as binding on the Working Interest Owners as if done at a regular or special meeting at which a quorum was present. Unit Operator shall advise all Working Interest Owners the results of any poll so taken.

6. UNIT OPERATOR - LIABILITIES. In the conduct of operations hereunder Unit Operator shall be obligated to use only the care and diligence customarily exercised by a prudent operator in the area in which said lands are located, and Unit Operator shall not be liable for the result of any error of judgment or for the loss of or damage to any joint property not resulting from the gross negligence or willful misconduct of Unit Operator or its employees. Unit Operator shall not be responsible

for the neglect or default of any drilling contractor or other contractor engaged by Unit Operator in operations hereunder.

7. ALLOCATION OF UNITIZED SUBSTANCES. Upon completion of a well capable of producing unitized substances in paying quantities, a participating area or areas shall be designated as provided by Section 11 of the Unit Agreement. For the purpose of determining and paying or delivering in kind all royalties, overriding royalties, and obligations payable out of production due on account of the unitized substances produced from such participating area, all unitized substances produced and saved from each participating area, 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 or for repressuring or re-cycling in accordance with an approved plan of development, or unavoidably lost, shall be allocated on an acreage basis to the respective tracts of unitized land within the participating area established for such production, in accordance with Section 12 of the Unit Agreement.

Unit Operator pursuant to properly executed division orders, or otherwise, shall first pay out of the unit substances so allocated, all royalties payable thereon which are reserved to Lessor in the lease or leases covering the lands to which said allocation is made. Each such payment shall be made for and on behalf of the Working Interest Owner or Owners of the committed land covered by the lease under which the payment is made; however, Operator shall not be liable as a result of any error or mistake made in good faith in connection with any such payment. If the royalties required under any such lease are in excess of $1/8$ th of the oil or gas produced and saved from or allocated to the land covered thereby, that portion of such royalties in excess of $1/8$ th of such production shall be charged to and borne by the Working Interest Owner or Owners of the committed land covered by such lease. In addition, each Working Interest Owner shall bear and pay all overriding royalties payable out of production other than the usual $1/8$ th royalty which are chargeable against production from or allocated

to land committed by such Working Interest Owner.

Regardless of such allocation for the purposes mentioned above, 7/8ths of all unitized substances produced and saved shall be apportioned among the Working Interest Owners in proportion to their respective working interests committed to the Unit Agreement on an acreage basis. The percentage of unitized substances so allocated to each Working Interest Owner shall be the participation percentage of such owner under this agreement as to all future costs and benefits as well as to the unitized substances produced immediately subsequent to the drilling of the initial test well.

The participation percentages in unitized substances, benefits, and costs so established among the Working Interest Owners as shown in Exhibit "D" hereof shall remain fixed regardless of any contraction of the Unit Area, but shall be revised upon commitment of any uncommitted acreage within the Unit Area, upon expansion of the Unit Area, upon loss or failure of title to any tract within the Unit Area, upon transfer of title to working interests subject to this agreement, or as provided in Section 18 upon assignment of leases in lieu of rentals payments or loss of a lease for failure to pay rental. Each such revision shall result in the then Working Interest Owners having participation percentages in proportion to their then respective working interests on an acreage basis in all unitized acreage within the Unit Area except that the acreage once committed by a Working Interest Owner shall not be reduced for purposes of determining participation percentages solely as a result of any contraction of the Unit Area.

8. COST OF OPERATIONS AND PRIORITY OF UNIT AGREEMENT. The actual cost of the Unit Operator of performing its obligations as Unit Operator hereunder shall be apportioned among the Working Interest Owners in proportion to their participation percentages under this agreement and shall be paid by the several Working Interest Owners as hereinafter provided. The cost of each operation not participated in by all Working Interest Owners shall be separately kept and charged to the Working Interest Owners affected in the proportions required by other applicable provisions of this

agreement or in such other manner as such owners may agree. All materials, equipment and other property, whether real or personal, charged as a part of the cost of operations hereunder shall be owned by the Working Interest Owners in the same proportion that they were charged therefor. All such costs, expenses, credits and related matters and the method of handling the accounting with respect thereto shall be in accordance with the provisions of the Accounting Procedure attached hereto, made a part hereof and marked Exhibit "C".

In the event of any conflict between the provisions contained either in the body of this instrument or in the Unit Agreement or in the Accounting Procedure, the provisions of the Unit Agreement shall govern to the extent of such conflict. In the event of any conflict between the provisions contained in the body of this instrument and those contained in the Accounting Procedure, the provisions in the body of this instrument shall govern. The term "Operator" as used in Exhibit "C" shall be deemed to refer to the Unit Operator, and the term "Non-Operators" as used in Exhibit "C" shall be deemed to refer to the Working Interest Owners herein.

9. OPERATOR'S LIEN. Unit Operator is hereby granted a prior lien on the rights and interest of each Working Interest Owner in the Unit Area and the unitized substances allocated to each such Working Interest Owner, and the material and equipment thereon, to secure the payment of its proportionate part of the said costs and expenses. Should any Working Interest Owner fail to pay its proportionate part of said costs and expenses within thirty (30) days after being billed therefor as provided in the referred to Accounting Procedure, Exhibit "C", Unit Operator shall have the right at its option at any time thereafter, such default continuing, to foreclose said lien on the respective interests of such Working Interest Owners. In lieu of or in addition to such remedy, the parties hereto agree that in the event of default, except in cases of a bona fide dispute, the Unit Operator may notify the purchaser of the defaulting party's share of unitized substances (the purchaser not to be bound by

the provisions hereof unless so notified) and such purchaser shall, without liability to the defaulting party, pay all proceeds accruing on account thereof to Unit Operator until said obligation is extinguished. In lieu of or in addition to the remedy above specified for such default, Unit Operator may have any other remedy afforded by law or equity against the defaulting party for such default.

Likewise, Non-Operators are hereby granted a prior lien on the rights and interests of the Unit Operator as a Working Interest Owner in the Unit Area and unitized substances and upon the interest of the Unit Operator in all materials and equipment to secure the payment of any amounts which may become due and owing from Unit Operator to any of the Non-Operators, which lien shall be subject to all of the terms and conditions provided for in the preceding paragraph.

10. ADVANCES. Unit Operator, at its election, may require each Working Interest Owner hereto to advance its respective portion of development costs hereunder in accordance with an estimate by Unit Operator to be made not less than fifteen (15) days in advance of the month in which the costs and expenses are to be incurred. This right may be exercised only by submission to each Working Interest Owner of an itemized statement of such estimated costs together with an invoice for its share thereof. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of eight (8%) per cent per annum from the date of expenditure until paid. Adjustment between estimates and actual costs shall be made by the Unit Operator at the close of each calendar month and the accounts of the Working Interest Owners adjusted accordingly.

11. TAXES. Unit Operator shall render for ad valorem taxes all jointly owned personal property acquired for or used in operations under this agreement. Such taxes shall be initially paid by Unit Operator and charged to the joint account for payment by the parties who own the taxed property.

12. INSURANCE AND SETTLEMENTS. At all times while operations are conducted hereunder, Unit Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted. Unit Operator shall also carry or provide insurance for the benefit of the joint account of the parties as may be outlined in Exhibit "E" attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Unit Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require. All settlements involving an expenditure in excess of Twenty Five Hundred (\$2,500.00) Dollars must be approved by the Working Interest Owners.

13. TEST WELL. On or before October 31, 1966 Unit Operator shall commence the drilling of a well for oil and gas at the following location:

1980 feet from the North and East Lines of Section 34,
Township 20 South, Range 26 East, Eddy County, New Mexico,

and shall thereafter continue the drilling of the well with due diligence until the Cisco formation of Pennsylvanian age has been tested or to a depth of 9,000 feet beneath the surface, whichever first occurs. In the event said well proves to be a dry hole or a well not capable of producing unitized substances in paying quantities the same shall be plugged and abandoned in accordance with the applicable rules and regulations, and in such event Unit Operator shall make a diligent effort to salvage as much of the casing, equipment and other materials used in the drilling of such well as may prove economically feasible. The Working Interest Owners shall be responsible for the cost of drilling, completing and plugging said well in proportion to their respective participation percentages under this agreement, except as otherwise required by the provisions of Section 35 of this agreement, and, subject to the provisions of said Section 35, it is agreed that in the event said well is not completed as a producer the Working Interest Owners who have participated in the cost of drilling the same shall own all casing, materials and other equipment which may be salvaged in connection therewith in the same proportion that they participated in the cost of drilling such well.

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

15. OPERATIONS BY LESS THAN ALL PARTIES. If all the parties cannot mutually agree upon the drilling of any well on the Unit Area other than drilling the test well provided for in Section 13 above to the casing point as thereafter defined in Article 35, or upon the re-working, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities (i.e., in quantities sufficient to pay the cost of producing same) on the Unit Area, any party or parties wishing to complete the initial test well, drill, re-work, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days except as to completion of the initial test well beyond the casing point, the re-working, plugging back or drilling deeper, where a drilling rig is on location, in which event the notice shall be given by telegram, and the period shall be limited to forty-eight (48) hours (exclusive of Saturdays, Sundays, or Holidays) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as "Non-Consenting Party"), then in order to be entitled to the benefits of this Section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be), actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective interests shown in Column II of Exhibit "D" bears to the total interest of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, re-worked, deepened or plugged back under the provisions of this Section results in a producer of oil and/or gas in paying quantities (i.e., in quantities sufficient to pay the cost of producing same), the Consenting Parties may complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Unit Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, re-working, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after

deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) One hundred (100%) per cent of such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus one hundred (100%) per cent of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production continuing until each such Non-Consenting Party's relinquished interest shall revert to it under the provisions of this Section, it being agreed that each Non-Consenting Party's share of such cost and equipment will be that interest which would have been chargeable to each Non-Consenting Party had all participated in the well from the beginning of the operation; and

(b) Two hundred (200%) per cent of that portion of the costs and expenses of drilling, re-working, deepening or plugging back, testing and completing, after deducting any cash contributions received, and two hundred (200%) per cent of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections) which would have been chargeable to such Non-Consenting Party if all had participated therein.

Before any re-working, plugging back or deeper drilling operation is undertaken on any well which has been completed as a producer the Consenting Party shall first obtain the permission of all parties then owning an interest in said well to carry on such operation and the Consenting Party shall then be entitled to purchase each Non-Consenting Party's share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. The material and equipment shall thereafter, for the purposes of this Section 15, be deemed newly acquired material and equipment of the Consenting Parties and

the Consenting Parties shall in a successful operation be entitled to receive one hundred (100%) or two hundred (200%) per cent as the case may be (depending upon whether the material and equipment is before or beyond the wellhead connection), of the entire net salvage value of said material and equipment before the reversion of the interest in the well, the material and equipment thereon to any Non-Consenting Party as hereinafter in this Section 15 provided.

Within sixty (60) days after the completion of any operation under this Section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such cost of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all cost and liabilities incurred in the operation of the well, together with the statement of quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interest of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own

the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the drilling, re-working, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further cost of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure Schedule, Exhibit "C", attached hereto.

Notwithstanding the provisions of this Section 15, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Unit Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Section shall have no application whatsoever to the drilling of the initial test well on the Unit Area to the casing point, but shall apply to the completion, re-working, deepening, or plugging back of the initial test well after it has been drilled to the depth specified in Section 13, if it is, or thereafter shall prove to be, a dry hole or non-commercial well, and to all other wells drilled, re-worked, deepened, or plugged back, upon the Unit Area subsequent to the drilling of the initial test well.

16. FORCED WELLS. In the event Unit Operator is required to drill any well upon the Unit Area by governmental order or demand (including any Federal or State Agency), the cost of drilling and completing said well if a producer, and of plugging and abandoning the well if a dry hole, shall except as otherwise herein provided be borne by all of the Working Interest Owners as though they had all agreed to the drilling of the well pursuant to this agreement. The foregoing shall include, without limitation, an exploratory well or an extension well to determine the limits of any producing formation, or a well to meet any offset well drilled on lands contiguous to the Unit Area which are required to be drilled by such governmental order or demand.

As in the case of any well to be drilled pursuant to this agreement, a vote shall be taken on whether the parties desire to drill any well so required by governmental order or demand. If any party votes against drilling the well, it shall not be drilled at the cost of all Working Interest Owners unless and until the governmental order or demand becomes final, and any party or parties voting against drilling such well shall have the right, at its or their sole cost, risk and expense, to prosecute an appeal from such order or demand. If less than all of the parties consent to the drilling of the well, said well shall be commenced when said order or demand becomes final and shall thereafter be drilled to the required depth at the sole cost, risk and expense of the Consenting Parties in consideration for which the Non-Consenting Parties shall each assign to the Consenting Parties in proportion to their respective interests and without warranty of title all of Non-Consenting Parties respective interests in and under the drillsite, the area of which shall be the same as the spacing unit to be dedicated to said required well.

17. ABANDONMENT OF PRODUCING WELLS. If some but not all of the affected Working Interest Owners determine to abandon any well or wells completed as a producer but any other party or parties having an interest therein object thereto, then such party or parties not desiring to abandon the same shall, within ten (10) days after receipt of written notice of the proposed abandonment, notify the other parties of their desire to take over and operate said well and shall tender to such other affected Working Interest Owner or Owners a sum equal to the value of the last named parties' proportionate share of the salvable material and equipment in said well or wells determined in accordance with the Accounting Procedure Exhibit "C" attached hereto less the reasonable cost of salvaging the material and equipment and plugging and abandoning the well, and on receipt of said sum the said parties having any interest in the well and wishing to abandon said well shall within twenty-five (25) days thereafter assign without warranty to the other Working Interest Owners, in the proportion that such Owners' respective participation percentages under this agreement bear to the total

of such percentages of such Owners, the rights of the abandoning parties in the well and well property as to the producing formation only and any interest they have in the land on which said well is situated, and in the leasehold estate in a tract surrounding said well of an area equal to that prescribed by the applicable spacing rule of State or Federal authority, but if there is no such established rule, then said assignment shall cover the working interest and leasehold estate in the producing formation only in 40 acres surrounding the well, or 160 acres if a gas well. Said well may thereafter be operated by the Unit Operator for the separate account of the Working Interest Owners retaining interests in the well; however, nothing done pursuant to this Section shall otherwise at any time affect the participation percentages of the parties under this agreement. Proper bills of sale and division orders shall be executed by the assigning parties to accomplish the purposes hereof.

18. RENTALS AND SHUT-IN WELL PAYMENTS. The Working Interest Owners in each tract shall pay all rentals, and shut-in well payments which may become due under the lease thereon and shall, at least ten (10) days prior to the due date thereof, notify the Unit Operator of such payment. Evidence of such payment shall be submitted to Unit Operator promptly after payment is made. If the Working Interest Owners in any tract determine not to pay any such rental or shut-in well payment, they shall notify Unit Operator at least sixty (60) days before the due date and they shall, upon request, thereupon assign to all other Working Interest Owners (in the proportion that such owners' respective participation percentages under this agreement bear to the total of such percentages of such owners) all of their right, title and interest under said lease; provided, however, all such assignments shall be subject to all obligations with respect to reassignments, if any, of the parties making such assignments theretofore created in favor of persons, firms or corporations who are not parties to this agreement. As of the effective date of each such assignment, the participation percentages of the parties under this agreement shall be revised to reflect the change in working interest ownership on a acreage basis. In the event

of failure of any Working Interest Owner to make proper payment of any delay rental or shut-in well payment through mistake or oversight where such rental or payment is required to continue the lease in force, there shall be no money liability on the part of the party failing to pay such rental or payment, but such party shall make a bona fide effort to secure a new lease covering the same interest and commit such lease to the Unit Agreement and this agreement, and in the event of failure to secure a new lease within a reasonable time, the participation percentages of the parties hereto shall be revised to reflect the change in working interest ownership on an acreage basis and the party failing to pay any such rental or shut-in well payment shall not be credited with the ownership of any lease on which rental or payment was required but was not paid. In the event of loss of title to a lease for failure to pay rental, all loss occasioned thereby shall be that of the Working Interest Owners who should have paid the same.

If any well is completed as a gas well capable of producing in paying quantities, but is shut-in, Unit Operator will use its best efforts in good faith to immediately notify all Working Interest Owners of the status of such well; provided, however, Unit Operator will suffer no liability because of failure through mistake, inadvertance or oversight so to notify any other Working Interest Owner.

19. DISPOSAL OF PRODUCTION. Each of the parties hereto shall own and, at its own expense, shall take in kind and separately dispose of its proportionate part of all the unitized substances produced and saved from the lease acreage covered hereby, exclusive of the production that the Unit Operator may use in developing and producing operations and in preparing and treating oil for market purposes and of production unavoidably lost; provided, that each party shall pay or secure the payment of the royalty interests payable by or chargeable to such party under the provisions of this agreement. At such time or times as a Working Interest Owner shall fail or refuse to take in kind or separately dispose of its proportionate part of said production, Unit Operator shall have the authority, revocable by Working Interest Owner at will, to sell all or part of such production to others or to purchase same for its own account.

Any such purchase by Unit Operator shall be for a price at not less than the prevailing market price in the area. All such sales or purchases by Unit Operator of Working Interest Owner's production shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such sale be for a period in excess of one (1) year. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any other Working Interest Owners' share of gas production without first giving such Working Interest Owner sixty (60) days notice of such intended sale. This Agreement shall not be construed to mean that any party or parties are obligated to represent any other party or parties hereto before the Federal Power Commission.

20. EXAMINATION AND LOSS OF TITLE.

(a) Title Examination. There shall be no examination of title to leases, or to oil and gas interests, except that title to the drilling unit on which the initial test well is to be drilled in accordance with Section 13 shall be examined by a reputable attorney, using any available title opinion previously prepared by a reputable attorney, such abstracts of title as the examining attorney deems necessary, and any title papers in possession of the Working Interest Owner committing the land on which the drillsite is located. A copy of the examining attorney's opinion shall be sent to each party and, also, each party shall be given a copy of all subsequent supplemental attorney's reports. A good faith effort to satisfy any title requirements shall be made and the cost of any curative work and any necessary title examination shall be charged to the joint account.

If title to the proposed drillsite or the lease is not acceptable for a material reason, and all the parties do not accept the title, the parties shall by vote select a new drillsite for the initial test well, subject to approval of the supervisor, United States Geological Survey, Roswell, New Mexico; provided, if the parties are unable to select another drillsite, such drillsite may be selected by said Supervisor at the request of any party hereto. When a new drillsite is selected, title to the oil

and gas lease covering it and to the fee title of the lessor shall be examined; and title shall be accepted or rejected in like manner as provided above concerning the drillsite first selected. If title to the oil and gas lease covering the second choice drillsite is not accepted, other drillsites shall be successively selected and title examined as in the case of the first drillsite until a drillsite is chosen to which title is accepted.

No well other than the first test well shall be drilled in the Unit Area until after (1) the title to the proposed drillsite has been examined by an attorney, and (2) the title has been accepted by all of the parties who are to participate in the drilling of the well. The Working Interest Owner committing the land on which such drilling unit is located shall furnish such abstracts of title thereon as are in such party's possession, with any title opinion and other title papers in such party's possession. Any further title examination, curative work or abstracts shall be at the expense of parties who are to participate in the drilling of the well.

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

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

(2) There shall be no retroactive adjustment of expenses incurred or revenues received from the operation of the interest which has been lost, but as of the time it is determined finally that title failure has occurred the interests of the parties shall be revised to reflect the change in working interest ownership and the party whose title or interest is lost by the title

failure will not be credited with ownership of that to which title is lost; and

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

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

(5) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the parties in the same proportions in which they shared in such prior production. Each party whose title fails shall hold other parties harmless from loss resulting from payment of proceeds of production to the losing party.

(6) The expiration of any lease because of the failure of the parties to extend same, in accordance with the provisions thereof, beyond its primary term shall not be considered as a loss or failure of title within the meaning of this Article 20. Any loss of a lease because of its expiration under its own terms at or after the expiration of its primary term shall be a common loss of the parties. Likewise, where all of the parties consent to a surrender of a lease (whether during or after its primary term) such loss shall be a common loss of the parties. "Primary term", as used herein, shall mean the term a lease may be held by paying rentals or by other means in absence of production.

21. PREFERENTIAL RIGHT TO PURCHASE AND MAINTENANCE OF UNIT OWNERSHIP. Should any party desire to sell all or any part of its interests under this contract, or its rights and interest in the Unit Area, it shall promptly give written notice to the other parties, with full information concerning its proposed sale, which shall include the name and address of the prospective purchaser (who must be ready, willing and able to purchase), the purchase price, and all other terms of the offer. The other parties shall then have an optional prior right, for a period of ten (10) days after receipt of the notice, to purchase on the same terms and conditions the interest which the party giving the notice proposes to sell; and if this optional right is exercised, the purchasing parties shall share the purchased interest in the proportions that the interest of each bears to the total interest of all purchasing parties. However, there shall be no preferential right to purchase in those cases where any party wishes to mortgage its interest, or to dispose of its interests by merger, reorganization, consolidation, or sale of all its assets or a sale or transfer of its interests to a subsidiary or parent company, or subsidiary of a parent company, or to any company in which any one party owns a majority of the stock.

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

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interest covered by this contract, and notwithstanding any other provisions of the contrary, no party shall sell, encumber, transfer or make any other disposition of its interest in the leases embraced within the Unit Area and in wells, equipment and production unless such disposition covers either:

(a) The entire interest of the party in all leases and equipment and production; or

(b) An equal undivided interest in all leases and equipment and production in the Unit Area.

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

If at any time the interest of any party is divided among and owned by four or more co-owners, Unit Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with -- with power to bind -- the co-owners of such party's interests within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale of proceeds thereof.

22. COVENANTS RUNNING WITH THE LAND. This agreement shall be deemed a covenant running with the leases and the lands subject hereto and shall be binding upon and inure to the benefit of the heirs, personal representatives, successors and assigns of the parties respectively.

23. SUBSEQUENT JOINDER. Prior to commencement of operations under the Unit Agreement, all owners of working interests in the Unit Area who have not joined in the Unit Agreement shall be privileged to join in this agreement by subscribing to the Unit Agreement and this agreement. After commencement of operations under the Unit Agreement, however, subsequent joinder in the Unit Agreement and in this agreement by any party owning a working interest in the Unit Area shall be on such reasonable terms and conditions as the parties who are then committed to this agreement may require in view of the circumstances existing at the time such subsequent joinder is sought.

24. SURRENDER OR TERMINATION OF INTERESTS. No lease committed to the Unit Agreement shall be surrendered in whole or in part, unless the parties hereto mutually consent thereto. Should any party at any time desire to surrender any lease committed to the Unit Agreement insofar as it applies to the lands covered by said Unit Agreement and the other parties should not agree or consent to such surrender, the party desiring so to surrender shall assign, without express or implied warranty of title, subject to the approval of the Director of the Bureau of Land Management, Department of the Interior or the Commissioner of Public Lands as the case may be, if Federal or State lands are involved, all of such party's interest in such lease to the other parties hereto in proportion to the participation percentages of such parties under this agreement. If all of the parties are not willing to accept the assignment of such interest, the assignment shall be made to those willing to accept such interest in the proportions that their respective participation percentages under this agreement bear to the aggregate of such percentages of such parties. Such assignment shall be free and clear of all liens and encumbrances and upon delivery thereof the assigning party shall be relieved of all further obligations with respect to the lease or leases so assigned, but such assignment shall not relieve the assigning party of any obligation or liability approved, accrued or incurred with respect to such lease or leases or the interest referable thereto prior to the assignment thereof.

If any party hereto so desires, it may withdraw from this agreement by conveying, assigning and transferring, without warranty, either express or implied, to the other parties hereto who do not desire to withdraw, all of its right, title and interest in and under the leases included in the Unit Area, together with the withdrawing party's interest in all wells, casing, material, equipment, fixtures and other personal property acquired for or used in operations under this agreement, but such conveyance or assignment shall not relieve said party from any obligation or liability in connection with a drilling or re-working operation theretofore approved or from any obligation or liability accrued or incurred prior to the date of such assignment. The interest so conveyed and assigned shall be held

and owned by the Assignees in proportion to their participation percentages under this agreement, and thereupon the withdrawing party shall be relieved from all obligations and liabilities thereafter to accrue under this agreement except as above provided and the right of such party to any benefits subsequently accruing hereunder shall cease; but Assignees shall pay Assignor for its interest in all casing, material, equipment, fixtures and other personal property assigned to them at the salvage value thereof computed in accordance with the Accounting Procedure, Exhibit "C", hereto attached. If all of the parties are not willing to accept the assignment from the withdrawing party, the assignment shall be made to those parties willing to accept such assignment in the proportions that their respective participation percentages under this agreement bear to the aggregate of such percentages of such parties.

25. NOTICES. Except as herein otherwise expressly provided, all notices, reports or other communications required or permitted hereunder shall be deemed to have been properly given or delivered when sent by first class mail or telegraph with all postage or charges fully prepaid, and addressed to the parties hereto, at the addresses set opposite their respective names, in Exhibit "D" hereof or at such other address as may be thereafter furnished to Unit Operator in writing by the respective party. The date of service by mail shall be the date on which such written notice or other communication is deposited in the United States Post Office, addressed as above provided.

26. RELATION OF PARTIES. The rights, duties, obligations and liabilities of the parties hereto under this agreement and the Unit Agreement shall be several and not joint or collective, it being the express purpose and intention of the parties hereto that nothing contained in this agreement or the Unit Agreement or any operation under either agreement shall ever be construed as creating a partnership of any kind, joint venture, an association or a trust, or any legal entity for any purpose, or as imposing upon any one or more of the parties hereto any partnership duty, obligation or liability. Each party hereto shall be individually responsible only for its obligations as set out in this agreement and in the

and in the Unit Agreement.

27. INTERNAL REVENUE CODE ELECTION. While each of the parties hereto recognizes and intends that its rights and liabilities under this agreement and the Unit Agreement are several and not joint or collective, if, for income tax purposes, the parties should be regarded as partners or joint ventures, or if this agreement, the Unit Agreement, or any operations carried on under either agreement be treated as a partnership for income tax purposes, each and all of the parties hereto do hereby fully and finally elect to exclude themselves, this agreement, the Unit Agreement and all such operations from the application of all of Subchapter K of Chapter 1, of Subtitle A, of the Internal Revenue Code of 1954 as provided in Section 761 (a) thereof. Unit Operator is hereby authorized and directed to file such election. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the State in which the property covered by this agreement is located, or any future income tax laws of the United States, contain, or shall hereafter contain, any other provisions under which an election similar to that provided by Section 761 (a) of said Subchapter K is permitted, each of the parties hereto hereby makes such election with the same purpose and effect as the election made above and each party agrees to take such action as may be necessary to make such election as may be premitted by such laws.

28. FORCE MAJEURE. In the event any party hereto is rendered unable, wholly or in part, by force majeure to carry out its obligations under this contract other than the obligation to make payments of amounts due hereunder, it is agreed that upon such party's giving notice and reasonably full particulars of force majeure in writing or by telegraph to the other parties hereto within a reasonable time after the occurrence of the cause relied upon, then the obligations of the party giving the notice, so far as they are affected by force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period; and the cause of the force majeure shall, so far as possible, be

remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean delay or loss resulting from fire, flood, action of the elements, strikes or other labor difficulties, acts or orders of civil or military authorities, restrictions or restraints imposed by law or ordinance, or by order or regulation of public authority, whether Federal, State or local, inability to procure necessary materials or labor in the open market and on usual and lawful terms, or any other cause reasonably beyond the control of the party claiming suspension.

The settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty and the above mentioned requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of opposing party when such course is inadvisable in the discretion of the party having the difficulty.

29. ASSIGNMENTS OF PARTIAL INTERESTS. Under various provisions of this agreement, a party hereto is permitted, or may be obligated, to assign to another party or parties hereto, all of a part of such party's interest in its oil and gas leases subject to this agreement. In the event assignment of record title is not permitted under the rules and regulations of the Bureau of Land Management or of the Commissioner of Public Lands of the State of New Mexico, as the case may be, then the interest to be assigned shall be conveyed by appropriate operating agreements or by any other valid instrument that will carry out the intention of such provision or provisions or in case of a State lease or leases where undivided interests are to be assigned, the same may be assigned to the Unit Operator to be held in trust for the parties entitled to participation therein in proportion to their respective interests.

30. PROVISIONS CONFORMED WITH LAWS AND REGULATIONS. All of the provisions of this agreement are hereby expressly made subject to all applicable Federal or State laws, orders, rules and regulations, and in the event this contract or any provision hereof is found to be inconsistent with or contrary to any such law, order, rule or regulation, the latter

shall be deemed to control and this contract shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

31. EFFECTIVE DATE AND TERM. This agreement shall become effective as of the effective date of the Unit Agreement and shall remain in full force and effect during the term of said Unit Agreement and any and all extensions or renewals thereof, and, in the event of the termination of the Unit Agreement for any reason as to all or any part of the land now or hereafter included in the Unit Area, this agreement shall continue in full force and effect with respect to any land as to which the Unit Agreement terminates which is included in any drilling unit or proration unit for any unabandoned well which has been drilled or commenced pursuant to this agreement. After such termination the royalties reserved in the lease covering any such drilling or proration unit and the overriding royalties specified in Exhibit "B" which are applicable to production from such unit shall be paid and satisfied from the actual production from such unit by the owner of the lease covering such unit, and the remaining production therefrom and the cost of all subsequent operations thereon shall be allocated among the parties to this agreement in accordance with the other provisions of this agreement; such remaining production being in lieu of any other working interest production from or allocated to such unit to which any working interest owner or owners might otherwise be entitled under this agreement. Any additional overriding royalties or burdens on production from such drilling or proration unit shall be paid and satisfied by the owner of the lease covering such unit and such owner shall hold the other parties harmless from any such additional overriding royalties and burdens on production. The rights and interests of the parties hereto in such drilling or proration units, the wells thereon and their participation in the production therefrom and in the cost of operations thereon, shall be governed by the provisions hereof and this agreement with respect to each such well and its drilling unit or proration unit shall remain in full force and effect so long as any well thereon is being drilled or re-worked or is capable of producing oil or gas in paying quantities and until same

is plugged and abandoned and the accounts of all parties hereto are settled.

Notwithstanding the foregoing and in the absence of unanimous consent of the Working Interest Owners to further extension, it is understood and agreed that in the event this agreement and the Unit Agreement have not become effective on or before November 1, 1966 then both this agreement and said Unit Agreement and all rights and obligations thereunder shall become absolutely null and void and of no further force or effect, and all Working Interest Owners hereby agree to take all action reasonably necessary to effect such termination.

No termination of the Unit Agreement as to any land (Except as a result of loss or failure of title or loss of a lease through failure to pay rental) shall cause a revision of the participation percentages of the parties under this agreement.

32. EXHIBITS. Exhibit "A" (map of the Unit Area) and Exhibit "B" (schedule of ownership of oil and gas interests in the Unit Area) which are attached to said Unit Agreement, are hereby confirmed and by reference made a part of this agreement as exhibits hereto. Exhibit "C" (Accounting Procedure), Exhibit "D" (names and addresses of Working Interest Owners and their respective interests in costs and in the proceeds of production) and Exhibit "E" (insurance provisions) are attached hereto and made a part hereof by reference.

33. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by the other parties hereto, and the same shall be binding upon all those parties who have executed such a counterpart, regardless of whether the same shall have been executed by all of the parties owning oil and gas leasehold interests within the Unit Area, and such counterpart shall have the same force and effect as if all parties signing such counterparts had signed the same document; or this agreement may be ratified with like force and effect by a separate instrument in writing specifically referring hereto.

34. HEADINGS AND SUBHEADINGS. The headings and subheadings used in this agreement are inserted for convenience only and shall be disregarded

in construing this agreement.

35. SPECIAL AGREEMENTS CONCERNING DRILLING AND COMPLETING THE TEST WELL.

(a) Rights to be Earned. It is understood and agreed between the respective parties named in this Section 35 that, subject only to the provisions of this Section, Gulf Oil Corporation and Yates Petroleum Corporation, hereinafter referred to as the "Acquiring Parties" shall have and are hereby granted the right to acquire the following described leasehold interests from the respective parties hereinafter designated "Carried Parties" named below:

(1) From Pan American Petroleum Corporation, an undivided one-half (1/2) of all of its leasehold interests as they appear in Exhibit "B" to the Unit Agreement from the surface to a depth 100 feet below the deepest depth drilled in the test well described in Section 13 of this Agreement. Such interests appear in Exhibit "B" as being outstanding in Tract Nos. 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 14, 15, 16, 17, 20, 21, 23, 24, 25, 26, 28 and 29, which together are shown in said exhibit to contain a total of 2,282.57 net leasehold acres, more or less.

(2) From Cities Service Oil Company, an undivided one-half (1/2) of all of its leasehold interests as they appear in Exhibit "B" to the Unit Agreement from the surface to a depth 100 feet below the deepest depth drilled in the test well described in Section 13 of this Agreement. Such interests appear in Exhibit "B" as being outstanding in Tract Nos. 3, 4, 5, 6, 7, 8, 9, 10, 11 and 20 which together are shown in said exhibit to contain a total of 113.37 net leasehold acres, more or less.

The Acquiring Parties shall each bear and pay in direct proportion to their respective acreage interests as shown in Exhibit "B" on the effective date of the Unit Agreement all costs and expenses which as a result of the Carried Parties' respective interests in the tracts identified above would otherwise be chargeable to said parties under this agreement in connection with drilling the initial test well to the depth required by Section 13 of this agreement which said depth is herein referred to as the "casing point", and, if no completion attempt is made by any party after reaching said point, the plugging and abandoning of said well.

When the test well has been drilled to the depth required by Section 13 herein referred to as the casing point and, under the conditions outlined below, either completed as a producer or plugged and abandoned, the Carried Parties shall promptly execute and deliver to the Acquiring Parties a good and valid assignment, without warranty of title, vesting in said Acquiring Parties, in the same proportions in which the costs of the initial

test well attributable to the Carried Parties were borne, the legal title to the interests above provided for in the tracts of the respective Carried Parties as shown above. After the assignments by Carried Parties as herein provided for have been made Unit Operator shall revise Exhibit "B" to the Unit Agreement to reflect the then true status of leasehold ownerships. The proportionate shares of costs of drilling the initial test well to the casing point which are to be borne by all parties hereto are more clearly shown in Column I of Exhibit "D" hereinabove referred to.

In addition to the oil and gas leasehold rights of the Carried Parties which are to be earned hereunder, Gulf Oil Corporation shall be entitled to earn and retain as the sole owner certain other leasehold rights from Continental Oil Company, Chevron Oil Company and Sinclair Oil & Gas Company by fulfilling the particular terms and conditions heretofore separately agreed upon by and between said companies, all of which agreements are wholly outside of, separate and apart from this agreement and the Springs Unit Agreement. Gulf hereby warrants that said outside agreements, and each of them, shall be separately binding upon Gulf Oil Corporation individually and not as Unit Operator.

(b) Completion of Test Well. When the initial well has been drilled to the depth required by Section 13 of this agreement, Unit Operator shall promptly give notice by telegram of that fact to all parties to this agreement stating whether it recommends an attempt be made to complete the well as a producer of oil or gas, or to plug and abandon same. Within forty-eight (48) hours (exclusive of Saturdays, Sundays or Holidays) after such notice has been given by Unit Operator, each party to this agreement shall notify Unit Operator whether such party elects to participate in the cost of attempting to complete the well, including the cost of the production string of casing, the running and cementing thereof, and all costs and expenses thereafter incurred on or in connection with the well. Any party who does not give Unit Operator notice of such election within said forty-eight (48) hour period shall be presumed to have elected not to participate in the completion of the well. If one or more, but less than all, of the parties elect to attempt completion of the well, Unit Operator shall attempt such completion at the cost of the party or parties who have elected to make such attempt and as of the time of such election the provisions of Section 15 of this agreement shall become applicable to the well, to operations subsequently conducted on or in connection with the well, to the cost and expense of such operations and to the production subsequently obtained from

the well. If all parties elect to attempt to complete the well or to plug and abandon same, Unit Operator shall proceed with such operation. In such event, all costs and expenses incurred for or in connection with the well after such election shall be borne and the production from the well shall be allocated just as though all parties had participated fully in drilling the well under this agreement.

IN WITNESS WHEREOF this Agreement was executed by the undersigned parties hereto on the respective dates hereinafter shown with the effective date to be the day and year first hereinabove written or as otherwise controlled by Section 31 hereof; provided, however, that each party executing this Agreement expressly agrees to remain bound to any authority for expenditure or separate agreement concerning the initial test well which may have been executed or entered into previous to said effective date to the extent that authorized costs incurred prior to the effective date hereof shall be deemed to have accrued under the terms and provisions of this Operating Agreement.

ATTEST:

Ala Baskin
Assistant Secretary

Date: _____

GULF OIL CORPORATION

By _____

Attorney-in-Fact

Law	<u>Ala Baskin</u>
Sec	<u>Ala Baskin</u>
Exp	<u>Ala Baskin</u>

THE STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 3rd day of October, 1966, by E. B. Yarnall, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires: _____

E. Maria Cooper
Notary Public

EXHIBIT "C"

Attached to and making part of SPRINGS UNIT AREA OPERATING
AGREEMENT, EDDY COUNTY, NEW MEXICO

ACCOUNTING PROCEDURE (JOINT OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions
"Joint Property" shall mean the real and personal property subject to the agreement to which this "Accounting Procedure" is attached.
"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.
"Operator" shall mean the party designated to conduct the Joint Operations.
"Non-Operators" shall mean the nonoperating parties, whether one or more.
"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.
"Parties" shall mean Operator and Non-Operators.
"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.
"Controllable Material" shall mean material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.
2. Conflict with Agreement
In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the agreement to which this Accounting Procedure is attached, the provisions of the agreement shall control.
3. Collective Action by Non-Operators
Where an agreement or other action of Non-Operators is expressly required under this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the agreement or action of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.
4. Statements and Billings
Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under Subparagraph C below:
A. Statement in detail of all charges and credits to the Joint Account.
B. Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.
C. Statement of all charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.
5. Payment and Advances by Non-Operators
Each Non-Operator shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of eight percent (8%) per annum until paid.
6. Adjustments
Payment of any such bills shall not prejudice the right of any Non-Operators to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.
7. Audits
A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 6 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DIRECT CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties
Delay or other rentals and royalties when such rentals and royalties are paid by Operator for the Joint Account of the Parties.
2. Labor
A. Salaries and wages of Operator's employees directly engaged on the Joint Property in the conduct of the Joint Operations, and salaries or wages of technical employees who are temporarily assigned to and directly employed on the Joint Property.
B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.
C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.
D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

3. **Employee Benefits**
Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, fringe benefits, and other benefit plans of a like nature, applicable to Operator's labor cost; provided however, the total of such charges shall not exceed ten percent (10%) of Operator's labor costs chargeable to the Joint Account under Paragraphs 21 and 22 of this Section II and Paragraph 1 of Section III.
4. **Material**
Material purchased or furnished by Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.
5. **Transportation**
Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:
 - A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where like material is available, except by agreement with Non-Operators.
 - B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by agreement with Non-Operators. No charge shall be made to Joint Account for moving Material to other properties belonging to Operator, except by agreement with Non-Operators.
 - C. In the application of subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.
6. **Services**
 - A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 2 of Section III.
 - B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.
7. **Damages and Losses to Joint Property**
All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or any other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.
8. **Legal Expense**
All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), except by agreement with Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.
9. **Taxes**
All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.
10. **Insurance Premiums**
Premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties.
11. **Other Expenditures**
Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

III. INDIRECT CHARGES

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus a fixed rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraphs 1, 2, and 3 of this Section III OR by combining all three of said items under the fixed rate provided for in Paragraph 4 of this Section III, as indicated next below:

OPERATOR SHALL CHARGE THE JOINT ACCOUNT UNDER THE TERMS OF:

- ☒ Paragraphs 1, 2 and 3. (Allocation of district expense plus fixed rate for administrative overhead plus warehousing.)
☐ Paragraph 4. (Combined fixed rate)

1. District Expense

Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's Hobbs Area office located at or near Hobbs, New Mexico (or a comparable office if location changed), and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

2. Administrative Overhead

Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1 of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charges shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged as direct charges as provided in Paragraphs 2 and 3 of Section II.

WELL RATES (RATE PER WELL PER MONTH)

WELL DEPTHS	DEMANDING WELL RATE (See Note 1)	PRODUCING WELL RATE (Use Current production Depth)		
		First Five	Next Five	All Wells Over Ten
All Depths	\$500.00	\$75.00	\$65.00	\$55.00

The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting, or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in this Paragraph 2 of Section III, unless such cost and expense are agreed upon between Operator and Non-Operators as a direct charge to the Joint Account.

3. Operator shall pay Contractor for the services covered by Paragraph 1, 2 and 3 of this Section III, the following fixed per well rates:

(None of these rates shall be included in Paragraph 1 of this Section.)

4. Combined Fixed Rates

Operator shall charge the Joint Account for the services covered by Paragraph 1, 2 and 3 of this Section III, the following fixed per well rates:

WELL RATES (DRILLING PER WELL PER MONTH)

WELL TYPE	DRILLING WELL RATES (Per Well Per Month)		PRODUCING WELL RATES (Per Well Per Month)	
	Each Well	First Five	Next Five	Over Ten
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.....
.....

Said fixed rate (shall) (shall not) include salaries and expenses of production foremen.

5. Application of Administrative Overhead or Combined Fixed Rates

The following limitations, instructions and charges shall apply in the application of the per well rates as provided under either Paragraph 2 or Paragraph 4 of this Section III:

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

B. The status of wells shall be as follows:

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

(2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. When such a well is plugged a charge shall be made at the producing well rates.

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

(4) Temporarily shut down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, all wells capable of producing will be counted in determining the charge.

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

(6) Wells completed in multiple horizons, in which the production is not commingled down hole, shall be considered as a producing well for each separately producing horizon.

C. The well rates shall apply to the total number of wells being drilled or operated under the agreement to which this Accounting Procedure is attached, irrespective of individual leases.

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

6. For the construction of compressor plants, water stations, secondary recovery systems, salt water disposal facilities, and other such projects, as distinguished from the more usual drilling and producing operations, Operator in addition to the Administrative Overhead or Combined Fixed Rates provided for in Paragraph 2 and 4 of this Section III, shall charge the Joint Account with an additional overhead charge as follows:

A. Total cost less than \$25,000, no charge.

B. Total cost more than \$25,000 but less than \$100,000, 3 % of total cost.

C. Total cost of \$100,000 or more, 3 % of the first \$100,000 plus 2 % of all over \$100,000 of total cost.

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

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

IV. BASIS OF CHARGES TO JOINT ACCOUNT

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

1. Purchases

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

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

A. New Material (Condition "A")

(1) Tubular goods, two inch (2") and over, shall be priced on Eastern Mill base (i. e. Youngstown, Ohio; Lorain, Ohio; and Indiana Harbor, Indiana) on a minimum on-laid basis effective at date of movement and i. o. b. railway receiving point nearest the Joint Property, regardless of quantity. In equalized hauling charges, Operator is permitted to include ten cents (10c) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.

(2) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and i. o. b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is available.

(3) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.

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

(1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.

(2) Material which cannot be classified as Condition "B" but which,

(a) After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or

(b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.

(3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for

items of like purpose, shall be priced on a basis comparable with that of items normally used for such other purposes.

(4) Normal inventory creation costs shall be charged at applicable percentage of the current knocked-down price of new material.

6. Material Costs

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

7. Warranty of Material Furnished by Operator

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

8. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. Rates for automotive equipment shall generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against Joint Property operations. Rates for laboratory services shall not exceed those currently prevailing if performed by outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.

B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.

C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

V. DISPOSAL OF MATERIAL

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

1. Material Purchased by the Operator or Non-Operators

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

2. Division in Kind

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

3. Sales to Outsiders

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

VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

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

1. New Price Defined

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

2. New Material

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

3. Good Used Material

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

A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or

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

4. Other Used Material

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

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

B. Is serviceable for original function but not suitable for reconditioning.

5. Bad-Order Material

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

6. Junk Material

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

7. Temporarily Used Material

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

VII. INVENTORIES

The Operator shall maintain detailed records of Material generally considered controllable by the Industry.

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include all such Material as is ordinarily considered controllable. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator, who shall in that event furnish Non-Operators with a copy thereof.

2. Reconciliation and Adjustment of Inventories

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

3. Special Inventories

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

EXHIBIT "D"

NAMES AND ADDRESSES OF WORKING INTEREST OWNERS AND THEIR COST PARTICIPATIONS AND RESPECTIVE INTERESTS IN THE PROCEEDS OF PRODUCTION IN THE SPRINGS UNIT AREA, EDDY COUNTY, NEW MEXICO

I.

The names and addresses of Working Interest Owners for the purpose of giving any notice provided for in the Unit Agreement or in the Unit Operating Agreement shall be as follows:

Gulf Oil Corporation
Post Office Box 1938
Roswell, New Mexico 88201

Cities Service Oil Company
Cities Service Building
Bartlesville, Oklahoma 74004

Phillips Petroleum Company
Post Office Box 791
Midland, Texas 79701

Pan American Petroleum Corporation
Post Office Box 1410
Fort Worth, Texas 76101

Yates Petroleum Corporation
309 Carper Building
Artesia, New Mexico 88210

In the event of any change of address the Unit Operator upon being notified shall revise this Exhibit "D" and furnish three copies of said revision to all parties.

II.

Column I. Each Working Interest Owner's proportionate share of the expense of drilling the initial test well described in Section 13 to the casing point, as referred to in Section 35 (a) of the Unit Operating Agreement, and plugging and abandoning said well in the event a completion attempt is not made after reaching the casing point, shall be the percentages set forth in Column I hereof.

Column II. The respective cost participation percentages of the Working Interest Owners in operations hereunder from the surface to a depth 100 feet below the deepest depth drilled in the initial test well described in Section 13 after the performance of the special agreements concerning drilling the test well to the casing point as provided in Section 35 (a) of the Unit Operating Agreement, shall be the percentages set forth in Column II. The respective participations in the oil and gas produced or the proceeds of such production after payment of the 1/8th basic royalty shall also be as set forth in Column II.

Column III. The respective cost participation percentages of the Working Interest Owners in operations hereunder between a depth 100 feet below the deepest depth drilled in the initial test well described in Section 13 and the base of the Pennsylvanian formation shall be the percentages set forth in Column III. The respective participations in the oil and gas produced or the proceeds of such production after payment of the 1/8th basic royalty shall also be as set forth in Column III.

Column IV. The respective cost participation percentages of the Working Interest Owners in operations hereunder below the base of the Pennsylvanian formation shall be the percentages set forth in Column IV. The respective participations in the oil and gas produced or the proceeds of such production after payment of the 1/8th basic royalty shall also be as set forth in Column IV.

	<u>COLUMN I</u>	<u>COLUMN II</u>	<u>COLUMN III</u>	<u>COLUMN IV</u>
Cities Service Oil Company	0.000%	1.247%	2.522%	1.456%
Gulf Oil Corporation	91.543%	66.213%	40.883%	59.069%
Pan American Petroleum Corporation	0.000%	25.102%	50.175%	35.296%
Phillips Petroleum Company	4.776%	4.776%	4.776%	2.475%
Yates Petroleum Corporation	3.681%	2.662%	1.644%	1.704%
	<u>100.000%</u>	<u>100.000%</u>	<u>100.000%</u>	<u>100.000%</u>

Attached to and made a part of SPRINGS UNIT AREA OPERATING

AGREEMENT, EDDY COUNTY, NEW MEXICO

INSURANCE

In the development and operation of the subject properties, Operator shall carry the following insurance:

- (A) Workmen's Compensation Insurance in accordance with the Laws of the State of New Mexico, and Employer's Liability Insurance in a minimum amount of \$100,000.00.
- (B) Comprehensive General Public Liability Insurance: In minimum amounts of \$150,000.00 for injuries to each person and \$300,000.00 for each accident, and Property Damage Insurance in the minimum amounts of \$100,000.00 for each accident with the exception of the first \$5,000.00 of loss, which is self-insured by the parties hereto, and \$200,000.00 in the aggregate.
- (C) Automobile Liability Insurance in minimum amounts of \$150,000.00 for each person and \$300,000.00 for each accident, and Property Damage in the minimum amount of \$100,000.00 for each accident.

Unit Operator shall require its contractors and subcontractors performing work in and on the Unit Area to carry insurance of the types specified above and in such amounts as the Unit Operator deems necessary.

Each of Operator's aforesaid policies are written to automatically include all Non-Operators, under properties operated by Operator, as additional insured, whether or not such Non-Operators are specifically named.

The self-insured property damage loss incident to each accident shall be charged to the joint account.

No other insurance shall be carried by the Operator for the benefit of the joint account.

CERTIFICATION -- DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. Secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, I do hereby:

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

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

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

Dated _____

Director, United States Geological Survey

BEFORE EXAMINER UTZ	
OIL CONSERVATION COMMISSION	
<i>Appl</i>	EXHIBIT NO. <u>5</u>
CASE NO.	<u>3469</u>

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

THIS AGREEMENT, entered into as of the _____ day of _____, 1966, 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 parties hereto hold sufficient interests in the _____ Springs 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 limitation herein

1 set forth; 1

2 NOW, THEREFORE, in consideration of the premises and the 2

3 promises herein contained, the parties hereto commit to this agree- 3

4 ment their respective interests in the below-defined unit area, and 4

5 agree severally among themselves as follows: 5

6 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 6

7 February 25, 1920, as amended, supra, and all valid pertinent 7

8 regulations, including operating and unit plan regulations, hereto- 8

9 fore issued thereunder or valid, pertinent, and reasonable regula- 9

10 tions hereafter issued thereunder are accepted and made a part of 10

11 this agreement as to Federal lands, provided such regulations are 11

12 not inconsistent with the terms of this agreement; and as to non- 12

13 Federal lands, the oil and gas operating regulations in effect as 13

14 of the effective date hereof governing drilling and producing opera- 14

15 tions, not inconsistent with the terms hereof or the laws of the 15

16 State in which the non-Federal land is located, are hereby accepted 16

17 and made a part of this agreement. 17

18 2. UNIT AREA. The area specified on the map attached hereto 18

19 marked exhibit A is hereby designated and recognized as constitu- 19

20 ting the unit area, containing 5,138.59 acres, more or less. 20

21 Exhibit A shows, in addition to the boundary of the unit area, 21

22 the boundaries and identity of tracts and leases in said area to 22

23 the extent known to the Unit Operator. Exhibit B attached hereto 23

24 is a schedule showing to the extent known to the Unit Operator 24

25 the acreage, percentage, and kind of ownership of oil and gas in- 25

26 terests in all land in the unit area. However, nothing herein 26

27 or in said schedule or map shall be construed as a representation 27

28 by any party hereto as to the ownership of any interest other than 28

29 such interest or interests as are shown in said map or schedule as 29

30 owned by such party. Exhibits A and B shall be revised by the 30

31 Unit Operator whenever changes in the unit area render such re- 31

32 vision necessary, or when requested by the Oil and Gas Supervisor, 32

33 hereinafter referred to as "Supervisor" and not less than six 33

34 copies of the revised exhibits shall be filed with the Supervisor. 34

35 The above-described unit area shall when practicable be 35

1 expanded to include therein any additional tract or tracts regarded 1
2 as reasonably necessary or advisable for the purposes of this agree- 2
3 ment, or shall be contracted to exclude lands not within any par- 3
4 ticipating area whenever such expansion or contraction is necessary 4
5 or advisable to conform with the purposes of this agreement. Such 5
6 expansion or contraction shall be effected in the following manner: 6
7 (a) Unit Operator, on its own motion or on demand of the 7
8 Director of the Geological Survey, hereinafter referred to as 8
9 "Director," after preliminary concurrence by the Director, shall 9
10 prepare a notice of proposed expansion or contraction describing 10
11 the contemplated changes in the boundaries of the unit area, the 11
12 reasons therefor, and the proposed effective date thereof, pre- 12
13 ferably the first day of a month subsequent to the date of notice. 13
14 (b) Said notice shall be delivered to the Supervisor, and 14
15 copies thereof mailed to the last known address of each working 15
16 interest owner, lessee, and lessor whose interests are affected, 16
17 advising that 30 days will be allowed for submission to the Unit 17
18 Operator of any objections. 18
19 (c) Upon expiration of the 30-day period provided in the 19
20 preceding item (b) hereof, Unit Operator shall file with the 20
21 Supervisor evidence of mailing of the notice of expansion or con- 21
22 traction and a copy of any objections thereto which have been 22
23 filed with the Unit Operator, together with an application in suf- 23
24 ficient number, for approval of such expansion or contraction and 24
25 with appropriate joinders. 25
26 (d) After due consideration of all pertinent information, 26
27 the expansion or contraction shall, upon approval by the Director, 27
28 become effective as of the date prescribed in the notice thereof. 28
29 (e) All legal subdivisions of unitized lands (i.e., 40 acres 29
30 by Government survey or its nearest lot or tract equivalent in 30
31 instances of irregular surveys, however, unusually large lots or 31
32 tracts shall be considered in multiples of 40 acres, or the nearest 32
33 aliquot equivalent thereof, for the purpose of elimination under 33
34 this subsection), no parts of which are entitled to be in a par- 34
35 ticipating area within 5 years after the first day of the month 35
36 following the effective date of the first initial participating 36

1 area established under this unit agreement, shall be eliminated 1
2 automatically from this agreement, effective as of the first day 2
3 thereafter, and such lands shall no longer be a part of the unit 3
4 area and shall no longer be subject to this agreement, unless at 4
5 the expiration of said 5-year period diligent drilling operations 5
6 are in progress on unitized lands not entitled to participation, 6
7 in which event all such lands shall remain subject hereto for so 7
8 long as such drilling operations are continued diligently, with 8
9 not more than 90 days' time elapsing between the completion of one 9
10 such well and the commencement of the next such well, except that 10
11 the time allowed between such wells shall not expire earlier than 11
12 30 days after the expiration of any period of time during which 12
13 drilling operations are prevented by a matter beyond the reasonable 13
14 control of unit operator as set forth in the section hereof entitled 14
15 "Unavoidable Delay"; provided that all legal subdivisions of lands 15
16 not in a participating area and not entitled to become participating 16
17 under the applicable provisions of this agreement within 10 years 17
18 after said first day of the month following the effective date of 18
19 said first initial participating area shall be eliminated as above 19
20 specified. Determination of creditable "Unavoidable Delay" time 20
21 shall be made by unit operator and subject to approval of the 21
22 Director. The unit operator shall, within 90 days after the effec- 22
23 tive date of any elimination hereunder, describe the area so 23
24 eliminated to the satisfaction of the Director and promptly notify 24
25 all parties in interest. 25

26 If conditions warrant extension of the 10-year period speci- 26
27 fied in this subsection 2(e), a single extension of not to exceed 27
28 2 years may be accomplished by consent of the owners of 90% of the 28
29 current unitized working interests and 60% of the current unitized 29
30 basic royalty interests (exclusive of the basic royalty interests 30
31 of the United States), on a total-nonparticipating-acreage basis, 31
32 respectively, with approval of the Director, provided such exten- 32
33 sion application is submitted to the Director not later than 60 33
34 days prior to the expiration of said 10-year period. 34

35 Any expansion of the unit area pursuant to this section which 35
36 embraces lands theretofore eliminated pursuant to this subsection 36

1 2(e) shall not be considered automatic commitment or recommitment 1
2 of such lands. 2

3 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed 3
4 to this agreement shall constitute land referred to herein as 4
5 "unitized land" or "land subject to this agreement." All oil and 5
6 gas in any and all formations of the unitized land are unitized 6
7 under the terms of this agreement and herein are call "unitized 7
8 substances." 8

9 4. UNIT OPERATOR. Gulf Oil Corporation is hereby designated 9
10 as Unit Operator and by signature hereto as Unit Operator agrees 10
11 and consents to accept the duties and obligations of Unit Operator 11
12 for the discovery, development, and production of unitized sub- 12
13 stances as herein provided. Whenever reference is made herein to 13
14 the Unit Operator, such reference means the Unit Operator acting 14
15 in that capacity and not as an owner of interest in unitized sub- 15
16 stances, and the term "working interest owner" when used herein 16
17 shall include or refer to Unit Operator as the owner of a working 17
18 interest when such an interest is owned by it. 18

19 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator 19
20 shall have the right to resign at any time prior to the establish- 20
21 ment of a participating area or areas hereunder, but such resigna- 21
22 tion shall not become effective so as to release Unit Operator from 22
23 the duties and obligations of Unit Operator and terminate Unit Opera- 23
24 tor's rights as such for a period of 6 months after notice of in- 24
25 tention to resign has been served by Unit Operator on all working 25
26 interest owners and the Director, and until all wells then drilled 26
27 hereunder are placed in a satisfactory condition for suspension or 27
28 abandonment whichever is required by the Supervisor, unless a new 28
29 Unit Operator shall have been selected and approved and shall have 29
30 taken over and assumed the duties and obligations of Unit Operator 30
31 prior to the expiration of said period. 31

32 Unit Operator shall have the right to resign in like manner 32
33 and subject to like limitations as above provided at any time a 33
34 participating area established hereunder is in existence, but, in 34
35 all instances of resignation or removal, until a successor unit 35
36 operator is selected and approved as hereinafter provided, the 36

1 working interest owners shall be jointly responsible for performance 1
2 of the duties of unit operator, and shall not later than 30 days 2
3 before such resignation or removal becomes effective appoint a 3
4 common agent to represent them in any action to be taken hereunder. 4
5 The resignation of Unit Operator shall not release Unit Opera- 5
6 tor from any liability for any default by it hereunder occurring 6
7 prior to the effective date of its resignation. 7
8 The Unit Operator may, upon default or failure in the per- 8
9 formance of its duties or obligations hereunder, be subject to re- 9
10 moval by the same percentage vote of the owners of working interests 10
11 determined in like manner as herein provided for the selection of 11
12 a new Unit Operator. Such removal shall be effective upon notice 12
13 thereof to the Director. 13
14 The resignation or removal of Unit Operator under this agree- 14
15 ment shall not terminate its right, title, or interest as the 15
16 owner of a working interest or other interest in unitized sub- 16
17 stances, but upon the resignation or removal of Unit Operator be- 17
18 coming effective, such Unit Operator shall deliver possession of 18
19 all equipment, materials, and appurtenances used in conducting 19
20 the unit operations and owned by the working interest owners to 20
21 the new duly qualified successor Unit Operator or to the owners 21
22 thereof if no such new Unit Operator is elected, to be used for the 22
23 purpose of conducting unit operations hereunder. Nothing herein 23
24 shall be construed as authorizing removal of any material, equip- 24
25 ment and appurtenances needed for the preservation of any wells. 25
26 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall 26
27 tender his or its resignation as Unit Operator or shall be removed 27
28 as hereinabove provided, or a change of Unit Operator is negotia- 28
29 ted by working interest owners, the owners of the working interests 29
30 in the participating area or areas according to their respective 30
31 acreage interests in such participating area or areas, or, until 31
32 a participating area shall have been established, the owners of 32
33 the working interests according to their respective acreage in- 33
34 terests in all unitized land, shall by majority vote select a suc- 34
35 cessor Unit Operator: Provided, That, if a majority but less than 35
36 75 per cent of the working interests qualified to vote are owned 36

1 by one party to this agreement, a concurring vote of one or more ad- 1
2 ditional working interest owners shall be required to select a new 2
3 operator. Such selection shall not become effective until 3
4 (a) a Unit Operator so selected shall accept in writing the 4
5 duties and responsibilities of Unit Operator, and 5
6 (b) the selection shall have been filed with the Supervisor 6
7 and approved by the Commissioner. If no successor Unit Operator is 7
8 selected and qualified as herein provided, the Director at his elec- 8
9 tion may declare this unit agreement terminated. 9
10 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the 10
11 Unit Operator is not the sole owner of working interests, costs 11
12 and expenses incurred by Unit Operator in conducting unit opera- 12
13 tions hereunder shall be paid and apportioned among and borne by the 13
14 owners of working interests, all in accordance with the agreement 14
15 or agreements entered into by and between the Unit Operator and 15
16 the owners of working interests, whether one or more, separately 16
17 or collectively. Any agreement or agreements entered into between 17
18 the working interest owners and the Unit Operator as provided in 18
19 this section, whether one or more, are herein referred to as the 19
20 "unit operating agreement." Such unit operating agreement shall 20
21 also provide the manner in which the working interest owners shall 21
22 be entitled to receive their respective proportionate and allocated 22
23 share of the benefits accruing hereto in conformity with their 23
24 underlying operating agreements, leases, or other independent con- 24
25 tracts, and such other rights and obligations as between Unit Opera- 25
26 tor and the working interest owners as may be agreed upon by Unit 26
27 Operator and the working interest owners; however, no such unit 27
28 operating agreement shall be deemed either to modify any of the 28
29 terms and conditions of this unit agreement or to relieve the Unit 29
30 Operator of any right or obligation established under this unit 30
31 agreement, and in case of any inconsistency or conflict between the 31
32 unit agreement and the unit operating agreement, this unit agree- 32
33 ment shall prevail. Three true copies of any unit operating agree- 33
34 ment executed pursuant to this section should be filed with the 34
35 Supervisor, prior to approval of this unit agreement. 35
36 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as 36

1 likewise specifically provided herein, the exclusive right, privi- 1
2 lege, and duty of exercising any and all rights of the parties here- 2
3 to which are necessary or convenient for prospecting for, producing, 3
4 storing, allocating, and distributing the utilized substances are 4
5 hereby delegated to and shall be exercised by the Unit Operator as 5
6 herein provided. Acceptable evidence of title to said rights shall 6
7 be deposited with said Unit Operator and, together with this agree- 7
8 ment, shall constitute and define the rights, privileges, and obli- 8
9 gations of Unit Operator. Nothing herein, however, shall be con- 9
10 strued to transfer title to any land or to any lease or operating 10
11 agreement, it being understood that under this agreement the Unit 11
12 Operator, in its capacity as Unit Operator, shall exercise the 12
13 rights of possession and use vested in the parties hereto only 13
14 for the purposes herein specified. 14

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Cisco formation of Pennsylvanian age has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor 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 9,000 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 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 or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities

1 in the formations drilled hereunder. Nothing in this section shall 1
2 be deemed to limit the right of the Unit Operator to resign as pro- 2
3 vided in Section 5 hereof, or as requiring Unit Operator to com- 3
4 mence or continue any drilling during the period pending such 4
5 resignation becoming effective in order to comply with the require- 5
6 ments of this section. The Director may modify the drilling re- 6
7 quirements of this section by granting reasonable extensions of 7
8 time when, in his opinion, such action is warranted. 8

9 Upon failure to comply with the drilling provisions of this 9
10 section, the Director may, after reasonable notice to the Unit 10
11 Operator, and each working interest owner, lessee, and lessor at 11
12 their last known addresses, declare this unit agreement terminated 12

13 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months 13
14 after completion of a well capable of producing unitized substances 14
15 in paying quantities, the Unit Operator shall submit for the ap- 15
16 proval of the Supervisor an acceptable plan of development and 16
17 operation for the unitized land which, when approved by the Super- 17
18 visor, shall constitute the further drilling and operating obli- 18
19 gations of the Unit Operator under this agreement for the period 19
20 specified therein. Thereafter, from time to time before the ex- 20
21 piration of any existing plan, the Unit Operator shall submit for 21
22 the approval of the Supervisor a plan for an additional specified 22
23 period for the development and operation of the unitized land. 23

24 Any plan submitted pursuant to this section shall provide 24
25 for the exploration of the unitized area and for the diligent 25
26 drilling necessary for determination of the area or areas thereof 26
27 capable of producing unitized substances in paying quantities in 27
28 each and every productive formation and shall be as complete and 28
29 adequate as the Supervisor may determine to be necessary for timely 29
30 development and proper conservation of the oil and gas resources 30
31 of the unitized area and shall 31

32 (a) specify the number and locations of any wells to be 32
33 drilled and the proposed order and time for such drilling; and 33

34 (b) to the extent practicable specify the operating prac- 34
35 tices regarded as necessary and advisable for proper conservation 35
36 of natural resources. 36

1 Separate plans may be submitted for separate productive zones, sub- 1
2 ject to the approval of the Supervisor. 2

3 Plans shall be modified or supplemented when necessary to meet 3
4 changed conditions or to protect the interests of all parties to this 4
5 agreement. Reasonable diligence shall be exercised in complying 5
6 with the obligations of the approved plan of development. The Super- 6
7 visor is authorized to grant a reasonable extension of the 6-month 7
8 period herein prescribed for submission of an initial plan of 8
9 development where such action is justified because of unusual con- 9
10 ditions or circumstances. After completion hereunder of a well 10
11 capable of producing any unitized substance in paying quantities, 11
12 no further wells, except such as may be necessary to afford pro- 12
13 tection against operations not under this agreement or such as may 13
14 be specifically approved by the Supervisor, shall be drilled except 14
15 in accordance with a plan of development approved as herein provided. 15

16 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well 16
17 capable of producing unitized substances in paying quantities or 17
18 as soon thereafter as required by the Supervisor, the Unit Operator 18
19 shall submit for approval by the Director a schedule, based on sub- 19
20 divisions of the public-land survey or aliquot parts thereof, of all 20
21 unitized land then regarded as reasonably proved to be productive of 21
22 unitized substances in paying quantities; all lands in said schedule 22
23 on approval of the Director to constitute a participating area, ef- 23
24 fective as of the date of completion of such well or the effective 24
25 date of the unit agreement, whichever is later. The acreages of both 25
26 Federal and non-Federal lands shall be based upon appropriate com- 26
27 putations from the courses and distances shown on the last approved 27
28 public-land or other federal survey as of the effective date of the 28
29 initial participating area. Said schedule also shall set forth 29
30 the percentage of unitized substances to be allocated as herein pro- 30
31 vided to each unitized tract in the participating area so established, 31
32 and shall govern the allocation of production from and after the date 32
33 the participating area becomes effective. A separate participating 33
34 area shall be established in like manner for each separate pool or 34
35 deposit of unitized substances or for any group thereof produced as 35
36 a single pool or zone, and any two or more participating areas so 36

1 established may be combined into one with the consent of the owners 1
2 of all working interests in the lands within the participating areas 2
3 so to be combined, on approval of the Director. The participating 3
4 area or areas so established shall be revised from time to time, sub- 4
5 ject to like approval, whenever such action appears proper as a 5
6 result of further drilling operations or otherwise to include ad- 6
7 ditional land then regarded as reasonably proved to be productive 7
8 in paying quantities, or to exclude land then regarded as rea- 8
9 sonably proved not to be productive in paying quantities and the 9
10 percentage of allocation shall also be revised accordingly. The 10
11 effective date of any revision shall be the first of the month in 11
12 which is obtained the knowledge or information on which such re- 12
13 vision is predicated, provided, however, that a more appropriate 13
14 effective date may be used if justified by the Unit Operator and 14
15 approved by the Director. No land shall be excluded from a par- 15
16 ticipating area on account of depletion of the unitized substances. 16

17 It is the intent of this section that a participating area 17
18 shall represent the area known or reasonably estimated to be pro- 18
19 ductive in paying quantities; but, regardless of any revision of 19
20 the participating area, nothing herein contained shall be construed 20
21 as requiring any retroactive adjustment for production obtained 21
22 prior to the effective date of the revision of the participating 22
23 area. 23

24 In the absence of agreement at any time between the Unit 24
25 Operator and the Director as to the proper definition or re- 25
26 definition of a participating area, or until a participating area 26
27 has, or areas have, been established as provided herein, the por- 27
28 tion of all payments affected thereby may be impounded in a manner 28
29 mutually acceptable to the owners of working interests, except 29
30 royalties due the United States, which shall be determined by the 30
31 Supervisor and the amount thereof deposited, as directed by the 31
32 Supervisor, to be held as unearned money until a participating 32
33 area is finally approved and then applied as earned or returned 33
34 in accordance with a determination of the sum due as Federal 34
35 royalty on the basis of such approved participating area. 35

36 Whenever it is determined, subject to the approval of the 36

1 Supervisor, that a well drilled under this agreement is not capable 1
2 of production in paying quantities and inclusion of the land on 2
3 which it is situated in a participating area is unwarranted, pro- 3
4 duction from such well shall, for the purposes of settlement among 4
5 all parties other than working interest owners, be allocated to the 5
6 land on which the well is located so long as such land is not with- 6
7 in a participating area established for the pool or deposit from 7
8 which such production is obtained. Settlement for working interest 8
9 benefits from such a well shall be made as provided in the unit 9
10 operating agreement. 10

11 12. ALLOCATION OF PRODUCTION. All unitized substances produced 11
12 from each participating area established under this agreement, ex- 12
13 cept any part thereof used in conformity with good operating prac- 13
14 tices within the unitized area for drilling, operating, camp and 14
15 other production or development purposes, for repressuring or re- 15
16 cycling in accordance with a plan of development approved by the 16
17 Supervisor, or unavoidably lost, shall be deemed to be produced 17
18 equally on an acreage basis from the several tracts of unitized 18
19 land of the participating area established for such production and, 19
20 for the purpose of determining any benefits accruing under this 20
21 agreement, each such tract of unitized land shall have allocated 21
22 to it such percentage of said production as the number of acres 22
23 of such tract included in said participating area bears to the total 23
24 acres of unitized land in said participating area, except that allo- 24
25 cation of production hereunder for purposes other than for settle- 25
26 ment of the royalty, overriding royalty, or payment out of produc- 26
27 tion obligations of the respective working interest owners, shall 27
28 be on the basis prescribed in the unit operating agreement whether 28
29 in conformity with the basis of allocation herein set forth or 29
30 otherwise. It is hereby agreed that production of unitized sub- 30
31 stances from a participating area shall be allocated as provided 31
32 herein regardless of whether any wells are drilled on any particu- 32
33 lar part or tract of said participating area. If any gas produced 33
34 from one participating area is used for repressuring or recycling 34
35 purposes in another participating area, the first gas withdrawn 35
36 from such last-mentioned participating area for sale during the life 36

1 of this agreement shall be considered to be the gas so transferred 1
2 until an amount equal to that transferred shall be so produced for 2
3 sale and such gas shall be allocated to the participating area from 3
4 which initially produced as constituted at the time of such final 4
5 production. 5

6 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR 6
7 FORMATIONS. Any party hereto owning or controlling the working in- 7
8 terest in any unitized land having thereon a regular well location 8
9 may with the approval of the Supervisor, at such party's sole risk, 9
10 costs, and expense, drill a well to test any formation for which a 10
11 participating area has not been established or to test any forma- 11
12 tion for which a participating area has been established if such 12
13 location is not within said participating area, unless within 90 13
14 days of receipt of notice from said party of his intention to drill 14
15 the well the Unit Operator elects and commences to drill such a 15
16 well in like manner as other wells are drilled by the Unit Opera- 16
17 tor under this agreement. 17

18 If any well drilled as aforesaid by a working interest owner 18
19 results in production such that the land upon which it is situated 19
20 may properly be included in a participating area, such participa- 20
21 ting area shall be established or enlarged as provided in this 21
22 agreement and the well shall thereafter be operated by the Unit 22
23 Operator in accordance with the terms of this agreement and the 23
24 unit operating agreement. 24

25 If any well drilled as aforesaid by a working interest owner 25
26 obtains production in quantities insufficient to justify the in- 26
27 clusion in a participating area of the land upon which such well is 27
28 situated, such well may be operated and produced by the party 28
29 drilling the same subject to the conservation requirements of this 29
30 agreement. The royalties in amount or value of production from any 30
31 such well shall be paid as specified in the underlying lease and 31
32 agreements affected. 32

33 14. ROYALTY SETTLEMENT. The United States and any State and 33
34 all royalty owners who, under existing contract, are entitled to 34
35 take in kind a share of the substances now unitized hereunder pro- 35
36 duced from any tract, shall hereafter be entitled to the right to 36

1 take in kind their share of the unitized substances allocated to such 1
2 tract, and Unit Operator, or in case of the operation of a well by 2
3 a working interest owner as herein in special cases provided for, 3
4 such working interest owner, shall make deliveries of such royalty 4
5 share taken in kind in conformity with the applicable contracts, 5
6 laws, and regulations. Settlement for royalty interest not taken in 6
7 kind shall be made by working interest owners responsible therefor 7
8 under existing contracts, laws and regulations on or before the last 8
9 day of each month for unitized substances produced during the pre- 9
10 ceding calendar month; provided, however, that nothing herein con- 10
11 tained shall operate to relieve the lessees of any land from their 11
12 respective lease obligations for the payment of any royalties due 12
13 under their leases. 13

14 If gas obtained from lands not subject to this agreement is 14
15 introduced into any participating area hereunder, for use in re- 15
16 pressuring, stimulation of production, or increasing ultimate re- 16
17 covery, which shall be in conformity with a plan first approved 17
18 by the Supervisor, a like amount of gas, after settlement as herein 18
19 provided for any gas transferred from any other participating area 19
20 and with due allowance for loss or depletion from any cause, may 20
21 be withdrawn from the formation into which the gas was introduced, 21
22 royalty free as to dry gas, but not as to the products extracted 22
23 therefrom; provided that such withdrawal shall be at such time as 23
24 may be provided in the plan of operations or as may otherwise be 24
25 consented to by the Supervisor as conforming to good petroleum 25
26 engineering practice; and provided further, that such right of 26
27 withdrawal shall terminate on the termination of this unit agree- 27
28 ment. 28

29 Royalty due the United States shall be computed as provided 29
30 in the operating regulations and paid in value or delivered in kind 30
31 as to all unitized substances on the basis of the amounts thereof 31
32 allocated to unitized Federal land as provided herein at the rates 32
33 specified in the respective Federal leases, or at such lower rate 33
34 or rates as may be authorized by law or regulation; provided, that 34
35 for leases on which the royalty rate depends on the daily average 35
36 production per well, said average production shall be determined in 36

1 accordance with the operating regulations as though each partici- 1
2 pating area were a single consolidated lease. 2

3 15. RENTAL SETTLEMENT. Rental or minimum royalties due on 3
4 leases committed hereto shall be paid by working interest owners 4
5 responsible therefor under existing contracts, laws, and regula- 5
6 tions, provided that nothing herein contained shall operate to re- 6
7 lieve the lessees of any land from their respective lease obliga- 7
8 tions for the payment of any rental or minimum royalty in lieu 8
9 thereof due under their leases. Rental or minimum royalty for 9
10 lands of the United States subject to this agreement shall be paid 10
11 at the rate specified in the respective leases from the United 11
12 States unless such rental or minimum royalty is waived, suspended, 12
13 or reduced by law or by approval of the Secretary or his duly 13
14 authorized representative. 14

15 With respect to any lease on non-Federal land containing pro- 15
16 visions which would terminate such lease unless drilling operations 16
17 were within the time therein specified commenced upon the land 17
18 covered thereby or rentals paid for the privilege of deferring such 18
19 drilling operations, the rentals required thereby shall, notwith- 19
20 standing any other provision of this agreement, be deemed to accrue 20
21 and become payable during the term thereof as extended by this 21
22 agreement and until the required drilling operations are commenced 22
23 upon the land covered thereby or some portion of such land is in- 23
24 cluded within a participating area. 24

25 16. CONSERVATION. Operations hereunder and production of 25
26 unitized substances shall be conducted to provide for the most 26
27 economical and efficient recovery of said substances without waste, 27
28 as defined by or pursuant to State or Federal law or regulation. 28

29 17. DRAINAGE. The Unit Operator shall take appropriate and 29
30 adequate measures to prevent drainage of unitized substances from 30
31 unitized land by wells on land not subject to this agreement, or, 31
32 with prior consent of the Director, pursuant to applicable regula- 32
33 tions pay a fair and reasonable compensatory royalty as determined 33
34 by the Supervisor. 34

35 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, 35
36 conditions, and provisions of all leases, subleases, and other 36

1 contracts relating to exploration, drilling, development, or opera- 1
2 tion for oil or gas of lands committed to this agreement are hereby 2
3 expressly modified and amended to the extent necessary to make the 3
4 same conform to the provisions hereof, but otherwise to remain in 4
5 full force and effect; and the parties hereto hereby consent that 5
6 the Secretary shall and by his approval hereof, or by the approval 6
7 hereof by his duly authorized representative, does hereby establish, 7
8 alter, change, or revoke the drilling, producing, rental, minimum 8
9 royalty, and royalty requirements of Federal leases committed hereto 9
10 and the regulations in respect thereto to conform said requirements 10
11 to the provisions of this agreement, and, without limiting the 11
12 generality of the foregoing, all leases, subleases, and contracts 12
13 are particularly modified in accordance with the following: 13
14 (a) The development and operation of lands subject to this 14
15 agreement under the terms hereof shall be deemed full performance 15
16 of all obligations for development and operation with respect to 16
17 each and every part or separately owned tract subject to this agree- 17
18 ment, regardless of whether there is any development of any par- 18
19 ticular part or tract of the unit area, notwithstanding anything to 19
20 the contrary in any lease, operating agreement or other contract by 20
21 and between the parties hereto, or their respective predecessors in 21
22 interest, or any of them. 22
23 (b) Drilling and producing operations performed hereunder upon 23
24 any tract of unitized lands will be accepted and deemed to be per- 24
25 formed upon and for the benefit of each and every tract of unitized 25
26 land, and no lease shall be deemed to expire by reason of failure 26
27 to drill or produce wells situated on the land therein embraced. 27
28 (c) Suspension of drilling or producing operations on all 28
29 unitized lands pursuant to direction or consent of the Secretary 29
30 or his duly authorized representative shall be deemed to constitute 30
31 such suspension pursuant to such direction or consent as to each 31
32 and every tract of unitized land. 32
33 (d) Each lease, sublease or contract relating to the ex- 33
34 ploration, drilling, development or operation for oil or gas of 34
35 lands other than those of the United States committed to this 35
36 agreement, which, by its terms might expire prior to the termination 36

1 of this agreement, is hereby extended beyond any such term so pro- 1
2 vided therein so that it shall be continued in full force and effect 2
3 for and during the term of this agreement. 3
4 (e) Any Federal lease for a fixed term of twenty (20) years 4
5 or any renewal thereof or any part of such lease which is made 5
6 subject to this agreement shall continue in force beyond the term 6
7 provided therein until the termination hereof. Any other Federal 7
8 lease committed hereto shall continue in force beyond the term so 8
9 provided therein or by law as to the land committed so long as such 9
10 lease remains subject hereto, provided that production is had in paying 10
11 quantities under this unit agreement prior to the expiration date 11
12 of the term of such lease, or in the event actual drilling operations 12
13 are commenced on unitized land, in accordance with the provisions 13
14 of this agreement, prior to the end of the primary term of such 14
15 lease and are being diligently prosecuted at that time, such lease 15
16 shall be extended for two years and so long thereafter as oil or 16
17 gas is produced in paying quantities in accordance with the pro- 17
18 visions of the Mineral Leasing Act Revision of 1960. 18
19 (f) Each sublease or contract relating to the operation and 19
20 development of unitized substances from lands of the United States 20
21 committed to this agreement, which by its terms would expire prior 21
22 to the time at which the underlying lease, as extended by the im- 22
23 mediately preceding paragraph, will expire, is hereby extended be- 23
24 yond any such term so provided therein so that it shall be con- 24
25 tinued in full force and effect for and during the term of the 25
26 underlying lease as such term is herein extended. 26
27 (g) The segregation of any Federal lease committed to this 27
28 agreement is governed by the following provision in the fourth 28
29 paragraph of Section 17(j) of the Mineral Leasing Act, as amended 29
30 by the Act of September 2, 1960 (74 Stat. 781-784): "Any ~~Federal~~ 30
31 lease heretofore or hereafter committed to any such ~~unit~~ plan 31
32 embracing lands that are in part within and in part outside of the 32
33 area covered by any such plan shall be segregated into separate 33
34 leases as to the lands committed and the lands not committed as of 34
35 the effective date of unitization: Provided, however, That any 35
36 such lease as to the nonunitized portion shall continue in force 36

1 and effect for the term thereof but for not less than two years from 1
2 the date of such segregation and so long thereafter as oil or gas is 2
3 produced in paying quantities." 3

4 (h) Any lease, other than a Federal lease, having only a por- 4
5 tion of its lands committed hereto shall be segregated as to the 5
6 portion committed and the portion not committed, and the provisions 6
7 of such lease shall apply separately to such segregated portions 7
8 commencing as of the effective date hereof. In the event any such 8
9 lease provides for a lump-sum rental payment, such payment shall be 9
10 prorated between the portions so segregated in proportion to the 10
11 acreage of the respective tracts. 11

12 19. COVENANTS RUN WITH LAND. The covenants herein shall be 12
13 construed to be covenants running with the land with respect to the 13
14 interest of the parties hereto and their successors in interest 14
15 until this agreement terminates, and any grant, transfer, or con- 15
16 veyance, of interest in land or leases subject hereto shall be and 16
17 hereby is conditioned upon the assumption of all privileges and 17
18 obligations hereunder by the grantee, transferee, or other successor 18
19 in interest. No assignment or transfer of any working interest, 19
20 royalty, or other interest subject hereto shall be binding upon 20
21 Unit Operator until the first day of the calendar month after Unit 21
22 Operator is furnished with the original, photostatic, or certified 22
23 copy of the instrument of transfer. 23

24 20. EFFECTIVE DATE AND TERM. The agreement shall become effec- 24
25 tive upon approval by the Secretary or his duly authorized repre- 25
26 sentative and shall terminate five (5) years from said effective date 26
27 unless 27

28 (a) such date of expiration is extended by the Director, or 28

29 (b) it is reasonably determined prior to the expiration of 29
30 the fixed term of any extension thereof that the unitized land is 30
31 incapable of production of unitized substances in paying quanti- 31
32 ties in the formations tested hereunder and after notice of inten- 32
33 tion to terminate the agreement on such ground is given by the Unit 33
34 Operator to all parties in interest at their last known addresses, 34
35 the agreement is terminated with the approval of the Director, or 35

36 (c) a valuable discovery of unitized substances has been made 36

1 or accepted on unitized land during said initial term or any exten- 1
2 sion thereof, in which event the agreement shall remain in effect 2
3 for such term and so long as unitized substances can be produced in 3
4 quantities sufficient to pay for the cost of producing same from 4
5 wells on unitized land within any participating area established 5
6 hereunder and, should production cease, so long thereafter as dili- 6
7 gent operations are in progress for the restoration of production or 7
8 discovery of new production and so long thereafter as the unitized 8
9 substances so discovered can be produced as aforesaid, or 9
10 (d) it is terminated as heretofore provided in this agreement, 10
11 This agreement may be terminated at any time by not less than 75 per 11
12 centum, on an acreage basis, of the owners of working interests 12
13 signatory hereto, with the approval of the Director; notice of any 13
14 such approval to be given by the Unit Operator to all parties here- 14
15 to. 15
16 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The 16
17 Director is hereby vested with authority to alter or modify from 17
18 time to time in his discretion the quantity and rate of production 18
19 under this agreement when such quantity and rate is not fixed pur- 19
20 suant to Federal or State law or does not conform to any state-wide 20
21 voluntary conservation or allocation program, which is established, 21
22 recognized, and generally adhered to by the majority of operators 22
23 in such State, such authority being hereby limited to alteration or 23
24 modification in the public interest, the purpose thereof and the 24
25 public interest to be served thereby to be stated in the order of 25
26 alteration or modification. Without regard to the foregoing, the 26
27 Director is also hereby vested with authority to alter or modify 27
28 from time to time in his discretion the rate of prospecting and 28
29 development and the quantity and rate of production under this agree- 29
30 ment when such alteration or modification is in the interest of 30
31 attaining the conservation objectives stated in this agreement and 31
32 is not in violation of any applicable Federal or State law. 32
33 Powers in this section vested in the Director shall only be 33
34 exercised after notice to Unit Operator and opportunity for hearing 34
35 to be held not less than 15 days from notice. 35
36 22. APPEARANCES. Unit Operator shall, after notice to other 36

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

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

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

24 25. UNAVOIDABLE DELAY. All obligations under this agreement 24
25 requiring the Unit Operator to commence or continue drilling or to 25
26 operate on or produce unitized substances from any of the lands 26
27 covered by this agreement shall be suspended while, but only so long 27
28 as, the Unit Operator despite the exercise of due care and dili- 28
29 gence is prevented from complying with such obligations, in whole 29
30 or in part, by strikes, acts of God, Federal, State or municipal 30
31 law or agencies, unavoidable accidents, uncontrollable delays in 31
32 transportation, inability to obtain necessary materials in open 32
33 market, or other matters beyond the reasonable control of the Unit 33
34 Operator whether similar to matters herein enumerated or not. 34

35 26. NONDISCRIMINATION. In connection with the performance 35
36 of work under this agreement, the Unit Operator agrees to comply 36

1 with all of the provisions of Section 202 (1) to (7) inclusive, of 1
2 Executive Order 11246, (30 F.R. 12319), which are hereby incorporated 2
3 by reference in this agreement. 3

4 27. LOSS OF TITLE. In the event title to any tract of uniti- 4
5 zed land shall fail and the true owner cannot be induced to join in 5
6 this unit agreement, such tract shall be automatically regarded as 6
7 not committed hereto and there shall be such readjustment of future 7
8 costs and benefits as may be required on account of the loss of such 8
9 title. In the event of a dispute as to title as to any royalty, 9
10 working interest, or other interests subject thereto, payment or 10
11 delivery on account thereof may be withheld without liability for 11
12 interest until the dispute is finally settled; provided, that, as 12
13 to Federal land or leases, no payments of funds due the United 13
14 States should be withheld, but such funds shall be deposited as 14
15 directed by the Supervisor to be held as unearned money pending 15
16 final settlement of the title dispute, and then applied as earned 16
17 or returned in accordance with such final settlement. 17

18 Unit Operator as such is relieved from any responsibility 18
19 for any defect or failure of any title hereunder. 19

20 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any 20
21 substantial interest in a tract within the unit area fails or re- 21
22 fuses to subscribe or consent to this agreement, the owner of the 22
23 working interest in that tract may withdraw said tract from this 23
24 agreement by written notice to the Director and the Unit Operato 24
25 prior to the approval of this agreement by the Director. Any oil 25
26 or gas interests in lands within the unit area not committed here- 26
27 to prior to submission of this agreement for final approval may 27
28 thereafter be committed hereto by the owner or owners thereof sub- 28
29 scribing or consenting to this agreement, and, if the interest is 29
30 a working interest, by the owner of such interest also subscribing 30
31 to the unit operating agreement. After operations are commenced 31
32 hereunder, the right of subsequent joinder, as provided in this 32
33 section, by a working interest owner is subject to such requirements 33
34 or approvals, if any, pertaining to such joinder, as may be pro- 34
35 vided for in the unit operating agreement. After final approval 35
36 hereof joinder by a non-working interest owner must be consented 36

1 to in writing by the working interest owner committed hereto and 1
2 responsible for the payment of any benefits that may accrue hereunder 2
3 in behalf of such non-working interest. Joinder by any owner of a 3
4 non-working interest, at any time, must be accompanied by appro- 4
5 priate joinder by the owner of the corresponding working interest 5
6 in order for the interest to be regarded as committed hereto. 6
7 Joinder to the unit agreement by a working-interest owner, at any 7
8 time, must be accompanied by appropriate joinder to the unit opera- 8
9 ting agreement, if more than one committed working-interest owner 9
10 is involved, in order for the interest to be regarded as committed 10
11 to this unit agreement. Except as may otherwise herein be provided sub- 11
12 sequent joinders to this agreement shall be effective as of the first 12
13 day of the month following the filing with the Supervisor of duly 13
14 executed counterparts of all or any papers necessary to establish 14
15 effective commitment of any tract to this agreement unless objec- 15
16 tion to such joinder is duly made within 60 days by the Director. 16
17 29. COUNTERPARTS. This agreement may be executed in any number 17
18 of counterparts no one of which needs to be executed by all parties 18
19 or may be ratified or consented to by separate instrument in writing 19
20 specifically referring hereto and shall be binding upon all those 20
21 parties who have executed such a counterpart, ratification, or con- 21
22 sent hereto with the same force and effect as if all such parties 22
23 had signed the same document and regardless of whether or not it is 23
24 executed by all other parties owning or claiming an interest in the 24
25 lands within the above-described unit area. 25
26 30. NO PARTNERSHIP. It is expressly agreed that the relation 26
27 of the parties hereto is that of independent contractors and 27
28 nothing in this agreement contained, expressed or implied, nor 28
29 any operations conducted hereunder, shall create or be deemed 29
30 to have created a partnership or association between the parties 30
31 hereto or any of them. 31

T20S R26E

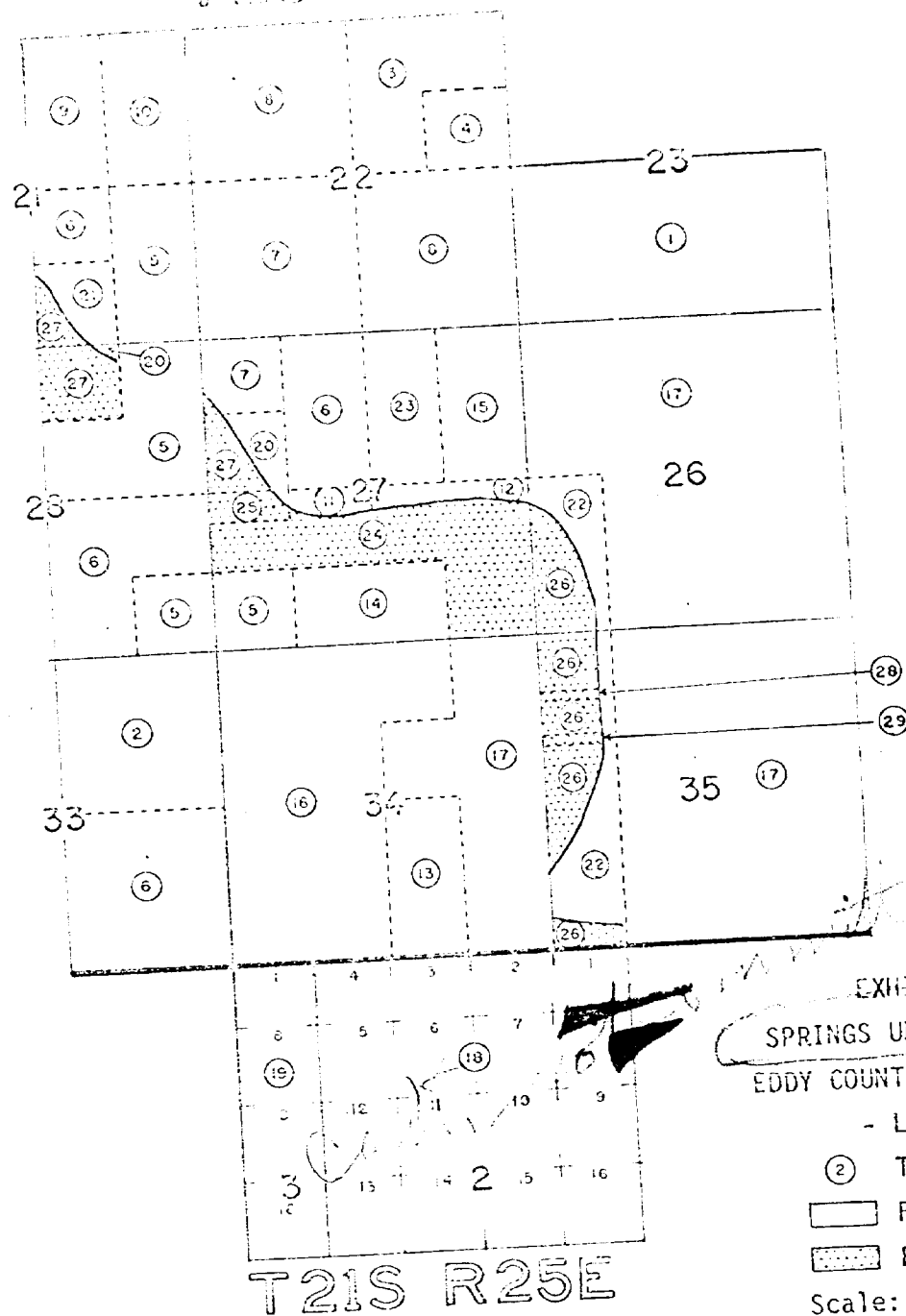


EXHIBIT "A"
SPRINGS UNIT - FEDERAL
EDDY COUNTY, NEW MEXICO

- LEGEND -
② Tract Number
Federal
Fee
Scale: 1" = 3000'

TRACT #	FEDERAL LEASE NUMBER	EXP. DATE
1	LC-070032-B	10-31-66
2	LC-070498	10-31-66
3	LC-071847	10-31-66
4	LC-071847-A	10-31-66
5	NM-03215	10-31-66
6	NM-03215-A	10-31-66
7	NM-03217	10-31-66
8	NM-03217-A	10-31-66
9	NM-03365	10-31-66
10	NM-03365-A	10-31-66
11	NM-036124	10-31-66
12	NM-036124-A	10-31-66
13	NM-0225012	3-31-72
14	NM-0228979	2-28-72
15	NM-0203133-A	6-30-72
16	NM-0338784	10-31-66
17	NM-0338788	10-31-66
18	NM-0454228-A	12-31-73
19	NM-0358967	1-31-76
20	BLM-A-026072	10-31-66
21	BLM-A-026072-A	10-31-66
22	BLM-A-032236	7-31-67
23	BLM-A-0426336	9-30-73

TRACT #	FEE LEASE	EXP. DATE
24	T. D. Hardesty	6-25-68
25	W. M. Truitt	6-26-68
26	C. L. Thacker	6-27-68
27	C. C. Foster	6- 9-68
28	H. D. Scott	7- 9-68
29	Geo. A. Holman	7- 2-68

FEDERAL 4,794.17 ACRES 93.29738%
FEE 344.42 ACRES 6.70262%
TOTAL 5,138.59 ACRES 100.00000%

EXHIBIT "B"
SPRINGS UNIT - FEDERAL, EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
1	T. 20 S. - R. 26 E. Sec. 23: S/2	320.00	LC-070032-B 10-31-66	A11 - U.S.A.	Gulf Oil Corporation	Pauline A. Galt \$750/Acre PP out of 5%	Gulf Oil Corporation(*) 50% Pan American Petro- leum Corp. 50%
2	T. 20 S. - R. 26 E. Sec. 33: NE/4	160.00	LC-070498 10-31-66	A11 - U.S.A.	Sinclair Oil & Gas Co.	None	Sinclair Oil & Gas Co(**) 25% Gulf Oil Corporation (**) 25% Pan American Petro- leum Corp. 50%
3	T. 20 S. - R. 26 E. Sec. 22: N/2 NE/4, SW/4 NE/4	120.00	LC-071847 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Gulf Oil Corporation Pan American Petro- leum Corp. Phillips Petroleum Co.	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co(#) 7.14286% Gulf Oil Corporation (#) 28.57143% Pan American Petro- leum Corp. 50.00000% Phillips Petroleum Co(#) 14.28571%
4	T. 20 S. - R. 26 E. Sec. 22: SE/4 NE/4	40.00	LC-071847-A 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Phillips Petroleum Co.	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co(#) 7.14286% Gulf Oil Corporation (#) 28.57143% Pan American Petro- leum Corp. 50.00000% Phillips Petroleum Co(#) 14.28571%
5	T. 20 S. - R. 26 E. Sec. 21: E/2 SE/4 Sec. 27: SW/4 SW/4 Sec. 28: S/2 NE/4, SE/4 SE/4, NE/4 NE/4	280.00	NM-03215 10-31-66	A11 - U.S.A.	Wilshire Oil Co. of Delaware	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co(#) 7.14286% Gulf Oil Corporation (#) 28.57143% Pan American Petro- leum Corp. 50.00000% Phillips Petroleum Co(#) 14.28571%

EXHIBIT "B" - SPRINGS UNIT - FEDERAL, EDDY COUNTY, NEW MEXICO

Page 2

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
6	T. 20 S. - R. 26 E. Sec. 21: NW/4 SE/4 Sec. 27: E/2 NW/4 Sec. 28: N/2 SE/4, SW/4 SE/4 Sec. 33: SE/4	400.00	NM-03215-A 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Phillips Petroleum Co.	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co. (7.14286% Gulf Oil Corporation (28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. (14.28571%
7	T. 20 S. - R. 26 E. Sec. 22: SW/4 Sec. 27: NW/4 NW/4	200.00	NM-03217 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Gulf Oil Corporation Pan American Petroleum Corp. Phillips Petroleum Co.	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co. (7.14286% Gulf Oil Corporation (28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. (14.28571%
8	T. 20 S. - R. 26 E. Sec. 22: NW/4, SE/4	320.00	NM-03217-A 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Phillips Petroleum Co.	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co. (7.14286% Gulf Oil Corporation (28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. (14.28571%
9	T. 20 S. - R. 26 E. Sec. 21: W/2 NE/4	80.00	NM-03365 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Gulf Oil Corporation Pan American Petroleum Corp. Phillips Petroleum Co.	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co. (7.14286% Gulf Oil Corporation (28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. (14.28571%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
10	T. 20 S. - R. 26 E. Sec. 21: E/2 NE/4	80.00	NM-03365-A 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Phillips Petroleum Co.	Childress Royalty Co., E.E. Nearburg, Tom Ingram, Fred Brainard-\$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co (#) 7.14286% Gulf Oil Corporation (#) 28.57143% Pan American Petro- leum Corp. 50.00000% Phillips Petroleum Co (#) 14.28571%
11	T. 20 S. - R. 26 E. Sec. 27: A11 of NE/4 SW/4, SE/4 SE/4 East of Pecos River	2.60	NM-038124 10-31-66	A11 - U.S.A.	Cities Service Oil Co.	Peter Q. Nyce, Jr., The Riggs Natl. Bank, Washington, D.C., Co-Execs. of Est. of Peter Q. Nyce, Decd. 1%	Cities Service Oil Co. 50% Pan American Petro- leum Corp. 50%
12	T. 20 S. - R. 26 E. Sec. 27: N/2 SE/4 East of Pecos River	23.60	NM-038124-A 10-31-66	A11 - U.S.A.	Pan American Petro- leum Corp.	Peter Q. Nyce, Jr., The Riggs Natl. Bank, Washington, D.C., Co-Execs. of Est. of Peter Q. Nyce, Decd. 1%	Pan American Petro- leum Corp. 100%
13	T. 20 S. - R. 26 E. Sec. 34: W/2 SE/4	80.00	NM-0225012 3-31-72	A11 - U.S.A.	California Oil Co.	None	California Oil Co. 100%
14	T. 20 S. - R. 26 E. Sec. 27: SE/4 SW/4, SW/4 SE/4	80.00	NM-0228979 2-28-72	A11 - U.S.A.	Gulf Oil Corporation	The Masi Co. 5%	Gulf Oil Corporation (*) 50% Pan American Petro- leum Corp. 50%
15	T. 20 S. - R. 26 E. Sec. 27: E/2 NE/4	80.00	NM-0283953-A 6-30-72	A11 - U.S.A.	Gulf Oil Corporation	David M. Evans 5%	Gulf Oil Corporation (*) 50% Pan American Petro- leum Corp. 50%
16	T. 20 S. - R. 26 E. Sec. 34: W/2, NW/4 NE/4	360.00	NM-0338754 10-31-66	A11 - U.S.A.	Gulf Oil Corporation	Henry D. Galvin - \$500/Acre PP out of 5%	Gulf Oil Corporation (*) 50% Pan American Petro- leum Corp. 50%
17	T. 20 S. - R. 26 E. Sec. 26: E/2, NW/4, E/2 SW/4 Sec. 34: E/2 E/2, SW/4 NE/4 Sec. 35: E/2, E/2 W/2	1,240.00	NM-0338758 10-31-66	A11 - U.S.A.	Gulf Oil Corporation	Pauline Galt - \$500/Acre PP out of 5%	Gulf Oil Corporation (*) 50% Pan American Petro- leum Corp. 50%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
18	T. 21 S. - R. 25 E. Sec. 2: Lots 1 thru 16, incl.	592.00	NM-0454228-A 12-31-73	A11 - U.S.A.	Continental Oil Co.	Ervin J. Levers - \$1000/Acre PP out of 3%	Continental Oil Co. 100%
19	T. 21 S. - R. 25 E. Sec. 3: Lots 1, 8, 9 & 16	148.47	NM-0558961 1-31-76	A11 - U.S.A.	Gulf Oil Corporation	Max W. Coll II 1.25% E.I. Vetter 5.00%	Gulf Oil Corporation 100%
20	T. 20 S. - R. 26 E. Sec. 27: SW/4 NW/4, NW/4 SW/4 lying East of Pecos River	14.00	BLM-A-026872 10-31-66	A11 - U.S.A.	Cities Service Oil Co.	Peter Q. Nyce, Jr. & The Riggs Natl. Bank, Washington, D.C., Co- Execs. of Est. of Peter Q. Nyce, Decd. 1%	Cities Service Oil Co. (25%) Gulf Oil Corporation (25%) Pan American Petro- leum Corp. (50%)
21	T. 20 S. - R. 26 E. Sec. 21: All SW/4 SE/4 lying East of Pecos River	28.00	BLM-A-026872-A 10-31-66	A11 - U.S.A.	Pan American Petro- leum Corp.	Peter Q. Nyce, Jr. & The Riggs Natl. Bank, Washington, D.C., Co- Execs. of Est. of Peter Q. Nyce, Decd. 1%	Pan American Petro- leum Corp. (75%) Gulf Oil Corporation (25%)
22	T. 20 S. - R. 26 E. Sec. 26: W/2 SW/4 lying East of Pecos River Sec. 35: W/2 W/2 lying East of Pecos River	65.50	BLM-A-032236 7-31-67	A11 - U.S.A.	Continental Oil Co.	Elk Oil Co. 2%	Continental Oil Co. 100%
23	T. 20 S. - R. 26 E. Sec. 27: W/2 NE/4	80.00	BLM-A-0426336 9-30-73	A11 - U.S.A.	Pan American Petro- leum Corp.	F.J. Bradshaw 3%	Pan American Petro- leum Corp. 100%
24	T. 20 S. - R. 26 E. Sec. 27: Fairchild Farm Tr. 785, 786, 787, 788, 789, 790, being all of the N/2 S/2 & SE/4 SE/4 SAVE & EXCEPT that acreage lying & being on the left or east bank of the Pecos River and SAVE & EXCEPT Fairchild Farm Tr. 784 conveyed to W.M. Truitt by Tax Deed recorded in Vol. D-6, Page 31, Deed Records, Eddy County, New Mexico, & being approximately the North 16 acres of NW/4 SW/4	155.50	Fee Lease 6-25-68	A11 - T.D. Hardesty	Pan American Petro- leum Corp.	None	Pan American Petro- leum Corp. 100%
23 Tracts		Federal Lands		4,794.17 Acres	93.29738% of Unit Area		

Page 5

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EXHIBIT "B" - SPRINGS UNIT - FEDERAL, EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
*	Working Interest for rights to Base of Penn		- Gulf owns all deep rights below Base of Penn.				
**	Working Interest for rights to Base of Penn		- Sinclair owns all rights below Base of Penn.				
#	Working Interest for rights to Base of Penn		- Rights below Base of Penn owned as follows:				
			Cities Service Oil Company	1/28	3.57143%		
			Gulf Oil Corporation	1/7	14.28571%		
			Pan American Petroleum Corporation	3/4	75.00000%		
			Phillips Petroleum Company	1/14	7.14286%		
#	Working Interest for rights to Base of Penn		- Rights below Base of Penn owned: Cities Service Oil Co. 50%, Pan American Petroleum Corp. 50%				
@	Working Interest for rights to Base of Penn		- Pan American owns all rights below Base of Penn.				

EXHIBIT "B"
SPRINGS UNIT - FEDERAL, EDDY COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
1	T. 20 S. - R. 26 E. Sec. 23: S/2	320.00	LC-070032-B 10-31-66	A11 - U.S.A.	Gulf Oil Corporation	Pauline A. Galt \$750/Acre PP out of 5%	Gulf Oil Corporation(*) 50% Pan American Petro- leum Corp. 50%
2	T. 20 S. - R. 26 E. Sec. 33: NE/4	160.00	LC-070498 10-31-66	A11 - U.S.A.	Sinclair Oil & Gas Co.	None	Sinclair Oil & Gas Co(**) 25% Gulf Oil Corporation (**) 25% Pan American Petro- leum Corp. 50%
3	T. 20 S. - R. 26 E. Sec. 22: N/2 NE/4, SW/4 NE/4	120.00	LC-071847 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Gulf Oil Corporation Pan American Petro- leum Corp. Phillips Petroleum Co.	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co(#) 7.14286% Gulf Oil Corporation (#) 28.57143% Pan American Petro- leum Corp. 50.00000% Phillips Petroleum Co(#) 14.28571%
4	T. 20 S. - R. 26 E. Sec. 22: SE/4 NE/4	40.00	LC-071847-A 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Phillips Petroleum Co.	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co(#) 7.14286% Gulf Oil Corporation (#) 28.57143% Pan American Petro- leum Corp. 50.00000% Phillips Petroleum Co(#) 14.28571%
5	T. 20 S. - R. 26 E. Sec. 21: E/2 SE/4 Sec. 27: SW/4 SW/4 Sec. 28: S/2 NE/4, SE/4 SE/4, NE/4 NE/4	280.00	NM-03215 10-31-66	A11 - U.S.A.	Wilshire Oil Co. of Delaware	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co(#) 7.14286% Gulf Oil Corporation (#) 28.57143% Pan American Petro- leum Corp. 50.00000% Phillips Petroleum Co(#) 14.28571%

EXHIBIT "B" - SPRINGS UNIT - FEDERAL, EDDY COUNTY, NEW MEXICO

Page 2

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	1/4% ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
6	T. 20 S. - R. 26 E. Sec. 21: NW/4 SE/4 Sec. 27: E/2 NW/4 Sec. 28: N/2 SE/4, SW/4 SE/4 Sec. 33: SE/4	400.00	NM-03215-A 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Phillips Petroleum Co.	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co. (7.14286% Gulf Oil Corporation (28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. (14.28571%)
7	T. 20 S. - R. 26 E. Sec. 22: SW/4 Sec. 27: NW/4 NW/4	200.00	NM-03217 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Gulf Oil Corporation Pan American Petroleum Corp. Phillips Petroleum Co.	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co. (7.14286% Gulf Oil Corporation (28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. (14.28571%)
8	T. 20 S. - R. 26 E. Sec. 22: NW/4, SE/4	320.00	NM-03217-A 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Phillips Petroleum Co.	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co. (7.14286% Gulf Oil Corporation (28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. (14.28571%)
9	T. 20 S. - R. 26 E. Sec. 21: W/2 NE/4	80.00	NM-03365 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Gulf Oil Corporation Pan American Petroleum Corp. Phillips Petroleum Co.	Childress Royalty Co., E.E.Nearburg, Tom Ingram, Fred Brainard - \$750/Acre PP out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co. (7.14286% Gulf Oil Corporation (28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co. (14.28571%)

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
10	T. 20 S. - R. 26 E. Sec. 21: E/2 NE/4	80.00	NM-03365-A 10-31-66	A11 - U.S.A.	Cities Service Oil Co. Phillips Petroleum Co.	Childress Royalty Co., E.E. Nearburg, Tom Ingram, Fred Brainard-\$750/Acre pp out of 5% Foster Morrell 2% Tracy Clark & Robert Boling 1/4%	Cities Service Oil Co.(#) 7.14286% Gulf Oil Corporation (#) 28.57143% Pan American Petroleum Corp. 50.00000% Phillips Petroleum Co.(#) 14.28571%
11	T. 20 S. - R. 26 E. Sec. 27: A11 of NE/4 SW/4, SE/4 SE/4 East of Pecos River	2.60	NM-038124 10-31-66	A11 - U.S.A.	Cities Service Oil Co.	Peter Q. Nyce, Jr., The Riggs Natl. Bank, Washington, D.C., Co-Execs. of Est. of Peter Q. Nyce, Decd. 1%	Cities Service Oil Co. 50% Pan American Petroleum Corp. 50%
12	T. 20 S. - R. 26 E. Sec. 27: N/2 SE/4 East of Pecos River	23.60	NM-038124-A 10-31-66	A11 - U.S.A.	Pan American Petroleum Corp.	Peter Q. Nyce, Jr., The Riggs Natl. Bank, Washington, D.C., Co-Execs. of Est. of Peter Q. Nyce, Decd. 1%	Pan American Petroleum Corp. 100%
13	T. 20 S. - R. 26 E. Sec. 34: W/2 SE/4	80.00	NM-0225012 3-31-72	A11 - U.S.A.	California Oil Co.	None	California Oil Co. 100%
14	T. 20 S. - R. 26 E. Sec. 27: SE/4 SW/4, SW/4 SE/4	80.00	NM-0228979 2-28-72	A11 - U.S.A.	Gulf Oil Corporation	The Masi Co. 5%	Gulf Oil Corporation (*) 50% Pan American Petroleum Corp. 50%
15	T. 20 S. - R. 26 E. Sec. 27: E/2 NE/4	80.00	NM-0283953-A 6-30-72	A11 - U.S.A.	Gulf Oil Corporation	David M. Evans 5%	Gulf Oil Corporation (*) 50% Pan American Petroleum Corp. 50%
16	T. 20 S. - R. 26 E. Sec. 34: W/2, NW/4 NE/4	360.00	NM-0338754 10-31-66	A11 - U.S.A.	Gulf Oil Corporation	Henry D. Galvin - \$500/Acre pp out of 5%	Gulf Oil Corporation (*) 50% Pan American Petroleum Corp. 50%
17	T. 20 S. - R. 26 E. Sec. 26: E/2, NW/4, E/2 SW/4 Sec. 34: E/2 E/2, SW/4 NE/4 Sec. 35: E/2, E/2 W/2	1,240.00	NM-0338758 10-31-66	A11 - U.S.A.	Gulf Oil Corporation	Pauline Galt - \$500/Acre pp out of 5%	Gulf Oil Corporation (*) 50% Pan American Petroleum Corp. 50%

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
18	T. 21 S. - R. 25 E. Sec. 2: Lots 1 thru 16, incl.	592.00	NM-0454228-A 12-31-73	A11 - U.S.A.	Continental Oil Co.	Ervin J. Levers - \$1000/Acre PP out of 3%	Continental Oil Co. 100%
19	T. 21 S. - R. 25 E. Sec. 3: Lots 1, 8, 9 & 16	148.47	NM-0558961 1-31-76	A11 - U.S.A.	Gulf Oil Corporation	Max W. Coll II E.I. Vetter 5.00%	Gulf Oil Corporation 100%
20	T. 20 S. - R. 26 E. Sec. 27: SW/4 NW/4, NW/4 SW/4 lying East of Pecos River	14.00	BLM-A-026872 10-31-66	A11 - U.S.A.	Cities Service Oil Co.	Peter Q. Nyce, Jr. & The Riggs Natl. Bank, Washington, D.C., Co- Execs. of Est. of Peter Q. Nyce, Decd. 1%	Cities Service Oil Co. (25%) Gulf Oil Corporation (25%) Pan American Petro- leum Corp. (50%)
21	T. 20 S. - R. 26 E. Sec. 21: All SW/4 SE/4 lying East of Pecos River	28.00	BLM-A-026872-A 10-31-66	A11 - U.S.A.	Pan American Petro- leum Corp.	Peter Q. Nyce, Jr. & The Riggs Natl. Bank, Washington, D.C., Co- Execs. of Est. of Peter Q. Nyce, Decd. 1%	Pan American Petro- leum Corp. (75%) Gulf Oil Corporation (25%)
22	T. 20 S. - R. 26 E. Sec. 26: W/2 SW/4 lying East of Pecos River	65.50	BLM-A-032236 7-31-67	A11 - U.S.A.	Continental Oil Co.	Elk Oil Co. 2%	Continental Oil Co. 100%
23	T. 20 S. - R. 26 E. Sec. 35: W/2 W/2 lying East of Pecos River	80.00	BLM-A-0426336 9-30-73	A11 - U.S.A.	Pan American Petro- leum Corp.	F.J. Bradshaw 3%	Pan American Petro- leum Corp. 100%
24	T. 20 S. - R. 26 E. Sec. 27: Fairchild Farm Tr. 785, 786, 787, 788, 789, 790, being all of the NW/2 S/2 & SE/4 SE/4 SAVE & EXCEPT that acreage lying & being on the left or east bank of the Pecos River and SAVE & EXCEPT Fairchild Farm Tr. 784 conveyed to W.M. Truitt by Tax Deed recorded in Vol. D-6, Page 31, Deed Records, Eddy County, New Mexico, & being approximately the North 16 acres of NW/4 SW/4	155.50	Fee lease 6-25-68	A11 - T.D. Hardesty	Pan American Petro- leum Corp.	None	Pan American Petro- leum Corp. 100%
23 Tracts		4,794.17 Acres	93.29738% of Unit Area				

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
25	T. 20 S. - R. 26 E. Sec. 27: Fairchild Farm Tr. 784, being approx. the North 16 acres of NW/4 SW/4	16.00	Fee Lease 6-26-68	All - W.M. Truit	Pan American Petro- leum Corp.	None	Pan American Petro- leum Corp. 100%
26	T. 20 S. - R. 26 E. Sec. 26: W/2 SW/4 Sec. 35: W/2 W/2 SAVE & EXCEPT all that part of each of the above described tracts lying & being on the left or east bank of the Pecos River and SAVE & EXCEPT Lots 26 & 29 of the Thacker Subdivision	94.01	Fee Lease 6-27-68	All - C.L. Thacker	Pan American Petro- leum Corp.	None	Pan American Petro- leum Corp. 100%
27	T. 20 S. - R. 26 E. Sec. 21: SW/4 SE/4 being a part of the Fairchild Farm Tr. 781 Sec. 27: SW/4 NW/4, NW/4 NW/4 Sec. 28: NW/4 NE/4 being Fairchild Farm Tr. 782, 783 & a part of 781, SAVE & EXCEPT all that part of each of the above described tracts lying & being on the left or east bank of the Pecos River	74.75	Fee Lease 6-9-68	All - C. C. Foster	Yates Brothers	None	Yates Brothers 100%
28	T. 20 S. - R. 26 E. Sec. 35: Lot 26 of Thacker Subdivision located in W/2 W/2	2.00	Fee Lease 7-9-68	All - H.D. Scott	Pan American Petro- leum Corp.	None	Pan American Petro- leum Corp. 100%
29	T. 20 S. - R. 26 E. Sec. 35: Lot 29 of Thacker Subdivision located in W/2 W/2	2.16	Fee Lease 7-2-68	All - George A. Holman	Pan American Petro- leum Corp.	None	Pan American Petro- leum Corp. 100%
6 Tracts	Fee Lands	344.42 Acres			6.70262% of Unit Area		

RECAPITULATION

FEDERAL LANDS	4,794.17 Acres	93.29738% Unit Area
FEE LANDS	344.42 Acres	6.70262% Unit Area
	<u>5,138.59 Acres</u>	<u>100.00000% Unit Area</u>

EXHIBIT "B" - SPRINGS UNIT - FEDERAL, EDDY COUNTY, NEW MEXICO

Page 6

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NO. AND EXPIRATION DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND OWNERSHIP PERCENTAGE	WORKING INTEREST AND OWNERSHIP PERCENTAGE
*	Working Interest for rights to Base of Penn - Gulf owns all deep rights below Base of Penn.						
**	Working Interest for rights to Base of Penn - Sinclair owns all rights below Base of Penn.						
#	Working Interest for rights to Base of Penn - Rights below Base of Penn owned as follows:						
	Cities Service Oil Company			1/28	3.57143%		
	Gulf Oil Corporation			1/7	14.28571%		
	Pan American Petroleum Corporation			3/4	75.00000%		
	Phillips Petroleum Company			1/14	7.14286%		
#	Working Interest for rights to Base of Penn - Rights below Base of Penn owned: Cities Service Oil Co. 50%, Pan American Petroleum Corp. 50%						
@	Working Interest for rights to Base of Penn - Pan American owns all rights below Base of Penn.						



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201



February 16, 1967



Gulf Oil Corporation
P. O. Box 1938
Roswell, New Mexico 88201

Attention: Mr. William V. Kastler

Gentlemen:

The following described ratifications and joinders relating to the Springs unit agreement No. 14-08-001-8817, Eddy County, New Mexico, were filed by Gulf Oil Corporation on February 13 with the Regional Oil and Gas Supervisor, Roswell, New Mexico:

Overriding Royalty Owner

Childress Royalty Company
Tom L. and Joan L. Ingram
Robert E. and Mary L. Boling
Peter Q. Nyce, Jr. and Christine P. Nyce
Henry D. and Irene L. Galvin
Elk Oil Company

Federal Land Unit
Tract Number

3,4,5,6,7,8,9, and 10
3,4,5,6,7,8,9, and 10
3,4,5,6,7,8,9, and 10
11,12,20, and 21
16
22

Basic Royalty Owner

W. M. and Wilma D. Truitt
C. C. and Gladys Foster
George A. and Mabel C. Holman

Fee Land Unit Tract Number

25
27
29

Tract Nos. 16 and 22, Federal leases New Mexico 0338754 and BLM-A 032236-B, respectively, and fee tracts 25, 27, and 29 are fully committed by the attached joinders effective March 1, 1967.

Copies of the ratifications and joinders are being distributed to the appropriate Federal offices. All surplus copies are returned herewith.

Sincerely yours,

Billy J. Shoger
BILLY J. SHOGER
Acting Oil and Gas Supervisor

Springs Unit Agreement
No. 14-08-0001-8817
Eddy County, New Mexico
Effective Date: October 26, 1966

CONSENT TO SUBSEQUENT JOINDER

The undersigned Working Interest Owners pursuant to Section 28 of the Springs Unit Agreement hereby consent to the joinder of the non-working interest owners hereinafter described insofar as it affects tracts in which they have a working interest ownership. A copy of the Joinders are attached hereto and made a part hereof.

<u>Tract Nos. Affected</u>	<u>Names of Owners of Non-Working Interest</u>
3, 4, 5, 6, 7, 8, 9 and 10	Childress Royalty Company Tom Ingram and wife Robert E. Boling and wife.

IN WITNESS WHEREOF this instrument is executed by the undersigned this 10th day of January, 1967.

GULF OIL CORPORATION

ATTEST:

[Signature]
Assistant Secretary

By [Signature]
Attorney-in-Fact

PAN AMERICAN PETROLEUM CORPORATION

ATTEST:

[Signature]
Assistant Secretary

By [Signature]
Attorney-in-Fact

PHILLIPS PETROLEUM COMPANY

By [Signature]
Attorney-in-Fact

CITIES SERVICE OIL COMPANY

By Wiley C. Hill
Wiley C. Hill Attorney-in-Fact

STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 1st day of January, 1967, by Fred Forward, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

STATE OF TEXAS

COUNTY OF TARRANT

The foregoing instrument was acknowledged before me this 1st day of January, 1967, by D. B. Mason, Jr., Attorney-in-Fact for PAN AMERICAN PETROLEUM CORPORATION, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 27th day of January, 1967, by Fred Forward, Attorney-in-Fact for PHILLIPS PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

STATE OF OKLAHOMA

COUNTY OF WASHINGTON

The foregoing instrument was acknowledged before me this 2nd day of February, 1967, by Wiley C. Hill, Attorney-in-Fact for CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

April 23, 1970

Notary Public

Notary Public

VELMA B. CRAFT

Notary Public

Notary Public

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the 20th day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

ATTEST:

[Signature]
Secretary

CHILDRESS ROYALTY COMPANY

BY:

[Signature]
President

[Signature]
Paul Childress

THE STATE OF MISSOURI

COUNTY OF JASPER

The foregoing instrument was acknowledged before me this 20th day of October, 1966, by Paul Childress

My Commission Expires:

April 16, 1970

THE STATE OF MISSOURI

COUNTY OF JASPER

The foregoing instrument was acknowledged before me this 20th day of October, 1966, by Paul Childress,
President of Childress Royalty Company,
a Delaware corporation, on behalf of said corporation.

My Commission Expires:

April 16, 1970

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the 3rd day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

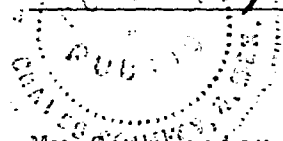
The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by all of the 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 this acknowledgment.

Tom E. Ingram
Jean L. Ingram

THE STATE OF New Mexico
COUNTY OF Chaves

The foregoing instrument was acknowledged before me this 10th day of October, 1966, by Tom E. Ingram and Jean L. Ingram, his wife



Jean L. Ingram
Notary Public

My Commission Expires: 3/4/69

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires: _____

March 3, 1902

6-2-66
05322

POWER OF ATTORNEY

We, ROBERT E. BOLING and MARY L. BOLING, husband and wife, of Artesia, New Mexico, have made, constituted and appointed and by these presents do make, constitute and appoint said ROBERT E. BOLING as our true and lawful attorney-in-fact for us and in our names and on our behalf:

1. To make, execute and deliver any checks, drafts, money orders, notes and renewals thereof, or other instruments or contracts, in our names and for our accounts to and for any amount which he may deem expedient.

2. To receive all and any sums of money or effects due and payable which may at any time belong to us and to give receipts, acquittances and discharges therefor.

3. To sell, assign, encumber and otherwise dispose of any mineral interests, oil, gas and other mineral rights of every kind and description, oil and gas leases and interests therein, oil and gas leases issued by the State of New Mexico, oil and gas leases issued by the United States, upon such terms, conditions and agreements as our said attorney-in-fact may deem proper and, for such purposes, to make, execute, acknowledge and deliver oil and gas leases, assignments of oil and gas leases, partial assignments of oil and gas leases, mortgages and assignments of runs and renewals thereof, assignments of overriding royalty and payments out of production, operating agreements, unit operating agreements, unit agreements, communitization agreements and subleases; and to execute division orders in our behalf.

4. To make applications to the Bureau of Land Management of the Department of the Interior of the United States for approval of assignments and partial assignments of oil and gas leases, operating agreements, unit agreements, communitization agreements and subleases, and to make applications to the Bureau of Land Management of the Department of the Interior of the United States for the extension or renewal of oil and gas leases issued by the United States and, generally, to do and perform all acts necessary, required or which our said attorney-in-fact may deem proper in connection with oil and gas leases and interests therein issued by the United States.

5. This power is general and we intend that our said attorney-in-fact shall have authority to do and perform every act and thing which he shall deem advisable as fully to all intents and purposes as if we might or could do if personally present.

6. The enumeration of specific powers to our said attorney-in-fact shall not be construed to limit or restrict in any manner the meaning of the general powers of our said attorney; nor shall the expression of one thing be deemed to exclude another thing not expressed, although of a like

nature.

We hereby ratify and confirm all that our said attorney shall lawfully do or cause to be done by virtue of these presents.

EXECUTED this 31st day of January, 1966.

Robert E. Boling
Robert E. Boling

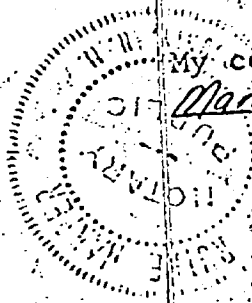
Mary L. Boling
Mary L. Boling

STATE OF NEW MEXICO)
COUNTY OF EDDY) ss.

The foregoing instrument was acknowledged before me this 31st day of January, 1966, by ROBERT E. BOLING and MARY L. BOLING, his wife.

My commission expires:
March 25, 1969

Gertie Harper
Notary Public



STATE OF NEW MEXICO
COUNTY OF LEA
FILED

APR 19 1966

at 10:45 o'clock A.M.
and Recorded in Book 253
Page 707
JANE RICE, County Clerk
By D. Page Deputy



45521

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 28 day of April, 1966 at 11:45 o'clock P.M., and duly recorded in Book 6, page 329 of the Records of County of Eddy.
Geraldine Mahaffey, County Clerk
By Christine Campbell Deputy

State of New Mexico,)
County of Chaves) ss.
FILED FOR RECORD

JUN 3 1966

at 9:40 o'clock A.M. and recorded in 75
page 707
JANE RICE, County Clerk
By D. Page Deputy

ret: Robert E. Boling
202 Carper Building
Artesia, N.M. 88210



Springs Unit Agreement
No. 14-08-0001-3817
Elm, County, New Mexico
Effective Date: October 26, 1966

RECEIVED

CONSENT TO SUBSEQUENT JOINDER

FEB 13 1967

J. S. GEOLOGICAL SURVEY
MUSKIE, NEW MEXICO

The undersigned Working Interest Owners pursuant to Section 28 of the Springs Unit Agreement hereby consent to the joinder of the non-working interest owners hereinafter named, a copy of which joinder is attached hereto and made a part hereof.

Tract Nos. Affected

Names of Owners of Non-Working Interest

11, 12, 20 and 21

Christine P. Nyce and Peter Q. Nyce, Jr.

IN WITNESS WHEREOF this instrument is executed by the undersigned on the date set opposite their names.

GULF OIL CORPORATION

ATTEST:

Assistant Secretary

By

Attorney-in-Fact

Date: FEB 6 1967

PAN AMERICAN PETROLEUM CORPORATION

ATTEST:

Assistant Secretary

By

Attorney-in-Fact

Date: 1-10-67

CITIES SERVICE OIL COMPANY

Date: 2-2-67

By Wiley C. Hill
Wiley C. Hill Attorney-in-Fact

STATE OF NEW MEXICO

X

COUNTY OF CHAVES

X

The foregoing instrument was acknowledged before me this 10 day of February, 1967, by Wiley C. Hill, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

My Commission Expires _____

VELMA B. CRAFT

10-10-67

1

My Commission Expires
April 23

Notary Public

April 23, 1970

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the 3rd day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

Charles P. Hays (unc.)
Peter C. Hays Jr.

THE STATE OF VIRGINIA

COUNTY OF MAHARAN

The foregoing instrument was acknowledged before me this 12th day of January, 1966 by Christine P. Nyre and Peter C. Nyre, Jr.

My Commission Expires:
August 3, 1963

Jeannette J. Whitney
Notary Public for the State of
Virginia at Large

THE STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____, _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 23 day of July, 1907 at 3:00 o'clock PM, and duly recorded in Book 174, page 306 of the Records of 174-1

Mildred Pate, County Clerk,

By James H. [Signature] Deputy

308
308
Springs Unit Agreement
No. 14-08-0001-8817
Eddy County, New Mexico
Effective Date: October 26, 1966

CONSENT TO SUBSEQUENT JOINDER

The undersigned Working Interest Owners pursuant to Section 28 of the Springs Unit Agreement hereby consent to the joinder of the non-working interest owner hereinafter named, a copy of which joinder is attached hereto and made a part hereof.

Tract No. Affected

16

Name of Owner of Non-Working Interest

Henry D. Galvin and wife

IN WITNESS WHEREOF this instrument is executed by the undersigned on the date set opposite their names.

GULF OIL CORPORATION

ATTEST:

Assistant Secretary

Date:

FEB 6 1967

By

Attorney-in-Fact

PAN AMERICAN PETROLEUM CORPORATION

ATTEST:

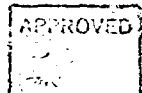
Assistant Secretary

Date:

FEB 6 1967

By

Attorney-in-Fact



STATE OF NEW MEXICO

X

COUNTY OF CHAVES

X

The foregoing instrument was acknowledged before me this 6th day of February, 1967, by W. B. ECKHART, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF TEXAS

I

COUNTY OF TARRANT

I

The foregoing instrument was acknowledged before me this 11 day
of January, 1967, by D. B. Mason, Jr.,
Attorney-in-Fact for PAN AMERICAN PETROLEUM CORPORATION, a Delaware
corporation, on behalf of said corporation.

My Commission Expires:
January 11, 1967

Notary Public

VELMA B. CRAFT

Harry H. Galvin
Irving Lisenbee Galvin

By Christina L. ... Deputy

Springs Unit Agreement
No. 14-08-0001-8817
Eddy County, New Mexico
Effective Date: October 26, 1966

CONSENT TO SUBSEQUENT JOINDER

The undersigned Working Interest Owner pursuant to Section 28 of the Springs Unit Agreement hereby consents to the joinder of the non-working interest owner hereinafter named, a copy of which joinder is attached hereto and made a part hereof.

Tract No. Affected

22

Name of Owner of Non-Working Interest

Elk Oil Company

IN WITNESS WHEREOF this instrument is executed by the undersigned this 6th day of February, 1967.

GULF OIL CORPORATION

ATTEST:

[Signature]
Assistant Secretary

By

[Signature]
Attorney-in-Fact

STATE OF NEW MEXICO X

COUNTY OF CHAVES X

The foregoing instrument was acknowledged before me this 6th day of February, 1967, by W. D. HOPKINS, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

[Signature]
Notary Public

My Commission Expires:
My Commission Expires August 15, 1970

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS 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 Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 28 and 29 East, N.M.P.M., Eddy County, New Mexico, and said Agreement is dated the 3rd day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

ATTEST:

Roger L. Coppin
Assistant Secretary

ELK OIL COMPANY

BY

James T. Jennings, President

THE STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____

Notary Public

My Commission Expires: _____

THE STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 8th day of November, 1966, by James T. Jennings, President of ELK Oil Company, a New Mexico corporation, on behalf of said corporation.

My Commission Expires: March 25, 1970

Margaret Kay
Notary Public

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 23 day of July, 1967 at 8:00 o'clock P.M., and duly recorded in Book 174, page 311 of the Records of Edwards

Mildred Pate, County Clerk

By

Deputy

Springs Unit Agreement
No. 14-08-0001-8817
Eddy County, New Mexico
Effective Date: October 26, 1966

CONSENT TO SUBSEQUENT JOINDER

The undersigned Working Interest Owner pursuant to Section 28 of the Springs Unit Agreement hereby consents to the joinders of the non-working interest owners hereinafter named, copies of which joinders are attached hereto and made a part hereof.

<u>Tract No. Affected</u>	<u>Name of Owner of Non-Working Interest</u>
25	W. M. Truitt and Wilma D. Truitt, his wife.
29	George A. Holman and Mabel C. Holman, his wife.

IN WITNESS WHEREOF this instrument is executed by the undersigned on the dates set opposite their names.

PAN AMERICAN PETROLEUM CORPORATION

ATTEST:

[Signature]
Assistant Secretary

Date: 10/26/67

By [Signature]

Attorney-in-Fact

GULF OIL CORPORATION

ATTEST:

[Signature]
Assistant Secretary

Date: 10/26/67

By [Signature]

Attorney-in-Fact

STATE OF Nebraska

COUNTY OF Franklin

The foregoing instrument was acknowledged before me this 27th day of November, 1967, by D. B. Mason, Jr.,
Attorney-in-Fact for PAN AMERICAN PETROLEUM CORPORATION, a corporation, on behalf of said corporation.

My Commission Expires: June 1, 1967

[Signature]
Notary Public

WILMA B. CRAFT

STATE OF NEW MEXICO

X

COUNTY OF CHAVES

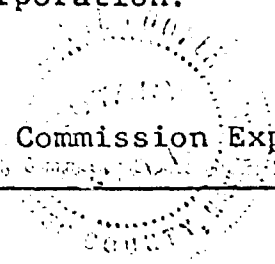
X

The foregoing instrument was acknowledged before me this _____ day of _____, 1967, by _____, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

E. M. C.
Notary Public

My Commission Expires:

My Commission Expires: 12/15/1970



ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the 3rd day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

W. M. Truitt
Wilma D. Truitt

THE STATE OF NEW MEXICO
COUNTY OF EDDY

The foregoing instrument was acknowledged before me this 4th day of January, 1967, by W. M. Truitt and Wilma D. Truitt, his wife

My Commission Expires:

July 3, 1967

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

Notary Public

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the 3rd day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

George A. Holman
Mabel C. Holman

THE STATE OF NEW MEXICO
COUNTY OF EDDY

The foregoing instrument was acknowledged before me this 5th day of January, 1967, by George A. Holman and Mabel C. Holman, his wife

Richard L. Simon
Notary Public

My Commission Expires:
July 3, 1967

THE STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 23 day of Feb., 1967 at 2:00 o'clock P.M., and duly recorded in Book 174, page 313 of the Records of _____

Mildred Pate, County Clerk
By Christina Deputy
JAN 1967

Springs Unit Agreement
 No. 14-08-0001-8317
 Eddy County, New Mexico
 Effective Date: October 26, 1966

CONSENT TO SUBSEQUENT JOINDER

The undersigned Working Interest Owner pursuant to Section 28 of the Springs Unit Agreement hereby consents to the joinder of the non-working interest owner hereinafter named, a copy of which joinder is attached hereto and made a part hereof.

Tract No. Affected

27

Name of Owner of Non-Working Interest

C. C. Foster, et ux.

IN WITNESS WHEREOF this instrument is executed by the undersigned on this 29th day of December, 1966.

YATES PETROLEUM CORPORATION

ATTEST:

Assistant Secretary

By

Vice-President

STATE OF NEW MEXICO

X

COUNTY OF EDDY

X

The foregoing instrument was acknowledged before me this 29th day of December, 1966, by John A. Yates, Vice-President of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

Nov. 17, 1968

345

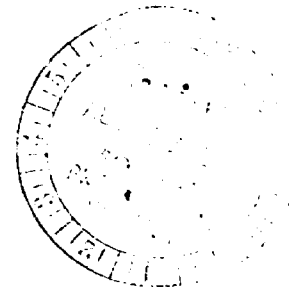
Page 27



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

August 15, 1967



Gulf Oil Corporation
P. O. Box 1938
Roswell, New Mexico 88201

Attention: Mr. William V. Kastler

Gentlemen:

The following described ratifications and joinders relating to the Springs unit agreement, No. 14-08-001-8817, Eddy County, New Mexico, were filed with this office on August 1, 1967, by Gulf Oil Corporation:

<u>Overriding Royalty Owner</u>	<u>Federal Land Unit Tract Number</u>
Eugene E. Nearburg	3,4,5,6,7,8, 9 and 10
E. H. Ward, Executor and Testamen- tary Trustee under the Will of Julia Brainard, Deceased	3,4,5,6,7,8,9 and 10

Copies of the ratifications and joinders are being distributed to the appropriate Federal offices. All surplus copies are returned herewith.

Sincerely yours,

CARL C. TRAYWICK
Acting Oil and Gas Supervisor

RECEIVED
AUG 1 1967
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

Springs Unit Agreement
No. 14-08-0001 8817
Eddy County, New Mexico
Effective Date: October 26, 1966

CONSENT TO SUBSEQUENT JOINDER

The undersigned Working Interest Owners pursuant to Section 28 of the Springs Unit Agreement hereby consent to the joinders of the non-working interest owners hereinafter named, copies of which joinders are attached hereto and made a part hereof.

Tract Nos. Affected

3, 4, 5, 6, 7, 8,
9 and 10.

Name of Owners of Non-Working Interest

E. H. Ward, Executor and Testamentary
Trustee under the Will of Julia Brainard,
Deceased.

Eugene E. Nearburg, dealing in his sole
and separate property.

IN WITNESS WHEREOF this instrument is executed by the undersigned
on the dates set opposite their names.

ATTEST:

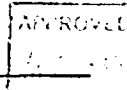
Assistant Secretary

Date: June 16, 1967

PAN AMERICAN PETROLEUM CORPORATION

By

Attorney-in-Fact



CITIES SERVICE OIL COMPANY

By

Wiley C. Hill
Wiley C. Hill Attorney-in-Fact

Date: July 14, 1967

PHILLIPS PETROLEUM COMPANY

By

Attorney-in-Fact

Date: July 26, 1967

GULF OIL CORPORATION

By

Attorney-in-Fact

ATTEST:

Assistant Secretary

Date: JUL 28 1967

STATE OF TEXAS

COUNTY OF TARRANT

The foregoing instrument was acknowledged before me this 28th day of June, 1967, by D. B. Mason, Jr., Attorney-in-Fact for PAN AMERICAN PETROLEUM CORPORATION, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1969

Notary Public

STATE OF Oklahoma X
COUNTY OF Washington X

The foregoing instrument was acknowledged before me this 14th day of July, 1967, by Wiley C. Hill, Attorney-in-Fact for CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires: April 23, 1970

Sue Galloway
Notary Public

STATE OF Texas X
COUNTY OF Midland X

The foregoing instrument was acknowledged before me this 26th day of July, 1967, by FRED FORWARD, Attorney-in-Fact for PHILLIPS PETROLEUM COMPANY, a DELAWARE corporation, on behalf of said corporation.

My Commission Expires: 6-26-69

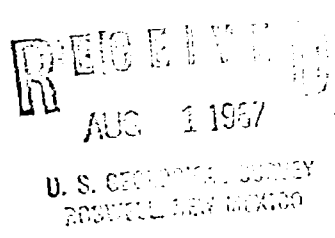
Norma C. Galloway
Notary Public

STATE OF NEW MEXICO X
COUNTY OF CHAVES X

The foregoing instrument was acknowledged before me this 29th day of July, 1967, by F. O. MORTLOCK, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires: August 31, 1970

Eva Maria Cortez
Notary Public



ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the 3rd day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

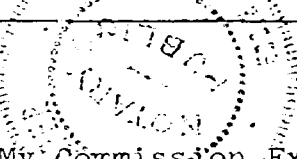
E. H. Ward

Executor and Testamentary Trustee under the
Will of Julia Brainard, deceased, pursuant
to Order of the District Court of Eddy
County, New Mexico, in Case No. 22509

THE STATE OF NEW MEXICO

COUNTY OF EDDY

The foregoing instrument was acknowledged before me this 2nd day of May, 1966, by E. H. Ward, Executor and Testamentary Trustee under the Will of Julia Brainard, deceased.


My Commission Expires:
March 25, 1969

John Harper
Notary Public

THE STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____ a _____ corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the 3rd day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

Eugene E. Nearburg
Dealing in his sole and separate property.

EUGENE E. NEARBURG
3303 LEE PARKWAY
DALLAS, TEXAS 75219

THE STATE OF Texas

COUNTY OF Dallas

The foregoing instrument was acknowledged before me this 12th day of May, 1967, by EUGENE E. NEARBURG

Deane M. Kline
Notary Public

My Commission Expires:

6-1-67

THE STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1967, by _____ of _____, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 24 day of August, 1967 at 1:30 o'clock P.M., and duly recorded in Book 56, page 252 of the Records of Edmonson
Mildred Pate, County Clerk

By Edmonson Deputy

RECEIVED
AUG 1 1967
U. S. GEOLOGICAL SURVEY
RESTON, VA. 20192

Springs Unit Agreement
No. 14-08-0001 8817
Eddy County, New Mexico
Effective Date: October 26, 1966

CONSENT TO SUBSEQUENT JOINDER

The undersigned Working Interest Owners pursuant to Section 28 of the Springs Unit Agreement hereby consent to the joinders of the non-working interest owners hereinafter named, copies of which joinders are attached hereto and made a part hereof.

Tract Nos. Affected

3, 4, 5, 6, 7, 8,
9 and 10.

Name of Owners of Non-Working Interest

E. H. Ward, Executor and Testamentary
Trustee under the Will of Julia Brainard,
Deceased.

Eugene E. Nearburg, dealing in his sole
and separate property.

IN WITNESS WHEREOF this instrument is executed by the undersigned
on the dates set opposite their names.

ATTEST:

Assistant Secretary

Date: July 26, 1967

PAN AMERICAN PETROLEUM CORPORATION

By

Attorney-in-Fact

APPROVED

CITIES SERVICE OIL COMPANY

By

Wiley C. Hill
Wiley C. Hill Attorney-in-Fact

Date: July 14, 1967

PHILLIPS PETROLEUM COMPANY

By

Attorney-in-Fact

Date: July 26, 1967

GULF OIL CORPORATION

By

Attorney-in-Fact

ATTEST:

Assistant Secretary

Date: July 26, 1967

STATE OF TEXAS

COUNTY OF TARRANT

The foregoing instrument was acknowledged before me this 26th day of July, 1967, by D. B. Mason, Jr., Attorney-in-Fact for PAN AMERICAN PETROLEUM CORPORATION, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1969

Notary Public

STATE OF Oklahoma X
COUNTY OF Washington X

AUG 1 1967
U. S. DEPARTMENT OF JUSTICE
NOTARIAL PUBLIC

The foregoing instrument was acknowledged before me this 14th day of July, 1967, by Wiley C. Hill, Attorney-in-Fact for CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

April 23, 1970

Joe Galloway
Notary Public

STATE OF Texas X
COUNTY OF McAllen X

The foregoing instrument was acknowledged before me this 21st day of July, 1967, by FRED LEROUX, Attorney-in-Fact for PHILLIPS PETROLEUM COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

6-1-69

Norman C. C. C.
Notary Public

STATE OF NEW MEXICO X
COUNTY OF CHAVES X

The foregoing instrument was acknowledged before me this 28th day of July, 1967, by F. O. MORTLOCK, Attorney-in-Fact for GULF OIL CORPORATION, a Pennsylvania corporation, on behalf of said corporation.

My Commission Expires:

April 13, 1970

Edna Marie C. C.
Notary Public

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the 3rd day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

William

Executor and Testamentary Trustee under the
Will of Julia Brainard, deceased, pursuant
to Order of the District Court of Eddy
County, New Mexico, in Case No. 22509

THE STATE OF NEW MEXICO

COUNTY OF EDDY

The foregoing instrument was acknowledged before me this 2nd day of May, 1967, by E. H. Ward, Executor and Testamentary Trustee under the Will of Julia Brainard, deceased.

My Commission Expires:
March 25, 1969

THE STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1966, by _____ of _____, a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

ROYALTY OWNER'S CONSENT AND RATIFICATION OF
SPRINGS UNIT AGREEMENT
EDDY COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of copy of the Unit Agreement for the development and operation of the Springs Unit Area embracing 5,138.59 acres, more or less, of land in Townships 20 and 21 South, Ranges 26 and 25 East, N.M.P.M., Eddy County, New Mexico, which said Agreement is dated the 3rd day of October, 1966, and state that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners of royalty, overriding royalty or production payment interests in the lands or minerals embraced in said Unit Area do hereby commit all of their said interest to the Springs Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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 this acknowledgment.

Eugene E. Nearburg
Dealing in his sole and separate property

EUGENE E. NEARBURG
3303 LEE PARKWAY
DALLAS, TEXAS 75219

THE STATE OF Texas

COUNTY OF Dallas

The foregoing instrument was acknowledged before me this 12th day of May, 1967, by EUGENE E. NEARBURG

My Commission Expires:

6-1-67

THE STATE OF _____

COUNTY OF _____

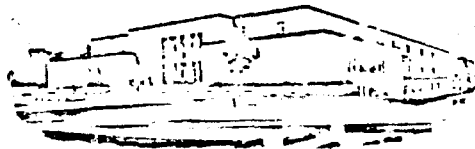
The foregoing instrument was acknowledged before me this _____ day of _____, 1967, by _____ of _____ a _____ corporation, on behalf of said corporation.

Notary Public

My Commission Expires:

1-10-67
HJR
RmH

State of New Mexico

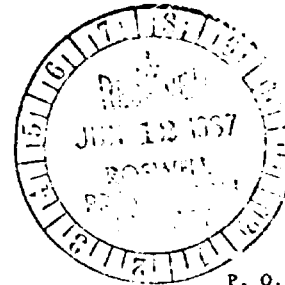


Commissioner of Public Lands

GUYTON B. HAYS
COMMISSIONER



June 9, 1967



P. O. BOX 1148
SANTA FE, NEW MEXICO

Gulf Oil Corporation
P. O. Box 1938
Roswell, New Mexico, 88201



Re: Plan of Development
Springs Unit-FEDERAL
Eddy County, New Mexico

ATTENTION: Mr. W. B. Hopkins

Gentlemen:

We are returning herewith the four copies of the Plan of Development for the captioned unit. Since it is a Federal unit and contains no state of New Mexico lands, this office has no jurisdiction in its regulation or operation.

Very truly yours,

GUYTON B. HAYS
COMMISSIONER OF PUBLIC LANDS

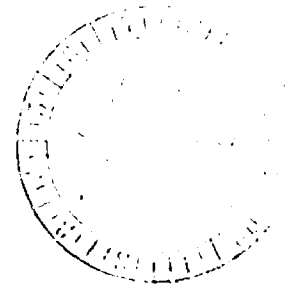
BY: *Eddie Lopez*
Eddie Lopez, Supervisor
Unit Division

GBH/TB/EL/s
encls.

68 APR 8 AM 10 07



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Drawer 1857
Roswell, New Mexico 88201



June 9, 1967



Gulf Oil Corporation
P. O. Drawer 1938
Roswell, New Mexico 88201

Attention: Mr. W. B. Hopkins

Gentlemen:

Your 1967 plan of development dated June 7, 1967, for the Springs unit agreement, Eddy County, New Mexico, proposing the drilling of two Pennsylvanian wells, has been approved on this date, subject to like approval by the appropriate State officials. One of the two wells was spudded on February 10 and abandoned as a dry hole on March 15, 1967.

Two approved copies of the plan are enclosed.

Sincerely yours

BILLY J. SHOGER
Acting Oil and Gas Supervisor

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. B. Hopkins
DISTRICT MANAGER
M. J. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

June 7, 1967

P. O. Drawer 1938
Roswell, New Mexico 88201

United States Geological Survey
Post Office Drawer 1857
Roswell, New Mexico 88201

Commissioner of Public Lands
Post Office Box 1148
Santa Fe, New Mexico 87501

Secretary-Director
New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Plan of Development
Springs Unit
Eddy County, New Mexico

Gentlemen:

Gulf Oil Corporation, the Unit Operator of the Springs Unit, herewith files for approval the following Plan of Development for the entire calendar year 1967:

By way of history, the Springs Unit No. 1 well, located 1980 feet from the north line and 1980 feet from the east line of Section 34, T-20-S, R-26-E, Eddy County, New Mexico, was spudded October 27, 1966, and completed December 10, 1966. The well was drilled to a total depth of 8800 feet beneath the surface and completed as a well capable of producing in paying quantities through perforations 8004 - 8062 feet.

The Springs Unit No. 2 well, located 1650 feet from the south line and 754 feet from the east line of Section 27, T-20-S, R-26-E, Eddy County, New Mexico, was spudded February 10, 1967, and plugged and abandoned on March 15, 1967, after being drilled as a dry hole to a total depth of 8800 feet beneath the surface.

The Springs Unit No. 3 well, located 1980 feet from the south line and 660 feet from the west line of Section 34, T-20-S, R-26-E, Eddy County, New Mexico, was spudded May 7, 1967, and is currently drilling with the objective in the Pennsylvanian formation, being the producing formation in the Springs Unit No. 1 well mentioned above.

This is to request that the drilling of the Springs Unit No. 2 and No. 3 wells be full compliance with the drilling requirements under the Unit for 1967. Further time is needed to organize and evaluate the information obtained from drilling the Springs Unit No. 2 and No. 3 wells.



RECEIVED
JUN 8 1967
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

United States Geological Survey
Commissioner of Public Lands
New Mexico Oil Conservation Commission

June 7, 1967
Page 2

Approval of this Plan of Development by the Secretary-Director of the Oil Conservation Commission, Commissioner of Public Lands, State of New Mexico, and the Supervisor of the United States Geological Survey is respectfully requested.

Yours very truly,

GULF OIL CORPORATION

W. B. Thompson

District Manager

Approved JUN - 9 1967

Billy H. Rogers

CW:sz Acting Regional Oil And Gas Supervisor

U. S. GEOLOGICAL SURVEY

Subject to like approval by the
appropriate State officials.

EXTENSION TO DECEMBER 31, 1967 APPROVED

Oil and Gas Supervisor
United States Geological Survey

Date: _____

Commissioner of Public Lands for the
State of New Mexico

Date: _____

Oil Conservation Commission for the
State of New Mexico

Date: _____

cc: Cities Service Oil Company
Cities Service Building
Bartlesville, Oklahoma 74003

Cities Service Oil Company
Post Office Box 760
Roswell, New Mexico 88201
Attention: Mr. James Holcomb

Pan American Petroleum Corporation
Post Office Box 1410
Fort Worth, Texas 76101

Phillips Petroleum Company
Post Office Box 791
Midland, Texas 79701

Yates Petroleum Corporation
309 Carper Building
Artesia, New Mexico 88210

SPRINGS UNIT
ADDRESS LIST

CITIES SERVICE OIL COMPANY
Cities Service Building
Bartlesville, Oklahoma 74003

Post Office Box 760
Roswell, New Mexico 88201
Attention: Mr. James Holcomb

PHILLIPS PETROLEUM COMPANY
Phillips Building
Odessa, Texas 79761
Attention: Mr. M. H. McConnell

440-A Frank Phillips Building
Bartlesville, Oklahoma 74003
Attention: Mr. R. H. Jukes

PAN AMERICAN PETROLEUM CORPORATION
Post Office Box 1410
Fort Worth, Texas 76101
Attention: Mr. N. S. Whitmore

Post Office Box 68
Hobbs, New Mexico 88240

YATES PETROLEUM CORPORATION
309 Carper Building
Artesia, New Mexico 88210
Attention: Mr. S. P. Yates

GULF OIL CORPORATION
Post Office Box 670
Hobbs, New Mexico 88240
Attention: Area Production Manager

GOVERNOR
DAVID F. CARGO
CHAIRMAN

State of New Mexico
Oil Conservation Commission

LAND COMMISSIONER
GUYTON B. HAYS
MEMBER

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

P. O. BOX 2088
SANTA FE

August 30, 1967

Gulf Oil Corporation
P. O. Drawer 1938
Roswell, New Mexico 88201

ATTENTION: Mr. W. B. Hopkins

Re: 1967 Plan of Development
Springs Unit
Eddy County,
New Mexico

Gentlemen:

This is to advise that the New Mexico Oil Conservation Commission has this date approved the 1967 Plan of Development dated June 7, 1967 for the Springs Unit, Eddy County, New Mexico, subject to like approval by the United States Geological Survey and the Commissioner of Public Lands of the State of New Mexico.

Two approved copies of the plan are returned herewith.

Very truly yours,

A. L. Porter, Jr.
A. L. PORTER, Jr.,
Secretary-Director

ALP/JEK/br
cc: Commissioner of Public Lands
Santa Fe, New Mexico

United States Geological Survey
P. O. Drawer 1857
Roswell, New Mexico 88201

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. E. Hopkins
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

June 7, 1967

P. O. Drawer 1938
Roswell, New Mexico 88201

United States Geological Survey
Post Office Drawer 1857
Roswell, New Mexico 88201

Commissioner of Public Lands
Post Office Box 1148
Santa Fe, New Mexico 87501

Secretary-Director
New Mexico Oil Conservation Commission
Post Office Box 2088
Santa Fe, New Mexico 87501

Re: Plan of Development
Springs Unit
Eddy County, New Mexico

Gentlemen:

Gulf Oil Corporation, the Unit Operator of the Springs Unit, herewith files for approval the following Plan of Development for the entire calendar year 1967:

By way of history, the Springs Unit No. 1 well, located 1980 feet from the north line and 1980 feet from the east line of Section 34, T-20-S, R-26-E, Eddy County, New Mexico, was spudded October 27, 1966, and completed December 10, 1966. The well was drilled to a total depth of 8800 feet beneath the surface and completed as a well capable of producing in paying quantities through perforations 8004 - 8062 feet.

The Springs Unit No. 2 well, located 1650 feet from the south line and 754 feet from the east line of Section 27, T-20-S, R-26-E, Eddy County, New Mexico, was spudded February 10, 1967, and plugged and abandoned on March 15, 1967, after being drilled as a dry hole to a total depth of 8800 feet beneath the surface.

The Springs Unit No. 3 well, located 1980 feet from the south line and 660 feet from the west line of Section 34, T-20-S, R-26-E, Eddy County, New Mexico, was spudded May 7, 1967, and is currently drilling with the objective in the Pennsylvanian formation, being the producing formation in the Springs Unit No. 1 well mentioned above.

This is to request that the drilling of the Springs Unit No. 2 and No. 3 wells be full compliance with the drilling requirements under the Unit for 1967. Further time is needed to organize and evaluate the information obtained from drilling the Springs Unit No. 2 and No. 3 wells.



United States Geological Survey
Commissioner of Public Lands
New Mexico Oil Conservation Commission

June 7, 1967
Page 2

Approval of this Plan of Development by the Secretary-Director of the Oil Conservation Commission, Commissioner of Public Lands, State of New Mexico, and the Supervisor of the United States Geological Survey is respectfully requested.

Yours very truly,
GULF OIL CORPORATION

W. B. Higgins
District Manager

CW:sz

EXTENSION TO DECEMBER 31, 1967 APPROVED

Oil and Gas Supervisor
United States Geological Survey

Date: _____

Commissioner of Public Lands for the
State of New Mexico

Date: _____

A. F. Carter, Jr.

Oil Conservation Commission for the
State of New Mexico

Date: 8. 30 - 67

cc: Cities Service Oil Company
Cities Service Building
Bartlesville, Oklahoma 74003

Cities Service Oil Company
Post Office Box 760
Roswell, New Mexico 88201
Attention: Mr. James Holcomb

Pan American Petroleum Corporation
Post Office Box 1410
Fort Worth, Texas 76101

Phillips Petroleum Company
Post Office Box 791
Midland, Texas 79701

Yates Petroleum Corporation
309 Carper Building
Artesia, New Mexico 88210

Gulf Oil Corporation

EXPLORATION AND PRODUCTION DEPARTMENT—U. S. OPERATIONS
ROSWELL DISTRICT

T. W. Kidd
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

P. O. Drawer 1938
Roswell, New Mexico 88201

March 5, 1968

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

Re: Plan of Development - Springs Unit
Eddy County, New Mexico

Gentlemen:

During the year 1967, the No. 2 Springs Unit, located in the NE/4 SE/4 of Section 27, Township 20 South, Range 26 East, was plugged and abandoned March 15 after failing to yield hydrocarbons from the Cisco Reef section.

Subsequently, the No. 3 well, located in the NW/4 SW/4 of Section 34, Township 20 South, Range 26 East was drilled and completed from the Cisco formation July 6 for a CAOF of 174,465 MCFPD based on a 4-point back pressure test. On a 14-3/4 hour flow test through a 19/64" choke the well produced gas at a rate of 4,021 MCFPD with 34 barrels condensate per MMCF and water at the rate of 234 BPD.

In view of the fact that the 2 existing wells are currently under-produced with respect to the contract coupled with the amount of water being produced, particularly from the No. 3 well, Gulf Oil Corporation requests your approval of a Plan for the calendar year of 1968 calling for no additional development.

In order to allow sufficient time to determine whether this reservoir is of a limited nature or whether water coning problems could restrict ultimate recovery a delay in further drilling for the calendar year of 1968 would be very beneficial to all. Therefore your approval of the Plan of Development is respectfully requested.

Yours very truly,

M. I. Taylor
M. I. Taylor

JLH:ejl

APPROVED: _____

Oil and Gas Supervisor
United States Geological Survey





UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

August 25, 1967

Gulf Oil Corporation
P. O. Drawer 1938
Roswell, New Mexico 88201

Attention: Mr. M. I. Taylor

Gentlemen:

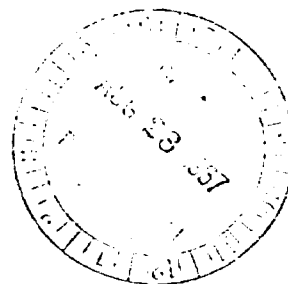
The initial and the first revision of the Cisco participating area, Springs unit, Eddy County, New Mexico, were approved on August 18, 1967, by the Acting Director, Geological Survey, effective as of December 10, 1966, and March 1, 1967, respectively.

One approved copy of each application is enclosed. It is assumed you will furnish all interested parties with appropriate evidence of the approvals.

Sincerely yours,

JOHN A. ANDERSON
Regional Oil and Gas Supervisor

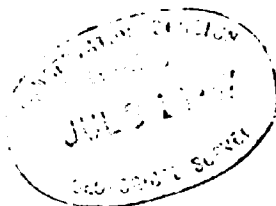
Enclosures



Gulf Oil Corporation
ROSWELL PRODUCTION DISTRICT

June 15, 1967

W. B. Hopkins
DISTRICT MANAGER
M. I. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER



ROSWELL, NEW MEXICO
P. O. Drawer 1938
Roswell, New Mexico 88201

RECEIVED
AUG 25 1967

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

The Director
United States Geological Survey
Washington, D.C. 20000

via

The Regional Oil & Gas Supervisor
United States Geological Survey
Post Office Box 1857
Roswell, New Mexico 88201

Re: Springs Unit Area No. 14-08-001 8817
Eddy County, New Mexico

**APPLICATION FOR REVISION OF INITIAL PARTICIPATING AREA
FOR THE CISCO FORMATION OF PENNSYLVANIAN AGE**

Gulf Oil Corporation, the Unit Operator of the Springs Unit Agreement, approved effective October 26, 1966, submits the following proposal to revise the initial participating area for the Cisco Formation of Pennsylvanian Age.

Heretofore by application dated January 17, 1967, Unit Operator proposed an initial participating area comprising all of Section 34, Township 20 South, Range 36 East, containing 640 acres, more or less.

Subsequent to said filing Unit Operator drilled and completed as a dry hole Springs Unit Well No. 2 situated in the NW/4 SE/4 of Section 27, Township 20 South, Range 26 East. As more fully explained in the attached geological report the log of Well No. 2, when considered in conjunction with the log of Well No. 1, provides a reasonable basis for concluding that the S/2 S/2 of said Section 27 is capable of production from the Cisco formation and that the said S/2 S/2 of said Section 27 constitutes the same drainage area for Well No. 1 as the lands comprising all of Section 34. As shown in the geological report which accompanied the initial proposal of the Springs Unit and also in the geological report which accompanied the proposal of the initial 640 acre participating area, there has been - and there still exists - an absence of information as to the producing character of the Cisco formation under Sections 26 and 35. However, if a reasonable construction of the data now available would expand the proposed 640 acre participating area northward to include the S/2 S/2 of Section 27, thus comprising an 800 acre participating area, a further projection of the participating area into a 1,000 acre square should be made for the reason that in the absence of any evidence to the contrary



June 15, 1967
Page 2

The Director
via
The Regional Oil & Gas Supervisor

it would appear to be a logical and reasonable presumption that Unit Well No. 1 drains lands in all directions equally on the basis of their proximity to the well.

In support of this application the following items are attached hereto and made a part hereof.

- (1) Exhibit "A", an ownership map showing the pertinent portions of the unit area and the boundaries thereof, initial unit well, the second unit well, and the proposed revised participating area.
- (2) A proposed schedule showing the lands entitled to participate in the unitized substances produced from the Cisco formation with the percentage of participation for each lease or tract indicated thereon, said schedule is marked Exhibit "B".
- (3) Geological Report marked Exhibit "C" tabulating, among other things, the tops of formations encountered in the first and second wells, drill stem tests, results of the potential tests in Wells No. 1 and 2 and a contour map incorporated herein as Exhibit "D" indicating the reasonableness of a presumption of productive lands to warrant the expansion of the initial participating area into a 1000 acre square.
- (4) A map contoured on top of the Cisco Reef dolomite, said map is marked Exhibit "D".

In addition to the foregoing and attached geological reasons for expanding the initial participating area there is a geographical reason. Mr. C. L. Thacker, a royalty owner in the SW/4 SW/4 Section 26 and W/2 W/2 Section 35, whose interests are fully committed to the unit, has (both in person and by a letter addressed to the Director dated February 21, 1967) pointed out a possible inequity in the initial proposed participating area whereby his acreage, which is situated as near to the producing well as an equal number of acres in the vicinity of the SW corner of Section 34 is legally prevented from participation. The Working Interest Owners have not previously been sensitive to this situation because their participation is under the Unit Operating Agreement based upon their respective acreage ownerships.

Wherefore, Applicant respectfully requests that the Director of the United States Geological Survey approve the above selection of land to constitute the revised initial participating area for the Cisco formation of the Pennsylvanian age, the same to be effective as of March 1, 1967 which is the date of completion of said Well No. 2.

Yours very truly,

GULF OIL CORPORATION
M. I. Taylor
M. I. Taylor

Date Approved AUG 18 1967

William D. Baker
Acting Director, U. S. Geological Survey

Attachments
WVK:ach

Gulf Oil Corporation

LAW DEPARTMENT

Edwin S. Hurst
DIVISIONAL ATTORNEY
MIDLAND, TEXAS

ATTORNEY, ROSWELL
William V. Kestler

P. O. Box 1938
Roswell, N. M. 88201

July 17, 1967

RECEIVED

JUL 19 1967

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

Mr. John A. Anderson
Regional Oil and Gas Supervisor
United States Geological Survey
Post Office Box 1857
Roswell, New Mexico 88201

Re: Application of June 15, 1967, for Revision of Initial Participating
Area for the Cisco Formation of Pennsylvanian Age - Springs Unit
Area No. 14-08-001 8817
Eddy County, New Mexico

Dear Mr. Anderson:

Pursuant to our conference in your office on July 11, 1967, concerning our June 15 application for Revision of the Initial Participating Area in the above-listed unit, I am resubmitting the same in quintuplicate in the enclosed envelope. Exhibits "A" and "B" have been slightly changed, as more fully hereinafter explained.

As you know, Gulf, as Unit Operator, originally submitted an Application for the Initial Participating Area in this unit on January 17, 1967, following a discussion in your office, in which you did not personally participate. Following this submittal, Mr. and Mrs. C. L. Thacker, whose royalty interests in Tract No. 26 had been committed to the Unit Agreement, had protested the fact that their tract was excluded from the Initial Participating Area and had pointed out that its exclusion was an inequitable situation. Following this protest, Mr. E. M. Pilkinton was advised by you, and later by us (and also by Mr. Thacker), and requested to hold the approval of the Initial Participating Area in abeyance until the working interest owners could be polled on the question of whether they desired to withdraw the initial application and substitute it with an application including a larger area, based upon proximity considerations. Subsequently, a majority of more than seventy percent of the working interest owners, as required by the Unit Operating Agreement, elected to withdraw the original Application for the Initial Participating Area and submit a Revised Application for the Initial Participating Area, comprising 1,000 acres, more or less, being composed of all of Section 34, the S/2 S/2 of Section 27, the SW/4 SW/4 of



Mr. John A. Anderson
Page 2
July 17, 1967

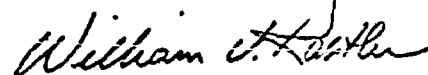
Section 26, and the W/2 W/2 of Section 35, all in Township 20 South, Range 26 East.

Unfortunately, by the time we had received the effective consent of the working interest owners, the second Unit Well in the NW/4 SE/4 of Section 27 had reached total depth and failed to establish production in the Cisco formation. In discussing the proposed strategy of submitting the Revised Application for Participating Area with Mr. E. M. Pilkinton, he stated that because of the non-productiveness of Unit Well No. 2, he did not believe that the original application could be withdrawn, in order that a substituted application for a larger area could be submitted as the original application. Instead, he proposed that Gulf submit an application to bring additional acreage in by means of a Revision of the Initial Participating Area. This explains why this procedure has been resorted to.

At our conference in your office on July 11, 1967, you called to our attention that we had shown Tract 22 to contain somewhat more than the 65.50 acres described in the lease, and accordingly suggested that we revise this in a manner most compatible with the Plat currently in use by the U. S. Bureau of Reclamation. This explains the reason for changing Exhibits "A" and "B". Exhibit "A" has been revised to show the inclusion in the proposed Revised Initial Participating Area of a portion of Tract No. 17. Exhibit "B" has, to some, extent, redefined the lands covered by Tracts 17, 22, and 26. All these matters were more fully discussed in our conference and are based primarily upon the calculations for Section 35 of Township 20 South, Range 26 East, based on the Bureau of Reclamation Plat, which is in accordance with the provisions contained in Section 11 of the Springs Unit Agreement.

I trust you will find this explanation helpful. If any further questions should occur, please do not hesitate to contact me again.

Very truly yours,

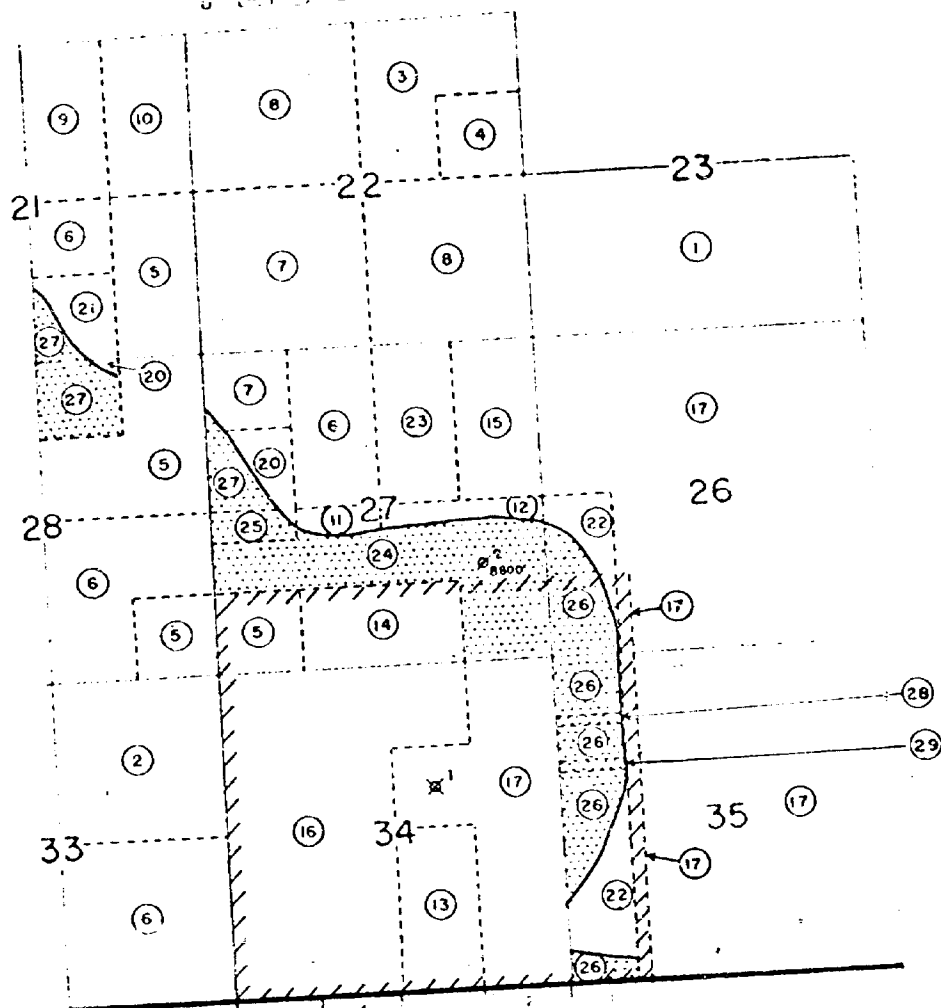


William V. Kastler

WVK:dc

Enclosures

T20S R26E



T21S R26E

EXHIBIT "A"

ATTACHED TO THE APPLICATION FOR APPROVAL
OF INITIAL PARTICIPATING AREA FOR THE
CISCO FORMATION

SPRINGS UNIT

EDDY COUNTY, NEW MEXICO

(OWNERSHIP MAP)

Revised July 12, 1967

EXHIBIT "B"

Attached to the Application for Revision of Initial Participating Area for the Cisco Formation - Springs Unit, Eddy County, New Mexico (Schedule Showing Participation).

Tract No. & Description:
Serial No.:
Lessee of Record:

Royalty Owners:

Working Interest Owners:
Participation Acreage & Percent:

Portion of 5 [SW/4 SW/4 Sec. 27-20S-26E]
NM-03215
Gulf Oil Corporation, et al [approved
Assignment effective 4-1-67]
United States of America 12.5% (RI)
Childress Royalty Co., E. E.
Nearburg, Tom Ingram, Fred 5% (PP)
Brainard 2% (ORI)
Foster Morrel 0.25% (ORI)
Tracy Clark & Robert Boling
(See list below) 4.000%
40/1000

Tract No. & Description:
Serial No.:
Lessee of Record:

Royalty Owners:

Working Interest Owners:
Participation Acreage & Percent:

13 [W/2 SE/4 Sec. 34-20S-26E]
NM-0225012
Gulf Oil Corporation [Assignment ap-
proved 10-1-66] 12.5% (RI)
United States of America 12.5% (ORI)
Chevron Oil Company
(See list below) 8.000%
80/1000

Tract No. & Description:

Serial No.:
Lessee of Record:
Royalty Owners:

Working Interest Owners:
Participation Acreage & Percent:

14 [SE/4 SW/4 & SW/4 SE/4 Sec. 27-
20S-26E]
NM-0228979
Gulf Oil Corporation 12.5% (RI)
United States of America 5%
The Masi Company
(See list below) 8.000%
80/1000

Tract No. & Description:
Serial No.:
Lessee of Record:
Royalty Owners:

Working Interest Owners:
Participation Acreage & Percent:

16 [W/2 & NW/4 NE/4 Sec. 34-20S-26E]
NM-0338754
Gulf Oil Corporation 12.5% (RI)
United States of America 5% (PP)
Henry D. Galvin
(See list below) 36.000%
360/1000

EXHIBIT "B" - Page 2

Tract No. & Description:	Portion of 17 [E/2 E/2 & SW/4 NE/4 Sec. 34; also an unsurveyed part of Tract 17 which is within the SW 40 acres of the SW/4 of Sec. 26, and that portion of Tract 17 which is within the West 160 acres of Sec. 35-20S-26E]	
Serial No.:	NM-0338758	
Lessee of Record:	Gulf Oil Corporation	
Royalty Owners:	United States of America	12.5% (RI)
	Pauline Galt	5% (PP)
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	276.33/1000	<u>27.633%</u>

Tract No. & Description:	Portion of 22 [an unsurveyed part of the SW/4 SW/4 Sec. 26, and W/2 W/2 Sec. 35-20S-26E lying East of Pecos River]	
Serial No.:	BLM-A-032236-B	
Lessee of Record:	Gulf Oil Corporation	
Royalty Owners:	United States of America	12.5% (RI)
	Elk Oil Company	2% (ORI)
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	28.25/1000	<u>2.825%</u>

Tract & Description:	Portion of 26 [SW/4 SW/4 Sec. 26 & W/2 W/2 Sec. 35-20S-26E SAVE AND EXCEPT all that part of each of the above-described tracts lying and being on the left or east bank of the Pecos River and SAVE AND EXCEPT Lots 28 and 29 of the Thacker Subdivision.	
Date of Lease:	June 27, 1963	
Lessee of Record:	Pan American Petroleum Corporation, et al	
Royalty Owners:	C. L. Thacker	12.5% (RI)
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	91.26/1000	<u>9.126%</u>

Tract No. & Description:	Portion of 24 [Se/4 SE/4 Sec. 27-20S-26E]	
Date of Lease:	June 25, 1963	
Lessee of Record:	Pan American Petroleum Corporation, et al	
Royalty Owners:	T. D. Hardesty	12.5%
	[not committed]	
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	40/1000 [see remarks]	<u>4.000%</u>

EXHIBIT "E" - Page 3

Tract No. & Description:	28 [Lot 26 of Thacker Subdivision located in W/2 W/2 Sec. 35-20S-26E]
Date of Lease:	July 9, 1963
Lessee of Record:	Pan American Petroleum Corporation, et al
Royalty Owners:	H. D. Scott 12.5% (RI)
Working Interest Owners:	(See list below)
Participation Acreage & Percent:	2/1000 0.200%

Tract No. & Description:	29 [Lot 29 of Thacker Subdivision located in W/2 W/2 Sec. 35-20S-26E]
Date of Lease:	July 2, 1963
Lessee of Record:	Pan American Petroleum Corporation, et al
Royalty Owners:	George A. Holman 12.5% (RI)
Working Interest Owners:	(See list below)
Participation Acreage & Percent:	2.16/1000 0.216%
Totals of Acreages & Percentages:	1.000/1000 100.000%

Working Interest Owners and Percentage Ownership in each Tract listed in the foregoing schedule (as provided by the Springs Unit Operating Agreement):

Cities Service Oil Company	1.247%
Gulf Oil Corporation	66.213%
Pan American Petroleum Corporation	25.102%
Phillips Petroleum Company	4.776%
Yates Petroleum Corporation	2.662%

Remarks: The interest of T. D. Hardesty, as Royalty Owner above, in the absence of his commitment to the Unit Agreement will not be paid. Proceeds attributable to this interest will instead be paid to the lessee of record.

EXHIBIT "C"

ATTACHED TO THE APPLICATION FOR REVISION OF THE INITIAL PARTICIPATING AREA FOR THE CISCO FORMATION - SPRINGS UNIT, EDDY COUNTY, NEW MEXICO (GEOLOGICAL REPORT)

The Gulf Oil Corporation No. 1 Springs Unit-Federal was completed as a gas well from the Cisco Reef dolomite on December 10, 1966.

The stratigraphic section penetrated was very similar to that anticipated; however, the Cisco Reef was not as high as proposed in the original Geological Report dated August 30, 1966.

The tabulation below shows the geological formations, their depth and sea level datum as encountered in this well.

<u>Formation</u>	<u>Depth</u>	<u>Sea Level Datum</u>
Queen	695	/ 2,541
Delaware Sand Facies	1,654	/ 1,582
Bone Spring	2,403	/ 833
First Bone Spring Sand	5,020	- 1,784
Second Bone Spring Sand	5,784	- 2,548
Third Bone Spring Sand	7,151	- 3,915
Wolfcamp	7,515	- 4,279
Cisco	7,996	- 4,760
Lower Strawn	8,703	- 5,467

Four drill stem tests were run while drilling this well, three of which were in the Cisco Reef section and the lowermost in the lower Strawn formation. They were as follows:

1 hr 22 mins DST #1 7985-8005

GTS 1-1/2 mins Max gas volume 5.3 MMCFPD recovered 5 bbls. mud plus
7 bbls condensate - Rec. 120' gas cut mud below circ sub
1 Hr ISIP 3341 psi FP 1604-2151 psi 1 Hr FSIP 3341 psi

1 hr 42 mins DST #2 8022-65

GTS 1-1/2 mins Max gas volume 6.2 MMCFPD recovered 16 bbls
condensate, plus 90 feet gas cut mud below circulating sub
2 Hr 30 Min ISIP 3341 psi FP 2388-2981 psi 1 Hr FSIP 3341 psi

42 Min DST #3 8081-8125

GTS 1-1/2 Mins Max gas volume 500 MCF Spray of wtr after 40 mins.
Rec. 1953 feet sulfur water containing est 6% condensate at top,
grading to 1% at bottom
30 Min ISIP 3341 psi FP 841-1152 psi 30 Min FSIP 3341 psi

54 Min DST #4 8680-8800

GTS 2 mins Gas volume 145 MCF decreasing to 72 MCF. Water to surface
after 48 Min Rec. 1209 feet fluid, top 609 feet consisted of condensate,
mud and salt water - lower 600 feet salty sulfur water.
30 Min ISIP 3664 psi FP 632-1054 psi 30 Min FSIP 3600 psi

EXHIBIT "C" (Continued)

After perforating, 8004-8014 and 8018-82, treating w/1500 gals acid the well potentiated for a calculated open flow of 12.292 MMCF/Day.

The Gulf Oil Corporation No. 2 Springs Unit-Federal was spudded February 10, 1967 and was plugged and abandoned March 15, 1967. Listed below are the geological formations, their depth and sea level datum.

<u>Description</u>	<u>Depth</u>	<u>Sea Level Datum</u>
Queen	583	2,653
Bone Spring	2,345	891
First Bone Spring Sand	5,098	1,862
Second Bone Spring Sand	5,830	2,594
Third Bone Spring Sand	7,195	3,959
Wolfcamp	7,605	4,369
Cisco	8,114	4,878
Lower Strawn	8,740	5,504

The only drill stem test run in the No. 2 well was in the Upper Cisco formation. It was as follows:

1 Hr DST 8098-8120

Good blow decreasing to weak in 1 hour. Recovered 20 feet mud - no show.

1 Hr ISIP 640 psi

FP 30-30 psi

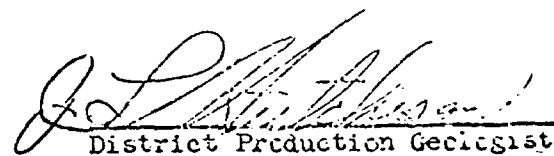
1 Hr FSIP 854 psi

One may note from the geological formation tabulation in the two wells, that a top of the Delaware sand facies was not listed for the No. 2 well. This was caused by the lack of sand deposition as one moves shelfward in the direction of the second well.

The Cisco reef was encountered 118 feet lower in the No. 2 Springs Unit-Federal than in the discovery well; however, the top of the lower Strawn formation was only 37 feet lower. By examining electrical surveys one can note the uppermost Cisco section productive in the No. 1 well is absent in the second test. This was probably caused either by the lack of reef growth or subsequent erosion.

An estimated gas-water contact was established on the discovery well from DST No. 3, when both gas and water were recovered from that interval. This datum was determined to be at 4865 feet subsea and only 13 feet above the top of the Cisco on the second well. From these data one would postulate the limit of the reservoir between these wells to be very near the No. 2 Springs Unit-Federal.

Exhibit "D" is a map on top of the Cisco Reef. The dashed line depicts the gas-water contact. From this rather sparse control one can postulate the limits of the gas reservoir. The Gulf Oil Corporation No. 3 Springs Unit, located in the NW/4 SW/4 Section 34, currently drilling, along with subsequent drilling will add to and more clearly define these limits. It is respectfully submitted that the Unit which has reasonably been proven to be productive be included in the revised participating area.


 District Production Geologist
 Gulf Oil Corporation
 Roswell, New Mexico

Gulf Oil Corporation

ROSWELL PRODUCTION DISTRICT

W. B. Hopkins
DISTRICT MANAGER
M. J. Taylor
DISTRICT PRODUCTION
MANAGER
F. O. Mortlock
DISTRICT EXPLORATION
MANAGER
H. A. Rankin
DISTRICT SERVICES MANAGER

P. O. Drawer 1938
Roswell, New Mexico 88201

January 17, 1967

The Director
United States Geological Survey
Washington, D. C. 20000

via

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

Re: Springs Unit Area
No. 14-08-001-8817
Eddy County, New Mexico

APPLICATION FOR APPROVAL OF INITIAL PARTICIPATING AREA FOR THE CISCO FORMATION OF PENNSYLVANIAN AGE

Gulf Oil Corporation, the Unit Operator of the Springs Unit Agreement, approved effective October 26, 1966, respectfully submits for approval, pursuant to the provisions of Section 11 of said Unit Agreement, the following described lands which are regarded as reasonably productive of unitized substances in paying quantities to constitute the initial participating area for the Cisco formation of Pennsylvanian age, to-wit:

T. 20 S., R. 26 E., N.M.P.M.
Section 34: All
containing 640.00 acres, more or less.

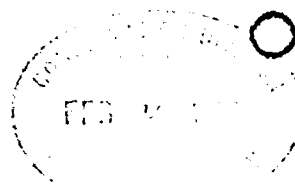
In support of this application, the following numbered items are attached hereto and made a part hereof:

- (1) An ownership map showing the pertinent portion of the unit area and the boundaries thereof, the initial unit well in the SW/4 of the NE/4 of Section 34, T. 20 S., R. 26 E., and showing in hatched lines All of said Section 34 as the proposed initial participating area. Said map is marked Exhibit "A".



RECEIVED
JAN 18 1967
U. S. G. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

The Director
United States Geological Survey
via
The Regional Oil and Gas Supervisor
United States Geological Survey
Roswell, New Mexico
January 17, 1967
Page 2




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AUG 25 1967

U.S. GEOLOGICAL SURVEY
ROSSELL, NEW MEXICO

- (2) A schedule showing the lands entitled to participate in the unitized substances produced from the Cisco formation with the percentage of participation for each lease or tract indicated thereon. Said Schedule is marked Exhibit "B".
- (3) A geological report tabulating, among other things, the tops of formations encountered in the initial well, the drill stem tests, the results of the potential tests and referring to a contour map incorporated herein as Exhibit "D" indicating the reason for confining the area which is reasonably proved to be productive to Section 34, T. 20 S., R. 26 E. Said report is marked Exhibit "C".
- (4) A map contoured on top of the Cisco Reef dolomite. Said map is marked Exhibit "D".

Wherefore, Applicant respectfully requests that the Director of the United States Geological Survey approve the above selection of lands to constitute the initial participation area for the Cisco formation of Pennsylvanian age, the same to be effective as of December 10, 1966, which is the date of completion of said Well No. 1.


Very truly yours,


M. I. Taylor

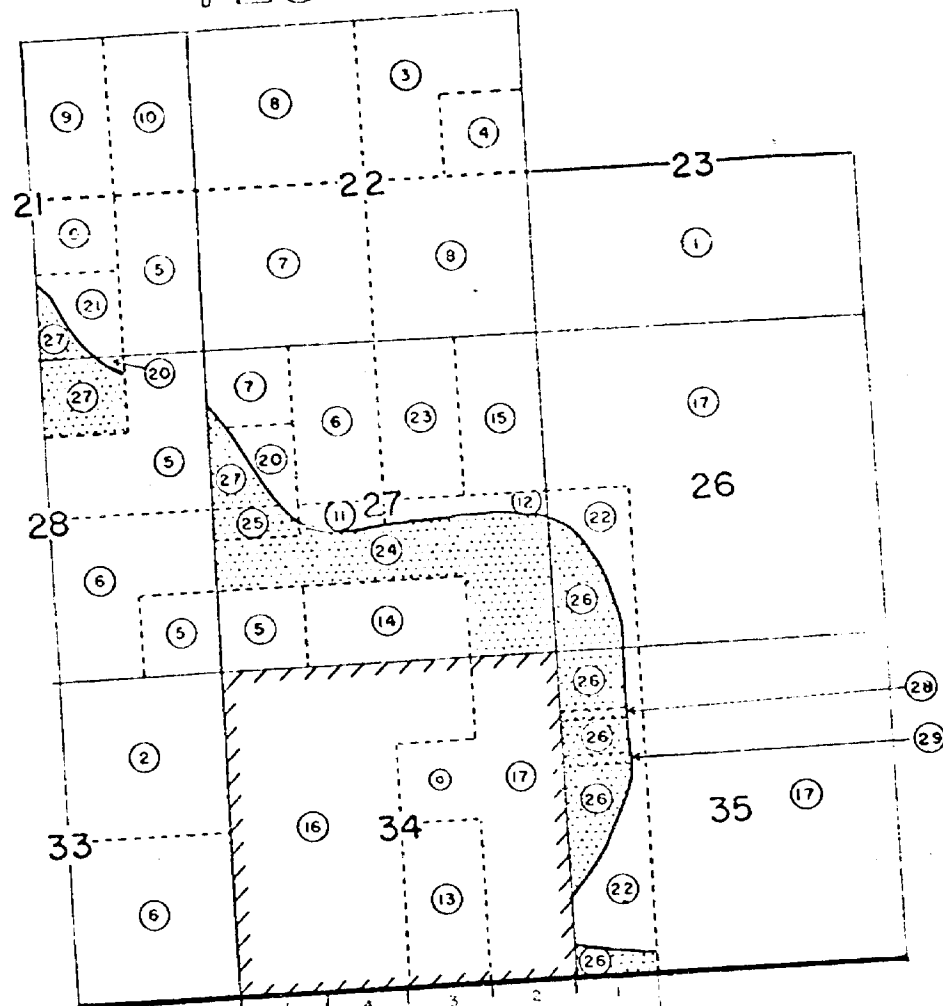
WVK:ejl

Enclosures

Date Approved AUG 18 1967


Acting Director, U. S. Geological Survey

T20S R26E



T21S R25E

EXHIBIT "A"
 ATTACHED TO THE APPLICATION FOR APPROVAL
 OF INITIAL PARTICIPATING AREA FOR THE
 CISCO FORMATION
 SPRINGS UNIT
 EDDY COUNTY, NEW MEXICO
 (OWNERSHIP MAP)

EXHIBIT "B"

ATTACHED TO THE APPLICATION FOR APPROVAL OF THE INITIAL PARTICIPATING
AREA FOR THE CISCO FORMATION - SPRINGS UNIT, EDDY COUNTY, NEW MEXICO
(SCHEDULE SHOWING PARTICIPATION)

Tract No.	13
Lessee of Record:	Gulf Oil Corporation
Working Interest Owners:	(See list below)
Serial No.:	NM-0225012
Participating Acreage:	80 acres
Percent of Participation:	80/640 - 12.5%
Description:	W/2 SE/4 Section 34, T. 20 S., R. 26 E., N.M.P.M.

Tract No.	16
Lessee of Record:	Gulf Oil Corporation
Working Interest Owners:	(See list below)
Serial No.:	NM-0338754
Participating Acreage:	360 acres
Percent of Participation:	360/640 - 56.25%
Description:	W/2 and NW/4 NE/4 Section 34, T. 20 S., R. 26 E., N.M.P.M.

Tract No.	17
Lessee of Record:	Gulf Oil Corporation
Working Interest Owners:	(See list below)
Serial No.:	NM-0338758
Participating Acreage:	200 acres
Percent of Participation:	200/640 - 31.25%
Description:	E/2 E/2 and SW/4 NE/4 Section 34, T. 20 S., R. 26 E., N.M.P.M.

Working Interest Owners and Percentage Ownership in each Tract listed in
the foregoing schedule (as provided by the Springs Unit Operating Agree-
ment):

Cities Service Oil Company	1.247%
Gulf Oil Corporation	66.213%
Pan American Petroleum Corporation	25.102%
Phillips Petroleum Company	4.776%
Yates Petroleum Corporation	2.662%

EXHIBIT "C"

ATTACHED TO THE APPLICATION FOR APPROVAL OF THE INITIAL PARTICIPATING AREA FOR THE CISCO FORMATION - SPRINGS UNIT, EDDY COUNTY, NEW MEXICO (GEOLOGICAL REPORT)

The Gulf Oil Corporation No. 1 Springs Unit-Federal was completed as a gas well from the Cisco Reef dolomite on December 10, 1966.

The stratigraphic section penetrated was very similar to that anticipated; however, the Cisco Reef was not as high as proposed in the original Geological Report dated August 30, 1966.

The tabulation below shows the geological formations, their depth and sea level datum as encountered in this well.

Formation	Depth	Sea Level Datum
Queen	695	+ 2,541
Delaware Sand Facies	1,654	+ 1,582
Bone Spring	2,403	+ 833
First Bone Spring Sand	5,020	- 1,784
Second Bone Spring Sand	5,784	- 2,548
Third Bone Spring Sand	7,151	- 3,915
Wolfcamp	7,515	- 4,279
Cisco	7,996	- 4,760
Lower Strawn	8,703	- 5,467

Four drill stem tests were run while drilling this well, three of which were in the Cisco Reef section and the lowermost in the lower Strawn formation. They were as follows:

1 hr 22 mins DST #1 7985-8005

GTS 1-1/2 mins Max gas volume 5.3 MMCFPD Recovered 5 bbls. mud plus 7 bbls condensate - Rec. 120' gas cut mut below circ sub
1 Hr ISIP 3341 psi FP 1504-2151 psi 1 Hr FSIP 3341 psi

1 hr. 42 mins DST #2 8022-65

GTS 1-1/2 mins Max gas volume 6.2 MMCFPD Recovered 16 bbls condensate, plus 90 feet gas cut mud below circulating sub
2 Hr 30 Min ISIP 3341 psi FP 2388-2981 psi 1 Hr FSIP 3341 psi

42 Min DST #3 8081-8125

GTS 1-1/2 Mins Max gas volume 500 MCF Spray of wtr after 40 mins. Rec. 1953 feet sulfur water containing est 6% condensate at top, grading to 1% at bottom.
30 Min ISIP 3341 psi FP 841-1152 psi 30 Min FSIP 3341 psi

54 Min DST #4 8680-8800

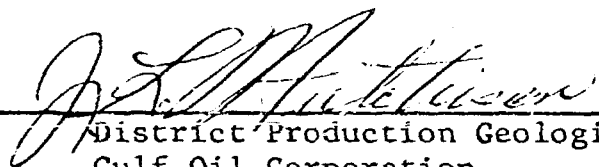
GTS 2 mins Gas volume 145 MCF decreasing to 72 MCF. Water to surface after 48 Min. Rec. 1209 feet fluid, top 609 feet consisted of condensate, mud and salt water - lower 600 feet salty sulfur water.

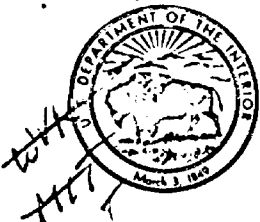
30 Min ISIP 3664 psi FP 632-1054 psi 30 Min FSIP 3600 psi

After perforating, 8004-8014 and 8048-62, treating w/ 1500 gals acid, the well potentialized for a calculated open flow of 12.292 MMCF/Day.

Exhibit "D" is a map contoured on top of the Cisco Reef dolomite. It is not considered to be a structure map, but rather a "relief map" on the reef growth. Better control has been established in the southern portion of the Unit area and it can be noted that the interpretation is limited to that portion.

By using an estimated gas-water contact of 4865 feet subsea, determined from DST No. 3 and imposing this datum on the relief map (shown as dotted line on Exhibit "D") one can postulate limits in this southern portion. Subsequent development drilling will surely modify and supplement the current interpretation, but pending such further development it is respectfully submitted that the unit area which has reasonably been proven to be productive of unitized substances in paying quantities in the Cisco formation of Pennsylvanian age by unit well no. 1 is all of Section 34, Township 20 South, Range 26 East.


District Production Geologist
Gulf Oil Corporation
Roswell, New Mexico



7 24

UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
Drawer 1857
Roswell, New Mexico 88201

March 29, 1968

Gulf Oil Corporation
P. O. Box 1938
Roswell, New Mexico 88201


Attention: Mr. William V. Kastler

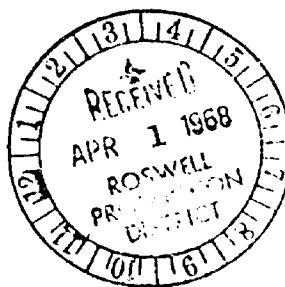
Gentlemen:

The second revision of the Cisco participating area, Springs unit, Eddy County, New Mexico was approved on March 20, 1968, by the Acting Director, Geological Survey, effective as of June 1, 1967.

Your approved copy of the application is enclosed. You should furnish all interested parties with appropriate evidence of the approval.

Sincerely yours,


BILLY J. SHOGER
Acting Oil & Gas Supervisor



Gulf Oil Corporation

LAW DEPARTMENT

Edwin S. Hurst
DIVISIONAL ATTORNEY
MIDLAND, TEXAS
ATTORNEY ROSWELL
William V. Kestler

February 29, 1968

P. O. Box 103A
Roswell, N. M. 88201

Mr. John A. Anderson
Regional Oil & Gas Supervisor
United States Geological Survey
P. O. Box 1857
Roswell, New Mexico 88201

MAR 2 1968
U.S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

Re: Application for Second Revision of
Initial Participating Area for the
Cisco Formation of Pennsylvanian Age --
Springs Unit Area No. 14-08-001 8817,
Eddy County, New Mexico.

Dear Mr. Anderson:

Pursuant to a conference in your office on January 12, 1968, Gulf Oil Corporation, as Unit Operator, submits this application for the Second Revision of the Initial Participating Area, Cisco Formation, Springs Unit Area.

As supporting data for this application also enclosed herewith is the following:

- (1) Exhibit "A" Ownership Map showing the revised participating area.
- (2) Exhibit "B" Schedule of Ownership drawn for the proposed revised participating area.
- (3) Exhibit "C" Geological Report setting out various data pertaining to Unit Well No. 3, the successful completion of which is the cause for the submittal of this application.
- (4) Exhibit "D" Geological Structure Plat contoured on top of the Cisco Reef Dolomite, showing gas water contact and other data based upon our latest revision as a result of the successful completion of Unit Well No. 3.

Gulf submits that the additional land reasonably proved to be productive in paying quantities as a result of drilling Unit Well No. 3 may be described as the E/2 of Section 33, Township 20 South, Range 26 East, Lot 1 of Section 3 and Lots 3 and 4 of Section 2, Township 21 South, Range 25 East. Inasmuch as more than 50% of the SE/4 SE/4 of Section 28, Township 20 South, Range 26 East appears to be below the gas water contact line we have not proposed to include this acreage in the revised



Mr. John A. Anderson
Regional Oil & Gas Supervisor
United States Geological Survey
February 29, 1968
Page 2

participating area. Lots 3 and 4 of Section 2, Township 21 South, Range 25 East are a portion of Tract 18 (which are owned by Continental Oil Company as lessee of record) are not committed to the Unit Agreement. The second revised participating area as proposed herein enlarges the participating area from 1,000 acres to 1404.87 acres. However, inasmuch as Lots 3 and 4 of Section 2, Township 21 South, Range 25 East are not committed to the Unit, the allocation of interests is based upon the 1,348.47 acres which are entitled to a participation factor.

The second revision of the participating area will be effective June 1, 1967, pursuant to Section 11 of the Unit Agreement.

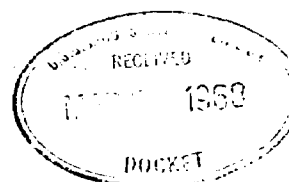
Very truly yours,

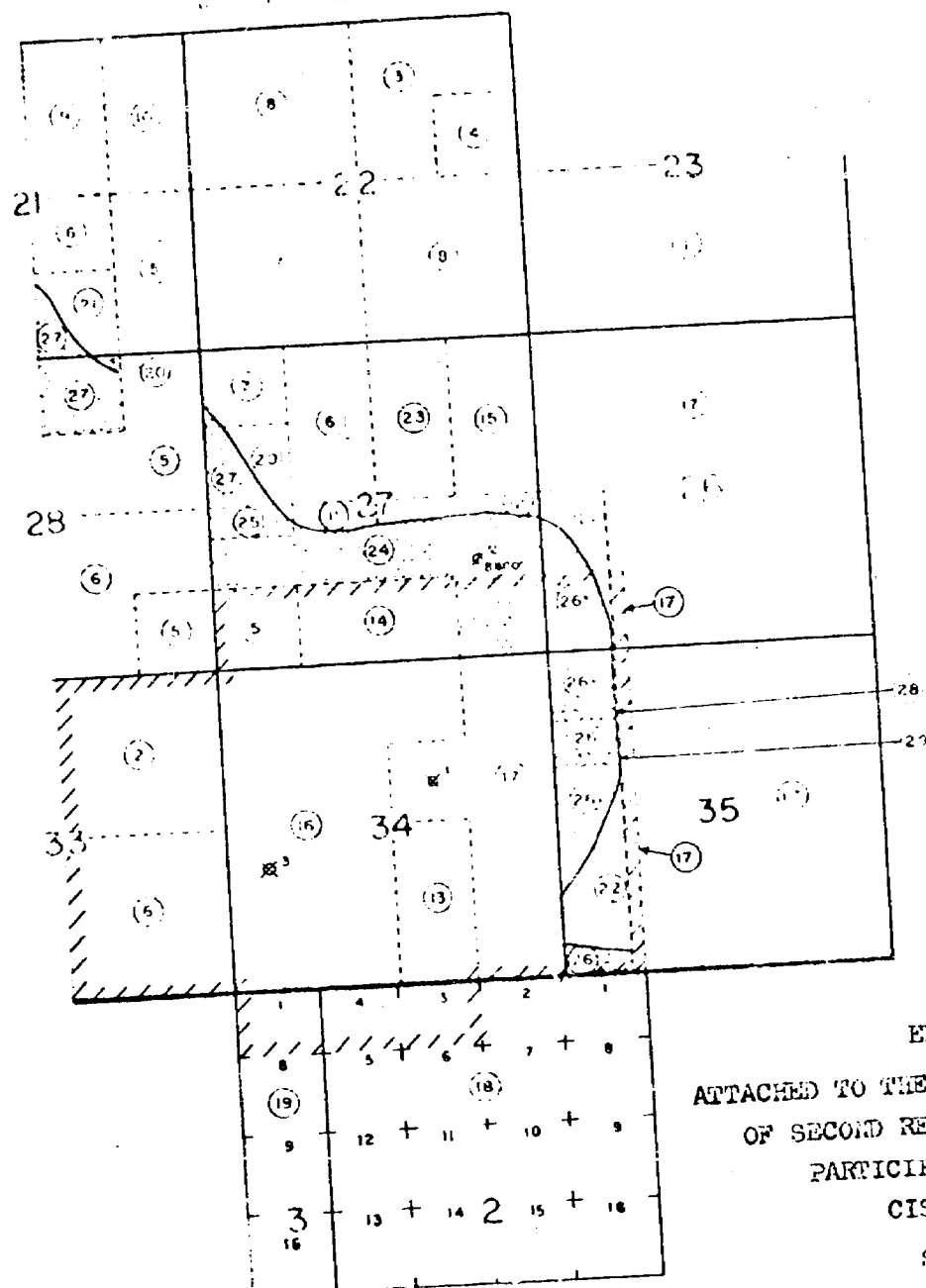
William V. Kastler
William V. Kastler

WVK:ejl

MAR 20 1968 ,
Date Approved.....

Arthur D. Baker
Acting Director, U. S. Geological Survey





1	4	5	2	1
8	5	6	4	7
9	12	11	10	3
3	13	14	2	15
16				18

EXHIBIT "A"

ATTACHED TO THE APPLICATION FOR APPROVAL
 OF SECOND REVISION OF THE INITIAL
 PARTICIPATING AREA FOR THE
 CISCO FORMATION
 SPRINGS UNIT
 EDDY COUNTY, NEW MEXICO
 (OWNERSHIP MAP)

FEBRUARY 29, 1968

EXHIBIT "B"

Attached to the Application for the Second Revised Participating Area for the Cisco Canyon - Springs Unit, Eddy County, New Mexico. (Schedule Showing Participation)

Tract No. & Description:	2 [NE/4 Sec. 33-20S-26E]	
Serial No.:	LC-070498	
Lessee of Record:	Sinclair Oil & Gas Company	
Royalty Owners:	United States of America	12.5% RI
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	160/1348.47	<u>11.865%</u>

Tract No. & Description:	Portion of 5 [SW/4 SW/4 Sec. 27-20S-26E]	
Serial No.:	NM-03215	
Lessee of Record:	Gulf Oil Corporation, et al.	
Royalty Owners:	United States of America	12.5% RI
	Childress Royalty Co., E. E.	
	Nearburg, Tom Ingram, Estate	
	of Fred Brainard	5% PP
	Foster Morrel	2% ORI
	Tracy Clark & Robert Boling	0.25% ORI
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	40/1348.47	<u>2.966%</u>

Tract No. & Description:	Portion of 6 [SE/4 Sec. 33-20S-26E]	
Serial No.:	NM-03215-A	
Lessee of Record:	Cities Service Oil Company	50%
	Phillips Petroleum Company	50%
Royalty Owners:	United States of America	12.5% RI
	Childress Royalty Co., E. E.	
	Nearburg, Tom Ingram, Estate	
	of Fred Brainard	5% PP
	Foster Morrel	2% ORI
	Tracy Clark & Robert Boling	0.25% ORI
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	160/1348.47	<u>11.865%</u>

Tract No. & Description:	13 [W/2 SE/4 Sec. 34-20S-26E]	
Serial No.:	NM-0225012	
Lessee of Record:	Gulf Oil Corporation	
Royalty Owners:	United States of America	12.5% RI
	Chevron Oil Company	12.5% ORI
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	80/1348.47	<u>5.933%</u>

-2-

Tract No. & Description:
Serial No.:
Lessee of Record:

Royalty Owners:

Working Interest Owners:
Participation Acreage & Percent:

14 [SE/4 SW/4 & SW/4 SE/4 Sec. 27-20S-26E]
NM-0228979
Gulf Oil Corporation

United States of America 12.5% RI
The Masi Company 5% ORI
(See list below) 5.933%
80/1348.47

Tract No. & Description:
Serial No.:
Lessee of Record:
Royalty Owners:

Working Interest Owners:
Participation Acreage & Percent:

16 [W/2 & NW/4 NE/4 Sec. 34-20S-26E]
NM-0338754
Gulf Oil Corporation 12.5% RI
United States of America 5% PP
Henry D. Galvin
(See list below) 26.697%
360/1348.47

Tract No. & Description:

Serial No.:
Lessee of Record:
Royalty Owners:

Working Interest Owners:
Participation Acreage & Percent:

Portion of 17 [E/2 E/2 & SW/4 NE/4
Sec. 34, also an unsurveyed part of
Tract 17 which is within the SW 40 acres
of the SW/4 of Sec. 26, and that portion
of Tract 17 which is within the West 160
acres of Sec. 35-20S-26E]

NM-0338758
Gulf Oil Corporation 12.5% RI
United States of America 5% PP
Pauline Galt
(See list below) 20.492%
276.33/1348.47

Tract No. & Description:

Serial No.:
Lessee of Record:
Royalty Owners:

Working Interest Owners:
Participation Acreage & Percent:

Portion of 18 [Lots 3 (28.10 acres)
and 4 (28.30 acres) of Sec. 2-21S-25E.
NM-0454228-A
Continental Oil Company 12.5% RI
United States of America 3% PP
Ervin J. Levers

-0- [not committed to the Unit
Agreement] 0.000%

Tract No. & Description:

Serial No.:
Lessee of Record:
Royalty Owners:

Working Interest Owners:
Participation Acreage & Percent:

Portion of 19 [Lot 1 (28.47 acres) of
Section 3-21S-25E
NM-0558961
Gulf Oil Corporation 12.5% RI
United States of America 1.25% ORI
Max W. Coll II 5.00% ORI
E. I. Vetter
(See list below) 2.111%
28.47/1348.47

-3-

Tract No. & Description:	Portion of 22 [an unsurveyed part of the SW/4 SW/4 Sec. 26 , & W/2 W/2 Sec. 35-20S-26E lying East of Pecos River]	
Serial No.:	BLM-A-032236-B	
Lessee of Record:	Gulf Oil Corporation	
Royalty Owners:	United States of America	12.5% RI
	Elk Oil Company	2% ORI
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	28.25/1348.47	<u>2.095%</u>

Tract No. & Description:	Portion of 26 [SW/4 SW/4 Sec. 26 & W/2 W/2 Sec. 35-20S-26E SAVE AND EXCEPT all that part of each of the above described tracts lying and being on the left or east bank of the Pecos River and SAVE AND EXCEPT Lots 28 and 29 of the Thacker Subdivision.	
Date of Lease:	June 27, 1963	
Lessee of Record:	Pan American Petroleum Corporation, et al.	
Royalty Owners:	C. L. Thacker	12.5% RI
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	91.26/1348.47	<u>6.768%</u>

Tract No. & Description:	Portion of 24 [SE/4 SE/4 Sec. 27-20S-26E]	
Date of Lease:	June 25, 1963	
Lessee of Record:	Pan American Petroleum Corporation, et al.	
Royalty Owners:	T. D. Hardesty	12.5% RI
	(royalty not committed)	
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	40/1348.47 [see remarks]	<u>2.966%</u>

Tract No. & Description:	28 [Lot 26 of Thacker Subdivision located in W/2 W/2 Sec. 35-20S-26E]	
Date of Lease:	July 9, 1963	
Lessee of Record:	Pan American Petroleum Corporation, et al.	
Royalty Owners:	H. D. Scott	12.5% RI
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	2/1348.47	<u>0.149%</u>

Tract No. & Description:	29 [Lot 29 of Thacker Subdivision located in W/2 W/2 Sec. 35-20S-26E]	
Date of Lease:	July 2, 1963	
Lessee of Record:	Pan American Petroleum Corporation, et al.	
Royalty Owners:	George A. Holman	12.5% RI
Working Interest Owners:	(See list below)	
Participation Acreage & Percent:	2.16/1348.47	<u>0.160%</u>

TOTALS OF ACREAGES & PERCENTAGES:	1348.47/1348.47	<u>100.000%</u>
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Working Interest Owners and Percentage Ownership in each Tract listed in
The foregoing schedule (as provided by the Springs Unit Operating Agree-
ment):

Cities Service Oil Company
Gulf Oil Corporation
Pan American Petroleum Corporation
Phillips Petroleum Company
Yates Petroleum Corporation

1.247%
66.213%
25.102%
4.776%
2.662%

Remarks: The interest of T. D. Hardesty, as Royalty Owner above, in the
absence of his commitment to the Unit Agreement will not be paid. Proceeds
attributable to this interest will instead be paid to the lessee of record.

EXHIBIT "C"

Attached to the Application for Revision of the
Initial Participating Area for the Cisco Formation,
Springs Unit, Eddy County, New Mexico.

The Gulf Oil Corporation No. 3 Springs Unit was completed as a gas well
from the Cisco formation June 26, 1967.

The tabulation below shows the geological formations, their depth and
sea level datum in this well as determined from the Gamma Ray-Sonic Log.

<u>Formation</u>	<u>Depth</u>	<u>Sea Level Datum</u>
Queen	638	+ 2648
Bone Spring	2355	+ 931
First Bone Spring Sand	5000	- 1714
Second Bone Spring Sand	5780	- 2494
Third Bone Spring Sand	7088	- 3802
Wolfcamp	7495	- 4209
Cisco	8048	- 4762

This well was drilled to a total depth of 8,140 feet without any drill
stem tests being run. Five and one-half inch casing was cemented on
bottom. Subsequently, the casing was perforated from 8049-51', 8058-60',
8070-72', 8080-82', 8095-97' and 8104-12'.

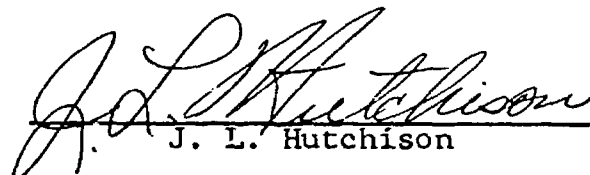
After a 2000-gallon acid treatment and flowing to clean up the well
tested as follows:

<u>Htr. Ck.</u>	<u>Rate</u>	<u>Time</u>	<u>Tubing</u>	<u>BHP</u>	<u>Fluid Rec.</u>	
					<u>Dist.</u>	<u>Water</u>
12/64"	1,741	1 hr	2336	3375	2	3
17/64"	3,216	1 hr	2242	3373	6	4
21/64"	4,654	1 hr	2200	3354	4	16
30/64"	7,724	1 hr	1985	3333	12	16
19/64"	4,021	14-3/4	2281	3356	84	144

Cond. Rate 34 bbl/M²; Water Rate 234 BPD based on 14-3/4 hr test.

SITP 2577. SIBHP 3381. CAOF = 174,465 MCFPD.

Based on first four tests.


J. L. Hutchison

