

Case No.

1448

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Application, Transcript,  
Small Exhibits, Etc.

1448

CASE 1448: Ambassador Oil Corp. application  
for order approving its North Caprock Queen  
Unit #2.

**RECEIVED**  
AUG 3 1971  
N. OIL CONSERVATION COM.

August 30, 1971

Anadarko Production Company  
3109 Winthrop Avenue  
P. O. Box 9317  
Fort Worth, Texas 76107

Re: North Caprock Queen Unit No. Two,  
Lea and Chaves Counties, New Mexico  
Termination of Unit Agreement and  
Abandonment of Operations

ATTENTION: Mr. C. W. Stumhoffer

Gentlemen:

We are in receipt of your letter dated August 26, 1971, requesting approval to terminate the captioned unit as per Article 22 of the Unit Agreement. The Commissioner of Public Lands has this date given approval to your termination, the effective date to be as of August 30, 1971.

Enclosed are three (3) Certificates of Termination reflecting the Commissioner's approval.

Please furnish copies of the approval of this termination to each party affected by the terms of the North Caprock Queen Unit No. Two.

Very truly yours,

RAY D. GRAHAM, Director  
Oil and Gas

AJA/RDG/s  
encls.

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

C  
O  
P  
Y

MAILED 11 1965  
AUG 17 AM 8 49

August 17, 1965

Anadarko Production Company  
Post Office Box 9317  
Fort Worth, Texas

Att: E. A. Riley

In RE: North Caprock Queen  
Unit No. #2, Lea and  
Chaves Counties, New  
Mexico

Gentlemen:

This office has received, by your letter of August 10, 1965, photostatic copies of executed ballots by working interest owners in the North Caprock Queen Unit No. #2 Unit, selecting Anadarko Production Company as successor unit operator.

These ballots were subject to acquisition by Anadarko of Ambassador Oil Corporation's interests in the unit. Although Anadarko has made no statement nor furnished proof concerning such acquisition, we have ascertained from our records that Anadarko, by assignment, has acquired Ambassador's interest in the State of New Mexico leases which are included in the Unit.

E.A. Riley  
Anadarko Production Company  
August 17, 1965  
Page -2-

The Commissioner of Public Lands approves, as of this date, Anadarko Oil Company as successor unit operator for the North Caprock Queen Unit No. #2, to become effective as of August 1, 1965.

Very truly yours,

GUYTON B. HAYS,  
Commissioner of Public Lands

GBH/MSR/kcl

w/cc to: New Mexico Oil Conservation Commission  
Post Office Box 2088  
Santa Fe, New Mexico  
  
United States Geological Survey  
Post Office Box 1857  
Roswell, New Mexico

C  
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MAILED  
144  
AUG 5 1965

August 4, 1965

Re: North Caprock Queen Unit  
No. Two, Lea and Chavez  
Counties, New Mexico

Amherster Oil Corporation  
P. O. Box 9338  
Fort Worth 7, Texas

Attention: Mr. E. A. Riley

Amstar Production Company  
P. O. Box 351  
Liberal, Kansas

Attention: Mr. E. L. O'Shields

Gentlemen:

We acknowledge your letter of July 29, 1965, by which you  
enclosed your resignation as operator of the North Caprock  
Queen Unit No. Two, Lea and Chavez Counties, New Mexico.  
We have also received an original and one copy of a letter  
dated July 29, 1965, from Amstar Production Company, P. O.  
Box 351, Liberal, Kansas, accepting the duties and responsi-  
bilities of Unit Operator for the North Caprock Queen Unit.

The Unit Agreement provides for the working interest owners  
to select a successor unit operator in a manner provided for  
in the Unit Operating Agreement. This request for approval  
of Amstar as successor Unit Operator should be submitted  
with consented agreements to such selection by the working  
interest owners in this unit area, or proof that such selec-  
tion by the working interest owners has been made. We have  
received the same type of letter of acceptance from Amstar  
Production Company for the Langlie-Mattix Fouracre Sand Unit,  
Grayburg-Jackson Unit and Pearsall Queen Sand Unit.

Ambassador Oil Corporation  
Anadarko Production Company

-2-

August 4, 1965

MAIN OFFICE

5 AUG 5 1965

Our requirements for a successor unit operator will be the same concerning these units but in addition we must have a copy of approval by the U.S.G.S. since there is federal land in these three units and our approval will be subject to like approval by the U.S.G.S.

Please note that neither your letter, nor Anadarko Production Company's letter is properly directed. This application and all others in the future should be addressed to Mr. Guyton B. Hays, Commissioner of Public Lands, P. O. Box 1148, Santa Fe, New Mexico.

Very truly yours,

GUYTON B. HAYS  
COMMISSIONER OF PUBLIC LANDS

By:

(Mr.) Ted Bilberry, Director  
Oil and Gas Department

cc: MR:cc

cc: United States Geological Survey  
P. O. Box 1837  
Reston, New Mexico

N. M. Oil Conservation Commission  
P. O. Box 2008  
Santa Fe, New Mexico

M E M O R A N D U M

1-23-59

FROM: Unit Division

RE: Expansion of Ambassador's North Caprock Queen  
Unit No. 2

B-8318-108

Section 36, Twp. 128, R. 31E

*Tract # <sup>29</sup>~~3~~*

SE/4SW/4

40.00 acres

*B-10420-146  
Mil. Inst.  
Tract # 3*

Section 1, Twp. 13S, R. 31E

NE/4NW/4

40.00 acres

This expansion was approved January 22, 1959 to be Effective  
February 1, 1959.

TERMINATED

8-3-71

*CCC*

*1448*



Unit Name NORTH CAPROCK QUEEN UNIT # 2  
Operator AMBASSADOR OIL CORPORATION  
County LEA AND CHAVES

| DATE         | OCC CASE NO.         | EFFECTIVE DATE | TOTAL ACREAGE | STATE    | FEDERAL | INDIAN-FEE | SEGREGATION CLAUSE | TERM   |
|--------------|----------------------|----------------|---------------|----------|---------|------------|--------------------|--------|
| APPROVED     | OCC ORDER NO. R-1194 |                |               |          |         |            |                    |        |
| Commissioner | OCC- 6-18-58         | 6-1-58         | 1,887.97      | 1,887.97 |         |            | Yes                | Indef. |
| 5-27-58      |                      |                |               |          |         |            |                    |        |

UNIT AREA

TOWNSHIP 13-SOUTH, RANGE 31-EAST, N.M.P.M. NEW MEXICO (Chaves County)

Section 1: Lots 1 & 2, S/2NE/4, SE/4NW/4, S/2  
Section 2: SE/4SE/4  
Section 11: NE/4SW/4, S/2SW/4, E/2  
Section 12: All

TOWNSHIP 13-SOUTH, RANGE 32-EAST, N.M.P.M. NEW MEXICO (Lea County)

Section 7: Lots 1, 2, 3 and 4

EXPANSION: Effective 2-1-59

TOWNSHIP 12-SOUTH, RANGE 31-EAST, N.M.P.M. NEW MEXICO

Section 36: SE/4SW/4

TOWNSHIP 13-SOUTH, RANGE 31-EAST, N.M.P.M. NEW MEXICO

Section 1: NE/4NW/4

TERMINATED

6-30-71

Unit Name NORTH CARROCK QUEEN UNIT # 2  
Operator AMBASSADOR OIL CORPORATION  
County LEA AND CHAVES

TERMINATED

8-30-71

| STATE TRACT NO. | LEASE NO.   | INSTI-TUTION | SEC. | TWP. | RGE. | SUBSECTION | RATIFIED DATE | ACRES | ACREAGE NOT RATIFIED | LESSEE               |
|-----------------|-------------|--------------|------|------|------|------------|---------------|-------|----------------------|----------------------|
| 1.              | B-8828-40   | M11<br>Inst. | 1    | 13S  | 31E  | Lot 1.     | 4-17-58       | 40.04 |                      | Graridge Corp.       |
| 2.              | B-8828-41   | "            | 1    | 13S  | 31E  | Lot 2      | 4-16-58       | 40.13 |                      | Ambassador Oil Corp. |
| 3.              | B-10420-146 | "            | 1    | 13S  | 31E  | NE/4NW/4   | 4-16-58       | 40.00 |                      | Ambassador Oil Corp. |
| 4.              | B-10416-29  | "            | 1    | 13S  | 31E  | SE/4NW/4   | 4-17-58       | 40.00 |                      | Graridge Corp.       |
| 5.              | B-9155-6    | "            | 1    | 13S  | 31E  | SW/4NE/4   | 4-17-58       | 40.00 |                      | Graridge Corp.       |
| 6.              | B-10242-6   | "            | 1    | 13S  | 31E  | SE/4NE/4   | 4-17-58       | 40.00 |                      | Graridge Corp.       |
| 7.              | B-10416-24  | "            | 1    | 13S  | 31E  | NE/4SE/4   | 4-17-58       | 40.00 |                      | Graridge Corp.       |
| 8.              | B-10416-26  | "            | 1    | 13S  | 31E  | NW/4SE/4   | 4-17-58       | 40.00 |                      | Graridge Corp.       |
| 9.              | B-8318-107  | "            | 1    | 13S  | 31E  | NE/4SW/4   | 4-16-58       | 40.00 |                      | Ambassador Oil Corp. |
| 10.             | B-10417-5   | "            | 1    | 13S  | 31E  | W/2SW/4    | 4-16-58       | 80.00 |                      | Ambassador Oil Corp. |
| 11.             | B-8605-23   | "            | 1    | 13S  | 31E  | SE/4SW/4   | 4-16-58       | 40.00 |                      | Ambassador Oil Corp. |
| 12.             | B-10418-73  | "            | 1    | 13S  | 31E  | S/2SE/4    | 4-16-58       | 80.00 |                      | Ambassador Oil Corp. |
| 13.             | B-10973-9   | CS           | 7    | 13S  | 32E  | Lot 1      | 4-17-58       | 41.82 |                      | Graridge Corp.       |
| 14.             | B-10411-21  | "            | 12   | 13S  | 31E  | N/2NE/4    | 4-16-58       | 80.00 |                      | Ambassador Oil Corp. |
| 15.             | B-8459      | "            | 12   | 13S  | 31E  | N/2NW/4    | 4-25-58       | 80.00 |                      | Gulf Oil Corp.       |
| 16.             | B-10417-5   | "            | 12   | 13S  | 31E  | S/2NW/4    | 4-16-58       | 80.00 |                      | Ambassador Oil Corp. |

Unit Name NORTH CAPROCK QUEEN UNIT # 2  
 Operator AMBASSADOR OIL CORPORATION  
 County LEA AND CHAVES

**TERMINATED**

8-30-71

| STATE TRACT NO. | LEASE NO.   | INST-TUTION   | SEC. | TWP. | RGE.                    | SUBSECTION        | RATIFIED DATE | ACRES  | ACREAGE NOT RATIFIED | LESSEE                         |
|-----------------|-------------|---------------|------|------|-------------------------|-------------------|---------------|--------|----------------------|--------------------------------|
| 17.             | B-10416     | Mil.Inst. 12  | 13S  | 31E  | SW/4NE/4                |                   | 4-21-58       | 40.00  |                      | Great Western Drilling Company |
| 18.             | B-10416-29  | Mil.Inst. 12  | 13S  | 31E  | NE/4SE/4, SE/4NE/4      |                   | 4-17-58       | 80.00  |                      | Graridge Corporation           |
| 19.             | B-11447-2   | C.S.          | 7    | 13S  | 32E                     | Lots 2, 3, and 4, | 4-16-58       | 125.98 |                      | Ambassador Oil Corp.           |
| 20.             | B-10420-146 | Mil.Inst. 12  | 13S  | 31E  | NW/4SE/4                |                   | 4-16-58       | 40.00  |                      | Ambassador Oil Corp.           |
| 21.             | B-8429-21   | Mil.Inst. 12  | 13S  | 31E  | SE/4SE/4                |                   | 4-17-58       | 40.00  |                      | Graridge Corp.                 |
| 22.             | B-10416-25  | Mil.Inst. 12  | 13S  | 31E  | SW/4SE/4                |                   | 4-17-58       | 40.00  |                      | Graridge Corp.                 |
| 23.             | B-9155      | Mil. Inst. 12 | 13S  | 31E  | E/2SW/4                 |                   | 4-21-58       | 80.00  |                      | Great Western Drilling Company |
| 24.             | B-7878-14   | Mil. Inst. 12 | 13S  | 31E  | W/2SW/4                 |                   | 4-21-58       | 80.00  |                      | Great Western Drilling Company |
| 25.             | B-11447-2   | Mil. Inst. 11 | 13S  | 31E  | E/2NE/4                 |                   | 4-16-58       | 80.00  |                      | Ambassador Oil Corp.           |
| 26.             | B-399-37    | Mil. Inst. 11 | 13S  | 31E  | W/2NE/4                 |                   | 4-17-58       | 80.00  |                      | Graridge Corporation           |
| 27.             | B-8631-3    | Mil. Ins. 11  | 13S  | 31E  | SE/4, S/2SW/4, NE/4SW/4 |                   | 4-17-58       | 280.00 |                      | Graridge Corporation           |
| 28.             | B-9541-2    | C.S.          | 2    | 13S  | 31E                     | SE/4SE/4          | 4-21-58       | 40.00  |                      | Great Western Drilling Company |
| 29.             | B-8318-108  | C.S.          | 36   | 12S  | 31E                     | SE/4SW/4          | 4-16-58       | 40.00  |                      | Ambassador Oil Corp.           |

JAMES T. JENNINGS  
ATTORNEY AT LAW  
J. P. WHITE BUILDING  
ROSWELL, NEW MEXICO  
MAIN 2-8432

January 27, 1959

File  
1448

Oil Conservation Commission  
Santa Fe, New Mexico

Re: North Caprock Queen Unit  
No. Two

Gentlemen:

In connection with the Application for Expansion of the North Caprock Queen Unit No. Two to include the SE $\frac{1}{4}$ SW $\frac{1}{4}$  of Sec. 36, T. 12 S., R. 31 E. and the NE $\frac{1}{4}$ NW $\frac{1}{4}$  of Sec. 1, T. 13 S., R. 31 E., Chaves County, New Mexico, you will find enclosed herewith the following:

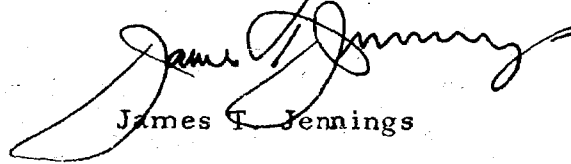
1. Application for Expansion executed by Vada Spurck, et al.
2. Application for Expansion executed by Berniece R. Pederson.
3. Application for Expansion executed by Ambassador Oil Corporation and other working interest owners, to which there is attached a consent to the expansion executed by working interest owners.
4. Affidavit in connection with notice to the working interest and royalty owners.
5. Affidavit reflecting that no objections were filed with the time allowed.
6. Order of the Commissioner of Public Lands dated January 22 approving the expansion of the unit effective as of February 1, 1959.

JAMES T. JENNINGS

Oil Conservation Commission

The expansion has been carried out in accordance with the terms of the Unit Agreement and the Order heretofore entered by the Oil Conservation Commission in case No. 1448 order No. R-1194 providing that the "unit area may be enlarged or contracted as provided in said plan" and the enclosed papers are to complete your file in the matter.

Yours very truly,



James T. Jennings

JTJ:cs

Enc.

cc: Irley A. Bonnette  
Ambassador Oil Corporation  
Box 9338  
Fort Worth, Texas

STATE OF NEW MEXICO            )   IN RE:   APPLICATION FOR EXPANSION OF  
                                  )            THE NORTH CAPROCK QUEEN UNIT  
COUNTIES OF LEA & CHAVES    )            NO. TWO, LEA AND CHAVES  
  COUNTIES, NEW MEXICO.

COMES NOW, [REDACTED] Vada Spurck, Beanie R. Pederson,  
a feme sole, Helen Hudson, a feme sole, all of the County of Los Angeles,  
State of California, Curtis McBroom, C. Harrison Cooper, W. V. Coffey,  
K. L. Smith and B. H. Murphy, all of the last five named parties being  
residents of the County of Tarrant, State of Texas, (being Royalty Owners  
under the below specifically described property in accordance with the  
definition contained in the Unit Agreement dated the 16th day of April,  
1958, and recorded in Book 134, Page 392, of the Records of Lea County,  
New Mexico, and in Book 65, Page 217 of the Records of Chaves County,  
New Mexico, covering the Development and Operation of the North Caprock  
Queen Unit No. Two in said counties) and Dulaney Oil Company, R. O. Dulaney,  
Jr., E. Stanley Klein, John P. Maguire, Oliver D. Appleton, Elsa G.  
Appleton, Barry T. Leithead, Kenneth W. Fraser, D. W. Vreeland, Wm. N.  
Snow, and the Estate of William J. Gallon, Deceased, joined herein by  
Ambassador Oil Corporation (all of such parties being Working Interest  
Owners under the below specifically described property, as defined in  
the above mentioned Unit Agreement), and make this, their application  
to Ambassador Oil Corporation, in its capacity as Unit Operator of the  
above described North Caprock Queen Unit No. Two, in accordance with  
Article 3 of said Unit Agreement, for the expansion of such Unit No. Two  
so as to cover and include, in addition to all previous lands, the follow-  
ing described property:

(1)       The Southeast Quarter of the Southwest Quarter (SE/4 SW/4)  
          of Section 36, Township 12 South, Range 31 East, and the  
          Northeast Quarter of the Northwest Quarter (NE/4 NW/4) of  
          Section 1, Township 13 South, Range 31 East Chaves County,  
          New Mexico.

In connection therewith, applicants herein jointly and severally  
would show, represent and agree as follows:

(1) THAT, if this acreage is admitted to the above mentioned  
Unit, the parties hereto will assume, as of the effective date hereof,

all of the obligations, burdens, liabilities and duties thereunder, and will also be entitled to all of the benefits accruing, just as if said land had been originally included in and made a part of said North Caprock Queen Unit No. Two.

(2) THAT, if this application is approved by all necessary parties, including the Commissioner of Public Lands of the State of New Mexico, then applicants herein recognize that the Exhibit "A" to the original above mentioned Unit Agreement for the development and operation of the North Caprock Queen Unit No. Two will be changed, and will henceforth be in accordance with the Exhibit "A" attached hereto and made a part hereof for all purposes. In addition, the definition of "Unit Area" appearing in Article 1.(a) of said Unit Agreement shall be amended so as to include, in addition to the land described therein, the above specifically described acreage. Applicants herein further recognize and agree that Exhibit "B" attached to and made a part of the above mentioned Unit Agreement for the development and operation of the North Caprock Queen Unit No. Two, if this agreement is approved by all necessary parties, including the said Commissioner of Public Lands, shall be changed, and that the Exhibit "B" which is attached hereto and made a part hereof for all purposes shall be in lieu thereof.

(3) THAT, the undersigned represent that they are Royalty Owners or Working Interest Owners as defined above, and that they desire, (as of the effective date set by the Commissioner of Public Lands of New Mexico) by the execution hereof, to ratify and become bound by the terms of the Unit Agreement for the development and operation of the North Caprock Queen Unit No. Two above mentioned, as expanded to cover the above specifically described property; and that, for the consideration and the purposes stated in said Unit Agreement and herein set out, the undersigned do hereby adopt, ratify and confirm said Unit Agreement in all of its terms and provisions so as to apply to the above unit as hereby requested to be expanded, and the undersigned do hereby agree and declare that said Unit Agreement in all of its terms and provisions is binding upon the undersigned, as of the effective date hereof, as fully and completely as if the undersigned had signed, acknowledged and delivered said Unit

Agreement referred to above, and as if said Unit Agreement had, in lieu of and in place of the Exhibits attached thereto, the exhibits "A" and "B" which are attached to and made a part of this application. Without limitation upon the generality of the foregoing, the undersigned do hereby unitize the rights and interests of the undersigned in and to the Unit Area as hereby expanded, and as delineated in Exhibit "A" attached hereto, in the same manner and to the same extent as provided in said agreement, and as if the Exhibit "A" which is attached hereto had been a part of the original Unit Agreement.

(4) The parties hereto request that the Commissioner, in his order approving this request for expansion, set and establish an effective date for such expansion of the above mentioned Unit, as hereby requested, and such date shall be the effective date hereof.

(5) The applicants who execute this instrument further agree that this instrument shall serve both as the application referred to in Article 3(a) of said Unit Agreement, and as the instrument containing the appropriate joinder referred to in Article 3(3)(c) of said Unit Agreement.

This application may be executed in any number of counterparts, no one of which needs to be executed by all parties above named, and shall be binding upon all those parties who have executed a counterpart of this application, with the same force and effect as if all parties had signed the same document and regardless of whether or not it is executed by all other parties above listed.

This instrument is dated the \_\_\_\_\_ day of \_\_\_\_\_, 1958, although executed by each of the below parties as reflected in the acknowledgments to such parties' signatures.

\_\_\_\_\_  
Vada Spurck

*Bernice R. Pederson*  
Bernice R. Pederson, a feme  
sole,

\_\_\_\_\_  
Helen Hudson, a feme sole,



ATTEST:

\_\_\_\_\_  
Secretary

ATTEST:

\_\_\_\_\_  
Secretary

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
E. Stanley Klein

\_\_\_\_\_  
Elizabeth M. Klein

\_\_\_\_\_  
John P. Maguire

\_\_\_\_\_  
Elsa G. Appieton

\_\_\_\_\_  
Oliver D. Appleton

\_\_\_\_\_  
Barry T. Leithead

\_\_\_\_\_  
Alberta H. Leithead

\_\_\_\_\_  
William B. Snow

\_\_\_\_\_  
Anna W. Snow

\_\_\_\_\_  
Kenneth W. Fraser

\_\_\_\_\_  
Virginia M. Fraser

\_\_\_\_\_  
D. W. Vreeland

\_\_\_\_\_  
M. W. Vreeland

AMBASSADOR OIL CORPORATION

By: \_\_\_\_\_  
Vice President

DULANEY OIL COMPANY

By: \_\_\_\_\_

ESTATE OF WILLIAM J. GALLON,  
DECEASED.

GUARANTY TRUST COMPANY OF NEW YORK

By: \_\_\_\_\_  
Howard C. Judd, Vice President,  
Executor and Trustee under the  
Will of William J. Gallon, Dec'd.

By: \_\_\_\_\_  
Robert T. Stevens, Executor and  
Trustee under the Will of Will-  
iam J. Gallon, Dec'd.

By: \_\_\_\_\_  
Thomas W. Estes, Executor and  
Trustee under the Will of  
William J. Gallon, Dec'd.

By: \_\_\_\_\_  
John E. Drummond, Executor and  
Trustee under the Will of Will-  
iam J. Gallon, Dec'd.

\_\_\_\_\_  
Helen Spear Gallon, Surviving  
Wife of William J. Gallon.

\_\_\_\_\_  
Curtis McBroom

\_\_\_\_\_  
Esther McBroom

\_\_\_\_\_  
B. H. Murphy

\_\_\_\_\_  
Martha R. Murphy

\_\_\_\_\_  
C. Harrison Cooper

\_\_\_\_\_  
Estelle L. Cooper

\_\_\_\_\_  
W. V. Coffey

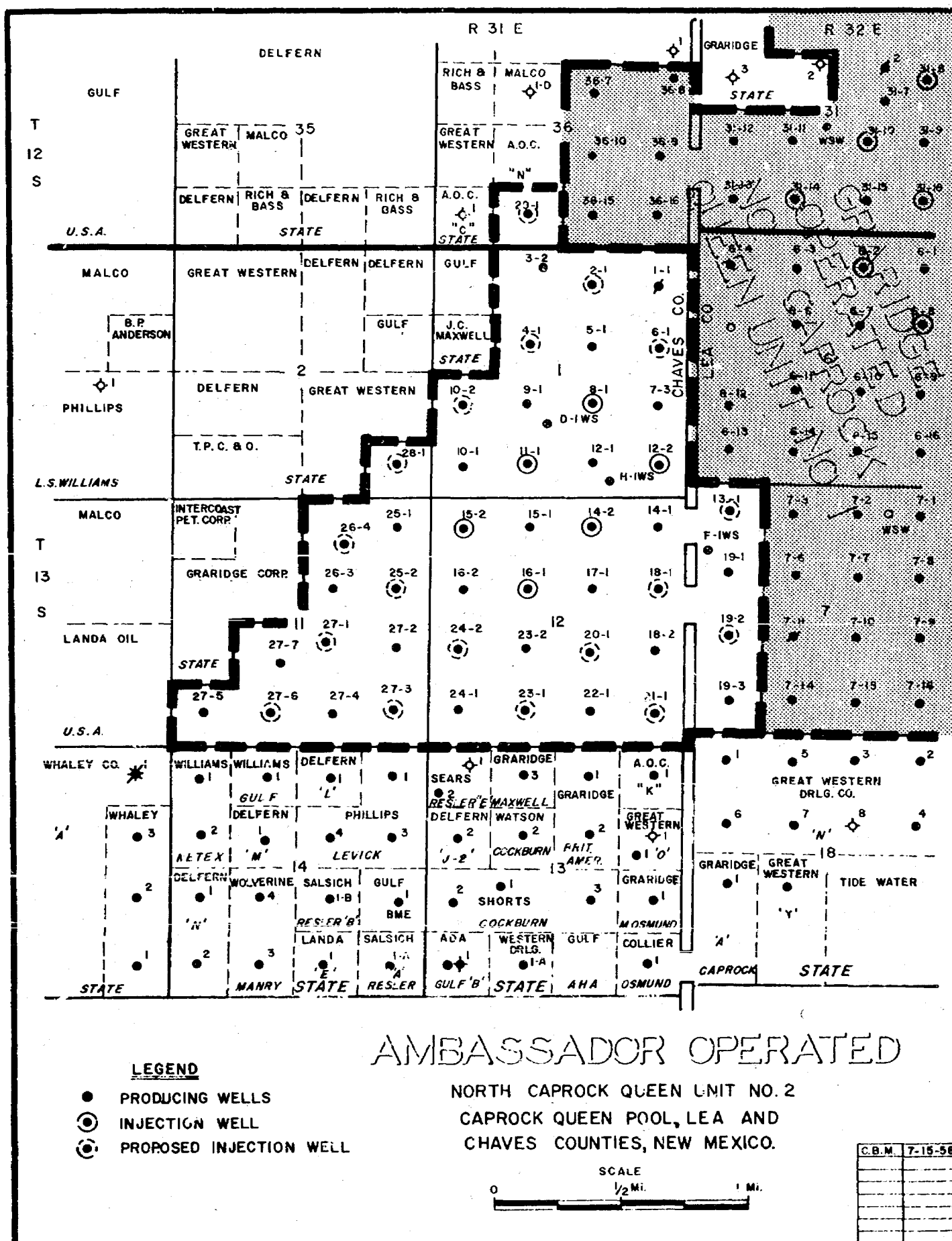
\_\_\_\_\_  
Elizabeth H. Coffey

\_\_\_\_\_  
Kenneth L. Smith

\_\_\_\_\_  
Margaret G. Smith

\_\_\_\_\_  
R. G. Dulaney, Jr.

\_\_\_\_\_  
Ray Key Dulaney



I N D E X

EXHIBIT "B"

AMBASSADOR LEASES:

|  |      | <u>PAGE</u> |
|--|------|-------------|
| Tracts; 2, 3, 9, 10, 11, 12, 14,<br>16,19,20, 25, 29 | ---- | 1 through 7 |

GRARIDGE LEASES:

|   |      |         |
|---|------|---------|
| Tracts: 1, 4, 5, 6, 7, 8,<br>13,18,21,22,26,27, | ---- | 8 and 9 |
|---|------|---------|

GREAT WESTERN DRILLING COMPANY

|                        |      |    |
|------------------------|------|----|
| Tracts: 17, 23, 24, 28 | ---- | 10 |
|------------------------|------|----|

GULF OIL CORPORATION LEASES:

|          |      |    |
|----------|------|----|
| Tract 15 | ---- | 10 |
|----------|------|----|

| EXHIBIT "B" |   |         |                          |                          | PER CENT PARTICIPATION OF TRACT IN UNIT   |   |
|-------------|---|---------|--------------------------|--------------------------|---|---|
| TRACT NO.   | DESCRIPTION   | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER  | AMOUNT  |
| **2         | Lot 2, Sec. 1, T13S, R31E, Chaves County,   | 40.13   | B-8628-41                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Lethhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased  | 140/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>100/840 * ) |
|             | ** Curtis McBroom, C. H. Cooper, W. V. Coffey<br>K. L. Smith, B. H. Murphy, Delfern Oil Company   |         |                          |                          |   | 2.640015  |
| **3         | NE/4 NW/4, Sec. 1, T13S, R31E, Chaves Co.   | 40      | B-10420-146              | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Lethhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased. | 140/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>100/840 * ) |
|             | ** Curtis McBroom, C. H. Cooper, W. V. Coffey<br>K. L. Smith, B. H. Murphy, [REDACTED]<br>[REDACTED], Vada Spurck, Helen Hudson, Bernice Pederson |         |                          |                          |   | 0.703290  |

EXHIBIT "B"

| TRACT NO. | DESCRIPTION                                   | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER  | AMOUNT  | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|---|---------|--------------------------|--------------------------|---|---|---|
| **9       | N2/4 SW/4, Sec. 1, T13S, R31E, Chaves County, | 40      | E-8318-107               | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Leithhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased. | 140/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>100/840 * ) | 2.2630C1                                |

\*\* Curtis McBroom, C. H. Cooper, W. V. Coffey  
K. L. Smith, B. H. Murphy, ~~\_\_\_\_\_~~  
~~\_\_\_\_\_~~ Nevada Spurck, Delfern Oil Company

EXHIBIT B (continued)

| TRACT NO. | DESCRIPTION   | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER  | AMOUNT   | PER CENT PARTICIPATION OF TRACT IN UNIT. |
|-----------|---|---------|--------------------------|--------------------------|---|--|--|
| **10      | W/2 SW/4, Sec. 1, T 13 S, R 31 E, Chaves County,  | 80      | B-10417-5                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Lethhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased. | 140/840 )<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 4.168039                                 |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey,<br>K. L. Smith, B. H. Murphy, A. K. Polle,<br>McRae Oil and Gas Corporation, |         |                          |                          |   |  |  |
| **11      | SE/4 SW/4, Sec. 1, T 13 S, R 31 E, Chaves County,   | 40      | B-8605-23                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Lethhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased, | 140/840 )<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 3.316786                                 |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey,<br>K. L. Smith, B. H. Murphy, Delfern Oil Company,<br>Lee B. Gilpin          |         |                          |                          |   |  |  |

EXHIBIT B (Continued)

| TRACT NO. | DESCRIPTION  | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER  | AMOUNT   | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|--|---------|--------------------------|--------------------------|---|--|---|
| **12      | S/2 SE/4, Sec. 1, T13S, R31E, Chaves County  | 80      | B-10418-73               | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Leithhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased | 140/840 )<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 7.882315                                |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey,<br>K. L. Smith, B. H. Murphy, Delfern Oil Company,<br><del>W. L. Smith, B. H. Murphy, Delfern Oil Company,</del><br><del>W. L. Smith, B. H. Murphy, Delfern Oil Company,</del><br>Veda Spruck |         |                          |                          |   |  |   |
| **14      | N/2 NE/4, Sec. 12, T13S, R31E, Chaves County   | 80      | B-10411-21               | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Leithhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased | 140/840 )<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 5.917420                                |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey,<br>K. L. Smith, B. H. Murphy, Delfern Oil Company,<br>Clarence E. Hinkle, Trustee for the Estate of<br>Allie M. Lee, Deceased.  |         |                          |                          |   |  |   |

## EXHIBIT B (Continued)

| TRACT NO. | DESCRIPTION                                       | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER  | AMOUNT  | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|---|---------|--------------------------|--------------------------|---|---|---|
| **16      | S/2 NW/4, Sec. 12, T 13 S, R, 31 E. Chaves County | 80      | B-10417-5                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Harry T. Leithhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased | 140/840 *)<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 4.548167                                |
| **19      | Lots 2, 3, & 4, Sec. 7 T 13 S, R 32 E, Lea County | 125.98  | B-11447-2                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Harry T. Leithhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased | 140/840 *)<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 10.434703                               |

\*\* Curtis McBroom, C. H. Cooper, W. V. Coffey,  
K. L. Smith, B. H. Murphy, Delfern Oil  
Company and Pan American Petroleum Corporation.



EXHIBIT "B"

| TRACT NO. | DESCRIPTION   | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER  | AMOUNT  | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|---|---------|--------------------------|--------------------------|---|---|---|
| **20      | NW/4 SE/4, Sec. 12, T13S, R31E, Chaves County,  | 40      | B-10420-146              | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Letthead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased       | 140/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * ) | 1.777366                                |
|           | **Curtis McBroom, C. H. Cooper, W. V. Coffey<br>K. L. Smith, B. H. Murphy, [REDACTED]<br>[REDACTED] Vada Spurck,                        |         |                          |                          |   |   |   |
| **25      | E/2 NE/4, Sec. 11, T13S, R31E, Chaves County,   | 80      | B-11447-2                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Letthead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased. | 140/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * ) | 3.119062                                |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey<br>K. L. Smith, B. H. Murphy, Delfern Oil Company,<br>Pan American Petroleum Corporation. |         |                          |                          |   |   |   |

EXHIBIT "B"

| TRACT NO. | DESCRIPTION  | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER  | AMOUNT  | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|--|---------|--------------------------|--------------------------|---|---|---|
| **29      | SE/4 SW/4, Sec. 36, T-12S, 40 R32E, Chaves County, |         | B-6318-108               | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Luthhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased. | 140/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>100/840 * ) | 1.082032                                |

\* NOTE

This interest is subject to a carried interest owned by Ambassador Oil Corporation and the participation of Ambassador Oil Corporation will increase as between itself and the owner of this interest when Ambassador becomes entitled to its carried interest as provided by the agreement by and between the owner of such interest and Ambassador Oil Corporation of record in the named county.

\*\* NOTE:

The listed parties own oil payments or overriding royalty interests which prior to the execution of this instrument, were payable out of production from the listed tract as reflected by instruments of record in said county, but which will, after the execution of this instrument, be payable out of production allocated to such tract.

| EXHIBIT B (Continued) |  |         |                             |                             |   |        | PER CENT<br>PARTICIPATION OF<br>TRACT IN UNIT |
|-----------------------|--|---------|-----------------------------|-----------------------------|---|--------|---|
| TRACT<br>NO.          | DESCRIPTION  | ACREAGE | LEASE AND<br>ASSIGNMENT NO. | ROYALTY OWNER<br>AND AMOUNT | OWNER OF RECORD AND<br>WORKING INTEREST OWNER | AMOUNT |   |
| 1                     | Lot 1, Sec. 1, T 13 S,<br>R 31 E, Chaves County,   | 40.04   | B-8828-40                   | St. N. Mex. 12.5%           | Graridge Corporation                          | 100%   | .820647                                       |
| 4                     | # [REDACTED] Vada Spurck, Effie McKay<br>SE/4 NW/4, Sec. 1, T 13 S,<br>R 31 E, Chaves County   | 40      | E-10416-29                  | St. N. Mex. 12.5%           | Graridge Corporation                          | 100%   | .618538                                       |
| 5                     | # The Vickers Petroleum Co., Inc., Chas H. Osmond, Roderic Crandall, Maxwell Oil Co.<br>SW/4 NE/4, Sec. 1, T 13 S,<br>R 31 E, Chaves County, | 40      | B-9155-6                    | St. N. Mex. 12.5%           | Graridge Corporation                          | 100%   | 2.511024                                      |
| 6                     | #Great Western Drilling Company<br>SE/4 NE/4, Sec. 1, T 13 S,<br>R 31 E, Chaves County,  | 40      | B-10242-6                   | St. N. Mex. 12.5%           | Graridge Corporation                          | 100%   | 1.196052                                      |
| 7                     | # R. O. Dulaney, Jr.<br>NE/4 SE/4, Sec. 1, T 13 S,<br>R 31 E, Chaves County  | 40      | B-10416-24                  | St. N. Mex. 12.5%           | Graridge Corporation                          | 100%   | 3.356805                                      |
| 8                     | #Chas. H. Osmond, Roderic Crandall, Maxwell Oil Co.<br>NW/4 SE/4, Sec. 1, T 13 S,<br>R 31 E, Chaves County,                                  | 40      | B-10416-26                  | St. N. Mex. 12.5%           | Graridge Corporation                          | 100%   | 1.619651                                      |
| 13                    | # Chas. H. Osmond, Roderic Crandall, Maxwell Oil Co.<br>Lot 1, Sec. 7, T 13 S,<br>R 32 E, Lea County   | 41.82   | B-10973-9                   | St. N. Mex. 12.5%           | Graridge Corporation                          | 100%   | 2.442743                                      |

## EXHIBIT "B" (Continued)

| TRACT NO. | DESCRIPTION  | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER | AMOUNT | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|--|---------|--------------------------|--------------------------|--|--------|---|
| 18        | NE/4SE/4 and SE/4 NE/4 Sec. 12, T13S, R31E, Chaves County  | 80      | B-10416-29               | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 5.487033                                |
|           | # Chas. H. Osmond, Roderic Crandall, Maxwell Oil Co., and The Vickers Petroleum Co., Inc.                  |         |                          |                          |  |        |   |
| 21        | SE/4 SE/4, Sec. 12, T13S, R31E, Chaves Co.   | 40      | B-8429-21                | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 1.237683                                |
|           | # Ernest John Goldsworthy and Emma J. Goldsworthy,   |         |                          |                          |  |        |   |
| 22        | SW/4, SE/4 Sec. 12, T13S, R31E, Chaves Co.   | 40      | B-10416-25               | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 1.915316                                |
|           | # Chas. H. Osmond, Roderic Crandall, Maxwell Oil Co.   |         |                          |                          |  |        |   |
| 26        | W/2 NE/4, Sec. 11, T13S, R31E, Chaves County,  | 80      | B-399-37                 | St. N. Mex. 12.5%        | #Graridge Corporation                      | 100%   | 2.154237                                |
|           | # City National Bank of Houston and Malcolm C. Demuth, Trustees for Ethel Janet Boyle, William H. Danforth |         |                          |                          |  |        |   |
| 27        | SE/4, S/2 & NE/4 of SW/4, Sec. 11, T13S, R31E, Chaves County,  | 280     | B-8631-3                 | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 8.625006                                |
|           | # Ohio Oil Company   |         |                          |                          |  |        |   |

NOTE The parties listed below each tract own overriding royalty interests which, prior to execution of this instrument, were payable out of production from such tract under the terms of the lease covering such tract as reflected by instruments of record in said county, but which will, after the execution of this instrument, be payable out of the production allocated to such tract.

NOTE Subject to a beneficial interest in favor of Oil & Gas Property Management, Inc., and Clardy & Barnett, as per terms of agreement recorded in Vol. 21, page 124, Oil and Gas Records, Chaves County, New Mexico.

EXHIBIT "B" (Continued)

| TRACT NO. | DESCRIPTION  | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER | AMOUNT | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|--|---------|--------------------------|--------------------------|--|--------|---|
| 17        | SW/4 NE/4, Sec. 12, T13S, R31E, Chaves County                | 40      | B-106-16                 | St. New Mex. 12.5%       | Great Western Drilling Co.                 | 100%   | 3.616201                                |
|           | @ Maxwell Oil Company, Charles H. Osmond, Roderic Crandall   |         |                          |                          |  |        |   |
| 23        | E/2 SW/4, Sec. 12, T13S, R31E, Chaves County                 | 80      | B-9155                   | St. New Mex. 12.5%       | Great Western Drilling Co.                 | 100%   | 7.229775                                |
|           | @ Great Western Drilling Company, Cascade Petroleum Company. |         |                          |                          |  |        |   |
| 24        | W/2 SW/4, Sec. 12, T13S, R31E, Chaves County                 | 80      | B-7878                   | St. New Mex. 12.5%       | Great Western Drilling Co.                 | 100%   | 4.157687                                |
|           | @ Great Western Drilling Company, Cascade Petroleum Company  |         |                          |                          |  |        |   |
| 28        | SE/4 SE/4, Sec. 2, T13S, R31E, Chaves County                 | 40      | B-9541                   | St. New Mex. 12.5%       | Great Western Drilling Co.                 | 100%   | 1.046100                                |
|           | @ Great Western Drilling Company                             |         |                          |                          |  |        |   |
| 15        | N/2 NW/4, Sec. 12, T13S, R31E, Chaves County                 | 80      | B-8459                   | St. New Mex. 12.5%       | Gulf Oil Corporation                       | 100%   | 4.021426                                |

NOTE: The parties listed below each tract own overriding royalty interests which, prior to execution of this instrument, were payable out of production from such tract under the terms of the lease covering such tract as reflected by instruments of record in the County of Chaves, New Mexico, but which will, after the execution of this instrument, be payable out of the production allocated to such tract.

STATE OF NEW MEXICO                    )  
  )  
COUNTIES OF LEA AND CHAVES        )

We, the undersigned Working Interest Owners under the North Caprock Queen Unit No. Two, and as defined in the Unit Agreement covering said Unit, represent that we have read the foregoing application and hereby agree to the expansion of such Unit Area so as to include the land specifically described in the foregoing application, and further agree that such expansion is reasonably necessary and advisable to conform to the general purposes of the Unit Agreement covering said North Caprock Queen Unit No. Two.

In addition, the undersigned Working Interest Owners under the above mentioned Unit, as expanded to cover the above specifically described property, agree that Exhibit "C" attached to and made a part of that certain Unit Operating Agreement dated the 16th day of April, 1958, and executed by all of the undersigned, relating to the North Caprock Queen Unit No. Two, Lea and Chaves Counties, New Mexico, shall, from and after the effective date of the expansion above requested, be changed to conform to and be the same as Exhibit "C" attached hereto and made a part hereof. In all other respects such agreement shall remain in full force and effect.

The adjustment of investments will be made in accordance with Article 10 of the above mentioned Unit Operating Agreement.

This instrument is executed by the undersigned in counterparts, no one of which needs to be executed by all of the Working Interest Owners under such Unit, and shall be binding upon all those parties who have executed a counterpart hereof, whether executed by all other Working Interest Owners or not.

ATTEST:

\_\_\_\_\_  
Secretary

ATTEST:

\_\_\_\_\_  
Secretary

ATTEST:

\_\_\_\_\_  
Secretary

ATTEST:

\_\_\_\_\_  
Secretary

AMBASSADOR OIL CORPORATION

By: \_\_\_\_\_  
Vice President

GULF OIL CORPORATION

By: \_\_\_\_\_  
Vice President

GRANIDGE CORPORATION

By: \_\_\_\_\_  
Vice President

GREAT WESTERN DRILLING COMPANY

BY: \_\_\_\_\_  
President

ATTEST:

\_\_\_\_\_  
Secretary

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
D. W. Vreeland

\_\_\_\_\_  
H. W. Vreeland

DULANEY OIL COMPANY

By: \_\_\_\_\_  
R. O. Dulaney, Sr., President

ESTATE OF WILLIAM J. GALLON,  
DECEASED.

GUARANTY TRUST COMPANY OF NEW YORK

By: \_\_\_\_\_  
Howard C. Judd, Vice President,  
Executor and Trustee under the  
Will of William J. Gallon, Dec'd.

By: \_\_\_\_\_  
Robert T. Stevens, Executor and  
Trustee under the Will of William  
J. Gallon, Dec'd.

By: \_\_\_\_\_  
Thomas W. Estes, Executor and  
Trustee under the Will of William  
J. Gallon, Dec'd.

By: \_\_\_\_\_  
John E. Drummond, Executor and  
Trustee under the Will of  
William J. Gallon, Dec'd.

By: \_\_\_\_\_  
Helen Spear Gallon, Surviving  
wife of William J. Gallon

\_\_\_\_\_  
R. O. Dulaney, Jr.

\_\_\_\_\_  
Ray Key Dulaney

\_\_\_\_\_  
E. Stanley Klein

\_\_\_\_\_  
Elizabeth M. Klein

\_\_\_\_\_  
John P. Maguire

\_\_\_\_\_  
Elsa G. Appleton

\_\_\_\_\_  
Oliver D. Appleton

\_\_\_\_\_  
Barry T. Leithead

\_\_\_\_\_  
Alberta H. Leithead

\_\_\_\_\_  
William B. Snow

\_\_\_\_\_  
Anna W. Snow

\_\_\_\_\_  
Kenneth W. Fraser

\_\_\_\_\_  
Virginia M. Fraser

EXHIBIT C

| <u>OPERATOR</u>                   | <u>TOTAL UNIT<br/>PARTICIPATION</u> |
|-----------------------------------|-------------------------------------|
| Ambassador Oil Corporation        | 7.973993                            |
| Oliver D. Appleton                | 2.847855 *                          |
| Elsa G. Appleton                  | 5.695711 *                          |
| Dulaney Oil Company               | 2.847855 *                          |
| R. O. Dulaney, Jr.                | 2.847855 *                          |
| Kenneth W. Fraser                 | 1.423932 *                          |
| Estate of Wm. J. Gallon, Deceased | 5.695711 *                          |
| Graridge Corporation              | 32.084835                           |
| Great Western Drilling Company    | 16.049763                           |
| Gulf Oil Corporation              | 4.021426                            |
| E. Stanley Klein                  | 5.695711*                           |
| Barry T. Leithhead                | 2.847855 *                          |
| John P. Maguire                   | 5.695711 *                          |
| Wm. N. Snow                       | 2.847855 *                          |
| D. W. Vreeland                    | 1.423932 *                          |
|                                   | <hr/>                               |
|                                   | 100,000000                          |

\* This interest is subject to a carried interest owned by Ambassador Oil Corporation and the participation of Ambassador Oil Corporation will increase as between itself and the owner of this interest when Ambassador becomes entitled to its carried interest as provided by the agreements by and between the owner of such interest and Ambassador Oil Corporation of record in Chaves County, New Mexico.



STATE OF TEXAS                    )  
  )  
COUNTY OF \_\_\_\_\_ )

On this the \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me appeared \_\_\_\_\_, to me personally known, who, being by me duly sworn, did say that he is the \_\_\_\_\_ President of GRARIDGE CORPORATION and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires:

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

STATE OF TEXAS                    )  
  )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me appeared \_\_\_\_\_, to me personally known, who being by me duly sworn, did say that he is the \_\_\_\_\_ President of GREAT WESTERN DRILLING COMPANY and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires:

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

STATE OF TEXAS                    )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me appeared \_\_\_\_\_, to me personally known, who being by me duly sworn, did say that he is the \_\_\_\_\_ President of GULF OIL CORPORATION and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires:

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

STATE OF TEXAS       )  
                              )  
COUNTY OF TARRANT    )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me appeared \_\_\_\_\_ to me personally known, who, being by me duly sworn, did say that he is the \_\_\_\_\_ President of AMBASSADOR OIL CORPORATION, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and the said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires: \_\_\_\_\_

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

STATE OF TEXAS       )  
                              )  
COUNTY OF TARRANT    )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me appeared R. O. Dulaney, Sr. to me personally known, who, being by me duly sworn, did say that he is the President of Dulaney Oil Co. a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said R. O. Dulaney, Sr. acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires: \_\_\_\_\_

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

STATE OF TEXAS       )  
                              )  
COUNTY OF TARRANT    )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared R. O. Dulaney, Jr., and wife, Ray Key Dulaney, to me personally known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

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

My Commission Expires: \_\_\_\_\_

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

STATE OF NEW YORK     )  
                              )  
COUNTY OF NEW YORK    )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared Kenneth W. Fraser and wife, Virginia M. Fraser, to me personally known to be the persons described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

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

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

My Commission Expires:  
  
\_\_\_\_\_

STATE OF NEW YORK     )  
                              )  
COUNTY OF NEW YORK    )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared D. W. Vreeland and wife, M. W. Vreeland, to me personally known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

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

My Commission Expires:  
  
\_\_\_\_\_

STATE OF NEW YORK     )  
                              )  
COUNTY OF NEW YORK    )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared E. Stanley Klein and wife, Elizabeth Klein, to me personally known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

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

My Commission Expires:  
  
\_\_\_\_\_

STATE OF CALIFORNIA )  
 )  
COUNTY OF LOS ANGELES )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared ~~Willa~~ Vada Spurck, to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that ~~they~~ <sup>she</sup> executed the same as ~~their~~ <sup>her</sup> free act and deed.

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

My Commission Expires: \_\_\_\_\_

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

STATE OF CALIFORNIA )  
 )  
COUNTY OF LOS ANGELES )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared Helen Hudson, a feme sole, to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that ~~she~~ executed the same as ~~her~~ free act and deed.

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

My Commission Expires: \_\_\_\_\_

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

~~STATE OF CALIFORNIA~~ )  
<sup>WISCONSIN</sup> )  
~~COUNTY OF LOS ANGELES~~ )  
<sup>MILWAUKEE</sup> )

On this 17 day of Nov., 1958, before me personally appeared Bernice R. Pederson, a feme sole, to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed.

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

My Commission Expires: \_\_\_\_\_

Edward J. Mueller  
Notary Public

STATE OF TEXAS )  
COUNTY OF TARRANT )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared Curtis McBroom and wife, Esther McBroom, to me personally known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

My Commission Expires: \_\_\_\_\_

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

STATE OF NEW YORK     )  
                              )  
COUNTY OF NEW YORK    )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared John P. Maguire to me personally known to be the person described in and who executed the foregoing instrument and acknowledged that he executed the same as his free act and deed

In witness whereof, I have hereunto set my hand and official seal the day and year in this certificate above written.

My Commission Expires:

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

STATE OF NEW YORK     )  
                              )  
COUNTY OF NEW YORK    )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared Barry T. Leithead and wife, Alberta H. Leithead to me personally known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

My Commission Expires:

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

STATE OF MASSACHUSETTS    )  
                              )  
COUNTY OF SUFFOLK        )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared William B. Snow and wife, Anna W. Snow to me personally known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

My Commission Expires:

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

STATE OF NEW YORK     )  
                              )  
COUNTY OF NEW YORK    )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared Elsa G. Appleton and husband, Oliver D. Appleton, to me personally known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

My Commission Expires:

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

STATE OF NEW YORK     )  
                              )  
COUNTY OF NEW YORK    )

On this the \_\_\_\_ day of \_\_\_\_\_, 1958, before me the undersigned Notary Public in and for said County and State, personally appeared Robert T. Stevens, Thomas W. Estes, and John E. Drummond, to me known to be the persons described in and who executed the foregoing instrument as the Executors and Trustees under the Will of William J. Gallon, Deceased, and acknowledged that they executed the same as their free and voluntary act and deed for the uses and purposes therein set forth and in the capacities therein stated.

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

My Commission Expires:

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

STATE OF NEW YORK     )  
                              )  
COUNTY OF NEW YORK    )

On this the \_\_\_\_ day of \_\_\_\_\_, 1958, before me appeared Howard C. Judd, to me personally known, who, being by me duly sworn, did say that he is a vice-president of Guaranty Trust Company of New York, a Corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and the said Howard C. Judd acknowledged said instrument to be the free act and deed of said corporation, and that the corporation executed it in its capacity as Executor and Trustee under the Will of William J. Gallon, Deceased.

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

My Commission Expires:

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

STATE OF CALIFORNIA    )  
                              )  
COUNTY OF RIVERSIDE    )

On this \_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared Helen Spear Gallon, Surviving wife of William J. Gallon, to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed.

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

My Commission Expires:

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

STATE OF TEXAS     )  
                              )  
COUNTY OF TARRANT    )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared B. H. Murphy and wife, Martha R. Murphy, to me personally known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

My Commission Expires:

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

STATE OF TEXAS     )  
                              )  
COUNTY OF TARRANT    )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared C. Harrison Cooper, and wife, Estelle L. Cooper; W. V. Coffey and wife, Elizabeth H. Coffey; Kenneth L. Smith and wife, Margaret C. Smith, to me personally known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same of their free act and deed.

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

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

My Commission Expires:

AFFIDAVIT

STATE OF NEW MEXICO

COUNTIES OF LEA AND CHAVES

BEFORE ME, the undersigned authority, a Notary Public in and for Tarrant County, Texas, on this day personally appeared IRLEY A. BONNETTE and DOROTHY PETTY, who, after being by me duly sworn, each on his or her oath deposes and says:

THAT they prepared the notice addressed to "Owners of Working Interest, Royalty or Other Oil and Gas Interest in the North Caprock Queen Unit No.2, Lea and Chaves Counties, New Mexico", a copy of which is attached hereto marked Exhibit "A" and made a part hereof for all purposes.

THAT this instrument of notice was posted in the United States Mail under sealed wrapper, registered with return receipt requested, and addressed to the below listed parties on December 15, 1958, and that the return receipts indicate that such below listed parties received such notice on the day set opposite their name:

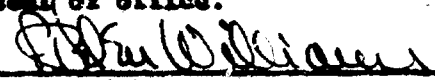
|  |                                |
|--|--------------------------------|
| Lee B. Gilpin                              | December 19, 1958              |
| McRae Oil & Gas Corporation                | December 18, 1958              |
| Sunset International Petroleum Corporation | December 18, 1958              |
| Roderic Crandall                           | (receipt returned but undated) |
| Delfera Oil Co.                            | December 16, 1958              |
| Great Western Drilling Co.                 | December 17, 1958              |
| Vickers Petroleum Co.                      | December 17, 1958              |
| Maxwell Oil Co.                            | December 16, 1958              |
| Clarence E. Hinkle                         | December 17, 1958              |
| First City Natl. Bank of Houston           | December 16, 1958              |
| William M. Danforth                        | December 16, 1958              |
| Am American Petroleum Corporation          | December 16, 1958              |
| Cascade Petroleum Co.                      | December 16, 1958              |
| Burns Goldsworthy                          | December 18, 1958              |
| A. K. Polis and Carrie Polis               | December 17, 1958              |
| Charles H. Gansud                          | December 16, 1958              |
| Mrs. Effie McKay                           | December 18, 1958              |
| Ernest C. Goldsworthy                      | December 18, 1958              |
| Ohio Oil Company                           | December 17, 1958              |

Further Affiants sayeth not.

  
Irley A. Bonnette

  
Dorothy Petty

SWORN AND SUBSCRIBED TO before me, the undersigned authority, by the said IRLEY A. BONNETTE and DOROTHY PETTY, on this 5<sup>th</sup> day of JANUARY, 1959, to which witnesseth my hand and seal of office.

  
Notary Public, Tarrant County, Texas  
F. ALLEN WILLIAMS



STATE OF TEXAS       |

COUNTY OF TARRANT   |

Be it remembered, that on this 5<sup>th</sup> day of JANUARY, 1959,  
before me, a Notary Public in and for said County and State, personally  
appeared IRLEY A. BOWNETTE and DOROTHY PETTY, to me known to be the identical  
persons described in and who executed the within and foregoing instrument,  
and acknowledged to me that they executed the same as their free and voluntary  
act and deed for the uses and purposes therein set forth.

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

F. H. G. Williams  
Notary Public in and for Tarrant  
County, Texas  
F. H. G. WILLIAMS

My Commission Expires:

June 21, 1959

AMBASSADOR OIL CORPORATION  
3109 Winthrop Avenue  
Fort Worth, Texas

EXHIBIT "A"

TO: Owners of Working Interest, Royalty or  
other Oil and Gas interest in the North  
Caprock Queen Unit No.2, Lea and Chaves  
Counties, New Mexico

This is to advise you that under Article 3. of the Unit Agreement for the development and operation of the above mentioned North Caprock Queen Unit No.2, all owners of an interest in the Southeast Quarter of the Southwest Quarter (SE/4 SW/4) of Section 36, Township 12 South, Range 31 East, and the Northeast Quarter of the Northwest Quarter (NE/4 NW/4) of Section 1, Township 13 South, Range 31 East, all in Chaves County, New Mexico, have filed with Ambassador Oil Corporation, the Unit Operator of the above mentioned Unit, an application requesting that the above described land be included in and made a part of the Unit Area, as defined in Article 1.(a) of the above mentioned Unit Agreement; and,

That all of the working interest owners in said Unit have consented to the inclusion of said land above described as part of the Unit Area under the above mentioned Unit Agreement, and that:

- (a) From and after the date of approval of such expansion by the Commissioner of the Public Lands of the State of New Mexico, the definition of "Unit Area" under Article 1.(a) will be the following described land, and will be designated and recognized as constituting the Unit Area of the North Caprock Queen Unit No.2:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Chaves County, New Mexico

T-12-S, R-31-E

Section 36: SE/4 SW/4

T-13-S, R-31-E

Section 1: Lots 1 and 2; S/2 NE/4; SE/4 NW/4; NE/4 NW/4;  
and S/2

Section 2: SE/4 SE/4

Section 11: NE/4 SW/4; S/2 SW/4; E/2

Section 12: All.

Lea County, New Mexico

T-13-S, R-32-E

Section 7: Lots 1, 2, 3 and 4

and containing in all 1887.97 acres of land, more or less;

- (b) That attached hereto and made a part hereof as Exhibit "A" is a map showing boundaries of the Unit Area as hereby expanded;
- (c) That the expansion of the above mentioned Unit is reasonably necessary and advisable to conform to the general purpose of the above mentioned Unit Agreement covering said North Caprock Queen Unit No.2;
- (d) That by using the present participation formula for the two tracts, there will be added in excess of 50,000 barrels of reserves to the ultimate unit production. In addition, it is anticipated that the overall efficiency of the unit operations will be increased;
- (e) That there is attached hereto and made a part hereof Exhibits "A" and "B", which will be substituted for and be in lieu of the present Exhibits "A" and "B" to the Unit Agreement for the North Caprock Queen Unit No.2, when the application for expansion has been approved by the Commissioner;

(f) That there is attached hereto and made a part hereof Exhibit "C", which will be substituted for and in lieu of the present Exhibit "C", which is attached to the Unit Operating Agreement for the said North Caprock Queen Unit No.2.

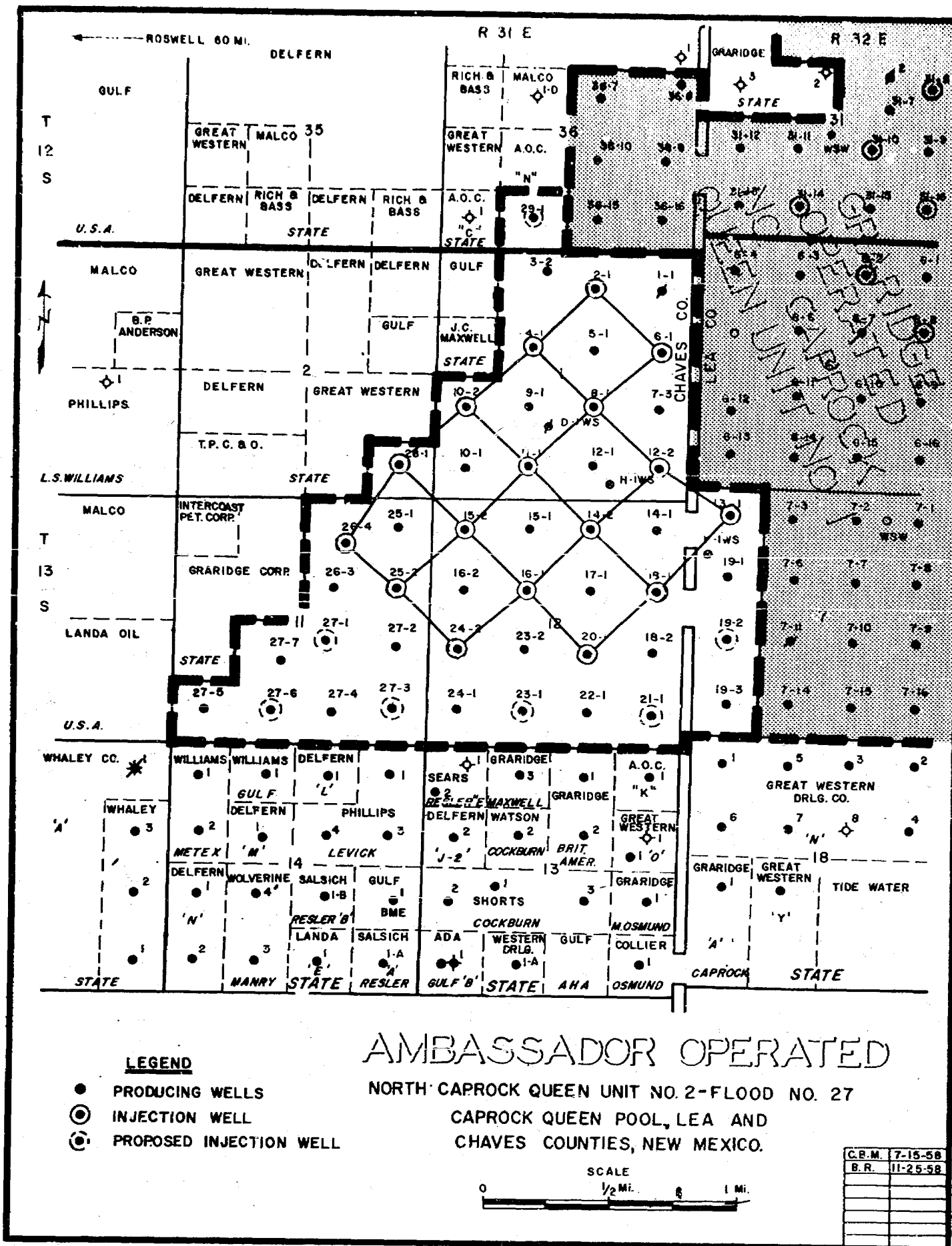
You are advised that you will have thirty (30) days from date hereof, in accordance with Article 3.(b)(2), for submission to the Unit Operator of any objections to this proposed expansion.

You are advised that the Unit Operator will request that the Commissioner set in his order of approval an effective date for the expansion of such unit.

Yours very truly,

AMBASSADOR OIL CORPORATION

By Kenneth L. Smith  
Vice President



I N D E X

E X H I B I T "B"

AMBASCADOR LEASES:

Tracts; 2, 3, 9, 10, 11, 12, 14, ----  
16, 19, 20, 25, 29

PAGE  
1 through 7

GRARIDGE LEASES:

Tracts; 1, 4, 5, 6, 7, 8, ----  
13, 18, 21, 22, 26, 27,

8 and 9

GREAT WESTERN DRILLING COMPANY

Tracts: 17, 23, 24, 28 ----

10

GULF OIL CORPORATION LEASES:

Tract 15 ----

10

| EXHIBIT "B" |   |         |                          |                          |  | PER CENT  |                                |
|-------------|---|---------|--------------------------|--------------------------|--|---|--------------------------------|
| TRACT NO.   | DESCRIPTION                               | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER   | AMOUNT  | PARTICIPATION OF TRACT IN UNIT |
| **2         | Lot 2, Sec. 1, T13S, R31E, Chaves County, | 40.13   | B-8828-41                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Letthead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased | 140/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>100/840 * ) | 2.540015                       |
| **3         | NE/4 NW/4, Sec. 1, T13S, R31E, Chaves Co. | 40      | B-10420-146              | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Letthead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased | 140/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>100/840 * ) | 0.703250                       |

EXHIBIT "B"

| TRACT NO. | DESCRIPTION                                  | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER   | AMOUNT  | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|--|---------|--------------------------|--------------------------|--|---|---|
| **9       | N2/4 SW/4, Sec. 1, T3S, R31E, Chaves County, | 40      | B-8318-107               | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Lelthead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased. | 140/840 )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>100/840 * ) | 2.263001                                |

\*\* Curtis McBroom, C. H. Cooper, W. V. Coffey  
K. L. Smith, P. H. Murphy, William Spurck  
and wife, Vada Spurck, Delfern Oil Company

EXHIBIT B (continued)

| TRACT NO. | DESCRIPTION   | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER   | AMOUNT  | PER CENT PARTICIPATION OF TRACT IN UNIT. |
|-----------|---|---------|--------------------------|--------------------------|--|---|--|
| **10      | W/2 SW/4, Sec. 1, T 13 S, R 31 E, Chaves County,  | 80      | B-10417-5                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Leithhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased. | 140/840 *)<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 4.163039                                 |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey,<br>K. L. Smith, B. H. Murphy, A. K. Polle,<br>McRae Oil and Gas Corporation, |         |                          |                          |  |   |  |
| **11      | SE/4 SW/4, Sec. 1, T 13 S, R 31 E, Chaves County,   | 40      | 3-8605-23                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Leithhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased, | 140/840 *)<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 3.316786                                 |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey,<br>K. L. Smith, B. H. Murphy, Delfern Oil Company,<br>Lee B. Gilpin          |         |                          |                          |  |   |  |



EXHIBIT B (Continued)

| TRACT NO. | DESCRIPTION   | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER   | AMOUNT  | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|---|---------|--------------------------|--------------------------|--|---|---|
| **12      | S/2 SE/4, Sec. 1, T13S, R31E, Chaves County   | 80      | B-10418-73               | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Letthead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Galton, Deceased | 140/840 *)<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 7.882315                                |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey,<br>K. L. Smith, B. H. Murphy, Delfern Oil Company,<br>William Spurck and wife, Vada Spurck                                     |         |                          |                          |  |   |   |
| **14      | N/2 NE/4, Sec. 12, T13S, R31E, Chaves County  | 80      | B-10411-21               | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Letthead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Galton, Deceased | 140/840 *)<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 5.917420                                |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey,<br>K. L. Smith, B. H. Murphy, Delfern Oil Company,<br>Clarence E. Hinkle, Trustee for the Estate of<br>Allie M. Lee, Deceased. |         |                          |                          |  |   |   |

EXHIBIT B (continued)

| TRACT NO. | DESCRIPTION   | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER   | AMOUNT   | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|---|---------|--------------------------|--------------------------|--|--|---|
| **16      | S/2 NW/4, Sec. 12, T 13 S, R, 31 E. Chaves County   | 80      | B-10417-5                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Leithead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased | 140/840 )<br>50/840 *)<br>50/840 *)<br>100/940 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 4.540167                                |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey, K. L. Smith, B. H. Murphy, A. K. Polle, McKee Oil and Gas Corporation                  |         |                          |                          |  |  |   |
| **19      | Lots 2, 3, & 4, Sec. 7 T 13 S, R 32 E, Lea County   | 125.98  | B-11447-2                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Leithead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased | 140/840 )<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 16.634705                               |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey, K. L. Smith, B. H. Murphy, Delfern Oil Company and Pan American Petroleum Corporation. |         |                          |                          |  |  |   |

EXHIBIT "B"

| TRACT NO. | DESCRIPTION  | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER   | AMOUNT  | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|--|---------|--------------------------|--------------------------|--|---|---|
| **20      | NW/4 SE/4, Sec. 12, T13S, R31E, Chaves County,<br><br>**Curtis McBroom, C. H. Cooper, W. V. Coffey<br>K. L. Smith, B. H. Murphy, William Spurck and<br>wife, Vada Spurck,                    | 40      | B-10420-146              | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Letthead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J.<br>Gallon, Deceased       | 140/840 )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>50/840 * )<br>100/840 * )               | 1.777366                                |
| **25      | E/2 NE/4, Sec. 11, T13S, R31E, Chaves County,<br><br>** Curtis McBroom, C. H. Cooper, W. V. Coffey<br>K. L. Smith, B. H. Murphy, Delfern Oil Company,<br>Pan American Petroleum Corporation. | 80      | B-11447-2                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Letthead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J.<br>Gallon, Deceased. | 140/840 )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>100/840 * ) | 3.110962                                |

EXHIBIT "B"

| TRACT NO. | DESCRIPTION                                     | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER  | AMOUNT  | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|---|---------|--------------------------|--------------------------|---|---|---|
| **29      | SE/4 SW/4, Sec. 36, T-12S, R32E, Chaves County, | 40      | B-8318-108               | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. McGuire<br>Oliver D. Appleton<br>Elsa G. Appleton<br>Barry T. Leithead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased. | 140/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>100/840 * ) | 1.082032                                |

\* NOTE

This interest is subject to a carried interest owned by Ambassador Oil Corporation and the participation of Ambassador Oil Corporation will increase as between itself and the owner of this interest when Ambassador becomes entitled to its carried interest as provided by the agreement by and between the owner of such interest and Ambassador Oil Corporation of record in the named county.

\*\* NOTE:

The listed parties own oil payments or overriding royalty interests which prior to the execution of this instrument, were payable out of production from the listed tract as reflected by instruments of record in said county, but which will, after the execution of this instrument, be payable out of production allocated to such tract.

| TRACT NO. | DESCRIPTION  | ACREAGE | EXHIBIT B (Continued)    |                          | OWNER OF RECORD AND WORKING INTEREST OWNER | AMOUNT | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|--|---------|--------------------------|--------------------------|--|--------|---|
|           |  |         | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT |  |        |   |
| 1         | Lot 1, Sec. 1, T 13 S, R 31 E, Chaves County,<br># Wm. R. Spurck and wife, Vada Spurck, Effie McKay                                      | 40.04   | B-8828-40                | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | .820647                                 |
| 4         | SE/4 NW/4, Sec. 1, T 13 S, R 31 E, Chaves County<br># The Vickers Petroleum Co., Inc., Chas H. Osmond, Roderic Crandall, Maxwell Oil Co. | 40      | B-10416-29               | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | .618638                                 |
| 5         | SW/4 NE/4, Sec. 1, T 13 S, R 31 E, Chaves County,<br>#Great Western Drilling Company   | 40      | B-9155-6                 | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 2.611024                                |
| 6         | SE/4 NE/4, Sec. 1, T 13 S, R 31 E, Chaves County,<br># R. Q. Dulaney, Jr.  | 40      | B-10242-6                | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 1.196052                                |
| 7         | NE/4 SE/4, Sec. 1, T 13 S, R 31 E, Chaves County<br>#Chas. H. Osmond, Roderic Crandall, Maxwell Oil Co.                                  | 40      | B-10416-24               | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 3.356805                                |
| 8         | NW/4 SE/4, Sec. 1, T 13 S, R 31 E, Chaves County,<br># Chas. H. Osmond, Roderic Crandall, Maxwell Oil Co.                                | 40      | B-10416-26               | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 1.619651                                |
| 13        | Lot 1, Sec. 7, T 13 S, R 32 E, Lea County  | 41.82   | B-10973-9                | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 2.642743                                |

EXHIBIT B

## EXHIBIT "B" (Continued)

| TRACT NO. | DESCRIPTION   | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER | AMOUNT | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|---|---------|--------------------------|--------------------------|--|--------|---|
| 18        | NE/4SE/4 and SE/4 NE/4 Sec. 12, T13S, R31E, Chaves County     | 80      | B-10416-29               | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 5.487033                                |
| 21        | SE/4 SE/4, Sec. 12, T13S, R31E, Chaves Co.                    | 40      | B-8429-21                | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 1.237683                                |
| 22        | SW/4, SE/4 Sec. 12, T13S, R31E, Chaves Co.                    | 40      | B-10416-25               | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 1.915316                                |
| 26        | W/2 NE/4, Sec. 11, T13S, R31E, Chaves County,                 | 80      | B-399-37                 | St. N. Mex. 12.5%        | #Graridge Corporation                      | 100%   | 2.154237                                |
| 27        | SE/4, S/2 & NE/4 of SW/4, Sec. 11, T13S, R31E, Chaves County, | 280     | B-8631-3                 | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 8.625006                                |

# Ohio Oil Company

#NOTE The parties listed below each tract own overriding royalty interests which, prior to execution of this instrument, were payable out of production from such tract under the terms of the lease covering such tract as reflected by instruments of record in said county, but which will, after the execution of this instrument, be payable out of the production allocated to such tract.

#NOTE Subject to a beneficial interest in favor of Oil & Gas Property Management, Inc., and Clardy & Barnett, as per terms of agreement recorded in Vol. 21, page 124, Oil and Gas Records, Chaves County, New Mexico.

Graridge Leases

EXHIBIT B

EXHIBIT "B" (Continued)

| TRACT NO. | DESCRIPTION  | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER | AMOUNT | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|--|---------|--------------------------|--------------------------|--|--------|---|
| 17        | SW/4 NE/4, Sec. 12, T13S, R31E, Chaves County                | 40      | B-104-16                 | St. New Mex. 12.5%       | Great Western Drilling Co.                 | 100%   | 3.616201                                |
|           | @ Maxwell Oil Company, Charles H. Osmond, Roderic Crandall   |         |                          |                          |  |        |   |
| 23        | E/2 SW/4, Sec. 12, T13S, R31E, Chaves County                 | 80      | B-9155                   | St. New Mex. 12.5%       | Great Western Drilling Co.                 | 100%   | 7.229775                                |
|           | @ Great Western Drilling Company, Cascade Petroleum Company. |         |                          |                          |  |        |   |
| 24        | N/2 SW/4, Sec. 12, T13S, R31E, Chaves County                 | 80      | B-7878                   | St. New Mex. 12.5%       | Great Western Drilling Co.                 | 100%   | 4.157687                                |
|           | @ Great Western Drilling Company, Cascade Petroleum Company  |         |                          |                          |  |        |   |
| 28        | SE/4 SE/4, Sec. 2, T13S, R31E, Chaves County                 | 40      | B-9541                   | St. New Mex. 12.5%       | Great Western Drilling Co.                 | 100%   | 1.046100                                |
|           | @ Great Western Drilling Company                             |         |                          |                          |  |        |   |
| 15        | N/2 NW/4, Sec. 12, T13S, R31E, Chaves County                 | 80      | B-8459                   | St. New Mex. 12.5%       | Gulf Oil Corporation                       | 100%   | 4.021426                                |

(NOTE: The parties listed below each tract own overriding royalty interests which, prior to execution of this instrument, were payable out of production from such tract under the terms of the lease covering such tract as reflected by instruments of record in the County of Chaves, New Mexico, but which will, after the execution of this instrument, be payable out of the production allocated to such tract.

EXHIBIT C

| <u>OPERATOR</u>                   | <u>TOTAL UNIT<br/>PARTICIPATION</u> |
|-----------------------------------|-------------------------------------|
| Ambassador Oil Corporation        | 7.973993                            |
| Oliver D. Appleton                | 2.847855 *                          |
| Elsa G. Appleton                  | 5.695711 *                          |
| Dulaney Oil Company               | 2.847855 *                          |
| R. O. Dulaney, Jr.                | 2.847855 *                          |
| Kenneth W. Fraser                 | 1.423932 *                          |
| Estate of Wm. J. Gallon, Deceased | 5.695711 *                          |
| Graridge Corporation              | 32.084835                           |
| Great Western Drilling Company    | 16.049763                           |
| Gulf Oil Corporation              | 4.021426                            |
| E. Stanley Klein                  | 5.695711*                           |
| Barry T. Leithead                 | 2.847855 *                          |
| John P. Maguire                   | 5.695711 *                          |
| Wm. N. Snow                       | 2.847855 *                          |
| D. W. Vreeland                    | 1.423932 *                          |
|                                   | <hr/>                               |
|                                   | 100,000000                          |

\* This interest is subject to a carried interest owned by Ambassador Oil Corporation and the participation of Ambassador Oil Corporation will increase as between itself and the owner of this interest when Ambassador becomes entitled to its carried interest as provided by the agreements by and between the owner of such interest and Ambassador Oil Corporation of record in Chaves County, New Mexico.



ALL RIGHTS RESERVED  
COPYRIGHT 1910, 1911

JANUARY 22, 1930

There has been presented to the Commissioner of Public Lands for his approval an application for the expansion of Ambassador's North Caprock (under Title No. 2).

There is attached to this application all documents fully executed as provided for in the Unit Agreement, and no objections have been filed.

Consent to this expansion has been executed and attached to the application by both of the record owners, owning interest entire and royalty interest owners.

Therefore, according to the terms of the Unit Agreement and after a full thirty days has been allowed for any objection to such an expansion, approval is hereby granted and said expansion of Ambassador's North Caprock (under Title No. 2), shall be effective as of 7:00 A. M., February 1, 1930.

BY:

*W. M. Morgan*  
COMMISSIONER OF PUBLIC LANDS

**ILLEGIBLE**

AFFIDAVIT

STATE OF NEW MEXICO :  
:  
COUNTIES OF LEA AND CHAVES :

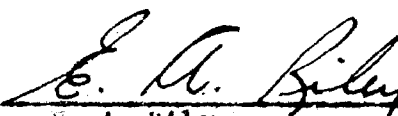

BEFORE ME, the undersigned authority, a Notary Public in and for Tarrant County, Texas, on this the 20th day of January, 1959, personally appeared E. A. Riley, Superintendent of Secondary Recovery Division of Ambassador Oil Corporation, and Irley A. Bonnette, attorney for Ambassador Oil Corporation, who, after being by me duly sworn, each on his oath deposes and says:

That the Notice addressed to "Owners of Working Interest, Royalty or Other Oil and Gas Interest in the North Caprock Queen Unit No. 2, Lea and Chaves Counties, New Mexico", was posted in the United States mail under sealed wrapper, registered with return receipt requested, and addressed to the parties indicated in the Affidavit signed by Irley A. Bonnette and Dorothy Petty, which is on file with the Commissioner of Public Lands of and for the State of New Mexico.

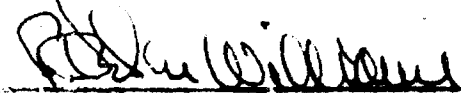
Affiants herein each state that neither they nor Ambassador Oil Corporation have received any objection or notice of objection, oral or written, from any of the parties who were notified, as set out in the above mentioned Affidavit signed by Irley A. Bonnette and Dorothy Petty.

Further affiants saith not.

EXECUTED this the 20th day of January, 1959.

  
E. A. Riley  
  
Irley A. Bonnette

SWORN AND SUBSCRIBED TO BEFORE ME, the undersigned authority, by the said E. A. RILEY and IRLEY A. BONNETTE on this the 20th day of January, 1959, to which witness my hand and seal of office.

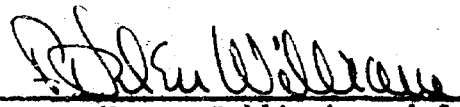
  
Notary Public in and for  
Tarrant County, Texas  
F. Helen Williams

My Commission Expires  
June 1, 1959

STATE OF TEXAS :  
COUNTY OF TARRANT :  
:

BE IT REMEMBERED, that on this 20th day of JANUARY,  
1959, before me, a Notary Public in and for said County and State, personally  
appeared IRLEY A. BONNETTE and E. A. RILEY, to me known to be the identical  
persons described in and who executed the within and foregoing instrument,  
and acknowledged to me that they executed the same as their free and voluntary  
act and deed for the uses and purposes therein set forth.

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



Notary Public in and for  
Tarrant County, Texas

F. Allen Williams

My commission expires:

JUN 21 1959

OIL CONSERVATION COMMISSION  
P. O. BOX 871  
SANTA FE, NEW MEXICO

June 30, 1958

Mr. James T. Jennings  
Attorney at Law  
P.O. Box 805  
Roswell, New Mexico

Dear Jim:

With reference to your letter of June 25th, we do have an executed counterpart of the Unit Agreement for the Caprock Queen Unit No. Two so it will not be necessary for you to send us another one.

Very truly yours,

OIL CONSERVATION COMMISSION

By

C  
O  
P  
Y

JAMES T. JENNINGS

ATTORNEY AT LAW

J. P. WHITE BUILDING

ROSWELL, NEW MEXICO

June 25, 1958

*Package -  
Pls. take this  
and reply*

Mr. A. L. Porter, Secretary-Director  
Oil Conservation Commission  
Box 871  
Santa Fe, New Mexico

Re: Case No. 1448, Order No. R-1194

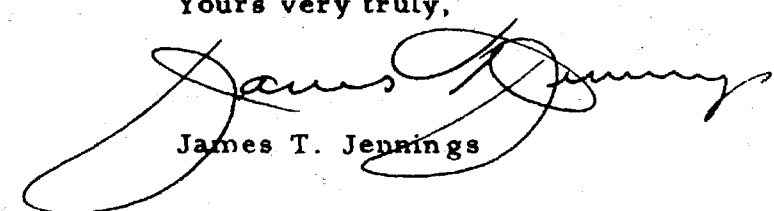
Dear Mr. Porter:

Thank you for your letter of June 23 enclosing the Commission order approving the Caprock Queen Unit No. Two. Paragraph 5 of the Order provides that the unit operator shall file with the Commission an executed original of the Unit Agreement within 30 days after the effective date thereof. It is my recollection that I handed the examiner an executed counterpart of the Unit Agreement at the close of the testimony and I am wondering if the Commission desires another executed counterpart of the Agreement. If so, please let me know and I will obtain it for you.

*no if we have one*

In further compliance with the Commission Order I am enclosing herewith a Certificate of Approval executed by the Commissioner of Public Lands of the State of New Mexico dated May 27, 1958 reflecting the Commissioner's approval. The testimony at the hearing showed that the approval had been obtained and I think the enclosed certificate will now complete the file on this, and satisfy the provisions of Paragraph 7 of the Order.

Yours very truly,



James T. Jennings

JTJ:cs

Enc.

cc: Ambassador Oil Corporation

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

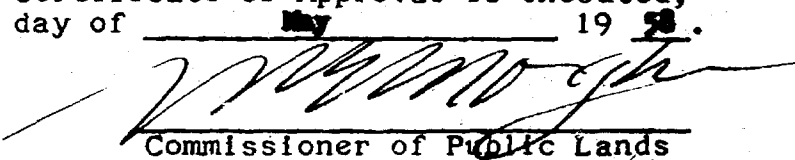
**AMBASADOR'S -NORTH CAPROCK QUEEN UNIT NO. TWO**

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated April 16, 1958, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, 1, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 27th. day of May 19 58.

  
Commissioner of Public Lands  
of the State of New Mexico

**OIL CONSERVATION COMMISSION**

**P. O. BOX 871**

**SANTA FE, NEW MEXICO**

**June 23, 1958**

**Mr. James T. Jennings  
P.O. Box 805  
Roswell, New Mexico**

**Dear Mr. Jennings:**

**On behalf of your client, Ambassador Oil Corporation, we  
enclose two copies of Order R-1194 issued by the Oil Conservation  
Commission in Case 1448, which was heard on May 28th at Santa Fe  
before an examiner.**

**Very truly yours,**

**A. L. Porter, Jr.  
Secretary - Director**

**bp  
Encls.**

**C  
O  
P  
Y**

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 1448  
Order No. R-1194

THE APPLICATION OF AMBASSADOR OIL  
CORPORATION FOR THE APPROVAL OF THE  
NORTH CAPROCK QUEEN UNIT AGREEMENT  
NO. 2 EMBRACING 1808 ACRES, MORE OR  
LESS, LOCATED IN TOWNSHIP 13 SOUTH,  
RANGE 31 AND 32 EAST, NMPM, CHAVES  
AND LEA COUNTIES, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on May 28, 1958, at Santa Fe, New Mexico, before Elvis A. Uta, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 18<sup>th</sup> day of June, 1958, the Commission, a quorum being present, having considered the application, the evidence adduced and the recommendations of the Examiner, Elvis A. Uta, 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 proposed unit plan will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That this order shall be known as the

NORTH CAPROCK QUEEN UNIT AGREEMENT NO. 2 ORDER

(2) (a) That the project herein referred to shall be known as the North Caprock Queen Unit Agreement No. 2 and shall hereinafter be referred to as the "Project."

(b) That the Plan by which the project shall be operated shall be embraced in the form of a unit agreement for the development and operation of the North Caprock Queen Unit No. 2 Area, referred to in the Petitioner's petition and filed with said petition, and such plan shall be known as the North Caprock Queen Unit Agreement No. 2 Plan.



(3) (a) That the North Caprock Queen Unit Agreement No. 2 Plan shall be, and hereby is, 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, duties or obligations which are now, or may hereafter, be vested in the New Mexico Oil Conservation Commission by law relative to the supervision and control of operations for exploration and development of any lands committed to said North Caprock Queen Unit Agreement No. 2 or relative to the production of oil and gas therefrom.

(b) That the unit operator periodically shall file with the Commission a North Caprock Queen Unit No. 2 Statement of Progress, summarizing operations for the exploration and development of any lands committed to said North Caprock Queen Unit Agreement No. 2. This statement of progress shall be filed within 30 days after the expiration of each six-months period during the term of the unit agreement, and shall contain such pertinent data as may be necessary for the Commission to determine the progress being made in the North Caprock Queen Unit No. 2 Area.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 13 SOUTH, RANGE 31 EAST

Section 1: Lots 1 and 2; S/2 NE/4, SE/4 NW/4, and S/2

Section 2: SE/4 SE/4

Section 11: NE/4 SW/4, S/2 SW/4, and E/2

Section 12: All

TOWNSHIP 13 SOUTH, RANGE 32 EAST

Section 7: Lots 1, 2, 3, and 4

containing 1808 acres more or less.

(b) The unit area may be enlarged or contracted as provided in said Plan.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the North Caprock Queen Unit Agreement No. 2 within 30 days after the effective date thereof.

(6) That any party owning rights in the unitized substances who does not commit such rights to said unit agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof, or by ratifying the same. The unit operator shall file with the Commission within 30 days an original of any such counterpart or ratification.

(7) 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 shall terminate ipso facto upon the

-3-  
Case No. 1448  
Order No. R-1194

termination of said unit agreement. The last unit operator shall immediately notify the Commission in writing of such termination.

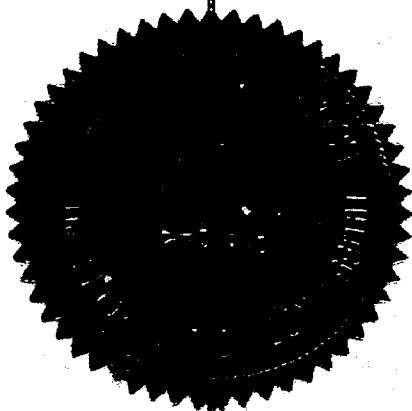
DONE at Santa Fe, New Mexico, on the day and year herein-  
above designated.

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*E. L. Mechem*  
EDWIN L. MECHAM, Chairman

*M. E. Morgan*  
MURRAY E. MORGAN, Member

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



AS/

In reply refer to:  
Unit Division

Case 1448

May 27, 1958

Mr. Howard W. Jennings  
White Building  
P. O. Box 450  
Roswell, New Mexico

Re: Ambassador's North  
Caprock Queen Unit No. Two,  
Lea and Chaves Counties,  
New Mexico

Dear Mr. Jennings:

We are handing you herewith nine copies of the Certificate of Approval on your Ambassador's North Caprock Queen Unit No. Two. This approval being made as of May 27, 1958.

Also enclosed please find your Official Receipt No. 39189 in the amount of \$25.00 which covers your filing fee.

Very truly yours,

MURRAY E. MORGAN,  
Commissioner of Public Lands

BY:  
Ted Bilberry, Supervisor  
Oil and Gas Division

MM/100/s

cc: OCC-Santa Fe

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE NO. 1478  
Order No. R-1194

THE APPLICATION OF Ambassador Oil Corporation  
FOR THE APPROVAL OF The North Caprock Queen  
(No. 2) UNIT Agreement  
AGREEMENT EMBRACING 1808  
ACRES, MORE OR LESS, LOCATED IN TOWNSHIP  
13 South, RANGES 31 and 32 East  
NMPM, Chaves and Lea COUNTY, NEW  
MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

19 58 This cause came on for hearing at 9 o'clock a. m. on May 28  
at \_\_\_\_\_, New Mexico, before \_\_\_\_\_

Heard by Elviro

NOW, on this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, the Commission, a quorum being  
present, having considered the app. the evidence adduced and the  
recommendations of the Examiners, E. A. U.,  
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 proposed unit plan will in principle tend to promote the conservation  
of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That this order shall be known as the No. 2  
North Caprock Queen UNIT AGREEMENT/ORDER.

(2) (a) That the project herein referred to shall be known as the North  
Caprock Queen Unit Agreement and shall hereinafter be referred to as the "Project."

(b) That the Plan by which the project shall be operated shall be embraced  
in the form of a unit agreement for the development and operation of the North Caprock  
Queen Unit Area, referred to in the Petitioner's petition and filed with said  
petition, and such plan shall be known as the North Caprock Queen Unit Agreement Plan.

(3) (a) That the North Caprock Queen Unit Agreement No. 2 Plan shall be, and  
hereby is, 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, duties or obligations  
which are now, or may hereafter, be vested in the New Mexico Oil Conservation Commission by  
law relative to the supervision and control of operations for exploration and development of  
any lands committed to said North Caprock Queen Unit Agreement No. 2 or relative  
to the production of oil and gas therefrom.

Use letter (a) only if  
Paragraph 3(b) is used.

Use 5(b) only if  
no federal acreage  
is included.

(b) That the unit operator periodically shall file with the Commission a North Caprock Queen Unit <sup>No. 2</sup> Statement of Progress, summarizing operations for the exploration and development of any lands committed to said North Caprock Queen Unit Agreement. This statement of progress shall be filed within 30 days after the expiration of each six-months period during the term of the unit agreement, and shall contain such pertinent data as may be necessary for the Commission to determine the progress being made in the North Caprock Queen Unit Area.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 13 South, RANGE 31 East

Section 1: Lots 1 and 2; S/2 NE/4, SE/4 NW/4, S/2 <sup>and</sup>

Section 2: SE/4 SE/4

Section 11: NE/4 SW/4, S/2 SW/4, E/2 <sup>and</sup>

Section 12: all

Township 13 South, Range 32 East

Section 7: Lots 1, 2, 3, <sup>and</sup> 4

containing 1808 acres more or less.

~~(b) The unit area may be enlarged or contracted as provided in said Plan.~~  
~~(Unit if Agreement does not so provide.)~~

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the North Caprock Queen Unit Agreement, within 30 days after the effective date thereof.

<sup>No. 2</sup> (6) That any party owning rights in the unitized substances who does not commit such rights to said unit agreement before the effective date thereof may thereafter become a party thereto by subscribing to such agreement or counterpart thereof, or by ratifying the same. The unit operator shall file with the Commission within 30 days an original of any such counterpart or ratification.

(7) 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 shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall immediately notify the Commission in writing of such termination.

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

, Chairman

, Member

, Member & Secretary

S E A L

OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

Date 6-2-58

CASE 1498

Hearing Date 5-28-58

My recommendations for an order in the above numbered cases are as follows:

*Approve using usual unit order.  
Nothing unusual in this application  
except that it is 100% committed.*

*Frankly*

\_\_\_\_\_  
Staff Member

DOCKET: EXAMINER HEARING MAY 28, 1958

Oil Conservation Commission 9 a.m. Mabry Hall, State Capitol, Santa Fe

The following cases will be heard before Elvis A. Utz, Examiner:

- CASE 1225: Application of Moab Drilling Company and Utex Exploration Company for an order amending Order No. R-975. Applicant, in the above-styled cause, seeks an order amending Order No. R-975 to permit the conversion to a water injection well of the Utex Exploration Company Donohue-Federal No. 3 Well, located in the SE/4 SW/4 of Section 15, Township 16 South, Range 29 East, Eddy County, New Mexico.
- CASE 1446: Application of The Texas Company for approval of a unit agreement. Applicant, in the above-styled cause, seeks an order approving its Cotton Draw Unit embracing 35,144 acres, more or less, of Federal, State of New Mexico, and patented lands, located in Township 24 South, Ranges 31 and 32 East; Township 25 South, Ranges 31 and 32 East, in Eddy and Lea Counties, New Mexico.
- CASE 1447: Application of The Texas Company for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order establishing a 320-acre non-standard gas proration unit in the Eumont Gas Pool comprising the E/2 of Section 11, Township 20 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the applicant's C. H. Weir "B" Well No. 3, located 330 feet from the North line and 660 feet from the East line of said Section 11.
- CASE 1448: Application of Ambassador Oil Corporation for approval of a unit agreement. Applicant, in the above-styled cause, seeks an order approving its North Caprock Queen Unit No. 2 embracing 1808 acres, more or less, of State of New Mexico lands located in Township 13 South, Ranges 31 and 32 East, in Chaves and Lea Counties, New Mexico.
- CASE 1449: Application of Graridge Corporation for an exception to Rule 309 of the Commission Rules and Regulations. Applicant, in the above-styled cause, seeks an order permitting the consolidation of tank batteries to receive the production from more than sixteen wells in the North Caprock Queen Unit No. 1 in Chaves and Lea Counties, New Mexico, which was established by Order No. R-1145. The applicant further seeks permission to install automatic custody transfer equipment on the above-referenced Unit.
- CASE 1450: Application of Neville G. Penrose, Inc. for approval of a unit agreement. Applicant, in the above-styled cause, seeks an order approving its November State Unit comprising 913 acres, more or less, of State of New Mexico and patented lands, located in Township 10 South, Range 37 and 38 East, and Township 11 South, Range 38 East, Lea County, New Mexico.

- CASE 1451: Application of Amerada Petroleum Corporation for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order establishing a 280-acre non-standard gas proration unit in the Justis Gas Pool consisting of the W/2 SW/4 Section 24, NW/4 and SW/4 NE/4 of Section 25, all in Township 25 South, Range 37 East, Lea County, New Mexico, said unit to be dedicated to the applicant's proposed well to be drilled in the NE/4 NW/4 of said Section 25.
- CASE 1452: Application of Amerada Petroleum Corporation for the dual completion of a producing oil well to permit the disposal of salt water therein. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its H. C. Posey "A" No. 4 Well, located in the NW/4 NE/4 of Section 14, Township 12 South, Range 32 East, Lea County, New Mexico, in such a manner as to permit the production of oil through the tubing from the Pennsylvanian formation, adjacent to the East Caprock-Pennsylvanian Pool, and to permit the disposal of salt water through the casing tubing annulus into the Devonian formation between 11,205 feet and 11,370 feet.
- CASE 1453: Application of Magnolia Petroleum Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Stephens Estate No. 1 Well, located in the NW/4 SW/4 of Section 24, Township 21 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Terry-Blinebry Pool and Wantz-Abo Pool.
- CASE 1454: Application of Gulf Oil Corporation for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Learcy McBuffington No. 4 Well, located 660 feet from the South line and 1980 feet from the West line of Section 13, Township 25 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from an undesignated Blinebry oil pool and oil from the Justis-Ellenburger Pool through parallel strings of tubing.
- CASE 1455: Application of Gulf Oil Corporation for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Learcy McBuffington Well No. 5, located 1650 feet from the South line and 1980 feet from the East line of Section 13, Township 25 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from an undesignated Blinebry oil pool and oil from the Justis-Ellenburger pool through parallel strings of tubing.



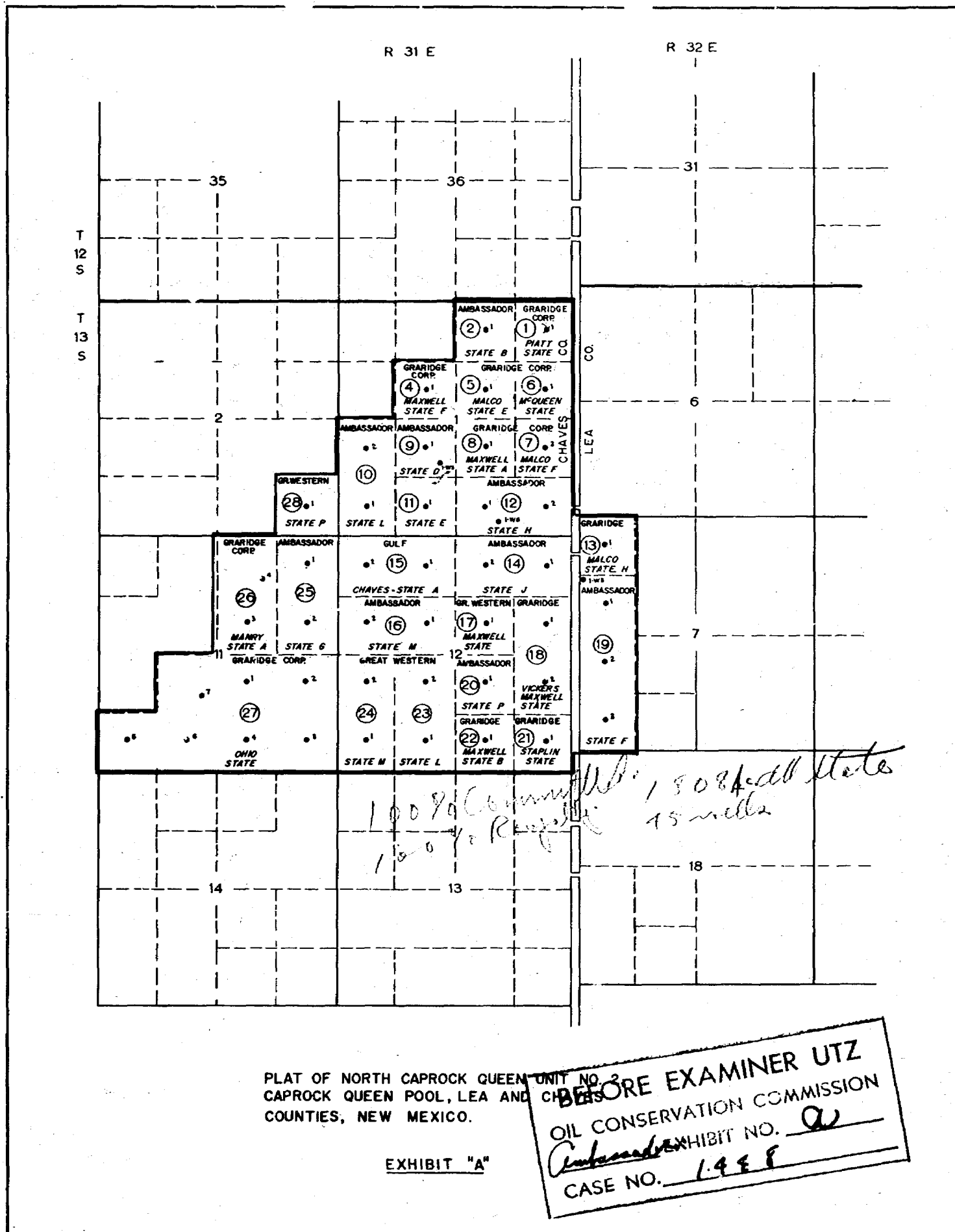
- CASE 1456: Application of Gulf Oil Corporation for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Learcy McBuffington Well No. 6, located 330 feet from the South line and 1980 feet from the East line of Section 13, Township 25 South, Range 37 East, Lea County, New Mexico, in such a manner as to permit the production of oil from an undesignated Blinebry oil pool and oil from the McKee formation, adjacent to the Justis-McKee Pool, through parallel strings of tubing.
- CASE 1457: Application of Sinclair Oil & Gas Company for an oil-oil dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its State Lea Well No. 1, located 660 feet from the South and West lines of Section 24, Township 16 South, Range 33 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Kemnitz-Wolfcamp Pool and from the Pennsylvanian formation adjacent to the Kemnitz-Pennsylvanian Pool through parallel strings of tubing.
- CASE 1458: Application of Albert Gackle for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order establishing a 320-acre non-standard gas proration unit in the Jalmat Gas Pool consisting of the S/2 of Section 23, Township 23 South, Range 36 East, Lea County, New Mexico, said unit to be dedicated to the applicant's Sinclair State No. 1 Well, located 1650 feet from the South line and 990 feet from the East line of said Section 23.
- CASE 1459: Application of Continental Oil Company for a dual completion and non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Farney A-17 Well No 3, located in Section 17, Township 23 South, Range 36 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Lower Yates formation of the Jalmat Gas Pool and gas from the Upper Yates formation of the Jalmat Gas Pool through the tubing and casing-tubing annulus respectively. The applicant further seeks the establishment of a 160-acre non-standard gas proration unit in the Jalmat Gas Pool comprising the NW/4 of said Section 17, to be dedicated to the said Farney A-17 Well No. 3.
- CASE 1460: Application of Phillips Petroleum Company for an oil-oil dual completion and for permission to commingle production from two separate pools. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its New Mex "A" Well No. 1 located 1983 feet from the South line and 2313 feet from the West line of Section 25, Township 16 South, Range 33 East, Lea County, New Mexico, in such a manner as to permit the production of oil from the Kemnitz-Wolfcamp Pool and oil from an undesignated Pennsylvanian pool through parallel strings of tubing. The applicant also proposes to produce the Wolfcamp and Pennsylvanian production from said well into common storage.

CASE 1461: Application of A. A. Greer, et al., for an exception to the acreage factors established by Order No. R-565-C for certain wells in San Juan County, New Mexico. Applicant, in the above-styled cause, seek an order granting an exception to the acreage factors provided in the Special Rules and Regulations for the Aztec-Pictured Cliffs Gas Pool and Fulcher Kutz-Pictured Cliffs Gas Pool, as set forth in Order No. R-565-C, for one well in the Aztec-Pictured Cliffs Gas Pool and eight wells in the Fulcher Kutz-Pictured Cliffs Gas Pool which were drilled on 40-acre spacing prior to the establishment of 160-acre spacing in the aforementioned pools.

CASE 1462: Application of El Paso Natural Gas Company for a non-standard gas proration unit. Applicant, in the above-styled cause, seeks an order establishing a 335-acre, more or less, non-standard gas proration unit in the Blanco Mesaverde Gas Pool consisting of the SW/4 of Section 7 and the W/2 of Section 18, all in Township 30 North, Range 8 West, San Juan County, New Mexico, said unit to be dedicated to the applicant's Howell No. 4-C Well, located 933 feet from the South line and 931 feet from the West line of said Section 18.

CASE 1463: Application of Pan American Petroleum Corporation for an oil-gas dual completion. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its O. H. Randel "A" No. 1 Well, located 1650 feet from the South line and 990 feet from the West line of Section 9, Township 26 North, Range 11 West, San Juan County, New Mexico, in such a manner as to permit the production of oil from an undesignated Gallup oil pool and gas from an undesignated Dakota gas pool through parallel strings of tubing.

ir/



CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

**AMBARADOR'S -NORTH CAPE ROCK QUINN UNIT NO. TWO**

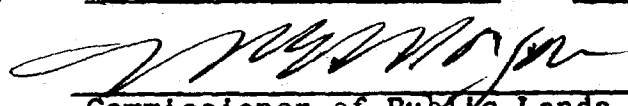
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There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated April 16, 1978, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 27th. day of May 19 78.

  
Commissioner of Public Lands  
of the State of New Mexico

Car 1448

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF THE  
NORTH CAPROCK QUEEN UNIT NO. TWO  
LEA AND CHAVES COUNTIES, NEW MEXICO

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

THIS AGREEMENT, entered into as of the 16<sup>th</sup> day of April, 1958, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto,"

WITNESSETH:

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943 as amended by Section 1 of Chapter 162, Laws of 1951) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chapter 162, Laws of 1951) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such unitized development and operation of State lands; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1951, and Chap. 168, Laws of 1949) to approve this agreement, and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the North Caprock Unit No. Two covering the land hereinafter described to give reasonably effective control of operation therein; and

WHEREAS, it is the purpose of the parties hereto, to enable institution and consummation of secondary recovery operations, to conserve natural resources, prevent waste and secure the other benefits obtainable through

development and operation of the area subject to this agreement under the terms, conditions and limitations herein set forth.

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

ARTICLE 1. For the purpose of this agreement, the following terms and expressions as used herein shall mean:

(a) "Unit Area" is defined as the following described land and such land is hereby designated and recognized as constituting the Unit Area, to-wit:

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO.

Chaves County, New Mexico

T-13-S

R-31-S

Section 1: Lots 1 and 2; S/2 NE/4; SE/4 NW/4 and S/2  
Section 2: SE/4 SE/4  
Section 11: NE/4 SW/4; S/2 SW/4; E/2  
Section 12: All

Lea County, New Mexico

T-13-S

R-32-E

Section 7: Lots 1, 2, 3 and 4  
and containing in all 1,807.97 acres of land, more or less.

(b) "Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.

(c) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(d) "Unitized Formation" or "Queen Sand" or "Formation" is defined as and shall mean that heretofore established underground reservoir, a member of the Queen formation of the Guadalupe series, a part of the Permian system, which is found at 3029 to 3060 feet, in the Ambassador Oil Corporation, State of New Mexico "J" No. 2 well, located in the NW/4 of the NE/4 of Section 12, Township 13 South, Range 31 East, insofar as same lies within the Unit Area.

(e) "Unitized Substances" is defined as and shall mean all of the oil and gas contained in or produced from the Queen Sand underlying the Unit Area and subsequently admitted land effectively committed to this agreement or unit.

(f) "Usable Well" is defined as a well which has been drilled in the Unit Area to the depth of the unitized formation and has casing in the hole in condition for use as either a producing well or an injection well, and on which well there has been filed with the State of New Mexico, on or before the effective date of this agreement, a well record and Completion Report (Form C-105) or Request for Oil Allowable (Form C-104) and which well has produced some oil from the unitized formation and has had an allowable granted for it by the Oil Conservation Commission of the State of New Mexico.

(g) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of fee simple title or under an oil and gas lease or otherwise held.

(h) "Working Interest Owner" is defined as and shall mean any party hereto owning a working interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and producing the Unitized Substance from the Unitized Formation and operating thereof hereunder.

(i) "Royalty Interest" or "Royalty" is defined as an interest other than a working interest in or right to receive a portion of the Unitized Substance or the proceeds thereof and includes the royalty interest reserved by the lessor by an oil and gas lease and any overriding royalty interest, oil payment interest or other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

(j) "Royalty Owner" is defined as and shall mean the owner of a royalty interest.

(k) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Article 8, infra, and shall be styled "Unit Operating Agreement, North Caprock Queen Unit No. Two, Lea and Chaves Counties, New Mexico."

ARTICLE 2. EXHIBITS: Exhibit "A" attached hereto is a map showing the Unit Area and the boundaries and identity of tracts and leases in said Unit Area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage comprising each tract, percentage ownership of each working interest owner in each tract, and the percentage of participation each tract has in the Unit Area. However, nothing herein or in said

schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, and at least two copies of such revision shall be filed with the Commissioner.

ARTICLE 3. EXPANSION: The above described Unit Area may when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this Agreement to conform with the purposes of this Agreement. Such expansion shall be effected in the following manner:

(a) The working interest owner or owners of a tract or tracts desiring to bring such tract or tracts into this Unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the Unit Participation to be assigned to such tract or tracts, and other pertinent data. After negotiation (at working interest owners' meeting or otherwise) if 100 percent of the working interest owners have agreed to such tract or tracts being brought into the Unit, then Unit Operator shall:

(1) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the Unit Participation to be assigned thereto and the proposed effective date thereof; and

(2) Deliver copies of said notice to the Commissioner, each Working Interest Owner (mailing copy of such notice to the last known address of each such Working Interest Owner) and to the lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objections to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in Item 2 immediately above and provided no objections have been filed thereto, with the Commissioner the following: (a) Evidence of mailing copies of said notice of expansion, (b) An application of such expansion; and (c) an instrument containing the appropriate joinders in compliance with the participation requirement of Article 12 infra.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner, become effective as of the date prescribed in the notice thereof or on such other date as set by the Commissioner in the order or instrument approving such expansion.



ARTICLE 4. UNITIZED LAND AND UNITIZED SUBSTANCES: All oil and gas in all of the hereinabove described and subsequently admitted land effectively committed to this Agreement, insofar only as the same may be found in the formation known as the "Queen Sand," together with the surface rights of ingress and egress, are unitized under the terms of this Agreement and said land shall constitute land referred to herein as "Unitized Land" or "land subject to this Agreement".

Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Queen Sand or Formation as above described.

ARTICLE 5. UNIT OPERATOR: Ambassador Oil Corporation, Fort Worth, Texas, is hereby designated as Unit Operator and by signing this instrument as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery operation, 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 interests 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.

ARTICLE 6. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners and the Commissioner, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal in the manner provided for in the Unit Operating Agreement executed coincident herewith by and between the Working Interest Owners. Such removal shall be

effective upon notice thereof to the Commissioner.

In all such 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 the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

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

**ARTICLE 7. SUCCESSOR UNIT OPERATOR:** Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator in the manner provided for in the Unit Operating Agreement executed coincident herewith by and between the Working Interest Owners. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner. If no successor Unit Operator or Unit Manager is selected and qualified as herein provided, the Commissioner at his election may declare this Unit Agreement terminated.

**ARTICLE 8. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT:** Costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the agreement or agreements entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners. 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 the 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. Two true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the Commissioner, prior to approval of this Agreement.

ARTICLE 9. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein or in the Unit Operating Agreement, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this Agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

ARTICLE 10. PLAN OF OPERATIONS: It is recognized and agreed by the parties hereto that all of the land subject to this agreement is reasonably proved to be productive of unitized substances in paying quantities and that the object and purpose of this Unit Agreement is to formulate and to put into effect a secondary recovery project in order to effect the greatest recovery of unitized substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of the Working Interest Owners, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil and any one or more other substances whether produced

from the Unit Area or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods.

Notwithstanding anything to the contrary herein contained, the Unit Operator shall commence secondary recovery operations within six months after the effective date of this Unit Agreement or any extension thereof approved by the Commissioner or this Unit Agreement shall terminate automatically, in which event unit operator shall notify all interested principals. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

ARTICLE 11. TRACT PARTICIPATION. In Exhibit "B" attached hereto, there are listed and numbered the various tracts within the Unit Area and set forth opposite each tract is a figure which represents the percentage of participation allocated to each tract in the Unit Area. The participation percentage of each tract was determined as follows:

|  |   |      |   |
|--|---|------|---|
| Percentage Participation of each tract | * $\frac{12\frac{1}{2}\% \text{ (Tract Acreage)}}{\text{(Total Unit Acreage)}}$ | plus | $\frac{12\frac{1}{2}\% \text{ (Tract Usable Wells)}}{\text{(Total Usable Unit Wells)}}$ |
|  |   | plus | 75% (Cumulative Tract Production as of July 1, 1957)                                    |
|  |   |      | <u>(Cumulative Unit Production as of July 1, 1957)</u>                                  |

ARTICLE 12. TRACTS QUALIFIED FOR UNIT PARTICIPATION: On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participate in the production of Unitized Substances therefrom shall be those tracts within the Unit Area and more particularly described in said Exhibit "B" that are qualified as follows:

(a) Each and all of those tracts as to which Working Interest Owners owning 100% of the working interest in said tract and Royalty Owners owning 100% of the royalty have executed this agreement; and

(b) Each and all of those tracts as to which Working Interest Owners owning not less than 95% of the working interest therein and Royalty Owners owning not less than 75% of the royalty interest therein have executed this agreement, and in which the

Working Interest Owners in said tract who have executed this agreement have agreed to indemnify and hold harmless all other parties hereto, in a manner satisfactory to the Working Interest Owners qualified under (a), against any and all claims and demands that may be made by the nonjoining Working Interest Owners and/or Royalty Owners on account of the inclusion of such tract in the Unit Area and the operation of the Unit Area on the basis herein provided, and as to which 85% of the Working Interest Owners qualified under (a) exclusive of the Working Interest Owner submitting such tract, have approved the inclusion of such tract in the Unit Area.

If, on the effective date of this agreement, there is any tract or tracts which have not been effectively committed to or made subject to this agreement by qualifying as above provided, then such tract or tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this agreement for final approval by the Commissioner, file therewith a schedule of those tracts which have been committed and made subject to this agreement and are entitled to participate in the production from the Unit Area hereunder. Said schedule shall set forth opposite each such committed tract the lease number, assignment number, the owner of record and percentage participation of such tract which shall be computed according to the participation formula set out above. This schedule shall be a part of Exhibit "B" and upon approval thereof by the Commissioner shall become a part of this agreement and shall govern the allocation of production of Unitized Substances until a new schedule is filed and approved by the Commissioner.

ARTICLE 13. ALLOCATION OF UNITIZED SUBSTANCES. All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices within the Unit Area for drilling, operating, camp, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the several tracts within the Unit Area in accordance with the respective Tract Participation effective hereunder during the respective periods such Unitized Substances were produced, as set forth in Exhibit "B". The amount of Unitized Substances so allocated to each Tract, and only that amount, regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract shall, for all intents, uses and purposes, be deemed to have been produced from such Tract.

The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to the parties entitled to share in the production

from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tracts, or in the proceeds thereof, had this agreement not been entered into, and with the same legal force and effect.

No tract committed to this agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances, and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tract.

If the working interest and the royalty interest in any tract are divided with respect to separate parcels or portions of such tract and owned severally by different persons, the percentage participation assigned to such tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Such party shall have the right to construct, maintain and operate within the Unit Area all necessary facilities for that purpose, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party in order to avoid curtailing the operation of the Unit Area, may sell or otherwise dispose of such production on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received the same. The

proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all royalties, overriding royalties, oil payments, net profit contracts, and all payments out of or burdens on the lease or leases and tracts contributed by it and received into the Unit and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such royalties, overriding royalties, oil payments, net profit contracts, and other payments out of or burdens on the lease or leases and tracts contributed by it to the Unit Area.

If, after the effective date of this agreement, there is any tract or tracts contiguous to the Unit Area that are subsequently committed hereto, as above described in Article 3 or any tract or tracts within the Unit Area not effectively committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Article 29, Nonjoinder and Subsequent Joinder, or if any tract is excluded from the Unit Area as provided for in Article 28, Loss of Title, the schedule of participation as shown in Exhibit "B" shall be revised by the Working Interest Owners to show the new percentage participation of all the then effectively committed tracts and the revised Exhibit "B", upon approval by the Commissioner, shall govern the allocation of production from and after the effective date thereof until a new schedule is filed and approved by the Commissioner.

**ARTICLE 13(a) USE OR LOSS OF UNITIZED SUBSTANCES:** Working Interest Owners may use as much of the Unitized Substances as they deem necessary for the operation and development of the Unit Area, including but not limited to the injection thereof into the Unitized Formation.

No royalty, overriding royalty, production or other payments shall be payable upon or with respect to Unitized Substances used or consumed in the operation or development of the Unit Area or which may be otherwise lost or consumed in the production, handling, treating, transportation or storing of Unitized Substances.

**ARTICLE 14. ROYALTY SETTLEMENT:** The State of New Mexico and all Royalty Owners who, under existing contract, are entitled to take in kind

a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases, except that such royalties shall be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production or increasing ultimate recovery, a like amount of gas, with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom.

All royalties due the State of New Mexico and the other Royalty Owners hereunder shall be computed and paid on the basis of all unitized substances allocated to the respective tract or tracts committed hereto, in lieu of actual production from such tract or tracts.

Each royalty owner, (other than the State of New Mexico) that executes this agreement represents and warrants that it is the owner of a royalty interest in a tract or tracts within the Unit Area as its interest appears in Exhibit "B" attached hereto. If any royalty interest in a tract or tracts should be lost by title failure in whole or in part, during the term of this agreement, then the royalty interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties shall be adjusted accordingly.

**ARTICLE 15. REPORTS:** Unit Operator shall furnish the Commissioner monthly, injection and production reports for each well in the Unit, as well as periodical reports of the development and operation of the Unit Area.

**ARTICLE 16. RENTAL SETTLEMENT:** Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible



therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the State subject to this agreement shall be paid at the rate specified in the respective leases from the State.

ARTICLE 17. CONSERVATION: Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State laws or regulations.

ARTICLE 18. DRAINAGE: The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from Unitized Land by wells on land not subject to this agreement.

ARTICLE 19. LEASES AND CONTRACTS CONFORMED AND EXTENDED: The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling, development or operation for oil or gas on all lands committed to this agreement shall, upon approval hereof by the Commissioner, be and the same are hereby expressly modified and amended insofar as they apply to such lands within the Unit Area, to the extent necessary to make the same conform to the provisions hereof and so that the length of and the term of such leases, on and covering such lands within said Unit Area, will be extended insofar as necessary to coincide with the terms of this agreement and otherwise remain in full force and effect. The approval of this agreement by the Commissioner shall, without further action, be effective to conform the provisions and extend the term of each lease as to lands within the Unitized Area, to the provisions and term of this agreement and without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

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

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized

land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Commissioner, or his duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized lands.

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

(e) Any lease embracing lands of the State of New Mexico, which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof. Termination of this agreement shall not affect any lease which, pursuant to the terms thereof or any applicable laws, shall continue in force and effect thereafter.

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

ARTICLE 20. It is hereby agreed by all parties to this agreement that Unit Operator shall be empowered to correct any mathematical errors which might exist in the pertinent exhibits to this agreement or the Unit Operating Agreement upon approval of the Commissioner.

ARTICLE 21. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates and any grant, transfer or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original photostatic or certified copy of the instrument of

transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, photostatic or certified copy of the instrument of transfer.

ARTICLE 22. EFFECTIVE DATE AND TERM: This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 o'clock A. M. of the first day of the month next following:

(a) The execution or ratification of this agreement and the Unit Operating Agreement by Working Interest Owners owning a combined Unit Participation of at least ninety-five (95%) percent, and the execution or ratification of this Agreement by Royalty Owners owning a combined interest of at least seventy-five (75%) per cent of the royalty interest in said Unit Area;

(b) The approval of this agreement by the Commissioner;

(c) The filing of at least one counterpart of this agreement for record in the Records of Lea and Chaves Counties, New Mexico, by Unit Operator; and provided, further, that if (a) (b) and (c) above are not accomplished on or before July 1, 1958, this agreement shall ipso facto terminate on said date (hereinafter called "termination date") and thereafter be of no further force or effect, unless prior thereto this agreement has been executed or ratified by Working Interest Owners owning a combined Unit Participation of at least ninety (90%) per cent and Working Interest Owners owning a combined Unit Participation of at least ninety (90%) per cent committed to this agreement have decided to extend said termination date for a period not to exceed six months. If said termination date is so extended and (a) (b) and (c) are not accomplished on or before said extended termination date, this agreement shall ipso facto terminate on said extended termination date and thereafter be of no further force or effect. For the purpose of this section, ownership shall be computed on the basis of Unit Participation as determined from Exhibit C attached to the Unit Operating Agreement. Unit Operator shall, within thirty (30) days after the effective date of this agreement, file for record in the office or offices where a counterpart of this agreement is recorded, a certificate to the effect that this agreement has become effective according to its terms and stating further the effective date.

The term of this agreement shall be for and during the time that Unitized Substances are produced in paying quantities from the tracts subject to this agreement and as long thereafter as drilling, reworking or other operations are prosecuted thereon without cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner hereinafter provided. However, this agreement shall automatically terminate if, within 120 days after the effective date hereof, the <sup>Oil</sup> Conservation Commission for the State of New Mexico has not approved this agreement and the development and operation of the area covered hereby; provided further, that this agreement may be terminated by Working Interest Owners owning ninety (90%) per cent Unit Participation as determined by

Exhibit "C" attached to the Operating Agreement whenever such Working Interest Owners determine that Unit operations are no longer profitable, feasible or in the interest of conservation, with the approval of the Commissioner. Notice of any such approval to be given by Unit Operator to all parties hereto.

Upon termination of this agreement, the further development and operation of the Unit Area as a Unit shall be abandoned, Unit operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts just as if this agreement had never been entered into.

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

**ARTICLE 23. RATE OF PRODUCTION:** All production from the Unit Area and the disposal thereof shall be in conformity with the allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

**ARTICLE 24. APPEARANCES:** Unit Operator shall, after notice to the other parties affected, have the right to appear for or on behalf of any and all interests affected hereby before the Commissioner of Public Lands and the New Mexico Oil Conservation Commission and to appeal from order issued under the regulations of said Commissioner or Commission, or to apply for relief from any of said regulations or in any proceedings relative to operations before the Commissioner or Commission, or any other legally constituted authority, provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

**ARTICLE 25. NOTICES:** All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully 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.

ARTICLE 26. NO WAIVER OF CERTAIN RIGHTS: Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said Unitized Lands are located, 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.

ARTICLE 27. 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, State or municipal law or agencies, unavoidable accident, 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.

ARTICLE 28. LOSS OF TITLE: In the event title to any tract of Unitized Land shall fail in whole or in part and the true owner cannot be induced to join this Unit Agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that as to State Land or leases, no payments of funds due the State of New Mexico should be withheld, but such funds shall be deposited as directed by the Commissioner of Public Lands of the State of New Mexico, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

ARTICLE 29. NONJOINDER AND SUBSEQUENT JOINDER: If the owner of any interest in a tract within the Unit Area fails or refuses to subscribe or

consent in writing to this agreement, the Working Interest Owner in that tract who has executed or ratified this agreement may withdraw said tract from this agreement, or such tract may be included in the Unit if the same can be and is qualified as provided in Article 12 hereof. Such withdrawal as above provided, shall, without further action, also operate to withdraw all royalty interest in such tract or tracts theretofore committed hereto. Joinder in the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for the interest to be regarded as effectively committed to this Unit Agreement.

Any oil or gas interest in the Unitized formation in lands within the Unit Area not committed hereto prior to submission of this agreement to the Commissioner for final approval may thereafter be committed hereto upon compliance with the applicable provisions of Article 12 hereof, at any time up to the effective date hereof and for a period of six (6) months thereafter, on the same basis of participation as provided for in Article 12 by the owner or owners thereof subscribing or consenting in writing to this agreement and, if the interest is a working interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that after six (6) months from the effective date hereof the right of subsequent joinder as provided in this section shall be subject to such requirements or approvals and on such basis as may be agreed upon by the Working Interest Owners. Such joinder by a Working Interest Owner must be evidenced by his execution or ratification of this Unit Agreement and the Unit Operating Agreement. Such joinder by a Royalty Owner must be evidenced by his execution or ratification of this Unit Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such Royalty Owner. Except as may be otherwise herein provided, subsequent joinders to this agreement, as to tracts within the Unit Area, shall be effective as of the first day of the month following the approval thereof by the Commissioner.

**ARTICLE 30. COUNTERPARTS:** This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who

have extended such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described Unit Area.

**ARTICLE 31. TAXES:** Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the Unitized Land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including royalty owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances.

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

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date

ATTEST:

\_\_\_\_\_  
Secretary

\_\_\_\_\_  
Date

AMBASSADOR OIL CORPORATION

By: \_\_\_\_\_  
3109 Winthrop Avenue, Fort Worth,  
Texas.

UNIT OPERATOR & WORKING INTEREST  
OWNER.

WORKING INTEREST OWNERS

GRARIDGE CORPORATION

By: \_\_\_\_\_  
P. O. Box 752, Breckenridge, Texas

GREAT WESTERN DRILLING COMPANY

By: \_\_\_\_\_

GULF OIL CORPORATION

By: \_\_\_\_\_

[illegible]

DATE

[illegible][illegible]



STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

On this the \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me appeared \_\_\_\_\_, to me personally known, who being by me duly sworn, did say that he is the \_\_\_\_\_ President of AMBASSADOR OIL CORPORATION and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires: \_\_\_\_\_

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

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me appeared \_\_\_\_\_ to me personally known, who, being by me duly sworn, did say that he is the \_\_\_\_\_ President of GRARIDGE CORPORATION and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

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

My Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me appeared \_\_\_\_\_, to me personally known, who being by me duly sworn, did say that he is the \_\_\_\_\_ President of GREAT WESTERN DRILLING COMPANY and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

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

My Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me appeared \_\_\_\_\_, to me personally known, who being by me duly sworn, did say that he is the \_\_\_\_\_ President of GULF OIL CORPORATION and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

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

My Commission Expires:  
\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me personally appeared \_\_\_\_\_

to me personally known to be the person \_\_\_\_\_ described in and who executed the foregoing instrument, and acknowledged that \_\_\_\_\_ he \_\_\_\_\_ executed the same as \_\_\_\_\_ free act and deed.

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

My Commission Expires:

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

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 1958, before me appeared \_\_\_\_\_, to me personally known, who being by me duly sworn, did say that he is the \_\_\_\_\_ President of \_\_\_\_\_ Corporation and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

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

My Commission Expires:

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 195\_\_\_\_, before me appeared \_\_\_\_\_ to me personally known, who, being by me duly sworn, did say that he is the \_\_\_\_\_ President of \_\_\_\_\_ Corporation and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

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

My Commission Expires:

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 195\_\_\_\_, before me personally appeared

\_\_\_\_\_ to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as \_\_\_\_\_ free act and deed.

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

My Commission Expires: \_\_\_\_\_

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

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_, before me personally appeared

\_\_\_\_\_ to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as \_\_\_\_\_ free act and deed.

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

My Commission Expires: \_\_\_\_\_

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

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 195\_\_\_\_ before me personally appeared

\_\_\_\_\_ to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as \_\_\_\_\_ free act and deed.

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

My Commission Expires: \_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_\_\_ day of \_\_\_\_\_, 195\_\_\_\_, before me personally appeared

\_\_\_\_\_ to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as \_\_\_\_\_ free act and deed.

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

My Commission Expires: \_\_\_\_\_

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



INDEX

EXHIBIT B

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GRARIDGE LEASES

Pages 6 and 7

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Tract 15

EXHIBIT B.

| TRACT NO. | DESCRIPTION  | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER | AMOUNT      | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|--|---------|--------------------------|--------------------------|--|-------------|---|
| **2       | Lot 2, Sec. 1, T 13 S, R. 31 E, Chaves County,   | 40.13   | B-6828-41                | St. N. Mex. 12.5%        | Ambassador Oil Corporation                 | 140/840 )   |   |
|           | **Curtis McBroom, C. H. Cooper, W. V. Coffey, K. L. Smith, B. H. Murphy, Delfern Oil Company |         |                          |                          | Dulaney Oil Company                        | 50/840 * )  |   |
|           |  |         |                          |                          | R. O. Dulaney, Jr.                         | 50/840 * )  |   |
|           |  |         |                          |                          | E. Stanley Klein                           | 100/840 * ) |   |
|           |  |         |                          |                          | John P. Maguire                            | 100/840 * ) |   |
|           |  |         |                          |                          | Harrlet R. F. Appleton                     | 50/840 * )  |   |
|           |  |         |                          |                          | Elsa G. Appleton                           | 100/840 * ) |   |
|           |  |         |                          |                          | Barry T. Letthead                          | 50/840 * )  |   |
|           |  |         |                          |                          | Kenneth W. Fraser                          | 25/840 * )  |   |
|           |  |         |                          |                          | D. W. Vreeland                             | 25/840 * )  |   |
|           |  |         |                          |                          | Wm. N. Snow                                | 50/840 * )  |   |
|           |  |         |                          |                          | The Estate of William J. Gallon, Deceased. | 100/840 * ) |   |
|           |  |         |                          |                          |  |             | 2.684280                                |
| **9       | NE/4 SW/4, Sec. 1, T 13 S, R. 31 E, Chaves County,   | 40      | B-8318-107               | St. N. Mex 12.5%         | Ambassador Oil Corporation                 | 140/850 )   |   |
|           |  |         |                          |                          | Dulaney Oil Company                        | 50/840 * )  |   |
|           |  |         |                          |                          | R. O. Dulaney, Jr.                         | 50/840 * )  |   |
|           |  |         |                          |                          | E. Stanley Klein                           | 100/840 * ) |   |
|           |  |         |                          |                          | John P. Maguire                            | 100/840 * ) |   |
|           |  |         |                          |                          | Harrlet R. F. Appleton                     | 50/840 * )  |   |
|           |  |         |                          |                          | Elsa G. Appleton                           | 100/840 * ) |   |
|           |  |         |                          |                          | Barry T. Letthead                          | 50/840 * )  |   |
|           |  |         |                          |                          | Kenneth W. Fraser                          | 25/840 * )  |   |
|           |  |         |                          |                          | D. W. Vreeland                             | 25/840 * )  |   |
|           |  |         |                          |                          | Wm. N. Snow                                | 50/840 * )  |   |
|           |  |         |                          |                          | The Estate of William J. Gallon, Deceased, | 100/840 * ) |   |
|           |  |         |                          |                          |  |             | 2.303622                                |

THERE IS NO TRACT 3 UNDER THIS UNIT

\*\* Curtis McBroom, C. H. Cooper, W. V. Coffey  
K. L. Smith, B. H. Murphy, William Spurck and  
wife, Vada Spurck, Delfern Oil Company.

EXHIBIT B (continued)

| TRACT NO. | DESCRIPTION   | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER   | AMOUNT  | PER CENT PARTICIPATION OF TRACT IN UNIT. |
|-----------|---|---------|--------------------------|--------------------------|--|---|--|
| **10      | W/2 SW/4, Sec. 1, T 13 S, R 31 E, Chaves County,  | 80      | B-10417-5                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Harriet R. F. Appleton<br>Elsa G. Appleton<br>Barry T. Letcher<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased. | 140/840 )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * ) | 4.245850                                 |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey,<br>K. L. Smith, B. H. Murphy, A. K. Polls,<br>McRae Oil and Gas Corporation, |         |                          |                          |  |   |  |
| **11      | SE/4 SW/4, Sec. 1, T 13 S, R 31 E, Chaves County,   | 40      | B-8605-23                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Harriet R. F. Appleton<br>Elsa G. Appleton<br>Barry T. Letcher<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased. | 140/840 )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>50/840 * )<br>100/840 * ) | 3.367509                                 |
|           | ** Curtis McBroom, C. H. Cooper, W. V. Coffey,<br>K. L. Smith, B. H. Murphy, Delfern Oil Company,<br>Lee B. Gilpin          |         |                          |                          |  |   |  |



EXHIBIT B(continued)

| TRACT NO. | DESCRIPTION  | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER   | AMOUNT  | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|--|---------|--------------------------|--------------------------|--|---|---|
| **12      | S/2 SE/4, Sec. 1, T 13 S, R 31 E, Chaves County  | 80      | B-10418-73               | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Harriet R. F. Appleton<br>Elsa G. Appleton<br>Barry T. Leithhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased, | 140/840 )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>100/840 * ) | 7.995733                                |
|           | **Curtis McBroom, C. H. Cooper, W. V. Coffey,<br>K. L. Smith, B. H. Murphy, Delfern Oil Company,<br>William Spurck and wife, Vada Spurck,                                |         |                          |                          |  |   |   |
| **14      | N/2 NE/4, Sec. 12, T 13 S, R 31 E, Chaves County,  | 80      | B-10411-71               | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Harriet R. F. Appleton<br>Elsa G. Appleton<br>Barry T. Leithhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased, | 140/840 )<br>50/840 * )<br>50/840 * )<br>100/840 * )<br>100/840 * )<br>50/840 * )<br>100/840 * )<br>50/840 * )<br>25/840 * )<br>25/840 * )<br>50/840 * )<br>100/840 * ) | 6.012002                                |
|           | **Curtis McBroom, C. H. Cooper, W. V. Coffey<br>K. L. Smith, B. H. Murphy, Delfern Oil Company,<br>Clarence E. Hinkle, Trustee for the Estate of Alice M. Lee, Deceased. |         |                          |                          |  |   |   |

EXHIBIT B (Continued)

| TRACT NO. | DESCRIPTION                                       | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER   | AMOUNT   | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|---|---------|--------------------------|--------------------------|--|--|---|
| **16      | S/2 NW/4, Sec. 12, T 13 S, R, 31 E. Chaves County | 80      | B-10417-5                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Harrlet R. F. Appleton<br>Elsa G. Appleton<br>Barry T. Lethhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Galton, Deceased | 140/840 )<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 4.629622                                |
| **19      | Lots 2, 3, & 4, Sec. 7 T 13 S, R 32 E, Lea County | 125.98  | B-11447-2                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. Maguire<br>Harrlet R. F. Appleton<br>Elsa G. Appleton<br>Barry T. Lethhead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Galton, Deceased | 140/840 )<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>50/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 10.592888                               |

\*\* Curtis McBroom, C. H. Cooper, W. V. Coffey,  
K. L. Smith, B. H. Murphy, Delfern Oil  
Company and Pan American Petroleum Corporation.

EXHIBIT B (Continued)

| TRACT NO. | DESCRIPTION  | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER   | AMOUNT   | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|--|---------|--------------------------|--------------------------|--|--|---|
| **20      | NW/4 SE/4, Sec. 12, T 13 S, R 31 E, Chaves County, | 40      | B-10420-146              | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. McGuire<br>Harriet R. F. Appleton<br>Elsa G. Appleton<br>Barry T. Leithead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased | 140/840 *)<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 1.813332                                |
| **25      | E/2 NE/4, Sec. 11, T 13 S, R. 31 E, Chaves County, | 80      | B-11447-2                | St. N. Mex. 12.5%        | Ambassador Oil Corporation<br>Dulaney Oil Company<br>R. O. Dulaney, Jr.<br>E. Stanley Klein<br>John P. McGuire<br>Harriet R. F. Appleton<br>Elsa G. Appleton<br>Barry T. Leithead<br>Kenneth W. Fraser<br>D. W. Vreeland<br>Wm. N. Snow<br>The Estate of William J. Gallon, Deceased | 140/840 *)<br>50/840 *)<br>50/840 *)<br>100/840 *)<br>100/840 *)<br>50/840 *)<br>100/840 *)<br>25/840 *)<br>25/840 *)<br>50/840 *)<br>100/840 *) | 3.178516                                |

\*NOTE: This interest is subject to a carried interest owned by Ambassador Oil Corporation and the participation of Ambassador Oil Corporation will increase as between itself and the owner of this interest when Ambassador becomes entitled to its carried interest as provided by the agreement by and between the owner of such interest and Ambassador Oil Corporation of record in the named county.

\*NOTE: The listed parties own oil payments or overriding royalty interests which, prior to the execution of this instrument, were payable out of production from the listed tract as reflected by instruments of record in said county, but which will, after the execution of this instrument, be payable out of the production allocated to such tract.

## EXHIBIT B (Continued)

| TRACT NO. | DESCRIPTION   | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT |  | OWNER OF RECORD AND WORKING INTEREST OWNER | AMOUNT | PER CENT PARTICIPATION OF TRACT IN UNIT |  |
|-----------|---|---------|--------------------------|--------------------------|--|--|--------|---|--|
|           |   |         |                          |                          |  |  |        |   |  |
| 1         | Lot 1, Sec. 1, T 13 S,<br>R 31 E, Chaves County,<br><br># Wm. R. Spurck and wife, Vada Spurck, Effie McKay                                      | 40.04   | B-8828-40                | St. N. Mex. 12.5%        |  | Graridge Corporation                       | 100%   | .937703                                 |  |
| 4         | SE/4 NW/4, Sec. 1, T 13 S,<br>R 31 E, Chaves County<br><br># The Vickers Petroleum Co., Inc., Chas H. Osmond, Roderic Crandall, Maxwell Oil Co. | 40      | B-10416-29               | St. N. Mex. 12.5%        |  | Graridge Corporation                       | 100%   | .643495                                 |  |
| 5         | SW/4 NE/4, Sec. 1, T 13 S,<br>R 31 E, Chaves County,<br><br>#Great Western Drilling Company   | 40      | B-9155-6                 | St. N. Mex. 12.5%        |  | Graridge Corporation                       | 100%   | 2.654983                                |  |
| 6         | SE/4 NE/4, Sec. 1, T 13 S,<br>R 31 E, Chaves County,<br><br># R. O. Dulaney, Jr.  | 40      | B-10242-6                | St. N. Mex. 12.5%        |  | Graridge Corporation                       | 100%   | 1.226444                                |  |
| 7         | NE/4 SE/4, Sec. 1, T 13 S,<br>R 31 E, Chaves County<br><br>#Chas. H. Osmond, Roderic Crandall, Maxwell Oil Co.                                  | 40      | B-10416-24               | St. N. Mex. 12.5%        |  | Graridge Corporation                       | 100%   | 3.407912                                |  |
| 8         | NW/4 SE/4, Sec. 1, T 13 S,<br>R 31 E, Chaves County,<br><br># Chas. H. Osmond, Roderic Crandall, Maxwell Oil Co.                                | 40      | B-10416-26               | St. N. Mex. 12.5%        |  | Graridge Corporation                       | 100%   | 1.654104                                |  |
| 13        | Lot 1, Sec. 7, T 13 S,<br>R 32 E, Lea County  | 41.82   | B-10973-9                | St. N. Mex. 12.5%        |  | Graridge Corporation                       | 100%   | 2.485306                                |  |

## EXHIBIT B (Continued)

| TRACT NO. | DESCRIPTION   | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER | AMOUNT | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|---|---------|--------------------------|--------------------------|--|--------|---|
|           |   |         |                          |                          |  |        |   |
| 18        | NE/4 SE/4 and SE/4 NE/4, Sec. 12, T13S, R31E, Chaves County   | 80      | B-10416-29               | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 5.577487                                |
| 21        | #Chas. H. Osmond, Roderic Crandall, Maxwell Oil Co. and The Vickers Petroleum Co., Inc.<br>SE/4 SE/4, Sec. 12, T13S, R31E, Chaves Co.   | 40      | B-6429-21                | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 1.268475                                |
| 22        | #Ernest John Goldsworthy and Emma J. Goldsworthy,<br>SW/4, SE/4, Sec. 12, T13S, R31 E. Chaves Co.   | 40      | B-10416-25               | St. N. Mex. 12.5%        | Graridge Corporation                       | 100%   | 1.952602                                |
| 26        | #Chas. H. Osmond, Roderic Crandall, Maxwell Oil Co.<br>W/2 NE/4, Sec. 11, T13S, R31E, Chaves County,  | 80      | B-399-37                 | St. N. Mex. 12.5%        | #Graridge Corporation                      | 100%   | 2.212742                                |
| 27        | #City National Bank of Houston and Malcolm C. Damuth, Trustees for Ethel Janet Boyle; William H. Danforth<br>SE/4, S/2 & NE/4 of SW/4, Sec. 11, T13S, R31E, Chaves County<br># Ohio Oil Company | 280     | B-8631-3                 | St. N. Mex 12.5%         | Graridge Corporation                       | 100%   | 8.840176                                |

#NOTE The parties listed below each tract own overriding royalty interests which, prior to execution of this instrument, were payable out of production from such tract under the terms of the lease covering such tract as reflected by instruments of record in said county, but which will, after the execution of this instrument, be payable out of the production allocated to such tract.

#NOTE Subject to a beneficial interest in favor of Oil & Gas Property Management, Inc., and Clardy & Barnett, as per terms of agreement recorded in Vol. 21, page 124, Oil and Gas Records, Chaves County, New Mexico.

## EXHIBIT B (Continued)

| TRACT NO. | DESCRIPTION                                    | ACREAGE | LEASE AND ASSIGNMENT NO. | ROYALTY OWNER - AND AMOUNT | OWNER OF RECORD AND WORKING INTEREST OWNER | AMOUNT | PER CENT PARTICIPATION OF TRACT IN UNIT |
|-----------|--|---------|--------------------------|----------------------------|--|--------|---|
| 17        | SW/4 NE/4, Sec. 12, T13S, R31E, Chaves County, | 40      | B-10416                  | St. New Mex. 12.5%         | Great Western Drilling Co.                 | 100%   | 3.669794                                |
| 23        | 2/2 SW/4, Sec. 12, T13S, R31E, Chaves County,  | 80      | B-9155                   | St. New Mex. 12.5%         | Great Western Drilling Co.                 | 100%   | 7.336938                                |
| 24        | W/2 SW/4, Sec. 12, T13S, R31E, Chaves County   | 80      | B-7878                   | St. New Mex. 12.5%         | Great Western Drilling Co.                 | 100%   | 4.235398                                |
| 28        | SE/4 SE/4, Sec. 2, T13S, R31E, Chaves County   | 40      | B-9541                   | St. New Mex. 12.5%         | Great Western Drilling Co.                 | 100%   | 1.075055                                |
| 15        | N/2 NW/4, Sec. 12, T13S, R31E, Chaves County   | 80      | B-8459                   | St. New Mex. 12.5%         | Gulf Oil Corporation                       | 100%   | 4.097832                                |

<sup>a</sup> Note: The parties listed below each tract own overriding royalty interests which, prior to execution of this instrument, were payable out of production from such tract under the terms of the lease covering such tract as reflected by instruments of record in the County of Chaves, New Mexico, but which will, after the execution of this instrument, be payable out of the production allocated to such tract.

<sup>a</sup> Great Western Drilling Company

<sup>a</sup> Great Western Drilling Company, Cascade Petroleum Company

<sup>a</sup> Great Western Drilling Company, Cascade Petroleum Company,

<sup>a</sup> J. C. Maxwell, Inc., Charles H. Osmond, Roderic Crandall

WJP  
JAMES T. JENNINGS

ATTORNEY AT LAW  
J. P. WHITE BUILDING  
ROSWELL, NEW MEXICO

May 1, 1958

Oil Conservation Commission  
Box 871  
Santa Fe, New Mexico

Attention: Mr. Porter

Gentlemen:

Enclosed herewith you will find the application, in triplicate, filed by Ambassador Oil Corporation for approval of the North Caprock Queen Unit No. Two. You will also find 3 copies of the proposed Unit Agreement.

In accordance with my conversation of this afternoon with Mr. Porter, I will appreciate it if you will set this up for Commissioner's hearing on May 28 as my client is anxious to have a hearing at the earliest possible date.

If you find that the Application is not in order or that you need additional information, I would certainly appreciate it if you would so advise me, or call me collect at Roswell MAin 2-8432.

Yours very truly,

  
James T. Jennings

JTJ:cs

Enc.

cc: Ambassador Oil Corporation

BEFORE THE OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO

IN THE MATTER OF THE APPLICATION OF  
AMBASSADOR OIL CORPORATION FOR THE  
APPROVAL OF THE NORTH CAPROCK QUEEN  
UNIT NO. TWO EMBRACING 1807.97 ACRES  
MORE OR LESS LOCATED IN TOWNSHIP 13  
SOUTH, RANGES 31 and 32 EAST, N. M. P. M.  
CHAVES AND LEA COUNTIES, NEW MEXICO.

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

APPLICATION FOR APPROVAL OF  
NORTH CAPROCK QUEEN UNIT NO. TWO

Comes now the applicant, Ambassador Oil Corporation,  
whose address is Box 9338, Fort Worth, Texas, and files herewith three  
copies of the proposed Unit Agreement for the development and operation  
of the unit area of the North Caprock Queen Unit No. Two, and hereby  
makes application for approval of said unit as provided by law, and in  
support thereof states:

1. That the unit area covers the following described lands,

to-wit:

Chaves County, New Mexico

T. 13 S., R. 31 E.,

Section 1 - Lots 1, 2,  $S\frac{1}{2}NE\frac{1}{4}$ ,  $SE\frac{1}{4}NW\frac{1}{4}$ ,  $S\frac{1}{2}$

Section 2 -  $SE\frac{1}{4}SE\frac{1}{4}$

Section 11 -  $NE\frac{1}{4}SW\frac{1}{4}$ ,  $S\frac{1}{2}SW\frac{1}{4}$ ,  $E\frac{1}{2}$

Section 12 - All

Lea County, New Mexico

T. 13 S., R. 32 E.,

Section 7 - Lots 1, 2, 3 and 4

containing in all 1807.97 acres, more or less

2. That all of the lands embraced in the unit area are State  
lands.



3. That the applicant, Ambassador Oil Corporation, is designated as unit operator in said Unit Agreement and, as such, is given the authority under the terms thereof to carry on operations for the discovery, development and production of unitized substances.

4. Applicant has heretofore instituted a pilot water flood project on the lands embraced in the Unit, which pilot water flood project was approved by Commission Order No. R-1053 dated September 16, 1953.

5. That the proposed unit will lead to a more efficient and orderly development and operation of the present pilot water flood being carried on by the applicant in the unit area and is necessary to allow the applicant to completely develop its water flood operation.

6. That the Unit Agreement is in substantially the form as Unit Agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico and by the New Mexico Oil Conservation Commission and it is believed that the secondary recovery operations can be more economically and efficiently carried on under the terms of said agreement to the end that the maximum recovery will be obtained, and that the Unit Agreement is in the interest of conservation of oil and gas and prevention of waste as contemplated by the statutes of the State of New Mexico.

7. That application is being made to the Commissioner of Public Lands of the State of New Mexico for the approval of said Unit Agreement.

8. That in excess of 90% of the working interest owners have heretofore executed the Unit Agreement and the Unit Agreement provides that any party owning rights in the unitized substances who does not commit such rights to the Unit Agreement before the effective date thereof may thereafter become a party by subscribing to such Unit Agreement or by ratifying the same as provided by the terms of said agreement.

9. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement and after approval thereof by the Commissioner of Public Lands of the State of New Mexico, an executed original, or executed counterpart, of the Unit Agreement will be filed with the New Mexico Oil Conservation Commission.

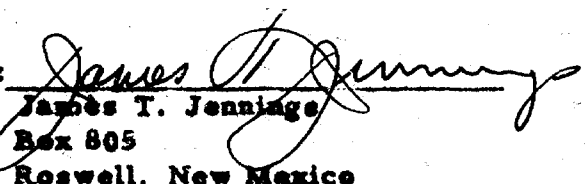
WHEREFORE, the applicant respectfully requests that a public hearing be held upon the matter of the approval of said Unit Agreement and upon said hearing the Unit Agreement be approved by the New Mexico Oil Conservation Commission as being in the interest of conservation and the prevention of waste.

DATED this first day of May, 1958.

Respectfully submitted,

AMBASSADOR OIL CORPORATION

BY:

  
James T. Jennings  
Box 805

Roswell, New Mexico  
Attorney for Applicant, Ambassador  
Oil Corporation.

CASE NO.



BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO

IN THE MATTER OF:

CASE 1448

May 28, 1958

DEARNLEY - MEIER & ASSOCIATES  
INCORPORATED  
GENERAL LAW REPORTERS  
ALBUQUERQUE, NEW MEXICO  
3-6691 5-9546

BEFORE THE  
OIL CONSERVATION COMMISSION  
SANTA FE, NEW MEXICO  
MAY 28, 1958

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IN THE MATTER OF:

CASE NO. 1448: Application of Ambassador Oil Cor-  
poration for approval of a unit  
agreement. Applicant, in the above-  
styled cause, seeks an order approv-  
ing its North Caprock Queen Unit No.:  
2 embracing 1808 acres, more or less:  
of State of New Mexico lands located:  
in Township 13 South, Ranges 31 and :  
32 East, in Chavez and Lea Counties,:  
New Mexico.

-----  
BEFORE:

Elvin A. Utz, Examiner

T R A N S C R I P T   O F   P R O C E E D I N G S

MR. UTZ: Next case on the docket will be Case 1448.

MR. PAYNE: Application of Ambassador Oil Corporation for  
approval of a unit agreement.

MR. JENNINGS: I am James T. Jennings from Roswell, ap-  
pearing on behalf of the applicant, Ambassador Oil Corporation, and  
I have one witness and two Exhibits.

(Witness sworn)

H. L. McCracken,

called as a witness, having been first duly sworn on oath, testi-  
fied as follows:

3  
DIRECT EXAMINATION

BY MR. JENNINGS:

Q Would you state your name, address and occupation?

A H. L. McCracken, chief engineer of secondary recovery operations for Ambassador Oil Corporation.

Q How long have you been so employed, Mr. McCracken?

A Two years.

Q Have you heretofore testified before this Commission?

A Yes, sir.

Q And you have qualified, and your expert testimony has been accepted?

A Yes, sir.

MR. UTZ: The witness is qualified.

Q Mr. McCracken, are you familiar with the terms and provisions of the Caprock Queen Unit No. 2?

A Yes, sir.

Q Who is the unit operator? A Ambassador.

Q I hand you here what has been marked as Exhibit A and ask you to tell us what that is, please.

A That is a plat on which the boundaries of the unit have been outlined. Also the tracts -- various tracts which have been committed to the unit are shown numbered.

Q Where is it?

A It is in the Caprock Queen Pool in Lea and Chaves Counties, New Mexico.

Q What formation?

A The Queen sand.

Q How many various tracts are there in that unit?

A Twenty-six.

Q And how many acres does it cover?

A 1808, approximately.

Q Do you know what kind of land it is?

A It is all State land.

Q How many wells are on that unit?

A Forty-five.

Q I hand you here Exhibit B and ask you what that is.

A That's a plat on which the unit area has been outlined in green. Also shown are the current pilot injection wells colored in red. The future injection wells on the unit are shown colored in yellow. Full expansion will be on an 80-acre five spot basis.

Q When did you commence your pilot flood?

A November 1st, 1957.

Q Pursuant to an order of this Commission?

A Yes, sir.

Q What results have you obtained to date?

A At the time of initiation of injection, the unit area was producing approximately 135 barrels of oil per day, and it is now producing around 700 barrels a day.

Q Has production increased uniformly, or is there a variance between the wells?

A There is a variation.

Q Which wells are now producing the most oil?

A Ambassador State "A" No. 1, Gulf's Chaves State "A" No. 1, Ambassador State "L" No. 1, and Graridge Corporation Malco State "F" No. 3 have all responded to injection.

Q Do you know how much they are each producing?

A I don't have a recent test on all the wells there, no, sir.

Q Roughly?

A State -- Ambassador State "H" No. 1 is producing approximately 380 barrels a day. Ambassador State "L" No. 1 is producing approximately 115 barrels a day. The latest information that we have on the Gulf's Chaves State "A" No. 1 is that it is making in the order of 90 barrels a day, and the Graridge Corporation Malco State "F" No. 3 is making essentially the same, I think.

Q How is the production allocated under the provisions of the unit?

A The participation formula is based 75 percent on cumulative production, and  $12\frac{1}{2}$  percent on well, and  $12\frac{1}{2}$  percent on acreage.

Q Is this unit agreement substantially in the form heretofore approved by the Commissioner of Public Lands and the Oil Conservation Commission?

A Yes, sir.

Q Referring to Exhibit A, do you know if the lands just east of the Caprock Queen No. 2 unit is in the unit area?

A The Graridge unit joins the Ambassador unit on the east.



Q Are there other units in the area, do you know?

A There are none formed at the present time other than these two.

Q Do you know if the present unit agreement has been approved by the Commissioner of Public Lands?

A Yes, sir, it has.

Q Under that agreement, Mr. McGracken, will the State of New Mexico get its fair share of recoverable oil?

A Yes, sir.

Q When will the unit agreement become effective?

A June 1st, 1958.

Q What percentage of the working interest owners have executed the unit?

A One hundred percent.

Q What percentage of the working interest owners have executed the unit operating?

A One hundred percent.

Q What percentage of the royalty owners have approved the unit agreement?

A One hundred percent.

Q In your opinion, can the secondary recovery operation be more efficiently and economically carried on under the provisions of this unit agreement?

A Yes, sir.

Q In your opinion, will the unit agreement be in the interest of conservation, prevent waste and protect correlative rights of

all the parties?

A Yes, sir.

Q How many injection wells do you propose?

A Eventually there will be twenty-three injection wells on the unit.

Q And twenty-two participating wells?

A Producing wells, yes, sir.

Q Producing wells.

MR. JENNINGS: That's all the questions.

MR. UTZ: Are there any questions of the witness? Our file seems to be void of any unit agreement copies. Do you have any of those?

MR. JENNINGS: Yes, sir. At this time I would like the record to show that we are presenting an executed copy of the unit agreement to which there is affixed an approval of the State Land Commissioner, and I would like to request that our Exhibits A and B be introduced in evidence.

MR. UTZ: If there are no questions of the witness, he may be excused.

(Witness excused)

MR. UTZ: Are there any other statements in this case?

MR. KASTLER: Bill Kastler, representing Gulf Oil Corporation. Gulf being a participating party in this unit agreement, concurs with the application of Ambassador in this case and urges approval.

MR. UTZ: Any other statements?

MR. ELLIOTT: R. L. Elliott, appearing counsel for Gra-  
ridge Corporation, concurs with the application of Ambassador and  
requests that the application be granted.

MR. UTZ: Any other questions? Do you offer Exhibits A  
and B?

MR. JENNINGS: I offer them.

MR. UTZ: Any objection to the acceptance of Exhibits A  
and B in this case? If not, they will be received. The case will  
be taken under advisement.

C E R T I F I C A T E

STATE OF NEW MEXICO )

: ss

COUNTY OF BERNALILLO )

I, J. A. TRUJILLO, Notary Public in and for the County of Bernalillo, State of New Mexico, do hereby certify that the foregoing and attached Transcript of Proceedings before the New Mexico Oil Conservation Commission was reported by me in stenotype and reduced to typewritten transcript by me and/or under my personal supervision, and that the same is a true and correct record to the best of my knowledge, skill and ability.

WITNESS my Hand and Seal, this, the 16<sup>th</sup> day of June, 1958, in the City of Albuquerque, County of Bernalillo, State of New Mexico.

Joseph A. Trujillo  
Notary Public

My Commission Expires:

October 5, 1960.

I do hereby certify that the foregoing is a correct record of the proceedings in the Examiner's hearing of Case No. 1948, heard by Mr. J. A. Trujillo on May 28, 1958.  
John A. Trujillo, Examiner  
New Mexico Oil Conservation Commission