CASE 1925: Application of HONOLULU
For approval of NORTH MULLIS UNIT
AGREEMENT - CHAVES COUNTY, N. MEX.

Case No.

1925

Application, Transcript,
Small Exhibits, Etc.

DEARNLEY-MEIER REPORTING SERVICE, Inc.
ALBUQUERQUE, NEW MEXICO
PHONE CH 3-6691

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
March 23, 1960
EXAMINER HEARING

IN THE MATTER OF:

Application of Honolulu Oil Corporation for approval of a unit agreement. Applicant, in the above-styled cause, seeks approval of its North Mullis Unit Agreement, which unit will embrace approximately 1922 acres of State, Federal and fee land in Townships 14 and 15 South, Range 29 East, Chaves County, New Mexico.

Case 1925

BEFORE:
Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

MR. UTZ: The hearing will come to order. Case 1925.

MR. PAYNE: "Case 1925. Application of Honolulu Oil Corporation for approval of a unit agreement."

MR. CHRISTY: Sim Christy, Hervey, Dow and Hinkle, for the applicant, Honolulu Oil Corporation. We apologize for the lateness in submitting the unit agreement. It is hot off the press, so-to-speak, from San Francisco last Saturday and just arrived in Santa Fe yesterday. My understanding, it is a typical Federal-State unit. We have three short witnesses.

(Witnesses sworn.)

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LEO BRADY

called as a witness, having been previously duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY:

Q Would you please state your name, address and occupation?

A Leo Brady, Drawer 1391, Midland, Texas.

Q By whom are you employed and in what capacity?

A Honolulu Oil Corporation as Division Land Man, Mid-Continent Division.

Q Are you familiar with the matters contained in this application, being Case No. 1925, before the Commission?

A Yes, sir.

Q Are you familiar with the area covered by the proposed unit agreement?

A Yes, sir.

Q Would you please tell the Examiner the unit area covered by the agreement?

A The unit area embraces all Sections 33, 34, Township 14 South, Range 29 East and the North half of Sections 3 and 4, Township 15 South, 29 East, Chaves County, New Mexico. These lands total 1921.92 acres.

Q Are the lands owned by the United States, the State of New Mexico or private individuals? If there is any variation

will you give us the acreage owned by each?

A The lands covered by the proposed unit area consist of 141.92 acres of land, owned by the United States of America; 370 acres of land owned by the State of New Mexico, and 320 owned by private individuals.

Q Who is designated as the unit operator under the agreement?

A Honolulu Oil Corporation, whose address is Box 1391, Midland, Texas.

Q What's the purpose of the unit agreement?

A The unit agreement provides for the drilling of an exploratory well to test the Devonian formation, which is expected to be encountered at approximately 10,200 feet.

Q Has the drillsite been chosen yet?

A A tentative drillsite has been selected in the Northeast Quarter of the Southeast Quarter of Section 33, Township 14 South, Range 29 East.

Q Are you familiar with unit agreements for exploratory purposes that have previously been approved by the Director of the United States Geological Survey, the Commissioner of Public Lands of the State of New Mexico, and this Commission?

A Yes, sir.

Q Is this unit agreement in substantially the same form and tenor as those previously approved by the Director, the

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Commissioner and the Commission?

A Yes, the unit agreement involved in this application is substantially the standard Federal form of unit agreement, modified to include provisions with respect to State land, and the form of this unit agreement is in general use by the oil industry in the State of New Mexico.

Q Has the unit agreement been submitted to the Commissioner for approval and, if so, has such approval been obtained?

A The final draft was just completed the other day and this morning we did submit to the Commissioner the form of the unit agreement. Previously, and by our letter of February 26, 1960, we advised the Commissioner of the proposed unit agreement. We would anticipate that we will shortly obtain from the Commissioner the approval of the unit agreement as to form and content.

Q Has the unit agreement been submitted to the office of the Geological Survey for approval, and if so, has such approval been obtained?

A As I mentioned a moment ago, the unit agreement itself has just been completed. However, we did advise the Geological Survey of the proposed unit by letter of February 26, 1960, and various employees of Honolulu Oil Corporation have had three or four conferences with the Geological Survey staff in Roswell, New Mexico. I understand that requests for unit area designation has been forwarded from the Survey's Roswell office to Washington,

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D. C., and we hope that the unit area will be approved by the Director in the immediate future. Also I might mention that copies of the form of the unit agreement will be submitted to the United States Geological Survey at Roswell, New Mexico tomorrow morning.

Q Have you obtained commitments or ratifications of the unit agreement by the working interest owners and royalty owners; if you have obtained any, tell us the percent of these?

A The unit agreements are in the process of being mailed out to the various interested parties. However, we have informal approval of the basic unit agreement, substantially 100% of the working interest owners. I am not certain whether or not the fee royalty owner has been contacted as this tract is owned by Gulf. However, and as I mentioned previously, the royalty interests of both the Federal and State lands have been contacted. I don't believe that any of the overriding royalty owners, and there are only a few of them, have yet been contacted. This, of course, will be the job of the interested working owner. I might also mention that there have been several working interest owners meetings, and based on these and other comments, we presently anticipate 100% commitment by the working interest owners and at least 95% commitment by the royalty interest owners. This, of course, assumes ultimate approval by the Federal and State government.

Q What is the effective date of the unit?

A Under Section 20 the unit agreement is effective as of

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the date of approval by the Director.

Q Does the unit agreement provide for a plan of further development?

A Yes, sir, it contains the typical plan for further development which is provided in Section 10.

Q What is the term of the unit?

A The term is for a period of five years, and as long thereafter as unitized substances can be produced in paying quantities.

Q Now, Mr. Brady, under that if this unit agreement is approved by the Commission that Honolulu must furnish the Commission a fully executed copy thereof after the final approval, which would include any of the ratification and approval of other people?

A Yes, sir, we understand this, and such material will be furnished to the Commission.

Q I believe you previously mentioned that you were in charge of the Land Office of the Honolulu?

A Land Department, yes, sir, for the lands involved in this application.

Q Well, as head of the Land Department, have you caused the various Federal and State records to be examined with respect to the unit area and the ownership thereof?

A Yes, sir, my office has checked into this, the Federal

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and State records in Santa Fe, New Mexico, and the information relative to the ownership of the fee lands was obtained from the lessees owning leases covering such fee lands.

Q Based upon this examination and the material that was furnished to you, does Exhibit B of the unit agreement faithfully reflect the ownership of the various tracts as disclosed from such examination and information?

A Yes, sir.

Q Mr. Brady, I believe yesterday you mentioned to me there was some urgency in connection with this application. Would you elaborate on that to the Examiner, please?

A Yes, sir, there is considerable urgency in this matter. There are two Federal leases which expire June the 30th, 1960, one of which covers the North Half of the Southwest Quarter and the Southeast of the Southwest Quarter of Section 33. And the other covers the Southwest Quarter of the Southwest Quarter of Section 33 in Township 14 South, Range 29 East.

Unless we can obtain production in the initial test well before that date the lease on these lands will expire. In view of the drilling history in this area we anticipate that it will take some eighty-five to ninety days to drill and complete the initial test well to the Devonian formation, and this means that the initial test well must be commenced on or about April 1st, 1960. Thus, there is extreme urgency in this matter, and we would

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appreciate the Commission's earliest consideration of this application.

I might state further that we apologize for the delay in presenting the application to the Commission, but it was in only very recent weeks that substantial agreement was obtained among the working interest owners and it was immediately after this that we filed the application in this case. I believe the application in this case was filed February 26, 1960.

Q Mr. Brady, do you have anything else to offer on this case from the land standpoint?

A No.

MR. CHRISTY: I might state that the subsequent witnesses will take up the geophysical and the geological portion. That's all from this witness. Excuse me.

MR. UTZ: Questions?

MR. PAYNE: Yes, sir.

CROSS EXAMINATION

BY MR. PAYNE:

Q What is your participation formula?

A This is what is known as an undivided type unit wherein all the working interest owners share in the costs in proportion to their ownership.

Q It's a fully participating unit?

A As to the working interest?

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Q Yes. A Yes, sir.

Q And so it's actually based just on the straight acreage basis?

A Yes, sir.

Q Does this unit agreement contain a provision for expansion or contraction?

A Yes, sir, on Page 2, Section 2.

Q Yes, sir. Are there any wells drilled to any other horizon within the confines of this proposed unit?

A Within the unit area?

Q Yes.

A No, sir. I do not believe there have been in the unit area.

Q Mr. Brady, as a land man for Honolulu, what position do you take as to the leases which have been executed at Honolulu, part of the acreage which is included in the unit and part of which is not? I'll put it this way, do you take the position that discovery and production within the unit area perpetuates the balance of the lease which is not in the unit area?

A You speaking of Federal, State or fee ownership lease?

Q Well, generally any lease, and in particular State.

A Yes, sir, I believe it would perpetuate it. It would depend upon the provisions of the individual lease.

Q You don't feel that the acreage which is outside the

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unit but part of the lease would expire at the end of the primary term even though no well had been drilled on such acreage outside the unit area?

A No. I believe acreage, or a well, producing well on the leased land would perpetuate the leased land.

Q Yes, sir. Now, what I'm getting at is say the discovery well, the producing well is not --

A Oh, on?

Q -- not on the lease, that particular lease?

A Oh, that's a different proposition. I do not believe it would.

MR. PAYNE: Thank you. That's all.

MR. UTZ: Are there other questions?

MR. CHRISTY: I have one question.

REDIRECT EXAMINATION

BY MR. CHRISTY:

Q I assume your last response to the question by Mr. Payne, you would defer to the Legal Department, would you not?

A Yes, he asked my opinion.

MR. PAYNE: In his capacity as a land man, Mr. Christy.

MR. CHRISTY: Not as a lawyer. That's all from this witness.

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

(Witness excused.)

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MR. CHRISTY: Mr. Johnson, please.

L. H. JOHNSON

called as a witness, having been previously duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY:

Q Would you please state your name, address and occupation?

A Yes, sir. L. H. Johnson, Drawer 1391, Midland, Texas. I am a seismologist.

Q By whom are you employed and in what capacity?

A I'm employed by the Honolulu Oil Corporation as the Mid-Continent Division seismologist.

Q Have you previously testified before this Commission as a geophysicist or seismologist?

A No, sir.

Q Would you briefly state to the Examiner the schools of higher learning you have attended, the date and degrees you have received?

A I was graduated from Colorado School of Mines in 1937 with a Geological Engineering Degree and geophysical option.

Q Since your graduation by whom have you been employed and in what capacity and area?

A From 1937 to 1946 I was employed by the Phillips Petroleum Company mainly as a party chief of the seismograph crew in the

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Mid-Continent area, and from 1946 to date I have been employed by the Honolulu Oil Corporation as a seismologist and mainly as a division seismologist in West Texas, New Mexico, the Four Corners area and in other parts of the Mid-Continent area.

Q Are you familiar with the matters contained in this application, being Case No. 1925, before the Commission?

A Yes, sir.

Q Are you familiar with the land involved in the application as well as the land immediately surrounding it and the wells in the general vicinity?

A Yes, sir. I might also mention that the only well of any importance in the general area is the British American Hondo well in the Northwest Quarter of the Northeast Quarter of Section 27, Township 14 South, Range 29 East. This is a Devonian well and the top of the pay is at 10,222 feet.

MR. CHRISTY: Are the witness's qualifications acceptable, Mr. Examiner?

MR. UTZ: Yes, sir.

Q Do you have a contour map of this proposed unit area, Mr. Johnson?

A Yes, I have two. The first one is marked Exhibit 2 and is a seismic map contoured on the Mississippian with the measurements shown in time. The second is marked Exhibit 3 and it is likewise a seismic map contoured on the Mississippian with the

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measurements shown in depth.

Q Now, Mr. Johnson, Mr. Brady just testified that this unit was for a Devonian test. Why are these exhibits drawn to the Mississippian?

A The reflection data can be mapped at the Mississippian but it can not be mapped at the Devonian.

Q Is there a map similar to Exhibits 2 and 3 with the geological information projected to the Devonian?

A Yes, sir, the next witness will show this map.

Q Will you briefly explain to the Examiner what is depicted by Exhibits 2 and 3?

A Yes, sir, Exhibit 2 is a seismic map in time and Exhibit 3 is a seismic map in depth. Actually we measure time in seismic surveying, but for clarity the time has been converted to depth, and I believe it would be simpler to utilize Exhibit 3 to answer your question. Exhibit 3 is a seismic map of the subsurface at the Mississippian horizon, which is at a depth of 9600 feet plus or minus below the surface or about 5800 feet below sea level.

The map has a contour interval of 50 feet and the scale of two inches equals one mile. On the map the proposed unit area is outlined by the heavy line. The small circles are shot points where the data is recorded. These show the control used in the preparation of the map. You'll please note the geophysical high in Sections 33 and 34, Township 14 South, Range 29 East, et cetera,

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with its apex at the minus 5700 foot contour and near the Southeast corner of the Section 33.

The closing contour of the map is at minus 5800 feet and generally outlines the proposed unit. Closure to the Southwest is afforded by the fault which has been interpreted to have a displacement of 400 feet down to the Southwest.

Q So, as I understand you, Mr. Johnson, this unit area proposed in this application includes all or substantially all of the geophysical high within this closing contour of 5800 feet?

A Yes, sir. If you followed the line shown in Exhibit 3 at 5800, you'll note that the unit area encompasses substantially all of the geophysical high within this closing contour and, of course, it is bounded on the Southwest by the fault that I have mentioned previously.

Q Mr. Johnson, from geophysical information that's available, do you believe that the boundaries of the unit encompass a sufficient area to assure adequate control of the structure?

A Yes, sir.

Q I believe Exhibits 2 and 3 indicate that the present proposed location of the initial test well will be approximately on this structural high?

A Yes, sir, that is correct. I might also state that from the information available it would appear that the Devonian pay in the proposed well will be encountered approximately a hundred

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feet high to the Devonian pay in the British American well.

Q Were Exhibits 2 and 3 prepared by you or under your direction and supervision?

A Yes, sir.

Q Do you have anything else to add to your testimony that might be of interest or information to the Examiner?

A No, sir.

MR. CHRISTY: I believe that's all from this witness.

MR. UTZ: Are there questions?

MR. PAYNE: No questions.

MR. UTZ: The witness may be excused.

(Witness excused.)

MR. UTZ: The last witness is Mr. Hoy, please.

GEORGE R. HOY

called as a witness, having been previously duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY:

Q Would you please state your name, address and occupation?

A George R. Hoy, Midland, Texas. I am employed by Honolulu Oil Corporation as Division Drilling and Proration Engineer.

Q Have you previously testified before the New Mexico Oil Conservation Commission as a geologist and had your qualifications accepted?

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A Yes, sir, I have.

Q Are you familiar with the matters contained in this application, being Case No. 1925, before the Commission?

A Yes, sir.

Q Are you familiar with the lands involved in the application, the wells within the vicinity of the proposed unit area, and the general geological information in this area?

A Yes, sir.

MR. CHRISTY: Does the Examiner have any questions concerning the witness' qualifications?

MR. UTZ: No, sir, he's qualified.

Q Now, Mr. Hoy, I refer you to what has been marked Exhibit 4 and ask you to please identify and explain it to the Examiner.

A Exhibit 4 is a stratographic section of what we expect will be encountered in the initial test well within the unit. The stratographic section depicted in the exhibit is substantially the same as that found in the British American well to the Northeast of the unit area, except that we anticipate encountering the top of the Devonian in the initial test well at approximately 100 feet high to the point it was encountered in the British American well.

Q Mr. Hoy, I believe it was previously mentioned in Mr. Johnson's testimony that someone had prepared a contour map of the unit area projected down to the Devonian.

A Yes, sir.

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Q Has that been marked as an exhibit?

A That has been marked as Exhibit No. 5.

Q Would you please explain that exhibit to the Examiner?

A As Mr. Johnson has previously testified, there has been no seismic information to the Devonian, so it has been necessary for me, in preparing Exhibit 5, to utilize the information from Exhibits 2 and 3 and to project this information to the Devonian in order to show the geological information and what we believe will be the possible Devonian producing area.

Q Now, Mr. Hoy, I call your attention to the closing contour line on Exhibit 5 of 6400 feet. Is that approximately the same closing contour line as the 6400 feet mark on Exhibit 2?

A Yes, sir, it is.

Q So that this closing contour with the fault shown again on Exhibit 5 that appears to encompass all of the geological high as projected to the Devonian?

A Yes, sir.

Q Within the unit area? A Yes, sir.

Q Now, Mr. Hoy, as a geologist, do you believe that the granting of this application will permit the productive area to be developed and operated in the interest of conservation, the prevention of waste and the protection of correlative rights of the various interested parties?

A Yes, sir, I do.

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Q Do you believe that in the event oil or gas is found within the unit area that the approval of the unit agreement will permit a more economic and efficient recovery of the maximum oil or gas substances within the unitized pool?

A Yes, sir.

Q Mr. Hoy, I assume that you realize that if the Commission should grant this application that Honolulu will nevertheless have to comply with the other rules of the Commission with respect to filing notices, forms and et cetera?

A Yes, we recognize this and they will be complied with.

Q With reference to the initial test well, explain the proposed casing program.

A The proposed is a surface string of 13 3/8 to a depth of 350 feet and cemented from top to bottom in the annulus, string of 8 3/8 to 4,000 feet and string of 5½ through the Devonian if production is found.

Q Were Exhibits 4 and 5 prepared by you or under your direction and supervision?

A Yes, sir.

Q I believe Exhibit 1 is the map shown in the unit agreement, is that correct?

A Yes, sir, that is correct.

Q And Exhibit 6 is the unit agreement itself?

A Yes, sir.

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MR. CHRISTY: I believe that's all from this witness.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Hoy, were you going to cement the 8 5/8 at the 4,000 feet?

A Yes, we plan on 500 sacks of cement for the 8 5/8.

Q How many sacks?

A 500. We planned to cover the Queen and San Andres formations.

MR. UTZ: Are there other questions of the witness? If not, he may be excused.

(Witness excused.)

MR. CHRISTY: We would like to offer in evidence Applicant's Exhibits 1 to 6 inclusive.

MR. UTZ: Without objection the Exhibits 1 through 6 will be entered into the record.

MR. CHRISTY: We would like to make one other statement if there are no other statements in the case.

MR. UTZ: Are there other statements in this case? If not, you may proceed.

MR. CHRISTY: We would like to withdraw Exhibits 2 to 5 inclusive from the case and have them treated as confidential, and I will write the Commission as soon as we consider them not confidential again, probably two or three months, and ask that they be

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resubmitted in the file. Of course, anyone wishes to make an application to have them resubmitted, we would have no great objection.

MR. PAYNE: That would be fine. In the absence of any legitimate requests to see them, you can withdraw them.

MR. CHRISTY: We would like to withdraw 2 to 5 inclusive. That's all for the Applicant in this case. I would like to amend that and make it 1 to 5.

MR. UTZ: The case will be taken under advisement.

STATE OF NEW MEXICO)
: SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 5th day of April, 1960.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:
June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1125, heard by me on March 30, 1960.

....., Examiner
New Mexico Oil Conservation Commission

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D. C., and we hope that the unit area will be approved by the Director in the immediate future. Also I might mention that copies of the form of the unit agreement will be submitted to the United States Geological Survey at Roswell, New Mexico tomorrow morning.

Q Have you obtained commitments or ratifications of the unit agreement by the working interest owners and royalty owners; if you have obtained any, tell us the percent of these?

A The unit agreements are in the process of being mailed out to the various interested parties. However, we have informal approval of the basic unit agreement, substantially 100% of the working interest owners. I am not certain whether or not the fee royalty owner has been contacted as this tract is owned by Gulf. However, and as I mentioned previously, the royalty interests of both the Federal and State lands have been contacted. I don't believe that any of the overriding royalty owners, and there are only a few of them, have yet been contacted. This, of course, will be the job of the interested working owner. I might also mention that there have been several working interest owners meetings, and based on these and other comments, we presently anticipate 100% commitment by the working interest owners and at least 95% commitment by the royalty interest owners. This, of course, assumes ultimate approval by the Federal and State government.

Q What is the effective date of the unit?

A Under Section 20 the unit agreement is effective as of

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ALBUQUERQUE, NEW MEXICO
PHONE CH 3-6691

the date of approval by the Director.

Q Does the unit agreement provide for a plan of further development?

A Yes, sir, it contains the typical plan for further development which is provided in Section 10.

Q What is the term of the unit?

A The term is for a period of five years, and as long thereafter as unitized substances can be produced in paying quantities.

Q Now, Mr. Brady, under that if this unit agreement is approved by the Commission that Honolulu must furnish the Commission a fully executed copy thereof after the final approval, which would include any of the ratification and approval of other people?

A Yes, sir, we understand this, and such material will be furnished to the Commission.

Q I believe you previously mentioned that you were in charge of the Land Office of the Honolulu?

A Land Department, yes, sir, for the lands involved in this application.

Q Well, as head of the Land Department, have you caused the various Federal and State records to be examined with respect to the unit area and the ownership thereof?

A Yes, sir, my office has checked into this, the Federal

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and State records in Santa Fe, New Mexico, and the information relative to the ownership of the fee lands was obtained from the lessees owning leases covering such fee lands.

Q Based upon this examination and the material that was furnished to you, does Exhibit B of the unit agreement faithfully reflect the ownership of the various tracts as disclosed from such examination and information?

A Yes, sir.

Q Mr. Brady, I believe yesterday you mentioned to me there was some urgency in connection with this application. Would you elaborate on that to the Examiner, please?

A Yes, sir, there is considerable urgency in this matter. There are two Federal leases which expire June the 30th, 1960, one of which covers the North Half of the Southwest Quarter and the Southeast of the Southwest Quarter of Section 33. And the other covers the Southwest Quarter of the Southwest Quarter of Section 33 in Township 14 South, Range 29 East.

Unless we can obtain production in the initial test well before that date the lease on these lands will expire. In view of the drilling history in this area we anticipate that it will take some eighty-five to ninety days to drill and complete the initial test well to the Devonian formation, and this means that the initial test well must be commenced on or about April 1st, 1960. Thus, there is extreme urgency in this matter, and we would

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appreciate the Commission's earliest consideration of this application.

I might state further that we apologize for the delay in presenting the application to the Commission, but it was in only very recent weeks that substantial agreement was obtained among the working interest owners and it was immediately after this that we filed the application in this case. I believe the application in this case was filed February 26, 1960.

Q Mr. Brady, do you have anything else to offer on this case from the land standpoint?

A No.

MR. CHRISTY:: I might state that the subsequent witnesses will take up the geophysical and the geological portion. That's all from this witness. Excuse me.

MR. UTZ: Questions?

MR. PAYNE: Yes, sir.

CROSS EXAMINATION

BY MR. PAYNE:

Q What is your participation formula?

A This is what is known as an undivided type unit wherein all the working interest owners share in the costs in proportion to their ownership.

Q It's a fully participating unit?

A As to the working interest?

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Q Yes.

A Yes, sir.

Q And so it's actually based just on the straight acreage basis?

A Yes, sir.

Q Does this unit agreement contain a provision for expansion or contraction?

A Yes, sir, on Page 2, Section 2.

Q Yes, sir. Are there any wells drilled to any other horizon within the confines of this proposed unit?

A Within the unit area?

Q Yes.

A No, sir. I do not believe there have been in the unit area.

Q Mr. Brady, as a land man for Honolulu, what position do you take as to the leases which have been executed at Honolulu, part of the acreage which is included in the unit and part of which is not? I'll put it this way, do you take the position that discovery and production within the unit area perpetuates the balance of the lease which is not in the unit area?

A You speaking of Federal, State or fee ownership lease?

Q Well, generally any lease, and in particular State.

A Yes, sir, I believe it would perpetuate it. It would depend upon the provisions of the individual lease.

Q You don't feel that the acreage which is outside the

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unit but part of the lease would expire at the end of the primary term even though no well had been drilled on such acreage outside the unit area?

A No. I believe acreage, or a well, producing well on the leased land would perpetuate the leased land.

Q Yes, sir. Now, what I'm getting at is say the discovery well, the producing well is not --

A Oh, on?

Q -- not on the lease, that particular lease?

A Oh, that's a different proposition. I do not believe it would.

MR. PAYNE: Thank you. That's all.

MR. UTZ: Are there other questions?

MR. CHRISTY:: I have one question.

REDIRECT EXAMINATION

BY MR. CHRISTY::

Q I assume your last response to the question by Mr. Payne, you would defer to the Legal Department, would you not?

A Yes, he asked my opinion.

MR. PAYNE: In his capacity as a land man, Mr. Christy..

MR. CHRISTY:: Not as a lawyer. That's all from this witness.

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

(Witness excused.)

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MR. CHRISTY:: Mr. Johnson, please.

L. H. JOHNSON

called as a witness, having been previously duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY::

Q Would you please state your name, address and occupation?

A Yes, sir. L. H. Johnson, Drawer 1391, Midland, Texas. I am a seismologist.

Q By whom are you employed and in what capacity?

A I'm employed by the Honolulu Oil Corporation as the Mid-Continent Division seismologist.

Q Have you previously testified before this Commission as a geophysicist or seismologist?

A No, sir.

Q Would you briefly state to the Examiner the schools of higher learning you have attended, the date and degrees you have received?

A I was graduated from Colorado School of Mines in 1937 with a Geological Engineering Degree and geophysical option.

Q Since your graduation by whom have you been employed and in what capacity and area?

A From 1937 to 1946 I was employed by the Phillips Petroleum Company mainly as a party chief of the seismograph crew in the

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Mid-Continent area, and from 1946 to date I have been employed by the Honolulu Oil Corporation as a seismologist and mainly as a division seismologist in West Texas, New Mexico, the Four Corners area and in other parts of the Mid-Continent area.

Q Are you familiar with the matters contained in this application, being Case No. 1925, before the Commission?

A Yes, sir.

Q Are you familiar with the land involved in the application as well as the land immediately surrounding it and the wells in the general vicinity?

A Yes, sir. I might also mention that the only well of any importance in the general area is the British American Hondo well in the Northwest Quarter of the Northeast Quarter of Section 27, Township 14 South, Range 29 East. This is a Devonian well and the top of the pay is at 10,222 feet.

MR. CHRISTY: Are the witness's qualifications acceptable, Mr. Examiner?

MR. UTZ: Yes, sir.

Q Do you have a contour map of this proposed unit area, Mr. Johnson?

A Yes, I have two. The first one is marked Exhibit 2 and is a seismic map contoured on the Mississippian with the measurements shown in time. The second is marked Exhibit 3 and it is likewise a seismic map contoured on the Mississippian with the

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measurements shown in depth.

Q Now, Mr. Johnson, Mr. Brady just testified that this unit was for a Devonian test. Why are these exhibits drawn to the Mississippian?

A The reflection data can be mapped at the Mississippian but it can not be mapped at the Devonian.

Q Is there a map similar to Exhibits 2 and 3 with the geological information projected to the Devonian?

A Yes, sir, the next witness will show this map.

Q Will you briefly explain to the Examiner what is depicted by Exhibits 2 and 3?

A Yes, sir, Exhibit 2 is a seismic map in time and Exhibit 3 is a seismic map in depth. Actually we measure time in seismic surveying, but for clarity the time has been converted to depth, and I believe it would be simpler to utilize Exhibit 3 to answer your question. Exhibit 3 is a seismic map of the subsurface at the Mississippian horizon, which is at a depth of 9600 feet plus or minus below the surface or about 5800 feet below sea level.

The map has a contour interval of 50 feet and the scale of two inches equals one mile. On the map the proposed unit area is outlined by the heavy line. The small circles are shot points where the data is recorded. These show the control used in the preparation of the map. You'll please note the geophysical high in Sections 33 and 34, Township 14 South, Range 29 East, et cetera,

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with its apex at the minus 5700 foot contour and near the Southeast corner of the Section 33.

The closing contour of the map is at minus 5800 feet and generally outlines the proposed unit. Closure to the Southwest is afforded by the fault which has been interpreted to have a displacement of 400 feet down to the Southwest.

Q So, as I understand you, Mr. Johnson, this unit area proposed in this application includes all or substantially all of the geophysical high within this closing contour of 5800 feet?

A Yes, sir. If you followed the line shown in Exhibit 3 at 5800, you'll note that the unit area encompasses substantially all of the geophysical high within this closing contour and, of course, it is bounded on the Southwest by the fault that I have mentioned previously.

Q Mr. Johnson, from geophysical information that's available, do you believe that the boundaries of the unit encompass a sufficient area to assure adequate control of the structure?

A Yes, sir.

Q I believe Exhibits 2 and 3 indicate that the present proposed location of the initial test well will be approximately on this structural high?

A Yes, sir, that is correct. I might also state that from the information available it would appear that the Devonian pay in the proposed well will be encountered approximately a hundred

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feet high to the Devonian pay in the British American well.

Q Were Exhibits 2 and 3 prepared by you or under your direction and supervision?

A Yes, sir.

Q Do you have anything else to add to your testimony that might be of interest or information to the Examiner?

A No, sir.

MR. CHRISTY:: I believe that's all from this witness.

MR. UTZ: Are there questions?

MR. PAYNE: No questions.

MR. UTZ: The witness may be excused.

(Witness excused.)

MR. UTZ: The last witness is Mr. Hoy, please.

GEORGE R. HOY

called as a witness, having been previously duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. CHRISTY::

Q Would you please state your name, address and occupation?

A George R. Hoy, Midland, Texas. I am employed by Honolulu Oil Corporation as Division Drilling and Proration Engineer.

Q Have you previously testified before the New Mexico Oil Conservation Commission as a geologist and had your qualifications accepted?

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A Yes, sir, I have.

Q Are you familiar with the matters contained in this application, being Case No. 1925, before the Commission?

A Yes, sir.

Q Are you familiar with the lands involved in the application, the wells within the vicinity of the proposed unit area, and the general geological information in this area?

A Yes, sir.

MR. CHRISTY: Does the Examiner have any questions concerning the witness' qualifications?

MR. UTZ: No, sir, he's qualified.

Q Now, Mr. Hoy, I refer you to what has been marked Exhibit 4 and ask you to please identify and explain it to the Examiner.

A Exhibit 4 is a stratographic section of what we expect will be encountered in the initial test well within the unit. The stratographic section depicted in the exhibit is substantially the same as that found in the British American well to the Northeast of the unit area, except that we anticipate encountering the top of the Devonian in the initial test well at approximately 100 feet high to the point it was encountered in the British American well.

Q Mr. Hoy, , I believe it was previously mentioned in Mr. Johnson's testimony that someone had prepared a contour map of the unit area projected down to the Devonian.

A Yes, sir.

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Q Has that been marked as an exhibit?

A That has been marked as Exhibit No. 5.

Q Would you please explain that exhibit to the Examiner?

A As Mr. Johnson has previously testified, there has been no seismic information to the Devonian, so it has been necessary for me, in preparing Exhibit 5, to utilize the information from Exhibits 2 and 3 and to project this information to the Devonian in order to show the geological information and what we believe will be the possible Devonian producing area.

Q Now, Mr. Hoy, I call your attention to the closing contour line on Exhibit 5 of 6400 feet. Is that approximately the same closing contour line as the 5800 foot mark on Exhibit 3?

A Yes, sir, it is.

Q So that this closing contour with the fault shown again on Exhibit 5 that appears to encompass all of the geological high as projected to the Devonian?

A Yes, sir.

Q Within the unit area? A Yes, sir.

Q Now, Mr. Hoy, as a geologist, do you believe that the granting of this application will permit the productive area to be developed and operated in the interest of conservation, the prevention of waste and the protection of correlative rights of the various interested parties?

A Yes, sir, I do.

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Q Do you believe that in the event oil or gas is found within the unit area that the approval of the unit agreement will permit a more economic and efficient recovery of the maximum oil or gas substances within the unitized pool?

A Yes, sir.

Q Mr. Hoy, I assume that you realize that if the Commission should grant this application that Honolulu will nevertheless have to comply with the other rules of the Commission with respect to filing notices, forms and et cetera?

A Yes, we recognize this and they will be complied with.

Q With reference to the initial test well, explain the proposed casing program.

A The proposed is a surface string of 13 3/8 to a depth of 350 feet and cemented from top to bottom in the annulus, string of 8 3/8 to 4,000 feet and string of 5½ through the Devonian if production is found.

Q Were Exhibits 4 and 5 prepared by you or under your direction and supervision?

A Yes, sir.

Q I believe Exhibit 1 is the map shown in the unit agreement, is that correct?

A Yes, sir, that is correct.

Q And Exhibit 6 is the unit agreement itself?

A Yes, sir.

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MR. CHRISTY:: I believe that's all from this witness.

CROSS EXAMINATION

BY MR. UTZ:

Q Mr. Hoy, were you going to cement the 8 5/8 at the 4,000 feet?

A Yes, we plan on 500 sacks of cement for the 8 5/8.

Q How many sacks?

A 500. We planned to cover the Queen and San Andres formations.

MR. UTZ: Are there other questions of the witness? If not, he may be excused.

(Witness excused.)

MR. CHRISTY:: We would like to offer in evidence Applicant's Exhibits 1 to 6 inclusive.

MR. UTZ: Without objection the Exhibits 1 through 6 will be entered into the record.

MR. CHRISTY:: We would like to make one other statement if there are no other statements in the case.

MR. UTZ: Are there other statements in this case? If not, you may proceed.

MR. CHRISTY:: We would like to withdraw Exhibits 2 to 5 inclusive from the case and have them treated as confidential, and I will write the Commission as soon as we consider them not confidential again, probably two or three months, and ask that they be

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resubmitted in the file. Of course, anyone wishes to make an application to have them resubmitted, we would have no great objection.

MR. PAYNE: That would be fine. In the absence of any legitimate requests to see them, you can withdraw them.

MR. CHRISTY:: We would like to withdraw 2 to 5 inclusive. That's all for the Applicant in this case. I would like to amend that and make it 1 to 5.

MR. UTZ: The case will be taken under advisement.

STATE OF NEW MEXICO)
: SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 5th day of April, 1960.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1963.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 1925, heard by me on March 23, 1960.

....., Examiner
New Mexico Oil Conservation Commission

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ALBUQUERQUE, NEW MEXICO
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NOTICE OF TERMINATION

The Director
United States Geological Survey
Washington 25, D. C.

Through

Regional Oil and Gas Supervisor
United States Geological Survey
Roswell, New Mexico

and

Commissioner of Public Lands
Santa Fe, New Mexico

Re: North Mullis Unit
County of Chaves
State of New Mexico
No. 14-08-0001-6788

The "Unit Agreement for the Development and Operation of the North Mullis Unit Area, County of Chaves, State of New Mexico" dated the 15th day of March, 1960, was approved by the Acting Director on the 27th day of May, 1960.

North Mullis Unit Well No. 1, located 1780 feet from the South line and 660 feet from the East line of Section 33, T-14-S, R-29-E, Chaves County, New Mexico, was timely spudded on April 7, 1960 and drilled to a total depth of 10,475 feet in the Devonian formation. A drillstem test was taken of the Devonian formation, which was the objective of this test, in the interval from 10,420 feet to 10,446 feet and the recovery from this test was 8,600 feet of salty sulphur water. The top of the Devonian formation was encountered at 10,415 feet (a subsea datum of -6,586 feet) which proved to be 293 feet below the original estimate, thereby removing any possibilities of a favorable structure. In view of these facts, we now believe the Unit Area has been reasonably determined to be incapable of production of unitized substances in paying quantities in the formation tested.

Section 20 of the Unit Agreement provides for termination of the Unit Agreement at any time by not less than seventy-five percentum, on an acreage basis, of the owners of working interests signatory, with the approval of the Director and the Commissioner. The undersigned, representing more than the required percentum of working interests signatory, hereby elect to terminate the said Unit Agreement effective as of December 1, 1960, and respectfully request approval hereof.

This Notice of Termination may be executed in any number of counterparts with the same force and effect as if all signing parties had executed the same document and shall be binding upon all those who execute a counterpart hereof, regardless of whether or not any counterpart is executed by any other party owning or claiming an interest in the lands affected hereby, and when so executed shall be binding upon each signatory party, his heirs, devisees, or successors in interest.

Dated this _____ day of _____, 1960.

HONOLULU OIL CORPORATION

By _____
President

ATTEST:

_____
Secretary

Address: P. O. Drawer 1391
Midland, Texas

UNIT OPERATOR AND WORKING INTEREST OWNER

Date _____

_____
Donald B. Anderson

Address: Box 660
Roswell, New Mexico

Date December 15, 1960

THE BRITISH-AMERICAN OIL PRODUCING COMPANY

By _____
ATTORNEY-IN-FACT ~~Vice President~~

~~ATTEST:~~

_____
Secretary

Address: P. O. Box 749
Dallas 21, Texas

Date _____

_____
Fred M. Cassidy

Date _____

_____
Margaret Cassidy

Address: P. O. Box 96
Midland, Texas

CITIES SERVICE OIL COMPANY

Date _____

By _____
Attorney-in-Fact

Address: Cities Service Bldg.
Bartlesville, Oklahoma

GULF OIL CORPORATION

Date _____

By _____
Attorney-in-Fact

ATTEST:

_____
Secretary

Address: P. O. Box 669
Roswell, New Mexico

Date _____

HONDO OIL & GAS COMPANY

By _____
Vice President

ATTEST:

_____
Asst. Secretary

Address: Box 660
Roswell, New Mexico

Date _____

SINCLAIR OIL & GAS COMPANY

By _____
Vice President

ATTEST:

_____
Asst. Secretary

Address: P. O. Box 1470
Midland, Texas

Date _____

SUNRAY MID-CONTINENT OIL COMPANY

By _____
Vice President

ATTEST:

_____
Secretary

Address: 1101 Wilco Bldg.
Midland, Texas

Date NOV 18 1960

APPROVED
AS TO FORM
AS TO CONTENT

TEXAS PACIFIC COAL AND OIL COMPANY

By R. I. Dickey
R. I. Dickey Vice President

ATTEST: J. I. Norman
J. I. Norman Secretary

Address: P. O. Box 2110
Fort Worth 1, Texas

WORKING INTEREST OWNERS

STATE OF CALIFORNIA)
CITY AND) ss.
COUNTY OF SAN FRANCISCO)

On this _____ day of _____, 19___, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of HONOLULU 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.

Given under my hand and seal of office this _____ day of _____, 19___.

_____
HELEN G. BOYLE
Notary Public in and for said
City and County and State

My commission expires: August 28, 1963

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this _____ day of _____, 19___, before me personally appeared DONALD B. ANDERSON, to me 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.

Given under my hand and seal of office this _____ day of _____, 19___.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF TEXAS)
) ss
COUNTY OF DALLAS)

On this 15th day of December, 1960 before me appeared Claude E. Lay, to me personally known, who, being by me duly sworn, did say that he is the ATTORNEY-~~President~~ IN FACT of THE BRITISH-AMERICAN OIL PRODUCING 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 Claude E. Lay acknowledged said instrument to be the free act and deed of said corporation.

Gladys Kerley
Notary Public in and for said
County and State
GLADYS KERLEY

My commission expires:
MY COMMISSION EXPIRES JUNE 1, 1961

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

On this _____ day of _____, 19___, before me personally appeared FRED M. CASSIDY, and wife, MARGARET CASSIDY, to me 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.

Given under my hand and seal of office this _____ day of _____, 19___.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF OKLAHOMA)
) ss.
COUNTY OF WASHINGTON)

On this _____ day of _____, 19___, before me personally appeared _____, to me known to be the person who executed the foregoing instrument in behalf of CITIES SERVICE OIL COMPANY, and acknowledged that he executed the same as the free act and deed of said CITIES SERVICE OIL COMPANY.

Given under my hand and seal of office this _____ day of _____, 19___.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this _____ day of _____, 19___, before me personally appeared _____, to me known to be the person who executed the foregoing instrument in behalf of GULF OIL CORPORATION, and acknowledged that he executed the same as the free act and deed of said GULF OIL CORPORATION.

Given under my hand and seal of office this _____ day of _____, 19____.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this _____ day of _____, 19___, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of HONDO OIL & GAS 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.

Given under my hand and seal of office this _____ day of _____, 19___.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

On this _____ day of _____, 19___, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of SINCLAIR OIL & GAS 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.

Given under my hand and seal of office this _____ day of _____, 19___.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

On this _____ day of _____, 19___, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of SUNRAY MID-CONTINENT OIL 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.

Given under my hand and seal of office this _____ day of _____, 19___.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF TEXAS)
) ss.
COUNTY OF TARRANT)

On this 30th day of November, 1960, before me appeared R. I. Dickey, to me personally known, who, being by me duly sworn, did say that he is the Vice President of TEXAS PACIFIC COAL AND OIL 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 R. I. Dickey, acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal of office this 30th day of November, 1960.

Jo Claire Smith
Notary Public in and for said
County and State

JO CLAIRE SMITH

My commission expires:

JUN 1 1961

In reply refer to:
Unit Division

January 5, 1961

Honolulu Oil Corporation
P. O. Drawer 1391
Midland, Texas

Re: Termination of the Unit
North Mullis Agreement
Chaves County, New Mexico

ATTENTION: Mr. Leo Brady

Gentlemen:

We are enclosing five certificates of approval for the Termination of the North Mullis Unit Agreement. This termination was approved by the Commissioner of Public Lands as of January 5, 1961.

The Commissioner of Public Lands approval is subject to like approval by the Director of the US Geological Survey.

Very truly yours,
E. S. Johnny Walker
Commissioner of Public Lands

BY:
Marian M. Rhea, Supervisor
Unit Division

ESW/mmr/s
cc: US Geological Survey
Roswell, New Mexico

Oil Conservation Commission
Santa Fe, New Mexico

HONOLULU OIL CORPORATION

P. O. DRAWER 1391

MIDLAND, TEXAS

January 3, 1961

Case 1925

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Re: North Mullis Unit Agreement
No. 14-08-0001-6788
Chaves County, New Mexico

Gentlemen:

In connection with the above-captioned Unit, we are enclosing herewith the following:

1. One copy of Notice of Termination executed by Honolulu Oil Corporation, Donald B. Anderson, Fred M. Cassidy, Cities Service Oil Company, Gulf Oil Corporation, Hondo Oil & Gas Company, Sinclair Oil & Gas Company and Sunray Mid-Continent Oil Company.

2. One copy of Notice of Termination executed by The British-American Oil Producing Company and Texas Pacific Coal and Oil Company.

The enclosed documents represent complete consent by all parties for termination of this Unit. We are sorry we were unable to deliver this document to you sooner but the delay occasioned by the number of signatures required and the holiday season prohibited it.

Please furnish us a copy of your order dissolving this Unit when it is available.

We wish to thank your office for your cooperation in the operation of this Unit.

Yours very truly,

HONOLULU OIL CORPORATION

By Leo Brady
Leo Brady

LB/sc
Enclosures

NOTICE OF TERMINATION

The Director
United States Geological Survey
Washington 25, D. C.

Through

Regional Oil and Gas Supervisor
United States Geological Survey
Roswell, New Mexico

and

Commissioner of Public Lands
Santa Fe, New Mexico

Re: North Mullis Unit
County of Chaves
State of New Mexico
No. 14-08-0001-6788

The "Unit Agreement for the Development and Operation of the North Mullis Unit Area, County of Chaves, State of New Mexico" dated the 15th day of March, 1960, was approved by the Acting Director on the 27th day of May, 1960.

North Mullis Unit Well No. 1, located 1780 feet from the South line and 660 feet from the East line of Section 33, T-14-S, R-29-E, Chaves County, New Mexico, was timely spudded on April 7, 1960 and drilled to a total depth of 10,475 feet in the Devonian formation. A drillstem test was taken of the Devonian formation, which was the objective of this test, in the interval from 10,420 feet to 10,446 feet and the recovery from this test was 8,600 feet of salty sulphur water. The top of the Devonian formation was encountered at 10,415 feet (a subsea datum of -6,586 feet) which proved to be 293 feet below the original estimate, thereby removing any possibilities of a favorable structure. In view of these facts, we now believe the Unit Area has been reasonably determined to be incapable of production of unitized substances in paying quantities in the formation tested.

Section 20 of the Unit Agreement provides for termination of the Unit Agreement at any time by not less than seventy-five percentum, on an acreage basis, of the owners of working interests signatory, with the approval of the Director and the Commissioner. The undersigned, representing more than the required percentum of working interests signatory, hereby elect to terminate the said Unit Agreement effective as of December 1, 1960, and respectfully request approval hereof.

This Notice of Termination may be executed in any number of counterparts with the same force and effect as if all signing parties had executed the same document and shall be binding upon all those who execute a counterpart hereof, regardless of whether or not any counterpart is executed by any other party owning or claiming an interest in the lands affected hereby, and when so executed shall be binding upon each signatory party, his heirs, devisees, or successors in interest.

Dated this 10th day of November, 1960.

HONOLULU OIL CORPORATION

By _____
Executive Vice President
Exploration, Development and Production

ATTEST:

_____
Secretary

Address: P. O. Drawer 1391
Midland, Texas

UNIT OPERATOR AND WORKING INTEREST OWNER

Date _____

Donald B. Anderson

Address: Box 660
Roswell, New Mexico

Date _____

THE BRITISH-AMERICAN OIL PRODUCING COMPANY

By _____
Vice President

ATTEST:

_____
Secretary

Address: P. O. Box 749
Dallas 21, Texas

Date _____

Fred M. Cassidy

Date _____

Margaret Cassidy

Address: P. O. Box 96
Midland, Texas

Date 12-27-60

CITIES SERVICE OIL COMPANY

By _____
Mark F. Payton Attorney-in-Fact

Address: Cities Service Bldg.
Bartlesville, Oklahoma

law WHK
Comptr.
Exp.
Prod.

Date November 29, 1960

GULF OIL CORPORATION

By _____
Attorney-in-Fact

ATTEST: _____
Asst. Secretary

Address: P. O. Box 669
Roswell, New Mexico

Date NOV. 21, 1960

HONDO OIL & GAS COMPANY

By _____
Vice President

HEH

ATTEST:

_____
Asst. Secretary

Address: Box 660
Roswell, New Mexico

Date DEC 5 1960

SINCLAIR OIL & GAS COMPANY

By _____

Vice President

APPROVED
FORM CHECKED

ATTEST:

_____

Asst. Secretary

Address: P. O. Box 1470
Midland, Texas

Date DEC 13 1960

SUNRAY MID-CONTINENT OIL COMPANY

By _____

Vice President

ATTEST: _____

Assistant Secretary

Address: 1101 Wilco Bldg.
Midland, Texas

Date _____

TEXAS PACIFIC COAL AND OIL COMPANY

By _____

Vice President

ATTEST:

_____

Secretary

Address: P. O. Box 2110
Fort Worth 1, Texas

WORKING INTEREST OWNERS

STATE OF CALIFORNIA)
CITY AND) ss.
COUNTY OF SAN FRANCISCO)

On this 14th day of November, 1960, before me appeared A. S. DONNELLY, to me personally known, who, being by me duly sworn, did say that he is the Exec. Vice President of HONOLULU 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 A. S. DONNELLY acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal of office this 14th day of November, 1960.

Helen G. Boyle
HELEN G. BOYLE
Notary Public in and for said
City and County and State

My commission expires: August 28, 1963

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this 21st day of Nov., 1960 before me personally appeared DONALD B. ANDERSON, to me 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.

Given under my hand and seal of office this 21st day of Nov., 1960.

B. E. Hennington
Notary Public in and for said
County and State

My commission expires: 6-30-64

STATE OF TEXAS)
) ss
COUNTY OF DALLAS)

On this _____ day of _____, 19__ before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of THE BRITISH-AMERICAN OIL PRODUCING 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.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

On this 16th day of November, 1960 before me personally appeared FRED M. CASSIDY, and wife, MARGARET CASSIDY, to me 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.

Given under my hand and seal of office this 16th day of November, 1960.

Dorothy K. Brennan
Notary Public in and for said
County and State

My commission expires:
June 1, 1961

STATE OF OKLAHOMA)
) ss.
COUNTY OF WASHINGTON)

On this 28th day of December, 1960, before me personally appeared Mark F. Payton, to me known to be the person who executed the foregoing instrument in behalf of CITIES SERVICE OIL COMPANY, and acknowledged that he executed the same as the free act and deed of said CITIES SERVICE OIL COMPANY.

Given under my hand and seal of office this 28th day of December, 1960.

My Commission Expires April 23, 1962

Sue Galloway
Notary Public in and for said
County and State

My commission expires:

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this 29th day of November, 1960, before me personally appeared W. A. SHELLSHEAR, to me known to be the person who executed the foregoing instrument in behalf of GULF OIL CORPORATION, and acknowledged that he executed the same as the free act and deed of said GULF OIL CORPORATION.

Given under my hand and seal of office this 29th day of November, 1960.

Eva Marie Cooper
Notary Public in and for said
County and State

My commission expires:

My Commission Expires August 15, 1962

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this 21st day of Nov., 1960, before me appeared Donald B. Anderson, to me personally known, who, being by me duly sworn, did say that he is the Vice President of HONDO OIL & GAS 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 Donald B. Anderson acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal of office this 21st day of Nov., 1960.

H. E. Hannaker
Notary Public in and for said
County and State

My commission expires: 6-30-64

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

On this 5th day of December, 1960, before me appeared R. L. ELSTON, to me personally known, who, being by me duly sworn, did say that he is the Vice President of SINCLAIR OIL & GAS 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 R. L. ELSTON acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal of office this 5th day of December, 1960.

Betty L. Tickerdon
Notary Public in and for said
County and State

My commission expires: 6-1-61

STATE OF OKLAHOMA)
) ss.
COUNTY OF TULSA)

On this 12th day of December, 1960 before me appeared R. O. Harper, to me personally known, who, being by me duly sworn, did say that he is the Vice President of SUNRAY MID-CONTINENT OIL 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 R. O. Harper acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal of office this 12th day of December, 1960.

Kathryn Holland
Notary Public in and for said
County and State

My commission expires:

Kathryn Holland, Notary Public
In and for State of Oklahoma
My Commission Expires
February 22, 1964

STATE OF TEXAS)
) ss.
COUNTY OF TARRANT)

On this _____ day of _____, 19___, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of TEXAS PACIFIC COAL AND OIL 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.

Given under my hand and seal of office this _____ day of _____, 19____.

_____
Notary Public in and for said
County and State

My commission expires:

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. 1925
Order No. R-1640

THE APPLICATION OF HONOLULU OIL
CORPORATION FOR APPROVAL OF THE
NORTH MULLIS UNIT AGREEMENT WHICH
UNIT EMBRACES 1922 ACRES, MORE OR
LESS, LOCATED IN TOWNSHIPS 14 AND
15 SOUTH, RANGE 29 EAST, NMPM,
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 23, 1960, at Santa Fe, New Mexico, before Elvis A. Utz, 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 24th day of March, 1960, the Commission, a quorum being present, having considered the application and the recommendations of the Examiner, Elvis A. Utz, 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 MULLIS UNIT AGREEMENT ORDER.

2. (a) That the project herein referred to shall be known as the North Mullis 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 Mullis Unit Area, referred to in the Petitioner's petition and filed with said petition, and such plan shall be known as the North Mullis Unit Agreement Plan.

3. That the North Mullis Unit Agreement 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 rights, 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 the exploration and development of any lands committed to said North Mullis Unit Agreement, or relative to the production of oil and gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 14 SOUTH, RANGE 29 EAST

Section 33: All
Section 34: All

TOWNSHIP 15 SOUTH, RANGE 29 EAST

Section 3: N/2
Section 4: N/2

containing 1922 acres more or less.

(b) The unit area may be enlarged or contracted as provided in said Plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Oil Conservation Commission.

5. That the unit operator shall file with the Commission an executed original or executed counterpart of the North Mullis Unit Agreement 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 Director of the United States Geological Survey and 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

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

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

esr/

J. M. HERVEY 1874-1953
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. B. CHRISTY IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.
ROBERT C. BLEDSOE

LAW OFFICES
HERVEY, DOW & HINKLE
HINKLE BUILDING
ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510
POST OFFICE BOX 547

MAIN OFFICE OCC
1960 JUN 10 PM 1:24

June 9, 1960

The New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Re: North Mullis Unit
Case No. 1925
Our No. 129-28

Gentlemen:

In compliance with Order R-1640 in the above case, we hand you herewith one copy of the Certification--Determination reflecting the approval of the Director, U. S. Geological Survey to the above Unit; this Certification--Determination bears contract No. 14-08-0001-6788 and is dated May 27, 1960.

Pursuant to Section 20 of the Unit Agreement, the same is effective May 27, 1960.

If further material is required by your office please advise.

Respectfully,

HERVEY, DOW & HINKLE

By S. B. Christy IV

SBC:mke
Encl.

HERVEY, DOW & HINKLE, ATTORNEYS
ROSWELL, NEW MEXICO

COPY

OIL CONSERVATION COMM.
1960 MAY 19 AM 8:26

May 18, 1960

United States Geological Survey
Box 6721
Roswell, New Mexico

Commissioner of Public Lands
Box 791
Santa Fe, New Mexico

New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Re: North Mullis Unit
Chaves County, New Mexico

Gentlemen:

We enclose herewith to the Supervisor six copies, to the Commissioner two copies, and to the Commission one copy, each of a Ratification and Joinder of the above Unit Agreement executed by J. G. Thornhill and Alma Doyle Thornhill, his wife, covering the captioned unit; this ratification relates to a royalty interest in Tract 15.

Exhibit B to the Unit Agreement previously submitted you shows C. C. Byars as owning a 6.25% overriding royalty interest in Tract 15, and we are advised that a recent check of the applicable records reflects that Mr. Byars sold one-half of this interest to George H. Hunker, Jr. and the remaining one-half interest to J. G. Thornhill. Therefore, the enclosed ratification covers a net 3.125% overriding royalty under said Tract 15, being one-half of the interest credited to Mr. Byars in the Exhibit B you now hold.

As we have previously advised you a revision of Exhibit B is now being prepared by the Unit Operator, and the same will reflect the above revision in ownership; however, it is trusted that you will be in a position to approve the Unit Agreement before the submission of such revision since a sufficient percentage of other working and royalty interests have been effectively committed under the initial Exhibit B.

Respectfully,

HERVEY, DOW & HINKLE

By _____

SBC:mlm
Encls.

cc: Honolulu Oil Corporation

J. M. HERVEY 1874-1953
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. B. CHRISTY IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.
ROBERT C. BLEDSOE

LAW OFFICES
HERVEY, DOW & HINKLE
HINKLE BUILDING
ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510
POST OFFICE BOX 547

April 13, 1960

New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Re: North Mullis Unit
Our No. 129-28

Gentlemen:

We are enclosing herewith one copy of the revised form of Unit Agreement and one copy of the revised form of Unit Operating Agreement, both in connection with the above Unit Area.

You may remember that the original versions of these instruments have previously been submitted to you. There have been only minor changed in the enclosed instruments, principally to meet the requirements of the Commissioner of Public Lands and to correct typographical errors; however, we do not believe that there have been any changes with respect to the overall context of the agreements.

We trust the above fulfills your requirements, but if anything further is desired, please advise.

Respectfully yours,

HERVEY, DOW & HINKLE

By S B Christy IV

SBC:ke
Enc.
cc: Honolulu Oil Corporation

Ref for hearing

HONOLULU OIL CORPORATION
P. O. DRAWER 1391
MIDLAND, TEXAS

February 26, 1960

Case 1925

Mr. A. L. Porter, Jr.
Secretary and Director of New Mexico Oil Conservation
P. O. Box 871
Santa Fe, New Mexico

Filed with Mr. John Anderson, Regional Supervisor, U. S. G. S. Roswell, New Mexico

Subject: Proposed North Mullis Drilling Unit, T-14 & 15-S, R-29-E, Chaves County, New Mexico

Dear Mr. Porter:

This is a request by several operators, who are identified on the attached Exhibit "A", to form a drilling unit with Honolulu Oil Corporation to be the unit operator. The unit area is to include all of Sections 33 and 34, T-14-S, R-29-E, and the N/2 of Section 3, N/2 of Section 4, T-15-S, R-29-E, Chaves County, New Mexico, as identified on Exhibit "A".

The object of forming such a unit is the joint-drilling of a Devonian test to a depth of no greater than 10,400 feet. The top of the Devonian is estimated to be 10,200 feet at this location.

Attention is invited to the urgency imposed upon the commencement and completion of this test because of the early date of expiration (June 30, 1960), Federal lease No. 060546, held by the Hondo Oil Corporation (previously identified as Malco).

There is a total of 1,921.92 acres in the proposed unit area which are disposed as follows:

Federal	1241.92
State Lands	360.00
Fee Lands	320.00

Dockets Mailed 3-10-60 JH

The required serial numbers of both Federal and State lands are identified on the attached Exhibit "A". A brief geological and geophysical summary is, with a seismic map, identified as Exhibit "B". It is requested that all agencies treat this matter as "Confidential".

This will be an undivided type or a fully participating unit.

The June, 1957, revision of the standard form Unit Agreement, recommended by the United States Geological Survey, will be used with an appropriate State Lands provision.

It is respectfully requested that the unit be approved as outlined, at the earliest possible moment, because the area included in the unit covers the seismic anomaly adequately and because the minimum number of operators that are directly affected by the drilling of this test on a joint basis in the time available.

Respectfully submitted,

HONOLULU OIL CORPORATION

W. T. Schneider
Division Manager at Midland

WTS:dm

Enclosures

CONFIDENTIAL

GEOLOGICAL AND GEOPHYSICAL REPORT
PROPOSED NORTH MULLIS DRILLING UNIT
T-14 & 15-S, R-29-E
CHAVES COUNTY, NEW MEXICO

It is the desire of the operators, who have leases within the proposed unit boundaries, to drill a Devonian formation test to be located in Section 33, T-14-S, R-29-E, 1980 feet from the south line and 660 feet from the east line of said section. This location was arrived at on the basis of reflection seismograph surveys conducted on two different occasions by the Honolulu Oil Corporation.

GEOLOGY & GEOPHYSICS

The primary objective of the proposed unit well will be the Devonian dolomite, the top of which is anticipated at a depth of 10,200 feet. Overlying the Devonian is a column of Permian, Pennsylvanian, and Mississippian sediments which may contain secondary objectives. The Devonian formation is a porous, fluid-bearing formation in this area. Its lithologic characteristics, being a crystalline and in places a crystallized vugular porous dolomite, are such that it provides excellent reservoirs.

A seismic anomaly, mapped by reflections from approximately the top of the Mississippian formation overlying the Devonian, indicates the presence of a structural reversal on a regionally dippping Mississippian surface. This surface dips at an average rate of 125 feet per mile to the southeast. The structure is domal in outline with an area within the lowest closing contour of approximately 1,400 acres.

The nature of the continuity of the seismic reflections in the southwest portion of the area of the anomaly strongly suggests the presence of a fault. The reflecting horizons on either side of the indicated fault zone appear to be displaced by approximately 225 feet vertically. Surface or weathering conditions do not appear to account for the anomalous condition that is found. Seismic reflections are clear and good on either side of the fault zone. The trace of the fault zone bears North 45° West.

The structure as indicated on the attached Exhibit "B", is represented in terms of seismic time (units of a second) rather than the usual depth in feet, therefore, the lesser time represents the higher structural positon and vice versa. The contour interval of 0.01 seconds represents approximately 70 feet of elevation difference.

The nearest deep well control is in the NW/4 NE/4 of Section 27, T-14-S, R-29-E, approximately 4,620 feet north of the proposed unit boundary. This discovery well, drilled in 1959 and identified as the British American #1 Honolulu-Federal, was drilled to a depth of 10,360 feet and completed in the Devonian formation. Top of the pay is at 10,218 feet. The initial potential test was for 312 barrels of oil per day, but the well started making water soon after completion. On January 1, 1960, the well was reported to be making approximately 60 barrels of oil and 60 barrels of water per day.

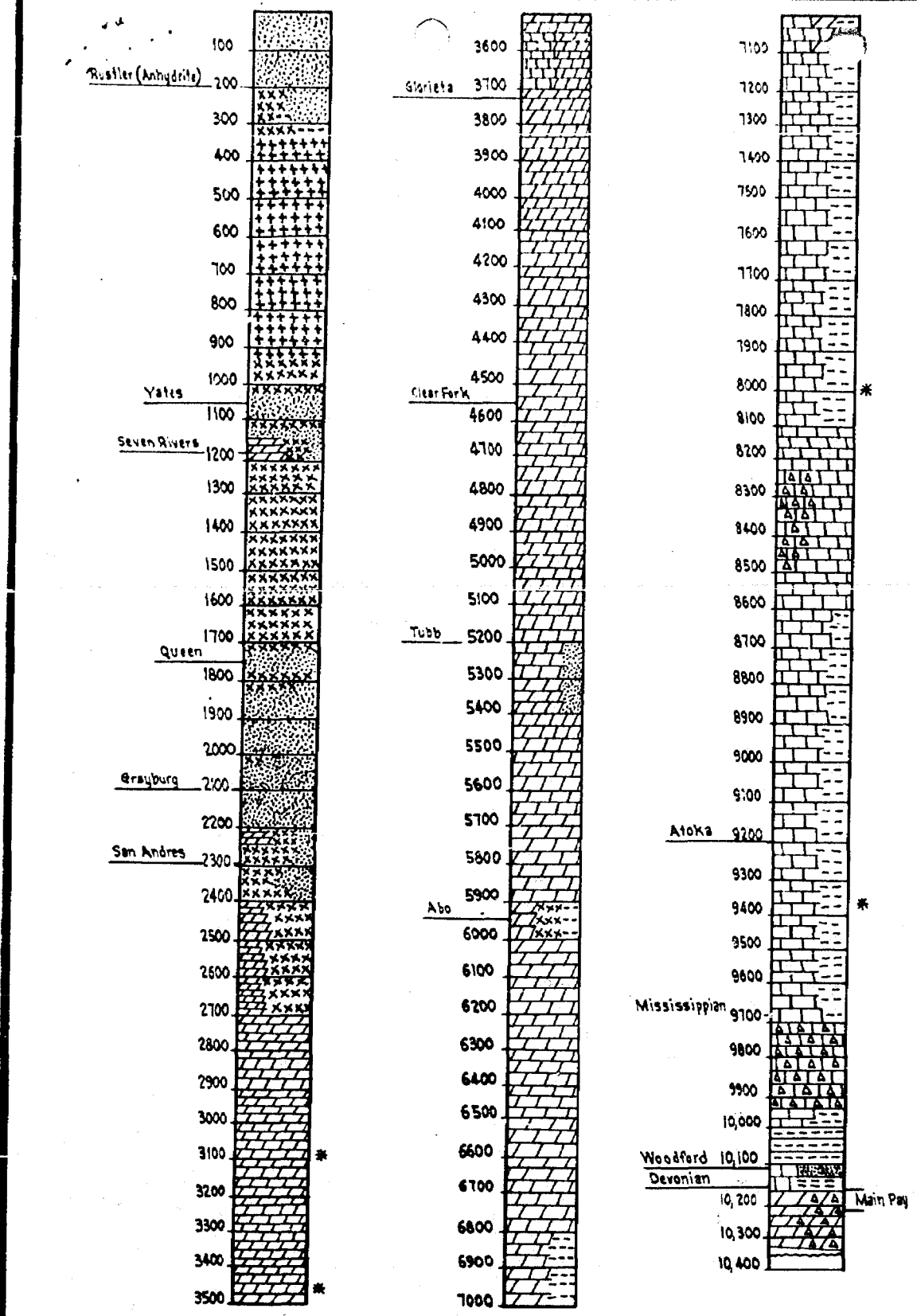
The nearest deep test to the south is the Richfield #1 Mullis, in the SE/4 SW/4, Section 21, T-15-S, R-29-E, approximately 3 1/4 miles south of the proposed unit. This test was abandoned at a total depth of 12,146 feet in the granite, on August 20, 1947.

Several shallow tests were drilled in the immediate area and are indicated on the plat, but none were drilled within the unit area. These tests encountered minor shows of oil or gas from Upper Permian zones that might serve as secondary objectives of doubtful commercial value. These zones will be thoroughly tested by coring and/or drillstem testing during the drilling of the test. The possible productive formations are the San Andres (Upper Permian) at 3,100 feet, and several limestone and sandstone formations of Pennsylvanian age in the interval from 7,900 to 9,300 feet; however, the primary objective, as stated, is the Devonian formation, anticipated at no greater depth than 10,200 feet. It is proposed that a penetration of 100 feet into the Devonian formation will be made in the event the upper portion should be nonporous.

The basis for selecting the boundary of the unit is the desire to include the area within the lowest closing contour (1.100) which is the maximum area on the structure that will have commercial production. Detailed seismic studies show the British American #1 Honolulu Federal (the discovery well) to be located on a separate small structure which is joined to the main structure in the unit area by a structurally low connection. The British American well is a marginal producer and seems likely to be the only well which will produce on the small feature. Wells drilled on either structure below the 1.100 sec. time will probably be dry holes.

W. T. Schneider

W. T. Schneider
HONOLULU OIL CORPORATION



SALT

DOLOMITE

ANHYDRITE

LIMESTONE

SAND

CHERT

SHALE

* Possible Secondary Pay Zones

STRATIGRAPHIC SECTION
PROPOSED N. MULLIS DRILLING UNIT
CHAVES COUNTY, NEW MEXICO
T-14 & 15-S, R-29-E

VERTICAL SCALE: 1" = 200'

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

May 12, 1960

COPY

Hervey, Dow & Hinkle
P. O. Box 547
Roswell, New Mexico

Attention: Mr. S. B. Christy IV

Re: North Mullis Unit, Chaves County - Order No. R-1640

Gentlemen:

Reference is made to the North Mullis Unit, Chaves County, New Mexico, which unit was approved by Order No. R-1640 dated March 24, 1960.

The Oil Conservation Commission of New Mexico hereby amends said Order No. R-1640 to describe the unit area of the subject unit as follows:

Township 14 South, Range 29 East, NMPM
Section 33: All
Section 34: All

Township 15 South, Range 29 East, NMPM
Section 3 - Lots 1, 2, 3, 4, S/2 N/2, N/2 SW/4;
Section 4 - Lots 1, 2, 3, SE/4 NW/4, S/2 NE/4, N/2 SE/4

containing 2001.70 acres more or less all in Chaves County, New Mexico.

Order No. R-1640 is further amended to provide that the

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

initial participating area for any formation or for any subsequent revision thereof shall be subject to the approval of the Oil Conservation Commission.

Very truly yours,

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

ALP/DSN/og

cc: Commissioner of Public Lands - Santa Fe, New Mexico
U. S. Geological Survey - Roswell

COPY

J. H. HERVEY 1874-1953
HIRAM M. DOW
CLARENCE E. HINKLE
W. E. BONDURANT, JR.
GEORGE H. HUNKER, JR.
HOWARD C. BRATTON
S. B. CHRISTY IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.
ROBERT C. BLEDSOE

LAW OFFICES
HERVEY, DOW & HINKLE
HINKLE BUILDING
ROSWELL, NEW MEXICO

TELEPHONE MAIN 2-6510
POST OFFICE BOX 547

March 25, 1960

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr., Secretary-Director

Re: North Mullis Unit
Case No. 1925

Gentlemen:

Pursuant to your Order in the above case, request is hereby made for administrative approval to contract the unit area so as to delete therefrom the following described lands:

T. 15 S., R. 29 E., N.M.P.M.
Sec. 4 - Lot 4, $SW\frac{1}{4}NW\frac{1}{4}$

and, request is hereby further made for administrative approval to expand the unit area so as to include the following described lands:

T. 15 S., R. 29 E., N.M.P.M.
Sec. 3 - $N\frac{1}{2}SW\frac{1}{4}$;
Sec. 4 - $N\frac{1}{2}SE\frac{1}{4}$;

If such approval is given, the unit area will consist of 1321.70 acres of Federal lands, 360 acres of ~~state lands and~~ 320 acres of fee lands described as follows:

T. 14 S., R. 29 E., N.M.P.M.
Sec. 33 - All;
Sec. 34 - All;
T. 15 S., R. 29 E., N.M.P.M.
Sec. 3 - Lots 1, 2, 3, 4, $S\frac{1}{2}N\frac{1}{2}$, $N\frac{1}{2}SW\frac{1}{4}$;
Sec. 4 - Lots 1, 2, 3, $SE\frac{1}{4}NW\frac{1}{4}$, $S\frac{1}{2}NE\frac{1}{4}$, $N\frac{1}{2}SE\frac{1}{4}$;

containing 2001.70 ac~~res,~~ more or less.

Your earliest consideration to this Application would be appreciated.

Respectfully,

HERVEY, DOW & HINKLE

By S. B. Christy IV

SBC:db
Orig & 2 cc: New Mexico Oil
Conservation Commission
1 cc: Commissioner of Public Lands
1 cc: Honolulu Oil Corporation

COPY

HERVEY, DOW & HINKLE, ATTORNEYS
ROSWELL, NEW MEXICO

March 25, 1960

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr., Secretary-Director

Re: North Mullis Unit
Case No. 1925

Gentlemen:

Pursuant to your Order in the above case, request is hereby made for administrative approval to contract the unit area so as to delete therefrom the following described lands:

T. 14 S., R. 29 E., N.M.P.M.
Sec. 4 - Lot 4, SW¼NW¼

and, request is hereby further made for administrative approval to expand the unit area so as to include the following described lands:

T. 15 S., R. 29 E., N.M.P.M.
Sec. 3 - N½SW¼;
Sec. 4 - N½SE¼;

If such approval is given, the unit area will consist of 1321.70 acres of Federal lands, 360 acres of state lands and 320 acres of fee lands described as follows:

T. 14 S., R. 29 E., N.M.P.M.
Sec. 33 - All;
Sec. 34 - All;
T. 15 S., R. 29 E., N.M.P.M.
Sec. 3 - Lots 1, 2, 3, 4, S½N½, N½SW¼;
Sec. 4 - Lots 1, 2, 3, SE¼NW¼, S½NE¼, N½SE¼;

containing 2001.70 acres, more or less.

Your earliest consideration to this Application would be appreciated.

Respectfully,

HERVEY, DOW & HINKLE

By S B Christy IV

SBC:db
Orig & 2 cc: New Mexico Oil Conservation Commission
1 cc: Commissioner of Public Lands
1 cc: Honolulu Oil Corporation

COPY

HERVEY, DOW & HINKLE, ATTORNEYS
ROSWELL, NEW MEXICO

March 25, 1960

Commissioner of Public Lands
P. O. Box 791
Santa Fe, New Mexico

Re: North Mullis Unit

Gentlemen:

Supplementing the Application of Honolulu Oil Corporation for approval of the above unit, which Application was filed on March 23, 1960, request is hereby made to change the unit area boundaries so as to delete therefrom the following lands:

T. 15 S., R. 29 E., N.M.P.M.
Sec. 4 - Lot 4, $S\frac{1}{2}N\frac{1}{2}$

and, to add thereto the following lands:

T. 15 S., R. 29 E., N.M.P.M.
Sec. 3 - $N\frac{1}{2}SW\frac{1}{4}$;
Sec. 4 - $N\frac{1}{2}SE\frac{1}{4}$;

If this Application is approved, the unit area will consist of 1321.70 acres of Federal lands, 360 acres of state lands and 320 acres of fee lands described as follows:

T. 14 S., R. 29 E., N.M.P.M.
Sec. 33 - All;
Sec. 34 - All;
T. 15 S., R. 29 E., N.M.P.M.
Sec. 3 - Lots 1, 2, 3, 4, $S\frac{1}{2}N\frac{1}{2}$, $N\frac{1}{2}SW\frac{1}{4}$;
Sec. 4 - Lots 1, 2, 3, $SE\frac{1}{4}NW\frac{1}{4}$, $S\frac{1}{2}NE\frac{1}{4}$, $N\frac{1}{2}SE\frac{1}{4}$;

containing 2001.70 acres, more or less.

As originally proposed, the unit area consisted of 18.73% of state lands, and as revised per above, the unit area would consist of 17.98% of state lands, being a net reduction of less than 8/10 of 1%.

We would appreciate your earliest consideration to this supplemental Application.

Respectfully,

HERVEY, DOW & HINKLE

By S B Christy IV

SBC:db
Orig & 1 cc: Commissioner of Public Lands
1 cc: New Mexico Oil Conservation Commission
1 cc: Honolulu Oil Corporation

COPY

HERVEY, DOW & HINKLE, ATTORNEYS
ROSWELL, NEW MEXICO

March 25, 1960

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. A. L. Porter, Jr., Secretary-Director

Re: North Mullin Unit
Case No. 1925

Gentlemen:

Pursuant to your Order in the above case, request is hereby made for administrative approval to contract the unit area so as to delete therefrom the following described lands:

T. 15 S., R. 29 E., N.M.P.M.
Sec. 4 - Lot 4, SW¼NW¼

and, request is hereby further made for administrative approval to expand the unit area so as to include the following described lands:

T. 15 S., R. 29 E., N.M.P.M.
Sec. 3 - N½SW¼;
Sec. 4 - N½SE¼;

If such approval is given, the unit area will consist of 1321.70 acres of Federal lands, 360 acres of state lands and 320 acres of fee lands described as follows:

T. 14 S., R. 29 E., N.M.P.M.
Sec. 33 - All;
Sec. 34 - All;
T. 15 S., R. 29 E., N.M.P.M.
Sec. 3 - Lots 1, 2, 3, 4, S½N½, N½SW¼;
Sec. 4 - Lots 1, 2, 3, SE¼NW¼, S½NE¼, N½SE¼;

containing 2001.70 acres, more or less.

Your earliest consideration to this Application would be appreciated.

Respectfully,

HERVEY, DOW & HINKLE

By _____

SEC:db
Orig & 2 cc: New Mexico Oil Conservation Commission
1 cc: Commissioner of Public Lands
1 cc: Honolulu Oil Corporation

Case # 1925

In reply refer to:
Unit Division

May 11, 1960

Mr. S. B. Christy IV
Hervey Dow and Hinkle
P. O. Box 547
Roswell, New Mexico

Re: Honolulu Oil Corporation
North Mullis Unit
Chaves County, New Mexico

Gentlemen:

The Commissioner of Public Lands approved the North Mullis Unit, Chaves County, New Mexico, as of May 11, 1960, and we are handing Mr. S. B. Christy, six copies of our certificate of approval.

Please furnish us a copy of your unit agreement when it has been fully executed.

Your official receipt in the amount of $20.00, which covers the filing fee is enclosed herewith.

Very truly yours,
MURRAY E. MORGAN
Commissioner of Public Lands

BY:
Ted Bilberry, Supervisor
Oil and Gas Division

MEM/ASR/ma
cc: OCC-Santa Fe
USGS-Roswell

COPY

COPY

HONOLULU OIL CORPORATION

DRAWER 1391
MIDLAND, TEXAS

May 5, 1960

Mr. Murray E. Morgan
Commissioner of Public Lands
Santa Fe, New Mexico

United States Geological Survey
P. O. Box 6721
Roswell, New Mexico

Attention: Mr. John Anderson

Re: Unit Agreement
North Hullis Unit Area
Chaves County, New Mexico

Gentlemen:

We are enclosing herewith several copies of the captioned Unit Agreement for your final approval.

With reference to Exhibit "B" of the attached Unit Agreement, which was prepared from a check of the Federal, State and County records, we wish to direct your attention to the following comments:

Tracts Nos. 1 and 2:

In the overriding royalty and percentage column of Exhibit "B", it will be noted that the 3% overriding royalty interest is owned by George Anna Mayes, Individually and as Guardian of the Estate of Gail Anna Hopkins. Due to typographical errors, this interest should have been shown as being owned by George Anna Mayes, Individually and as Guardian of the Estate of Gayle Ann Hopkins. Since Gayle Ann Hopkins is now past 21 years of age and is married, the guardianship of her mother is no longer effective; therefore, the Ratification was signed by George Anna Mayes, Individually, who owns a 5/8 of the 3% interest and Gayle Ann Hopkins Kinney, Individually, who owns a 3/8 of the 3%.

Tract No. 4:

Under said overriding royalty and percentage column, it is noted that William W. Dunn and wife, Dorothy Dunn own a 1% overriding royalty interest. William W. Dunn and Dorothy Dunn were divorced on January 18, 1950, and by the terms of the Divorce Decree, the said Dorothy Dunn acquired no interest in said Tract 4. William W. Dunn has since remarried, his present wife being Willie Lee Dunn, who joined William W. Dunn in the execution of the Ratification and Joinder Agreement.

Tract No. 15:

The 6.25% overriding royalty interest owned by C. C. Byers is now owned by George H. Humber, Jr., and wife, Margaret K. Humber, who has executed the Ratification and Joinder Agreement, attached hereto.

With reference to the above, please be advised we will furnish a corrected Exhibit "B", if you deem same necessary.

The Unit Agreement has been executed by 100% of the working interest owners and the attached Ratification and Joinder Agreements represent complete committment to the unit of the royalty owners and overriding royalty owners described in Exhibit "B" thereof with the exception of the following:

Tract No. 15:

Willie N. Bacon and wife, Susie L. Bacon being the owners of a 3/8 royalty interest.

Walter Keith and wife, Daisy Keith being the owners of a 43/320 royalty interest.

Efforts are being made to obtain Ratification and Joinder Agreements from the above named parties and said Agreements will be forwarded to your office as soon as they are obtained.

Yours very truly,

HONOLULU OIL CORPORATION

By

Driver Hall

OH/he
Encl.

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

March 25, 1960

COPY

Mr. Sim Christy
Harvey, Dow & Hinkle
Box 547
Roswell, New Mexico

Dear Sir:

On behalf of your client, Honolulu Oil Corporation, we enclose two copies of Order R-1640 in Case 1925 issued by this Commission on March 24, 1960.

Very truly yours,

A. L. PORTER, Jr.
Secretary-Director

ir/

Enclosures: (2)

Copies to
Hobbs +
Artesia

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. 1925
Order No. R-1640

THE APPLICATION OF HONOLULU OIL
CORPORATION FOR APPROVAL OF THE
NORTH MULLIS UNIT AGREEMENT WHICH
UNIT EMBRACES 1922 ACRES, MORE OR
LESS, LOCATED IN TOWNSHIPS 14 AND
15 SOUTH, RANGE 29 EAST, NMPM,
CHAVES COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 23, 1960, at Santa Fe, New Mexico, before Elvis A. Utz, 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 24th day of March, 1960, the Commission, a quorum being present, having considered the application and the recommendations of the Examiner, Elvis A. Utz, 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 MULLIS UNIT AGREEMENT ORDER.

2. (a) That the project herein referred to shall be known as the North Mullis 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 Mullis Unit Area, referred to in the Petitioner's petition and filed with said petition, and such plan shall be known as the North Mullis Unit Agreement Plan.

3. That the North Mullis Unit Agreement 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 rights, 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 the exploration and development of any lands committed to said North Mullis Unit Agreement, or relative to the production of oil and gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 14 SOUTH, RANGE 29 EAST

Section 33: All
Section 34: All

TOWNSHIP 15 SOUTH, RANGE 29 EAST

Section 3: N/2
Section 4: N/2

containing 1922 acres more or less.

(b) The unit area may be enlarged or contracted as provided in said Plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Oil Conservation Commission.

5. That the unit operator shall file with the Commission an executed original or executed counterpart of the North Mullis Unit Agreement 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 Director of the United States Geological Survey and 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

JOHN BURROUGHS, Chairman

MURRAY E. MORGAN, Member

SEAL

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

esr/

OIL CONSERVATION COMMISSION
SANTA FE, NEW MEXICO

Date 3-23-60

CASE 1925 Hearing Date 3-23-60

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

1. Grant Honolulu application for North Mullin unit.
2. Unit has not been approved by U.S.G.S. or St. Land ~~Offices~~ Office
3. States he has 100% W.I. informally committed.

Louis A. Stamets

Staff Member

No. 9-60

DOCKET: EXAMINER HEARING MARCH 23, 1960

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

The following cases will be heard before Elvis A. Utz, Examiner, or A. L. Porter, Jr., Secretary-Director:

CASE 1923: Application of Caulkins Oil Company for a gas-gas dual completion and an unorthodox gas well location. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its Sanchez Well No. 1, located 560 feet from the North line and 660 feet from the West line of Section 24, Township 26 North, Range 6 West, Rio Arriba County, New Mexico, in such a manner as to permit the production of gas from the South Blanco-Pictured Cliffs Pool and the production of gas from the Dakota Producing Interval through parallel strings of tubing. Applicant further seeks approval of an unorthodox gas well location for said Sanchez Well No. 1.

CASE 1924: Application of Caulkins Oil Company for a gas-oil dual completion, an unorthodox oil well location and an exception to the casing requirements of Order R-1191. Applicant, in the above-styled cause, seeks an order authorizing the dual completion of its D-140 Well, located 990 feet from the North and East lines of Section 11, Township 26 North, Range 6 West, Rio Arriba County, New Mexico, in such a manner as to permit the production of gas from the South Blanco-Dakota Pool and the production of oil from the Tocito formation adjacent to the South Blanco-Tocito Oil Pool through parallel strings of tubing. Applicant also seeks an exception to the casing requirements of Order No. R-1191. Applicant further seeks approval of an unorthodox oil well location for said D-140 well.

CASE 1925: Application of Honolulu Oil Corporation for approval of a unit agreement. Applicant, in the above-styled cause, seeks approval of its North Mullis Unit Agreement, which unit will embrace approximately 1922 acres of State, Federal and fee land in Townships 14 and 15 South, Range 29 East, Chaves County, New Mexico.

CASE 1926: Application of Hondo Oil & Gas Company for approval of an automatic custody transfer system. Applicant, in the above-styled cause, seeks an order authorizing it to install an automatic custody transfer system to handle the Empire-Abo Pool production from all wells located on its State 647 Lease consisting of the NE/4 SE/4, S/2 NE/4, and NE/4 NE/4 of Section 6, Township 18 South, Range 28 East, and the E/2 E/2 of Section 31 and the SW/4 and NE/4 of Section 32, all in Township 17 South, Range 28 East, Eddy County, New Mexico.

CASE 1927: Application of J. W. Brown for the establishment of special rules and regulations governing the Brown Pool in Eddy County, New Mexico, to provide for 2½-acre spacing in said pool.

CASE 1928: Application of Franklin, Aston & Fair, Inc. for an amendment of Order R-1573 and for permission to install an automatic custody transfer system. Applicant, in the above-styled cause, seeks an amendment of Order R-1573 to include the NW/4 NW/4 of Section 5, Township 18 South, Range 28 East, Empire-Abo Pool, Eddy County, New Mexico, in the commingling authorization granted by said order. Applicant further seeks permission to install an automatic custody transfer system to handle the commingled Empire-Abo Pool production from the three leases authorized by Order R-1573.

3/23

Rough draft for unit agreement orders.

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. 1925
Order No. R-1640

THE APPLICATION OF HONOLULU OIL CORPORATION FOR APPROVAL OF THE NORTH MULLIS UNIT AGREEMENT, EMBRACING 1922 ACRES, MORE OR LESS, LOCATED IN TOWNSHIPS 14 AND 15 SOUTH, RANGE 29 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 23, 1960, at Santa Fe, New Mexico, before Elvis A. Utz etc.

NOW, on this ____ day of _____ 19____, _____

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 MULLIS UNIT AGREEMENT ORDER

2. (a) That the project herein referred to shall be known as the North Mullis 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 Mullis Unit Area, referred to in the Petitioner's petition and filed with said petition, and such plan shall be known as the North Mullis Unit Agreement Plan.

3. That the North Mullis Unit Agreement 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 rights, 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

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
NORTH MULLIS UNIT AREA
CHAVES COUNTY - NEW MEXICO

No._____

THIS AGREEMENT, entered into as of the 15th day of March, 1960, 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 area subject to this agreement; and

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

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

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chapter 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, 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 Mullis Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

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

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the

below-defined unit area, and agree severally among themselves as follows:

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

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 1921.92 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or Commissioner of Public Lands, hereinafter referred to as "Commissioner" and not less than six copies of the revised exhibits shall be filed with the Supervisor, and at least one copy shall be filed with the Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

The above described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

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

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

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

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

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government Survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within 5 years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the

time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "unavoidable delay" time shall be made by Unit Operator and subject to approval of the Director and Commissioner. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and Commissioner and promptly notify all parties in interest.

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

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

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

4. UNIT OPERATOR: HONOLULU OIL CORPORATION, a Delaware corporation with offices at Midland, Texas, is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of

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.

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

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

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

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other

interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; Provided, That, if a majority but less than 75% of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director and the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and the Commissioner at their election may declare this Unit Agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT: If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective

proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this Unit Agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor, and one true copy with the Commissioner, prior to approval of this agreement by the Director.

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

9. DRILLING TO DISCOVERY: Within 6 months after the effective date hereof, Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal Land, or by the Commissioner if on State Land, or by the Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Devonian formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit), or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal Land, the

Commissioner if on State Land, or the Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 10,400 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal Land, the Commissioner if on State Land, or the Commission if on privately owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and the Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION: Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time beforethe expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner, a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling

necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and location of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Commissioner. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and the Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director and the Commissioner, a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area

becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

In the absence of agreement at any time between the Unit Operator and the Director and the Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands, the Commissioner as to State lands, and the Commission as to privately owned lands, respectively, and the amount thereof deposited, as directed by the Supervisor and the Commissioner, respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

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

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

area from which initially produced as constituted at the time of such final production.

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

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

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

14. ROYALTY SETTLEMENT: The United States and 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, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interests 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.

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, which shall be in conformity with a plan first approved by the Supervisor, the Commissioner, and the Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area, and 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; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by the Supervisor, the Commissioner, and the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

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

15. 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 United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States, unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

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

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

17. DRAINAGE: The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement or pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal lands or as approved by the Commissioner for State lands.

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

(a) The development and operation of lands subject to this agreement under the

terms 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 the land therein embraced.

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

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease.

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(b) of the Act, as amended by the Act of July 29, 1954 (68 Stat. 583, 585);

> "Any [federal] lease hereafter committed to any such [unit] plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(h) Any lease, sublease or contract embracing lands of the State of New Mexico which is made subject to this agreement shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(i) Any lease, other than a Federal lease, having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the terms of such leases shall apply separately to such segregated portions commencing as of the effective date hereof; provided, however, that the provisions hereof shall apply only to the lands committed to this agreement. In the event any such lease provides for a lump-sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts. Provided, however, notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil and gas, or either of them, are being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease or applicable shut-in gas royalty is paid in accordance with the terms of such lease, the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil and gas, or either of them, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil and gas, or either of them, in paying quantities are being produced from any portion of said lands.

19. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto

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

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

(a) Such date of expiration is extended by the Director and the Commissioner; or

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

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

(d) It is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and the Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION: The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being

hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law. It is agreed, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner and as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

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

22. CONFLICT OF SUPERVISION: Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the said Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained.

23. APPEARANCES: Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of said Department, the said Commission or the said Commissioner, or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the said Commissioner or the said Commission, or any other legally constituted authority; provided, however, that any

other interested party shall also have the right at his own expense to be heard in any such proceeding.

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

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

26. UNAVOIDABLE DELAY: All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to the matters herein enumerated or not.

27. FAIR EMPLOYMENT: In connection with the performance of work under this agreement, the Unit Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Unit Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the

nondiscrimination clause.

The Unit Operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

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

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

29. NON-JOINDER AND SUBSEQUENT JOINDER: If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest.

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Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as effectively committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the Commissioner and the Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, the Commissioner or the Commission.

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

31. SURRENDER: Nothing in this agreement shall prohibit the exercise by any working interest owner of the right to surrender vested in such party in any lease, sub-lease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement; provided, however, that no land included in this unit which is embraced in a State of New Mexico lease shall be surrendered to the State so long as this agreement is in effect.

If as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party shall forfeit such rights and no further benefits from operation hereunder as to said land shall accrue to such party, unless within ninety (90) days thereafter said party shall execute this agreement and the unit operating agreement as to the working interest acquired through such surrender, effective as though such land had remained continuously subject to this agreement and the unit operating agreement. And in the event such agreements are not so executed, the party next in the chain of

title shall be and become the owner of such working interest at the end of such ninety (90) day period, with the same force and effect as though such working interest had been surrendered to such party.

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

(1) Execute this agreement and the unit operating agreement as a working interest owner, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.

(2) Again lease such lands but only under the condition that the holder of such lease shall within thirty (30) days after such lands are so leased execute this agreement and the unit operating agreement as to each participating area theretofore established hereunder, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.

(3) Operate or provide for the operation of such land independently of this agreement as to any part thereof or any oil or gas deposits therein not then included within a participating area.

If the fee owner of the unitized substances does not execute this agreement and the unit operating agreement as a working interest owner or again lease such lands as above provided with respect to each existing participating area, within six (6) months after any such surrender or forfeiture, such fee owner shall be deemed to have waived the right to execute the unit operating agreement or lease such lands as to each such participating area, and to have agreed, in consideration for the compensation hereinafter provided, that operations hereunder as to any such participating area or areas shall not be affected by such surrender.

For any period the working interest in any lands are not expressly committed to the unit operating agreement as the result of any such surrender or forfeiture, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective participating working interest ownerships in any such participating area or areas, and such owners of working interests shall compensate the fee owner of unitized substances in such lands

by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized, as to such participating area or areas.

Upon commitment of a working interest to this agreement and the unit operating agreement as provided in this section, an appropriate accounting and settlement shall be made, to reflect the retroactive effect of the commitment, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered working interest during the period between the date of surrender and the date of recommitment, and payment of any moneys found to be owing by such an accounting shall be made as between the parties then signatory to the unit operating agreement and this agreement within thirty (30) days after the recommitment. The right to become a party to this agreement and the unit operating agreement as a working interest owner by reason of a surrender or forfeiture as provided in this section shall not be defeated by the nonexistence of a unit operating agreement and in the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

Nothing in this section shall be deemed to limit the right of joinder or subsequent joinder to this agreement as provided elsewhere in this agreement. The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

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

Date: April 21, 1960.

HONOLULU OIL CORPORATION 1,2,5

By _____
President

ATTEST:

_____
Secretary

Address: P.O. Drawer 1391
Midland, Texas

UNIT OPERATOR AND WORKING INTEREST OWNER

Date 4-11-60

Donald B. Anderson 7,12

Address: Box 660
Roswell, New Mexico

THE BRITISH-AMERICAN OIL PRODUCING COMPANY

Date _____

By _____
Vice President

ATTEST:

_____
Secretary

Address: P.O. Box 749
Dallas 21, Texas

Date _____

_____
Fred M. Cassidy

Address: P.O. Box 96
Midland, Texas

CITIES SERVICE OIL COMPANY

Date _____

By _____
Attorney-in-Fact

Address: Cities Service Bldg.
Bartlesville, Oklahoma

APR 16 1960

Date _____

GULF OIL CORPORATION 13,15

By W. A. Shellshear
W. A. Shellshear, Attorney-in-Fact

ATTEST:

Asst. Secretary

Address: P.O. Box 669
Roswell, New Mexico

6,8

HONDO OIL & GAS COMPANY

Date 4-11-60

By _____
VICE PRESIDENT

ATTEST:

ASS'T. SECRETARY

Address: Box 660
Roswell, New Mexico

SINCLAIR OIL & GAS COMPANY

Date _____

By _____

ATTEST:

_____

Address: P.O. Box 1470
Midland, Texas

Date_____

_____
Donald B. Anderson

Address: Box 660
Roswell, New Mexico

THE BRITISH-AMERICAN OIL PRODUCING COMPANY

Date April 29, 1960

By _____
Attorney-in-Fact

~~ATTEST:~~ 3

_____
~~Secretary~~

Address: P.O. Box 749
Dallas 21, Texas

Date_____

_____
Fred M. Cassidy

Address: P.O. Box 96
Midland, Texas

CITIES SERVICE OIL COMPANY

Date_____

By_____
Attorney-in-Fact

Address: Cities Service Bldg.
Bartlesville, Oklahoma

GULF OIL CORPORATION

Date_____

By_____
W. A. Shellshear, Attorney-in-Fact

ATTEST:

_____
Secretary

Address: P.O. Box 669
Roswell, New Mexico

HONDO OIL & GAS COMPANY

Date_____

By_____

ATTEST:

_____

Address: Box 660
Roswell, New Mexico

SINCLAIR OIL & GAS COMPANY

Date_____

By_____

ATTEST:

_____

Address: P.O. Box 1470
Midland, Texas

Date_____

_____
Donald B. Anderson

Address: Box 660
Roswell, New Mexico

THE BRITISH-AMERICAN OIL PRODUCING COMPANY

Date_____

By_____
Vice President

ATTEST:

_____
Secretary

Address: P.O. Box 749
Dallas 21, Texas

Date 4/14/60

4,9,15
Fred M Cassidy Margaret Cassidy
Fred M. Cassidy

Address: P.O. Box 96
Midland, Texas

CITIES SERVICE OIL COMPANY

Date_____

By_____
Attorney-in-Fact

Address: Cities Service Bldg.
Bartlesville, Oklahoma

GULF OIL CORPORATION

Date_____

By_____
W. A. Shellshear, Attorney-in-Fact

ATTEST:

_____
Secretary

Address: P.O. Box 669
Roswell, New Mexico

HONDO OIL & GAS COMPANY

Date_____

By_____

ATTEST:

_____

Address: Box 660
Roswell, New Mexico

SINCLAIR OIL & GAS COMPANY

Date APR 14 1960

By D R Easton
Vice-President

10 ATTEST:
T N Sellers
Asst. Secretary

Address: P.O. Box 1470
Midland, Texas

APPROVED
SUBSTANCE cnb
FORM RLO MM

Date_____

_____
Donald B. Anderson

Address: Box 660
Roswell, New Mexico

THE BRITISH-AMERICAN OIL PRODUCING COMPANY

Date_____

By_____
Vice President

ATTEST:

_____
Secretary

Address: P.O. Box 749
Dallas 21, Texas

Date_____

_____
Fred M. Cassidy

Address: P.O. Box 96
Midland, Texas

CITIES SERVICE OIL COMPANY

Date MAY 6 1960

By _____ Attorney-in-Fact
Mark F. Payton

Address: Cities Service Bldg.
Bartlesville, Oklahoma

GULF OIL CORPORATION

Date_____

By_____
W. A. Shellshear, Attorney-in-Fact

ATTEST:

_____
Secretary

Address: P.O. Box 669
Roswell, New Mexico

HONDO OIL & GAS COMPANY

Date_____

By_____

ATTEST:

_____

Address: Box 660
Roswell, New Mexico

SINCLAIR OIL & GAS COMPANY

Date_____

By_____

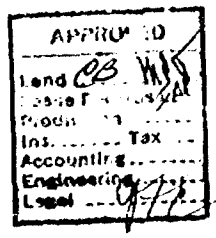
ATTEST:

_____

Address: P.O. Box 1470
Midland, Texas

14

Date_____



SUNRAY MID-CONTINENT OIL COMPANY

By_____
Vice President

ATTEST:

_____
Assistant Secretary

Address: 1101 Wilco Bldg.
Midland, Texas

TEXAS PACIFIC COAL AND OIL COMPANY

Date_____

By_____

ATTEST:

_____

Address: P.O. Box 2110
Fort Worth 1, Texas

WORKING INTEREST OWNERS

Date_____

SUNRAY MID-CONTINENT OIL COMPANY

By_____
Vice President

ATTEST:

_____
Secretary

Address: 1101 Wilco Bldg.
Midland, Texas

Date APR 26 1960

TEXAS PACIFIC COAL AND OIL COMPANY

By R. I. Dickey
R. I. Dickey
Vice President

APPROVED AS TO FORM
AS TO CONTENT

ATTEST: J. I. Norman
(J. I. Norman) Secretary

Address: P.O. Box 2110
Fort Worth 1, Texas

WORKING INTEREST OWNERS

STATE OF CALIFORNIA)
CITY AND) ss.
COUNTY OF SAN FRANCISCO)

On this 21st day of April, 1960, before me appeared L. A. CRANSON, to me personally known, who, being by me duly sworn, did say that he is the ~ President of HONOLULU 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 L. A. CRANSON acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal of office this 21st day of April, 1960.

Helen G. Boyle (Helen G. Boyle)
Notary Public in and for said
City and County and State

My commission expires: August 28, 1963

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this _____ day of _____, 1960, before me personally appeared DONALD B. ANDERSON, to me 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On this _____ day of _____, 1960, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the Vice President of THE BRITISH-AMERICAN OIL PRODUCING 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.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF CALIFORNIA)
CITY AND) ss.
COUNTY OF SAN FRANCISCO)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of HONOLULU 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
City, County and State

My commission expires:

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this 11th day of April, 1960, before me personally appeared DONALD B. ANDERSON, to me 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.

Given under my hand and seal of office this 11th day of April, 1960.

H. E. Hemington
Notary Public in and for said
County and State

My commission expires: 6-30-60

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the Vice President of THE BRITISH-AMERICAN OIL PRODUCING 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.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

On this _____ day of _____, 1960, before me personally appeared FRED M. CASSIDY, to me 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF OKLAHOMA)
) ss.
COUNTY OF WASHINGTON)

On this _____ day of _____, 1960, before me personally appeared _____, to me known to be the person who executed the foregoing instrument in behalf of CITIES SERVICE OIL COMPANY, and acknowledged that he executed the same as the free act and deed of said CITIES SERVICE OIL COMPANY.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this 16th day of April, 1960, before me personally appeared W. A. SHELLSHEAR, to me known to be the person who executed the foregoing instrument in behalf of GULF OIL CORPORATION, and acknowledged that he executed the same as the free act and deed of said GULF OIL CORPORATION.

Given under my hand and seal of office this 16th day of April, 1960.

L. B. Parker
Notary Public in and for said
County and State

My commission expires:

My Commission Expires Oct. 8, 1961

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this 11th day of April, 1960, before me appeared Donald B. Anderson, to me personally known, who, being by me duly sworn, did say that he is the Vice President of HONDO OIL & GAS 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 Donald B. Anderson acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal of office this 11th day of April, 1960.

H. E. Hennington
Notary Public in and for said
County and State

My commission expires: 6-30-60

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of SINCLAIR OIL & GAS 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF OKALHOMA)
) ss.
COUNTY OF TULSA)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the Vice President of SUNRAY MID-CONTINENT OIL 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.

Given under my hand and seal of office this _____ day of _____, 1960.

My commission expires:

_____
Notary Public in and for said
County and State

STATE OF CALIFORNIA)
CITY AND) ss.
COUNTY OF SAN FRANCISCO)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of HONOLULU 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
City, County and State

My commission expires:

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this _____ day of _____, 1960, before me personally appeared DONALD B. ANDERSON, to me 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF TEXAS)
) ss.
COUNTY OF DALLAS)

On this 20th day of April, 1960, before me appeared _____ CLAUDE E. LOY, Attorney-in-Fact to me personally known, who, being by me duly sworn, did say that he is the ~~Vice President~~ of THE BRITISH-AMERICAN OIL PRODUCING 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 CLAUDE E. LOY acknowledged said instrument to be the free act and deed of said corporation.

Patsy Gant
Notary Public in and for said
County and State PATSY GANT

My commission expires: June 1, 1961

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

On this 14th day of April, 1960, before me personally appeared FRED M. CASSIDY, to me 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.

~~Given under my hand and seal of office this _____ day of _____, 1960.~~

Dorothy K. Brennan
Notary Public in and for said
County and State

My commission expires:
June 1, 1961

STATE OF OKLAHOMA)
) ss.
COUNTY OF WASHINGTON)

On this _____ day of _____, 1960, before me personally appeared _____, to me known to be the person who executed the foregoing instrument in behalf of CITIES SERVICE OIL COMPANY, and acknowledged that he executed the same as the free act and deed of said CITIES SERVICE OIL COMPANY.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this _____ day of _____, 1960, before me personally appeared _____, to me known to be the person who executed the foregoing instrument in behalf of GULF OIL CORPORATION, and acknowledged that he executed the same as the free act and deed of said GULF OIL CORPORATION.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of HONDO OIL & GAS 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

On this 14TH day of APRIL, 1960, before me appeared _____ R. L. Elston, to me personally known, who, being by me duly sworn, did say that he is the Vice- President of SINCLAIR OIL & GAS 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 R. L. Elston acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal of office this 14TH day of APRIL, 1960.

Betty L. Richardson
Notary Public in and for said
County and State

My commission expires: JUNE 1, 1961

STATE OF OKALHOMA)
) ss.
COUNTY OF TULSA)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the Vice President of SUNRAY MID-CONTINENT OIL 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.

Given under my hand and seal of office this _____ day of _____, 1960.

My commission expires:

_____
Notary Public in and for said
County and State

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

On this _____ day of _____, 1960, before me personally appeared FRED M. CASSIDY, to me 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF OKLAHOMA)
) ss.
COUNTY OF WASHINGTON)

On this 6th day of May, 1960, before me personally appeared Mark F. Payton, to me known to be the person who executed the foregoing instrument in behalf of CITIES SERVICE OIL COMPANY, and acknowledged that he executed the same as the free act and deed of said CITIES SERVICE OIL COMPANY.

Given under my hand and seal of office this 6th day of May, 1960.

Dora Lippert
Notary Public in and for said
County and State

My commission expires:
My Commission Expires June 4, 1962

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this _____ day of _____, 1960, before me personally appeared _____, to me known to be the person who executed the foregoing instrument in behalf of GULF OIL CORPORATION, and acknowledged that he executed the same as the free act and deed of said GULF OIL CORPORATION.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of HONDO OIL & GAS 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of SINCLAIR OIL & GAS 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF OKALHOMA)
) ss.
COUNTY OF TULSA)

On this 5th day of May, 1960, before me appeared H. O. Harder _____, to me personally known, who, being by me duly sworn, did say that he is the Vice President of SUNRAY MID-CONTINENT OIL 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 H. O. Harder acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal of office this 5th day of May, 1960.

Kathryn Holland
Notary Public in and for said
County and State

My commission expires:

Kathryn Holland, Notary Public
In and for State of Oklahoma
My Commission Expires
February 22, 1964

STATE OF TEXAS)
) ss.
COUNTY OF TARRANT)

On this 26th day of April, 1960, before me appeared R. I. Dickey, to me personally known, who, being by me duly sworn, did say that he is the Vice President of TEXAS PACIFIC COAL AND OIL 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 R. I. Dickey, acknowledged said instrument to be the free act and deed of said corporation.

Given under my hand and seal of office this 26th day of April, 1960.

Jo Claire Smith
Notary Public in and for said
JO CLAIRE SMITH County and State.

My commission expires:
6-1-61

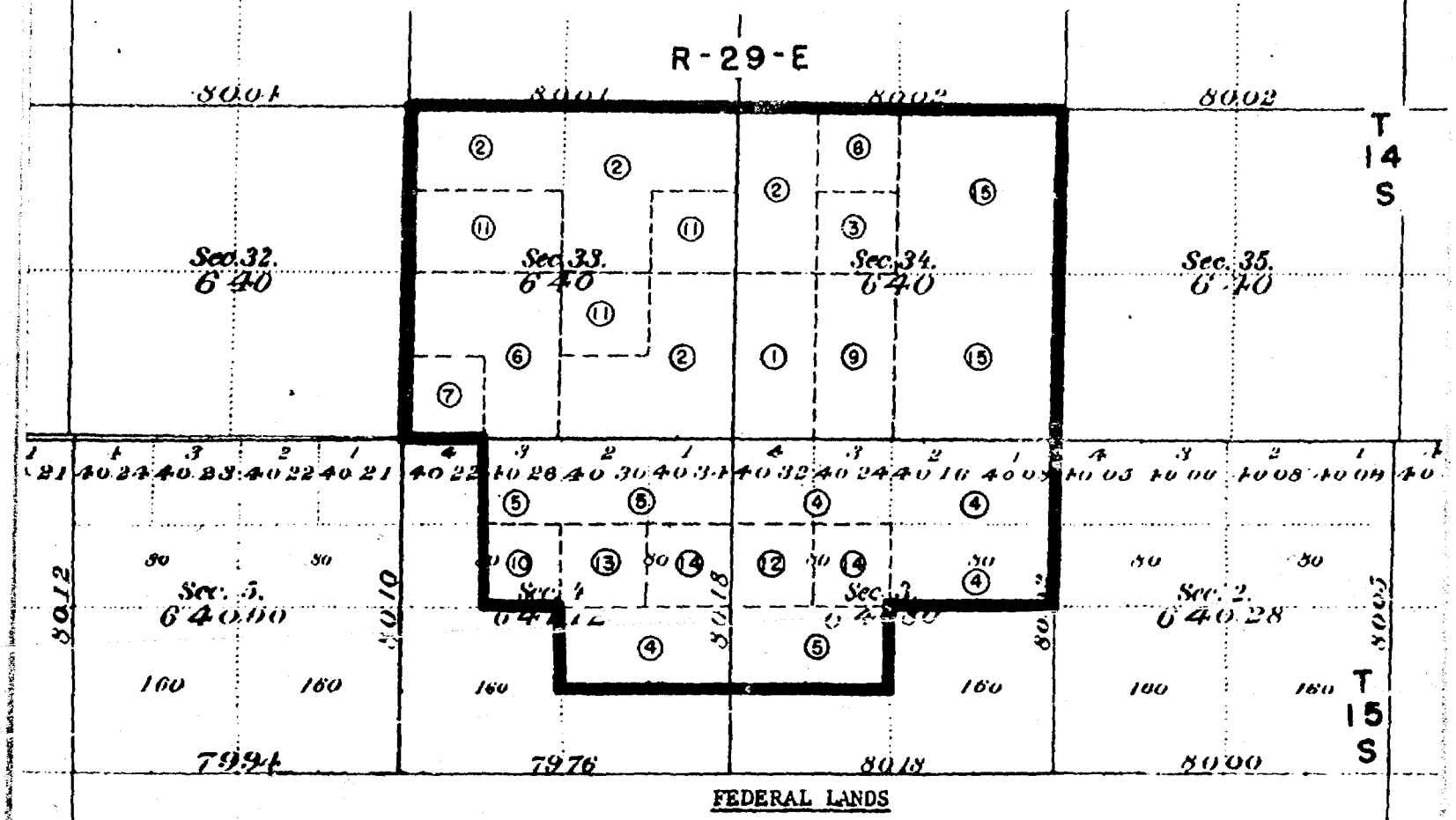
EXHIBIT "A"

PROPOSED N. MULLIS DRILLING UNIT

CHAVES COUNTY, NEW MEXICO

T-14-S & T-15-S - R-29-E

SCALE 2 INCHES = 1 MILE



FEDERAL LANDS

TRACT	SERIAL NO.	WORKING INTEREST OWNER	ACRES IN UNIT
1.	N. M. 02259	Honolulu (British-American operating rights)	80.00
2.	N. M. 02259	Honolulu	400.00
3.	N. M. 051569	British-American	40.00
4.	N. M. 05305	Fred M. Cassidy (Optioned to Honolulu)	320.80
5.	N. M. 05413	Honolulu	200.90
6.	L. C. 060546	Hondo	120.00
7.	L. C. 060546-A	H. E. Harrington	40.00
8.	L. C. 066029-A	H. E. Harrington	40.00
9.	L. C. 070534	Fred M. Cassidy (Optioned to Honolulu)	80.00
		Total Federal	1,321.70

STATE LANDS

TRACT	LEASE NO.	WORKING INTEREST OWNER	ACRES IN UNIT
10.	E-521-2	Sinclair-Cities Service	40.00
11.	E-5988	T. P. Coal & Oil	160.00
*12.	E-7191	J. K. Wadley	40.00
13.	E-9933-2	Gulf	40.00
14.	E-9971	Sunray-MidContinent	80.00
		Total State	360.00

* Donald B. Anderson is acquiring this tract.

FEE LANDS

TRACT		WORKING INTEREST OWNER	ACRES IN UNIT
15.	Fred M. Cassidy	Gulf & [redacted]	320.00

TOTAL ACREAGE IN UNIT AREA 2,001.70

Sec.29. | Sec.28. | Sec.27. | Sec.26.

EXHIBIT "B"
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Worki & R
FEDERAL LANDS:							
1	W 1/2 SW 1/4 Sec. 34, T-14-S, R-29-E	80.00	NM-02259 8-1-50	U.S.A. - All	Honolulu Oil Corp. (B-A)(British American is presently vested with the operating rights in and has the right to elect to take an assignment of the lease on this tract)	George Anna Mapes, Indv. & as Gdn. of Est. of Gail Ann Hopkins, 1106 Don Casper St., Santa Fe, N.M.-3%; E.H. Shaw & wife, Mabel Shaw, Box 103, Midland, Texas-1/2%	Honol
2	N 1/2 N 1/2, SW 1/4 NE 1/4, NE 1/4 SE 1/4, S 1/2 SE 1/4 Sec. 33; W 1/2 NW 1/4 Sec. 34, T-14-S, R-29-E	400.00	NM-02259 8-1-50	U.S.A. - All	Honolulu Oil Corp.	George Anna Mapes, Indv. & as Gdn. of Est. of Gail Ann Hopkins, 1106 Don Casper St., Santa Fe, N.M.-3%; E.H. Shaw & wife, Mabel Shaw, Box 103, Midland, Texas - 1/2%	Honol
3	SE 1/4 NW 1/4 Sec. 34, T-14-S, R-29-E	40.00	NM-051569 7-1-59	U.S.A. - All	British American Oil Producing Co., Mercantile Bank Bldg., Dallas 21, Texas	Bertrand O. Baetz & wife, Margaret E. Baetz, 419 Gunter Bldg., San Antonio Texas-3%	Briti can-1
4	Lots 1,2,3,4 & S 1/2 NE 1/4 Sec. 3, and N 1/2 of SE 1/4 of Sec. 4, T-15-S, R-29-E	320.80	NM-05305 6-1-51	U.S.A. - All	Fred M. Cassidy (Optioned to Honolulu)	William W. Dunn & wife, Dorothy Dunn, Artesia, N.M.-1%	Fred 100%
5	N 1/2 SW 1/4 of Sec. 3 and Lots 1,2 and 3 of Sec. 4, T-15-S, R-29-E	200.90	NM-05413 7-1-53	U.S.A. - All	Honolulu Oil Corp.	William W. Dunn, Box 593, Artesia, N.M.-1%	Honol Corp.

EXHIBIT "B"
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
34,	80.00	NM-02259 8-1-50	U.S.A. - All	Honolulu Oil Corp. (B-A)(British American is presently vested with the operating rights in and has the right to elect to take an assignment of the lease on this tract)	George Anna Mapes, Indv. & as Gdn. of Est. of Gail Ann Hopkins, 1106 Don Casper St., Santa Fe, N.M.-3%; E.H. Shaw & wife, Mabel Shaw, Box 103, Midland, Texas-1/2%	Honolulu-100%
/4 NE 1/4, 1/2 SE 1/4 1/4 Sec. 34,	400.00	NM-02259 8-1-50	U.S.A. - All	Honolulu Oil Corp.	George Anna Mapes, Indv. & as Gdn. of Est. of Gail Ann Hopkins, 1106 Don Casper St., Santa Fe, N.M.-3%; E.H. Shaw & wife, Mabel Shaw, Box 103, Midland, Texas - 1/2%	Honolulu-100%
c. 34,	40.00	NM-051569 7-1-59	U.S.A. - All	British American Oil Producing Co., Mercantile Bank Bldg., Dallas 21, Texas	Bertrand O. Baetz & wife, Margaret E. Baetz, 419 Gunter Bldg., San Antonio Texas-3%	British American-100%
1/2 NE 1/4 2 of SE 1/4 S, R-29-E	320.80	NM-05305 6-1-51	U.S.A. - All	Fred M. Cassidy (Optioned to Honolulu)	William W. Dunn & wife, Dorothy Dunn, Artesia, N.M.-1%	Fred M. Cassidy-100%
Sec. 3 and f Sec. 4,	200.90	NM-05413 7-1-53	U.S.A. - All	Honolulu Oil Corp.	William W. Dunn, Box 593, Artesia, N.M.-1%	Honolulu Oil Corp.-100%

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working & Per
6	N 1/2 SW 1/4, SE 1/4 SW 1/4 Sec. 33, T-14-S, R-29-E	120.00	LC-060546 8-1-48 Expires 6-30-60	U.S.A. - All	Hondo Oil & Gas Co., Box 660, Roswell,N.M.	Wallace Gates & wife, Vergine Russell Gates, Artesia, N.M.-1%	Hondo-1
7(1)	SW 1/4 SW 1/4 Sec. 33, T-14-S, R-29-E	40.00	LC-060546-A 8-1-48 Expires 6-30-60	U.S.A. - All	H.E. Harrington, Box 660, Roswell, N.M.	Wallace Gates & wife, Vergine Russell Gates, Artesia, N.M.-1%	H.E. Ha 100%
8(2)	NE 1/4 NW 1/4 Sec. 34, T-14-S, R-29-E	40.00	LC-066029-A 9-1-48 Expires 7-31-60	U.S.A. - All	H.E. Harrington, Box 660, Roswell, N.M.	None	H.E. Ha 100%
9	E 1/2 SW 1/4 Sec. 34, T-14-S, R-29-E	80.00	LC-070534 7-1-51	U.S.A. - All	Fred M. Cassidy (Optioned to Honolulu)	None	Fred M. 100%

(1) Donald B. Anderson will acquire Tract No. 7 subject to the approval of the Director of the Bureau of Land Management.
(2) Hondo Oil & Gas Co. will acquire Tract No. 8 subject to the approval of the Director of the Bureau of Land Management.

9 Federal tracts 1321.70 acres or 66.03% of unit area.

STATE LANDS:

10	SE 1/4 NW 1/4 Sec. 4, T-15-S, R-29-E	40.00	E-521-2 9-10-45	State of New Mexico-All	Sinclair Oil & Gas Co. Box 521, Tulsa, Okla.; Cities Service Oil Co. Bartlesville, Okla.	None	Sinclai Cities 50%
11	S 1/2 NW 1/4, SE 1/4 NE 1/4, NW 1/4 SE 1/4 Sec. 33, T-14-S, R-29-E	160.00	E-5988 2-11-52	State of New Mexico-All	Texas Pacific Coal & Oil Co., Box 2110, Fort Worth, Texas	None	Texas P Coal & 100%
12(3)	SW 1/4 NW 1/4 Sec. 3, T-15-S, R-29-E	40.00	E-7191 6-10-53	State of New Mexico-All	J.K. Wadley, Box 718, Texarkana, Ark.	None	J.K. Wa 100%
13	SW 1/4 NE 1/4 Sec. 4, T-15-S, R-29-E	40.00	E-9933-2 11-15-55	State of New Mexico-All	Gulf Oil Corp.	None	Gulf Oi 100%
14	SE 1/4 NE 1/4 Sec. 4, SE 1/4 NW 1/4 Sec. 3, T-15-S, R-29-E	80.00	E-9971 4-17-56	State of New Mexico-All	Sunray Mid-Continent Tulsa, Okla.	None	Sunray- Contine

(3) Donald B. Anderson is acquiring Tract No. 12 subject to the approval of the Commissioner of Public Lands of the State of New Mexico.

5 State Tracts 360.00 acres or 17.98% of unit area.

f Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
SE 1/4 3, T-14-S,	120.00	LC-060546 8-1-48 Expires 6-30-60	U.S.A. - All	Hondo Oil & Gas Co., Box 660, Roswell,N.M.	Wallace Gates & wife, Vergine Russell Gates, Artesia, N.M.-1%	Hondo-100%
Sec. 33,	40.00	LC-060546-A 8-1-48 Expires 6-30-60	U.S.A. - All	H.E. Harrington, Box 660, Roswell, N.M.	Wallace Gates & wife, Vergine Russell Gates, Artesia, N.M.-1%	H.E. Harrington-100%
Sec. 34,	40.00	LC-066029-A 9-1-48 Expires 7-31-60	U.S.A. - All	H.E. Harrington, Box 660, Roswell, N.M.	None	H.E. Harrington-100%
ec. 34,	80.00	LC-070534 7-1-51	U.S.A. - All	Fred M. Cassidy (Optioned to Honolulu)	None	Fred M. Cassidy-100%

on will acquire Tract No. 7 subject to the approval of the Director of the Bureau of Land Management.
Co. will acquire Tract No. 8 subject to the approval of the Director of the Bureau of Land Management.

9 Federal tracts 1321.70 acres or 66.03% of unit area.

Sec. 4,	40.00	E-521-2 9-10-45	State of New Mexico-All	Sinclair Oil & Gas Co. Box 521, Tulsa, Okla.; Cities Service Oil Co. Bartlesville, Okla.	None	Sinclair-50% Cities Service-50%
E 1/4 SE 1/4 3, R-29-E	160.00	E-5988 2-11-52	State of New Mexico-All	Texas Pacific Coal & Oil Co., Box 2110, Fort Worth, Texas	None	Texas Pacific Coal & Oil Co.-100%
ec. 3,	40.00	E-7191 6-10-53	State of New Mexico-All	J.K. Wadley, Box 718, Texarkana, Ark.	None	J.K. Wadley-100%
ec. 4,	40.00	E-9933-2 11-15-55	State of New Mexico-All	Gulf Oil Corp.	None	Gulf Oil Corp.-100%
ec. 4, ec. 3,	80.00	E-9971 4-17-56	State of New Mexico-All	Sunray-Mid-Continent Tulsa, Okla.	None	Sunray-Mid-Continent-100%

n is acquiring Tract No. 12 subject to the approval of the Commissioner of Public Lands of the State of New Mexico.

5 State Tracts 360.00 acres or 17.98% of unit area.

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Worki & P
FEE LANDS:							
15	Undivided 1/4 interest in the E 1/2 Sec. 34, T-14-S, R-29-E	80.00 (net)	Lease dated 11/16/59, Expires 11/16/66, L.L. Horne, 1005 Electric Bldg., Fort Worth, Texas, Recorded Vol. 74, p. 272	Lessors-All	Fred M. Cassidy	C. C. Byars, Lubbock, Texas- 6.25%	Fred 100%
15	Undivided 3/8 interest in the E 1/2 Sec. 34, T-14-S, R-29-E	120.00 (Net)	Willie N. Bacon & wife, Susie L. Bacon, Box 203, Westbrook, Texas, Lease dated 5/4/56, Expires 5/14/66, Recorded Vol. 58, p. 395	Lessors-All	Gulf Oil Corp.	None	Gulf-
15	Undivided 3/16 interest in the E 1/2 Sec. 34, T-14-S, R-29-E	60.00 (net)	J.K. Wadley & wife, Susie L. Wadley, Box 718, Texarkana, Ark., Lease dated 5/2/56, Expires 5/14/66, Recorded Vol. 58, p. 401	Lessors-All	Gulf Oil Corp.	None	Gulf-
15	Undivided 43/320 interest in the E 1/2 Sec. 34, T-14-S, R-29-E	43.00 (net)	Walter Keith & wife, Daisy Keith, Stephens, Ark., Lease dated 5/2/56, Expires 5/14/66, Recorded Vol. 58, p. 399	Lessors-All	Gulf Oil Corp.	None	Gulf-1
15	Undivided 3/64 interest in the E 1/2 Sec. 34, T-14-S, R-29-E	15.00 (net)	George R. Gibson & wife, Orpha O. Gibson, Midland National Bank Bldg., Midland, Texas, Lease dated 5/3/56, Expires 5/14/66, Recorded Vol. 58, p. 397.	Lessors-All	Gulf Oil Corp.	None	Gulf-1

Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
nterest in 34, T-14-S,	80.00 (net)	Lease dated 11/16/59, Expires 11/16/66, L.L. Horne, 1005 Electric Bldg., Fort Worth, Texas, Recorded Vol. 74, p. 272	Lessors-All	Fred M. Cassidy	C. C. Byars, Lubbock, Texas-6.25%	Fred M. Cassidy-100%
nterest in 34, T-14-S,	120.00 (Net)	Willie N. Bacon & wife, Susie L. Bacon, Box 203, Westbrook, Texas, Lease dated 5/4/56, Expires 5/14/66, Recorded Vol. 58, p. 395	Lessors-All	Gulf Oil Corp.	None	Gulf-100%
interest in 34, T-14-S,	60.00 (net)	J.K. Wadley & wife, Susie L. Wadley, Box 718, Texarkana, Ark., Lease dated 5/2/56, Expires 5/14/66, Recorded Vol. 58, p. 401	Lessors-All	Gulf Oil Corp.	None	Gulf-100%
20 interest ec. 34,	43.00 (net)	Walter Keith & wife, Daisy Keith, Stephens, Ark., Lease dated 5/2/56, Expires 5/14/66, Recorded Vol. 58, p. 399	Lessors-All	Gulf Oil Corp.	None	Gulf-100%
interest in 34, T-14-S,	15.00 (net)	George R. Gibson & wife, Orpha O. Gibson, Midland National Bank Bldg., Midland, Texas, Lease dated 5/3/56, Expires 5/14/66, Recorded Vol. 58, p. 397.	Lessors-All	Gulf Oil Corp.	None	Gulf-100%

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Wor &
15	Undivided 1/160 interest in the E 1/2 Sec. 34, T-14-S, R-29-E	2.00 (net)	A.C. Taylor & wife, Lucille Taylor, 2313 Walnut St., Texarkana, Texas, Lease dated 5/31/56, Expires 5/14/66, Recorded Vol. 58, p. 465	Lessors - All	Gulf Oil Corp.	None	Gul

1 Fee (patented) tract 320.00 acres or 15.99% of unit area.

Total: 15 tracts 2,001.70 acres in entire unit area.

Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
interest in 34, T-14-S,	2.00 (net)	A.C. Taylor & wife, Lucille Taylor, 2313 Walnut St., Texarkana, Texas, Lease dated 5/31/56, Expires 5/14/66, Recorded Vol. 58, p. 465	Lessors - All	Gulf Oil Corp.	None	Gulf-100%

1 Fee (patented) tract 320.00 acres or 15.99% of unit area.

1.70 acres in entire unit area.

UNIT OPERATING AGREEMENT

NORTH MULLIS **UNIT AREA**

COUNTY OF CHAVES

STATE OF NEW MEXICO

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Exhibit 5—Insurance (Referred to in Section 9.2).

UNIT OPERATING AGREEMENT

NORTH MULLIS **UNIT AREA**

COUNTY OF CHAVES

STATE OF NEW MEXICO

THIS AGREEMENT made as of the 15th day of March, 19 60, by and among the parties who execute or ratify this agreement or a counterpart hereof

WITNESSETH:

WHEREAS, the Parties have entered into that certain UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTH MULLIS UNIT AREA, County of Chaves, State of New Mexico, dated as of the 15th day of March, 19 60, and hereinafter referred to as the "Unit Agreement," covering the lands described in Exhibit 1, hereto attached, which lands are referred to in the Unit Agreement and in this agreement as the "Unit Area";

WHEREAS, the Parties enter into this agreement pursuant to Section 7 of the Unit Agreement,
NOW, THEREFORE, in consideration of the mutual agreements herein set forth, it is agreed as follows:

ARTICLE 1
DEFINITIONS

1.1 **Unit Agreement Definitions.** The definitions contained in the Unit Agreement are adopted for all purposes of this agreement. In addition, each term listed below shall have the meaning stated therefor, whenever used in this agreement.

1.2 **"Unit Operator"** means HONOLULU OIL CORPORATION and its successors, as the Unit Operator designated in accordance with the Unit Agreement, acting in that capacity and not as an owner of Working Interest.

1.3 **"Party"** means a party to this agreement, including the Party acting as Unit Operator when acting as an owner of Working Interest.

1.4 **"Costs"** means all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agreement or the Unit Agreement and all other expenses that are herein made chargeable as Costs, determined in accordance with the accounting procedure set forth in Exhibit 2 attached hereto, which shall govern in all matters covered thereby, except that in event of inconsistency between said accounting procedure and this agreement, this agreement shall control.

1.5 **"Committed Working Interest"** means a Working Interest which is shown on Exhibit B to the Unit Agreement as owned by a Party and which is committed to the Unit Agreement.

1.6 **"Participating Interest"** of a Party means the proportion (expressed as a percentage) that the acreage of its Committed Working Interest or Interests bears to the total acreage of all the Committed Working Interests of the Parties; for the purposes of this definition (a) the acreage of the Working Interest in a tract within the Unit Area shall be the acreage of such tract as set forth in Exhibit B to the Unit Agreement and (b) if the Working Interest in a tract is owned by two or more owners, the acreage of such tract shall be apportioned among them in proportion to their respective Working Interests therein. See Section 1.19.

1.7 **"Beneficial Interest"** of a Party means the proportion (expressed as a percentage) that the net acreage of its Committed Working Interest or Interests bears to the total net acreage of all the Committed Working Interests of the Parties; for the purposes of this definition the net acreage of the Committed Working Interest owned by a Party in a tract shall be calculated by multiplying the acreage of such tract, as shown in Exhibit B to the Unit Agreement, by the percentage of the oil and gas which, if produced from such tract in the absence of the Unit Agreement and this agreement, would accrue to such Committed Working Interest after deducting all Lease Burdens (whether payable in cash or in kind) shown on said Exhibit B as an encumbrance upon such Committed Working Interest. See Section 1.19.

1.8 **"Lease Burdens"** means the royalty reserved to the lessor in an oil and gas lease, an overriding royalty, a production payment and any similar burden, but does not include a carried working interest, a net profits interest or any other interest which is payable out of profits.

1.9 **"Available Production"** means all Unitized Substances produced and saved from the Unit Area except so much thereof as is used in the conduct of operations under the Unit Agreement and this agreement and so much thereof as is delivered in kind to owners of Lease Burdens entitled to delivery thereof in kind.

1.10 **"Drilling Party"** means the Party or Parties obligated to contribute to the Costs incurred in Drilling, Deepening or Plugging Back a well in accordance with this agreement.

1.11 **"Non-Drilling Party"** means a Party not obligated to contribute to the Costs incurred in Drilling, Deepening or Plugging Back a well in accordance with this agreement.

1.12 **"Drill"** means to perform all operations reasonably necessary and incident to the drilling of a well, including preparation of roads and drill site, testing and, if productive of Unitized Substances, completing and equipping for production, including flow lines, treaters, separators and tankage, or plugging and abandoning, if dry.

1.13 **"Deepen or Plug Back"** means to perform all operations reasonably necessary and incident to deepening or plugging back a well, testing and, if productive of Unitized Substances, completing or recompleting and equipping for production, including flow lines, treaters, separators and tankage, or plugging and abandoning, if dry.

1.14 **"Initial Test Well"** means a test well specifically provided for in Section 9 of the Unit Agreement and described in Exhibit 3 attached hereto.

1.15 **"Subsequent Test Well"** means a test well drilled after the drilling of the Initial Test Well or Wells, and before discovery of Unitized Substances in paying quantities in the Unit Area.

1.16 **"Approval of the Parties"** or **"Direction of the Parties"** means an approval, authorization or direction which receives the affirmative vote of the Parties specified in Section 7.2.

1.17 **"Salvage Value"** of materials and equipment means the value of such materials and equipment determined in accordance with Exhibit 2, less the reasonably estimated costs of salvaging the same.

1.18 Each Party is herein referred to by the neuter pronoun "it."

1.19 Exhibits. See Page 13.

ARTICLE 2
APPORTIONMENT OF COSTS AND OWNERSHIP OF AVAILABLE PRODUCTION AND PROPERTY

2.1 **Apportionment.** Except as otherwise specified herein, (particular reference being made to Sections 9.3 Taxes, ~~14.10 Effect of Option 2 Assignment, 14.11 Rights and Obligations of Drilling Party Under Option 2,~~ 16.7 Relinquishment of Interests by Non-Drilling Party, 16.8 Rights and Obligations of Drilling Party, 18.9 Relinquishment of Interest by Non-Drilling Parties, 18.11 Rights and Obligations of Drilling Parties, and 25.3 Rights and Obligations of Non-Abandoning Party): 12.2 Costs of Drilling.

A. All Costs incurred by Unit Operator in the conduct of operations pursuant to this agreement shall be borne by the Parties in proportion to their respective Participating Interests.

B. All Available Production shall be owned by the Parties in proportion to their respective Beneficial Interests.

C. All materials, equipment and other property, whether real or personal, acquired by Unit Operator, and the cost of which is chargeable as Costs pursuant to this agreement, shall be owned by the Parties in proportion to their respective Participating Interests.

2.2 **Revision of Apportionment.** Upon termination or other removal of a Lease Burden shown in Exhibit B to the Unit Agreement as an encumbrance upon a Committed Working Interest, the net acreage of such Committed Working Interest and the Beneficial Interests of all Parties shall be revised, but Unit Operator shall not be required to recognize the change in Beneficial Interests resulting from such revision until the first day of the month next succeeding the termination or other removal of such Lease Burden. No other change shall be made in the Beneficial Interests of the Parties and no change shall be made in the Participating Interests of the Parties, except for transfers of Committed Working Interests and except as otherwise specified herein (particular reference being made to Sections 4.2 Failure to Pay Rentals and 11.7 Effect of Disapproval of Title).

ARTICLE 3
UNLEASED INTERESTS

3.1 **Treated as Leased.** ~~If a Party owns in fee all or any part of the oil and gas rights in a tract within the Unit Area, free from oil and gas lease or other contract in the nature thereof, such Party shall be deemed to own a Committed Working Interest in such tract, and also a royalty interest in such tract, in the same manner and with like effect as if such Party's oil and gas rights in such tract were covered by the form of oil and gas lease attached hereto as Exhibit 4 and as if such Party owned both the royalty interest reserved in such lease and the interest of the lessee under such lease. However, such Party shall have the right to take in kind all Unitized Substances accruing to the royalty interest deemed owned by it in such tract, in the same manner as it is entitled to take in kind its proportionate share of Available Production.~~ See Page 14.

3.2 **Execution of Lease.** In any provisions hereunder where reference is made to an assignment by any Party of its Committed Working Interest to any other Party, such reference as to any Party owning an unleased interest shall be interpreted to mean that such Party shall execute an oil and gas lease to such other Party in the form attached hereto as Exhibit 4, which shall satisfy the requirement for assignment of a Committed Working Interest.

ARTICLE 4
RENTALS AND LEASE BURDENS

4.1 **Payment of Rentals.** Each Party whose Committed Working Interest in a tract within the Unit Area is held under oil and gas lease shall pay, on or before the due date thereof, each installment of rental becoming due and payable under such lease, in respect of such tract, unless and until surrender of such lease is directed by the Parties in accordance with Article 26 dealing with Surrender, and such Party shall furnish evidence of payment thereof to Unit Operator and to each of the other Parties who makes written request therefor. Upon receipt of evidence acceptable to it of the payment of any such installment of rental which becomes due on or after the effective date of this agreement, Unit Operator shall credit or reimburse the Party who made payment thereof for the amount of such installment, which shall be charged as Costs and borne by the Parties in proportion to their respective Participating Interests.

4.2 **Failure to Pay Rentals.** If an oil and gas lease covering a tract within the Unit Area is terminated by failure to make proper payment of rental required to be paid by a Party in accordance with Section 4.1, such Party shall make a bona fide effort at its own expense to obtain a new lease covering the same interest in such tract as that covered by the terminated lease. If the new lease is not obtained within sixty (60) days after such termination, loss of the terminated lease shall have the same consequences as if title to the terminated lease had failed before approval thereof in accordance with Article 11 dealing with Titles, and the Participating Interests and Beneficial Interests of the Parties shall be changed accordingly, effective as of the first day of the month following such termination. If a Party's failure to make proper payment of rental required to be paid by it in accordance with Section 4.1 is unintentional, such Party shall not be liable in damages to the other Parties.

4.3 **Lease Burdens Payable by Unit Operator.** Any and all payments (including minimum royalties) accruing to Lease Burdens shown in Exhibit B to the Unit Agreement on the effective date hereof, (including any such Lease Burdens not committed to the Unit Agreement) in respect of Unitized Substances, shall be made by Unit Operator for the account of the Parties. All such payments made by Unit Operator shall be charged to and borne by the Parties in proportion to their respective Beneficial Interests, except that all such payments made in respect of Unitized Substances produced from a well owned by less than all the Parties shall be charged to and borne by the Party or Parties owning such well in the proportions that such Parties share in the Available Production therefrom. Also, Unit Operator shall deliver Unitized Substances to owners of Lease Burdens who have the right and who elect to take the same in kind.

4.4 **Lease Burdens and Other Interests Payable by Parties.** If a Committed Working Interest is subject to a Lease Burden not shown in Exhibit B to the Unit Agreement on the effective date hereof or to a carried working interest, net profits interest or any other interest which is payable out of profits, the Party owning such Committed Working Interest shall be solely responsible for, and shall bear the entire burden of, any and all payments accruing thereto in respect of Unitized Substances.

ARTICLE 5
COMPENSATORY ROYALTIES

5.1 **Payment and Apportionment.** Whenever demand is made in accordance with the Unit Agreement for the drilling of a well for the protection of the Unit Area from drainage, or for the payment of compensatory royalties in lieu thereof, Unit Operator shall give written notice thereof to each Party. If payment of such compensatory royalties is Approved by the Parties, Unit Operator shall make payment thereof. All payments so made by Unit Operator shall be charged as Costs and borne by the Parties in proportion to their respective Participating Interests. If payment of compensatory royalties is not approved by the Parties then the rights and obligations of the Parties shall be governed by Article 17 dealing with Required Wells.

ARTICLE 6
LIABILITIES FOR DAMAGES TO OWNERS OF UNCOMMITTED ROYALTY INTERESTS

6.1 **Apportionment.** If the royalty interest reserved to the lessor in any oil and gas lease covering land within the Unit Area, or any part of such royalty interest, is not committed to the Unit Agreement, and if operations conducted pursuant to this agreement result in liability in damages to the owner or owners of such uncommitted royalty interest, the amounts payable by reason of such liability shall be charged as Costs and borne by the Parties in proportion to their respective Participating Interests, but this Section 6.1 does not include liability for payment of uncommitted Lease Burdens, such payments being provided for in Section 4.3 dealing with Lease Burdens Payable by Unit Operator.

ARTICLE 7
SUPERVISION OF OPERATIONS BY PARTIES

7.1 **Right of Supervision.** All operations conducted by Unit Operator under this agreement or the Unit Agreement shall be subject to supervision and control by the Parties acting in accordance with the succeeding provisions of this Article; however, if less than all of the Parties are chargeable with the Costs incurred in the conduct of a particular operation, such as the Drilling, Deepening or Plugging Back of a well, then, except as provided in Section 18.7 dealing with Effect of Election to Deepen or Plug Back and Limitation on Right, only the Party or Parties obligated to bear such Costs shall have right of supervision over such operation.

7.2 **Voting Control.** Each Party having the right to vote on any matter shall have a vote thereon equal to its Participating Interest. Except as provided in Section 20 of the Unit Agreement and except as otherwise specified herein, (particular reference being made to Sections 7.6 Audits, 11.5 Approval of Titles, 21.1 Consent Required [Secondary Recovery and Pressure Maintenance], 25.1 Consent Required [Abandonment of Producing Wells], 26.2 Right to Surrender Inside Participating Area, and 36.2 Required Withdrawal), the affirmative vote of Parties having ..... eighty ..... per cent (..... 80 ..... %) or more of the voting power on any matter which is proper for action by them shall be binding on all Parties entitled to vote thereon; provided, however, that if one Party voting in the affirmative has ..... eighty ..... per cent (..... 80 ..... %) or more of the voting power, the affirmative vote of such Party shall not be binding on the Parties entitled to vote thereon unless its vote is supported by the affirmative vote of at least one additional Party; and provided further, that if one Party voting in the negative has more than ..... twenty ..... per cent (..... 20 ..... %), but less than fifty per cent (50%), of the voting power, the affirmative vote of the Parties having a majority of the voting power shall be binding on all Parties entitled

to vote unless such Party's negative vote is supported by the negative vote of at least one additional Party. In the event only two Parties are entitled to vote, the vote of the one with the greater interest shall prevail. A Party failing to vote shall not be deemed to have voted either in the affirmative or in the negative. Any approval, authorization or direction provided for in this agreement which receives the affirmative vote above specified shall be deemed given by and shall be binding on all Parties entitled to vote thereon, except where the vote of a larger percentage is specifically required.

7.3 **Meetings.** Any matter which is proper for consideration by the Parties or any of them, may be considered at a meeting held for that purpose. A meeting may be called by Unit Operator at any time and a meeting shall be called by Unit Operator upon written request of any Party. ~~or Parties having.....per cent (.....%) or more of the voting power on each matter to be considered at the meeting.~~ At least ten (10) days in advance of each meeting, Unit Operator shall give each Party entitled to vote thereat written notice of the time, place and purpose of the meeting.

7.4 **Action Without Meeting.** In lieu of calling a meeting, Unit Operator may submit any matter which is proper for consideration by the Parties, or any of them, by giving to each such Party written notice by mail, telegraph, or telephone (confirmed in writing not later than the next business day), describing in adequate detail the matter so submitted. Each Party entitled to vote on any matter so submitted shall communicate its vote thereon to Unit Operator by mail, telegraph, or telephone, (confirmed in writing not later than the next business day), within such period, not less than ten (10) nor more than thirty (30) days, as may be designated in the notice given by Unit Operator, provided, however, that if within ten (10) days after submission of such matter request is made for a meeting in accordance with Section 7.3, such matter shall be considered only at a meeting called for that purpose. If a meeting is not required then, at the expiration of the period designated in the notice given by it, Unit Operator shall give to each Party entitled to vote thereon written notice stating the tabulation and result of the vote.

7.5 **Representatives.** Promptly after execution of this agreement, each Party by written notice to all other Parties shall designate a representative authorized to vote for such Party, and may designate an alternate who is authorized to vote for such Party in the absence of its representative. Any such designation of a representative or alternative representative may be revoked at any time by written notice given to all other Parties, provided such notice designates a new representative or alternate representative as the case may be. In addition, any corporate Party may vote through its President or any of its Vice Presidents, and a Party which is a partnership may vote through any of its partners.

7.6 **Audits.** From time to time, but not more often than once each year an audit may be made of Unit Operator's records and books of account pertaining to operations hereunder. Each such audit shall be made by auditors in the employ of Parties whenever an audit is Directed by the Parties other than the Party acting as Unit Operator, which Parties shall also Approve the allowance to be made to each Party furnishing an auditor. Such allowances shall be paid by the Parties (other than the Party acting as Unit Operator) in proportion to their respective Participating Interests among themselves.

7.7 **Extraneous Projects.** Nothing contained in this agreement shall be deemed to authorize the Parties, by vote or otherwise, to act on any matter or authorize any expenditure unless such matter or expenditure relates to the conduct of operations authorized by the Unit Agreement or this agreement.

ARTICLE 8
UNIT OPERATOR'S POWERS AND RIGHTS

8.1 **In General.** Subject to the limitations provided for in this agreement all operations authorized by the Unit Agreement and this agreement shall be managed and conducted by Unit Operator. Unit Operator shall have exclusive custody of all materials, equipment and other property owned by the Parties jointly.

8.2 **Employees.** All individuals employed by Unit Operator in the conduct of operations hereunder shall be the employees of Unit Operator alone, and their working hours, rates of compensation and all other matters relating to their employment shall be determined solely by Unit Operator.

8.3 **Non-Liability.** ~~Unit Operator shall not be liable to any other Party for anything done or omitted to be done by it in the conduct of operations hereunder except in case of bad faith.~~ See Page 14.

8.4 **Force Majeure.** The obligations of Unit Operator hereunder shall be suspended to the extent that, and only so long as, performance thereof is prevented by fire, action of the elements, strikes or other differences with workmen, acts of civil or military authorities, acts of the public enemy, restrictions or restraints imposed by law or by regulation or order of governmental authority, whether federal, state or local, inability to obtain necessary rights of access, or any other cause reasonably beyond control by Unit Operator, whether or not similar to any cause above enumerated. Whenever performance of its obligations is prevented by any such cause, Unit Operator shall give notice thereof to the other Parties as promptly as reasonably possible.

8.5 **Lien.** Each of the other Parties hereby grants to Unit Operator a lien upon its Committed Working Interests, its interest in all jointly owned materials, equipment and other property and its interest in all Available Production, as security for payment of Costs and Lease Burdens chargeable to it, together with any interest payable thereon. Unit Operator shall have the right to bring any action at law or in equity to enforce collection of such indebtedness with or without foreclosure of such lien. In addition, upon default by any Party in the payment of Costs or Lease Burdens chargeable to it, Unit Operator shall have the right to collect and receive from the purchaser or purchasers thereof the proceeds of such Party's share of Available Production, up to the amount owing by such Party plus interest at the rate of 6% per annum until paid; each such purchaser shall be entitled to rely on Unit Operator's statement concerning the existence and amount of any such default.

8.6 **Advances.** Unit Operator, at its election, shall have the right from time to time to demand and receive from the other Parties payment in advance of their respective shares of the estimated amount of the Costs to be incurred in operations hereunder during any month, which right may be exercised only by submission to each such Party of a properly itemized statement of such estimated Costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated Costs for any month shall be submitted on or about the twentieth (20th) day of the next preceding month. The amount of each such invoice shall be payable within fifteen (15) days after the mailing thereof, and thereafter shall bear interest at the rate of six per cent (6%) per annum until paid. Proper adjustment shall be made monthly between such advances and Costs, to the end that each Party shall bear and pay its proportionate share of Costs incurred and no more. Unit Operator may request advance payment or security for the total estimated Costs to be incurred in a particular Drilling, Deepening or Plugging Back operation and shall not be obligated to commence such operation unless and until such advance payment is made or Unit Operator is furnished security acceptable to it for the payment thereof by the Party or Parties chargeable therewith.

8.7 **Use of Unit Operator's Drilling Equipment.** Any Drilling, Deepening or Plugging Back operation conducted hereunder may be conducted by Unit Operator by means of its own tools and equipment provided that the rates to be charged and the applicable terms and conditions are set forth in a form of drilling contract Approved by the Party or Parties chargeable with the Costs incurred in such operation, except that in any case where Unit Operator alone constitutes the Drilling Party, such drilling contract shall be Approved by the Parties.

8.8 **Rights as Party.** As an owner of Committed Working Interest, the Party acting as Unit Operator shall have the same rights and obligations hereunder as if it were not the Unit Operator. In each instance where this agreement requires or permits a Party to give a notice, consent or approval to the Unit Operator, such notice, consent or approval shall be deemed properly given by the Party acting as Unit Operator if and when given to all other Parties.

ARTICLE 9
UNIT OPERATOR'S DUTIES

9.1 **Specific Duties.** In the conduct of operations hereunder, Unit Operator shall:

A. **Drilling of Wells.** Drill, Deepen or Plug Back a well or wells only in accordance with the provisions of this agreement;

B. **Compliance with Laws and Agreements.** Comply with the provisions of the Unit Agreement, all applicable laws and governmental regulations (whether federal, state or local), and Directions by the Parties pursuant to this agreement; in case of conflict between such Directions and the provisions of the Unit Agreement or such laws or regulations, the provisions of the Unit Agreement or such laws or regulations shall govern;

C. **Consultation with Parties.** Consult freely with the other Parties concerning operations hereunder, and keep them advised of all matters arising in operations hereunder which Unit Operator deems important, in the exercise of its best judgment;

D. **Payment of Costs.** Pay all Costs incurred in operations hereunder promptly as and when due and payable, and keep the Committed Working Interests and all jointly owned property free from liens which may be claimed for the payment of such Costs, except any such lien which it disputes, in which event Unit Operator may contest the disputed lien upon giving to the other Parties written notice thereof:

E. **Records.** Keep full and accurate records of all Costs incurred, Lease Burdens paid and controllable materials and equipment, which records, and receipts and vouchers in support thereof, shall be available for inspection by authorized representatives of the other Parties at reasonable intervals during usual business hours at the office of Unit Operator;

F. **Information.** Furnish to each of the other Parties who makes timely written request therefor (1) copies of Unit Operator's authorization for expenditure or itemizations of estimated expenditures in excess of $5,000.00, (2) copies of all drilling reports, well logs, basic engineering data, tank tables, gauge reports and run tickets, (3) reports of stock on hand at the first of each month, (4) samples of cores or cuttings taken from wells drilled hereunder, to be delivered at the well in containers furnished by the Party requesting same, and (5) such other or additional information or reports as may be Directed by the Parties in accordance with the provisions of Section 7.2 dealing with Voting Control;

G. **Access to Unit Area.** Permit each of the other Parties, through its duly authorized employees or agents, but at its sole risk and expense, to have access to the Unit Area at all times, and to the derrick floor of each well drilled or being drilled hereunder, for the purpose of observing operations conducted hereunder and inspecting jointly owned materials, equipment or other property, and to have access at reasonable times to information and data in the possession of Unit Operator concerning the Unit Area.

9.2 Insurance.

A. **Unit Operator's.** Unit Operator shall comply with the Workmen's Compensation law of the state in which the Unit Area is located. Unit Operator shall also maintain in force at all times with respect to operations hereunder such other insurance, if any, as may be required by law. In addition Unit Operator shall maintain such other insurance, if any, as is described in Exhibit 5 hereto attached or as is Approved from time to time by the Parties. Unit Operator shall carry no other insurance for the benefit of the Parties except as above specified. Upon written request of any Party, Unit Operator shall furnish evidence of insurance carried by it with respect to operations hereunder.

B. **Contractor's.** Unit Operator shall require all contractors engaged in operations under this agreement to comply with the Workmen's Compensation law of the state in which the Unit Area is located and to maintain such insurance as Unit Operator may be Directed by the Parties to require.

C. **Automotive Equipment.** In the event Automobile Public Liability insurance is specified in said Exhibit 5 or is subsequently Approved by the Parties no direct charge shall be made by Unit Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

9.3 Taxes. Any and all ad valorem taxes payable upon the Committed Working Interests (and upon Lease Burdens which are not payable by the owners thereof), or upon materials, equipment or other property acquired and held by Unit Operator hereunder, and any and all taxes (other than income taxes) upon or measured by Unitized Substances produced from the Unit Area which are not payable by the purchaser or purchasers thereof or by the owner of Lease Burdens, shall be paid by Unit Operator as and when due and payable and shall be charged and borne as follows:

A. Taxes upon materials, equipment and other property acquired and held by Unit Operator hereunder shall be charged to and borne by the Parties owning the same in proportion to their respective interests therein.

B. All other taxes paid by Unit Operator shall be charged to and borne by the Parties in proportion to their respective Beneficial Interests, except that in the case of a well owned by less than all the Parties such taxes shall be charged to and borne by the Party or Parties owning such well in the same proportions that they share in the Available Production therefrom. All reimbursements from owners of Lease Burdens, whether obtained in cash or by deduction from Lease Burdens, on account of any taxes paid for such owners shall be paid or credited to the Parties in the same proportions as such taxes were charged to such Parties.

C. In the event of a transfer by one Party to another under the provisions of this agreement of any Committed Working Interest or of any interest in any well or in the materials and equipment in any well or in the event of the reversion of any relinquished interest as in this agreement provided the taxes above mentioned assessed against the interest transferred or reverted for the taxable period in which such transfer or reversion occurs shall be apportioned between such Parties so that each shall bear the percentage of such taxes which is proportionate to that portion of the taxable period during which it owned such interest. Each Party shall promptly furnish Unit Operator with copies of notices, assessments, levies or tax statements received by it pertaining to the taxes to be paid by Unit Operator. Unit Operator shall make such returns, reports and statements as may be required by law in connection with any taxes above provided to be paid by it and shall furnish copies to the parties upon request. It shall notify the Parties of any tax which it does not propose to pay before such tax becomes delinquent.

9.4 Non-Discrimination. ~~Unit Operator shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin, and an identical provision shall be incorporated in all contracts made by Unit Operator with independent contractors.~~ See Page 14.

9.5 Drilling Contracts. Each Drilling, Deepening or Plugging Back operation conducted hereunder, and not performed by Unit Operator with its own tools and equipment in accordance with Section 8.7 dealing with Use of Unit Operator's Drilling Equipment, shall be performed by a reputable drilling contractor having suitable equipment and personnel under written contract between Unit Operator and the contractor, at the most favorable rates and on the most favorable terms and conditions bid by any such contractor after soliciting bids, if bids are obtainable, but otherwise at rates and on terms and conditions Approved by the Parties.

ARTICLE 10
LIMITATIONS ON UNIT OPERATOR

10.1 Specific Limitations. In the conduct of operations hereunder, Unit Operator shall not, without first obtaining the Approval of the Parties,

A. **Change In Operations.** Make any substantial change in the basic method of operation of any well, except in the case of an emergency.

B. **Limit on Expenditures.** Undertake any project reasonably estimated to require an expenditure in excess of five thousand Dollars ($5,000.00); provided, however, that (1) Unit Operator is authorized to make all usual and customary operating expenditures that are required in the normal course of producing operations or that are included in a budget Approved by the Parties, and (2) whenever Unit Operator is authorized to conduct a Drilling, Deepening or Plugging Back operation, or to undertake any other project, in accordance with this agreement, Unit Operator shall be authorized to make all reasonable and necessary expenditures in connection therewith and (3) in case of emergency, Unit Operator may make such immediate expenditures as may be necessary for the protection of life or property, but notice of such emergency shall be given to all other Parties as promptly as reasonably possible.

C. **Partial Relinquishment.** Make any partial relinquishment of its rights as Unit Operator or appoint any suboperator.

D. **Settlement of Claims.** Pay in excess of Five Hundred Dollars ($500.00) in the settlement of any claim (other than Workmen's Compensation claims) for injury to or death of persons, or for loss of or damage to property.

E. **Determinations.** Make any of the determinations mentioned ~~in Section 22~~ of the Unit Agreement, except as otherwise specified in this agreement.

ARTICLE 11
TITLES

11.1 Representations of Ownership. Each Party represents to all other Parties that its ownership of Working Interests in the Unit Area is that set out in Exhibit B of the Unit Agreement. If it develops that any such representation of ownership is incorrect the rights and responsibilities of the Parties shall be governed by the provisions of this Article 11, but such erroneous representation shall not be a cause for cancelling or terminating this Agreement.

11.2 Title Papers to Be Furnished Before Discovery.

A. **Lease Papers.** Each party, after executing this agreement, shall upon request promptly furnish Unit Operator, and any other Party requesting same, with photostatic copies of all leases, assignments, options and other contracts which it has in its possession relating to its Committed Working Interests.

B. **Title Papers for Initial Test Well.** Promptly after the effective date of this agreement each Party whose Committed Working Interests cover any land, any part of which is within an area of 160 acres delineated by Unit Operator surrounding the location of the Initial Test Well, shall at its own expense furnish Unit Operator with the following title material relating to such land, or to the Committed Working Interests covering the same:

(1) Abstracts of title based upon the county records certified to current date,

(2) All Lease Papers, or photostatic copies thereof, mentioned in Section 11.2 A which the Party has in its possession, and which have not been previously furnished to Unit Operator,

(3) Copies of any title opinions which the Party has in its possession,

(4) If federal lands are involved, status reports of current date setting forth the entries found in the district land office and the Washington, D. C., land office of the Bureau of Land Management for the lands involved, and also a certified copy of the serial register for the federal leases involved,

(5) If state lands are involved, status reports of current date showing the entries pertaining to the land involved found in the records of such state,

(6) If Indian lands are involved, status reports for the land involved showing the entries found in the office of the Superintendent of the Indian Agency and the area office for such Indian lands and in the Bureau of Indian Affairs in Washington, D. C.

C. **Title Papers For Subsequent Test Well.** Prior to the drilling of any Subsequent Test Well each Party whose Committed Working Interests cover any land, any part of which is within an area of 160 acres delineated by Unit Operator surrounding the location of such Subsequent Test Well, shall at its own expense and upon request furnish Unit Operator with the title materials listed in Section 11.2 B relating to such land or its Committed Working Interests therein.

11.3 Title Committee. Promptly after the effective date of this agreement the Parties shall appoint a Title Committee which shall arrange for all title examinations herein provided for and shall distribute copies of title opinions to all Parties as soon as they are prepared.

11.4 Expense of Title Examination and Curative Work. All expenses incurred in connection with a title examination hereunder prior to the discovery of Unitized Substances in paying quantities shall be charged to and borne by the Parties obligated to bear the Costs of Drilling the well for which title examination is made. All expenses incurred in connection with title examinations hereunder after such discovery shall be charged as Costs and borne by the Parties in proportion to their respective Participating Interests. Such curative work as is performed to meet title requirements concerning a Committed Working Interest shall be performed by and at the expense of the Party claiming such interest.

11.5 Approval of Titles. After a title examination has been completed and a reasonable time not exceeding thirty (30) days has been allowed for any necessary curative work, the Title Committee shall submit to each Party a report concerning the title examination, with written recommendation for approval or disapproval of the title to each Committed Working Interest involved. Each Party, within fifteen (15) days after receipt of such report and recommendation, shall notify each of the other Parties in writing whether it approves or disapproves title to the Committed Working Interests covered by the report. Any Party disapproving any title shall state the reasons therefor. If the Title Committee has unanimously recommended approval of the title to a Committed Working Interest a Party who does not so disapprove title thereto within said fifteen (15) day period shall be deemed to have approved such title. Title to a Committed Working Interest shall be deemed approved if and when approved as above provided by Parties having eighty per cent (80%) of the total Participating Interest of all the Parties. Title to a Committed Working Interest which is not approved as above provided within the fifteen (15) day period above specified shall be deemed disapproved at the end of said period.

11.6 No Drilling Until Title Approved. No well shall be drilled and no production facilities shall be erected on a tract of land within the Unit Area until title to the Committed Working Interest therein has been approved as herein provided.

11.7 Effect of Disapproval of Title. If title to a Committed Working Interest is disapproved as above provided the Party claiming such interest may, within thirty (30) days after such disapproval, either (a) provide indemnity on such terms, in such amount and covering such period of time as may be specified by the other Parties or (b) undertake by written notice to all other Parties to make a bona fide effort to cure, within a period of time specified by the other Parties, the deficiencies on account of which title was disapproved. In the latter event the proceeds of all Unitized Substances accruing to such interest shall be paid to Unit Operator and held in suspense until title to such interest is approved, or until expiration of the time fixed for curing deficiencies in title to such interest. If either of said elections is made by the Party claiming such interest and title to such interest is not approved within the time specified as above provided, or if neither of said elections is made by such Party, the following provisions shall then apply:

A. **Revision of Interests.** The interest, title to which has been disapproved, shall no longer be subject to this agreement and effective as of the first day of the month following such disapproval of title the Participating Interests and the Beneficial Interests of the Parties shall be revised accordingly; and

B. **Reimbursement.** If at the time of such disapproval of title the Party who claims ownership of such interest has not been fully reimbursed by the proceeds or market value of Unitized Substances theretofore allocated to such interest, for the share of Costs theretofore charged to such Party on account of such interest, such Party shall have the right:

(1) to receive the proceeds of Unitized Substances theretofore accrued to such interest and then held in suspense, up to the amount of such unrecovered Costs; and

(2) insofar as such unrecovered costs are not paid out of said proceeds held in suspense, to receive that portion of the Unitized Substances thereafter produced which would be allocable to such interest had title thereto not been disapproved until the proceeds or market value of such portion (plus the proceeds held in suspense, if any) shall equal such unrecovered Costs; said portion of Unitized Substances shall be contributed by the other Parties in proportion to their respective Beneficial Interests.

11.8 Title Examination Before Discovery. Prior to the drilling of the Initial Test Well and prior to the drilling of any Subsequent Test Wells the Title Committee shall examine or cause to be examined title to all Committed Working Interests which cover lands within the areas delineated by Unit Operator and referred to in Sections 11.2 B and 11.2 C and secure the approval or disapproval of the same. Prior to the drilling of the Initial Test Well any Party shall have the right to request title examination of any Committed Working Interest which it claims and which covers land outside the area delineated by Unit Operator under Section 11.2 B and secure the approval or disapproval of the same. The expense of any such requested title examination shall be borne by the requesting Party.

11.9 Title Papers to Be Furnished After Discovery. After discovery of Unitized Substances in paying quantities in the Unit Area each Party shall promptly furnish to Unit Operator all the title material listed in Section 11.2 B relating to all its Committed Working Interests.

11.10 Title Examination After Discovery. Promptly after discovery of Unitized Substances in paying quantities in the Unit Area the Title Committee shall examine or cause to be examined title to all Committed Working Interests and secure the approval or disapproval of the same.

11.11 Failure of Title to Approved Interest. If title to any Committed Working Interest has been approved and subsequently fails in whole or in part, the following shall be the consequences:

A. **Effect Upon Committed Parties.** Such title failure shall not cause any change in the proportions in which the Parties to this agreement at the date of such title failure as among themselves bear Costs and share in Unitized Substances, whether or not the true owner of the interest to which title failed joins in the Unit Agreement and this agreement.

B. **Damages.** Any loss, liability, damage or expense arising by reason of such failure of title, except liability to third parties for damages on account of prior production of Unitized Substances, shall be charged as Costs and borne by the Parties to this agreement at the date of title failure in proportion to their respective Participating Interests on such date.

C. Accounting for Unitized Substances. Any liability to third parties for damages on account of prior production of Unitized Substances shall be borne by the Parties in the same proportions in which they shared in such prior production.

11.12 Joinder by True Owner. The true owner of a Working Interest which has ceased to be subject to this agreement because title is disapproved or because title has failed may, upon such terms and conditions as are Approved by the Parties, join this agreement or enter into a separate operating agreement.

ARTICLE 12
INITIAL TEST WELL

12.1 Location. Unit Operator shall begin to drill the Initial Test Well within the time required by Section 9 of the Unit Agreement or any extension thereof at the location specified in Exhibit 3 attached hereto.

12.2 Costs of Drilling. The Costs of Drilling the Initial Test Well shall be shared by the Parties in the manner and in the proportions specified in said Exhibit 3 and in that certain letter agreement among the Parties dated March 31, 1960.

ARTICLE 13
ADDITIONAL DRILLING AND DEEPENING OR PLUGGING BACK

13.1 No Liability Without Consent. Except as provided in Exhibit 3 with respect to the Initial Test Well and except as provided in Section 17.4 dealing with Required Drilling no Party shall be liable for any portion of the Costs of Drilling any well or for any portion of the Costs incurred in Deepening or Plugging Back a well unless it elects to participate in such operations as hereinafter provided.

~~(Note: The following Articles 14 are alternates. The Parties should strike the one they do not wish to use.)~~

~~ARTICLE 14~~

~~SUBSEQUENT TEST WELLS~~

~~14.1 Purpose. The purpose of this Article is to enable one or more of the Parties to have a Subsequent Test Well drilled when all the Parties do not desire to participate in the Costs of Drilling such a well. This Article shall become effective seventy-five (75) days in advance of the date on which a Subsequent Test Well must be drilled to prevent the Unit Agreement from becoming subject to termination, but shall become effective only if all the Parties have not then agreed upon the Drilling of a Subsequent Test Well. Before the beginning of said seventy-five (75) day period any Party or Parties desiring to Drill a Subsequent Test Well shall have the right to do so by proceeding in accordance with, and subject to, the provisions of Article 16 dealing with Drilling After Discovery.~~

~~14.2 Notice of Proposed Drilling. If this Section becomes effective any Party desiring to have a Subsequent Test Well drilled shall give all other Parties written notice, specifying the location, depth and the estimated cost of the proposed Subsequent Test Well. Such notice shall not create an obligation to Drill the proposed well, unless all other Parties agree to participate therein.~~

~~14.3 Response to Notice. Within thirty (30) days after receipt of such notice each Party shall advise all other Parties in writing whether or not it wishes to participate in Drilling the proposed well. If all the Parties so advise that they wish to participate therein, the proposed well shall be Drilled by Unit Operator for the account of all the Parties. If any Party fails to respond to such notice within said thirty (30) day period, it shall be deemed to have elected not to participate in Drilling such proposed well.~~

~~14.4 Notice of Election to Drill. Unless all Parties agree to participate in response to said notice then within fifteen (15) days after expiration of said period of thirty (30) days each Party then desiring to have the proposed well Drilled shall give to all other Parties written notice of its election to proceed with the Drilling of said well. Failure to give such notice shall be deemed an election not to participate in said Drilling.~~

~~14.5 Effect of Election to Drill. If all the Parties so elect to proceed Unit Operator shall Drill the proposed well for the account of all the Parties, but if one or more, but not all of the Parties, so elect to proceed, Unit Operator shall Drill the well for the account of such Party or Parties, who shall constitute the Drilling Party. In either case Unit Operator shall commence operations for the drilling of the proposed well as promptly as reasonably possible after election to have the well Drilled. If Unit Operator is unable to begin Drilling the well prior to the termination date of the Unit Agreement, Unit Operator shall apply for an extension, but if unsuccessful will not be liable to the other Parties by reason of the termination of the Unit Agreement.~~

~~14.6 Subsequent Election. Any Party who has not previously elected to participate in the proposed well may do so by written notice given to all other Parties at any time before operations for Drilling the well are commenced, in which event such Party shall be included in the Drilling Party. However, such Party shall be bound by any and all Directions and Approvals theretofore given by the Drilling Party concerning the Drilling of the well.~~

~~14.7 Obligation of Non-Drilling Party. Immediately after commencing operations for Drilling the proposed well Unit Operator shall give written notice thereof to each Non-Drilling Party. Within ten (10) days after receipt of such notice each Non-Drilling Party shall be obligated to elect and comply with one of the following options:~~

~~Option 1. Execute and deliver to the Drilling Party a good and sufficient assignment transferring to the Drilling Party any and all Committed Working Interests owned by it, together with its entire interest under this agreement, insofar as relates to all quarter-quarter sections of land (or equivalent lots) within the Unit Area which are contained in an approximately square area of _____ acres with such well in the approximate center thereof; or~~

~~Option 2. Execute and deliver to the Drilling Party a good and sufficient assignment transferring to the Drilling Party an undivided _____ per cent (_____%) of all its Committed Working Interests, together with a like undivided _____ per cent (_____%) of its interest under this agreement.~~

~~Whichever assignment is made by a Non-Drilling Party shall be made with warranty of title only against liens, encumbrances and claims created by it, other than Lease Burdens shown in Exhibit B to the Unit Agreement, upon the interest or interests so assigned.~~

~~14.8 Effect of Option 1 Assignment. An assignment made in accordance with Option 1 of Section 14.7 shall not effect any change in the Participating Interests or the Beneficial Interests of the Parties with respect to those lands in the Unit Area which are not covered by the assignment, but thereafter the lands covered by the assignment shall be deemed Segregated Lands and shall be subject to the provisions of Article 27 dealing with Segregated Lands.~~

~~14.9 Apportionment of Interests Assigned Under Option 2. If an assignment is made under Option 2 provided for in Section 14.7 to two or more Parties each shall be deemed to have acquired the Committed Working Interest and the interest under this agreement so assigned in the proportion that the Participating Interest of each assignee immediately prior to such assignment then bears to the total Participating Interests of all such assignees.~~

~~14.10 Effect of Option 2 Assignment. If any Non-Drilling Party executes an assignment in accordance with Option 2 of Section 14.7, the Participating Interests and Beneficial Interests of the Parties shall be revised accordingly, effective as of commencement of the proposed well, and Unit Operator shall make an appropriate revision in Exhibit B to the Unit Agreement. In addition, (whether or not the land on which the well is drilled has become Segregated Lands by reason of execution of an assignment under Option 1 of Section 14.7), such Non-Drilling Party shall be deemed to have relinquished to the Drilling Party all of its remaining operating rights and working interest in and to the proposed well. If the well is completed as a producer of Unitized Substances such remaining operating rights and working interest so relinquished by such Non-Drilling Party shall revert to it at such time as the proceeds or market value of that portion of the Available Production from the well which would have accrued to its Beneficial Interest as revised, if the well had been Drilled for the account of all Parties, (after~~

~~deducting from such proceeds or market value a like portion of Lease Burdens paid in cash in respect of the Unitized Substances theretofore produced from the well and the taxes referred to in Section 9.3 B) shall equal that portion of the Costs incurred in Drilling the well and operating it up to such time, which would have been charged to such Non-Drilling Party's Participating Interest as revised had the well been Drilled for the account of all Parties. From and after such reversion, such Non-Drilling Party shall (a) bear that percentage of all Costs thereafter incurred in operation of the well, and own that percentage of the well, the operating rights and Working Interest therein and the materials and equipment therein or appurtenant thereto, which is equal to its Participating Interest as revised and (b) own that percentage of the Available Production from the well which is equal to its Beneficial Interest as revised.~~

~~**14.11 Rights and Obligations of Drilling Party Under Option 2.** If any Non-Drilling Party executes an assignment in accordance with Option 2 of Section 14.7, all Costs incurred in Drilling the proposed well shall be borne by the Drilling Party and, subject to reversion to each such Non-Drilling Party of its relinquished interest, such well, the materials and equipment therein and the Available Production therefrom, shall be owned by the Drilling Party.~~ If the Drilling Party includes two or more Parties:

~~A. Apportionment of Drilling Party Interests. Each such Party shall bear that percentage of all Costs incurred in Drilling and operating the well which is equal to its Participating Interest and shall own that percentage of the Available Production therefrom equal to its Beneficial Interest.~~

~~B. Apportionment of Relinquished Interests. That percentage of all Costs incurred in Drilling the well which is equal to the Participating Interest or Interests of the Non-Drilling Party or Parties shall be borne by the Parties comprising Drilling Party in proportion to their respective Participating Interests among themselves. Until reversion of the relinquished interest of a Non-Drilling Party, the Parties comprising Drilling Party, in proportion to their respective Participating Interests among themselves, shall (1) bear that percentage of the Costs incurred in operating the well equal to such Non-Drilling Party's Participating Interest and (2) own that percentage of the Available Production from the well equal to the Beneficial Interest of such Non-Drilling Party.~~

~~C. Lease Burdens. All payments accruing to Lease Burdens in respect of Unitized Substances produced from the well shall be borne by the Parties entitled to share in the Available Production therefrom in the same proportions that they are entitled to share therein.~~

~~**14.12 Reconveyance of Assigned Interests.** If for any reason the proposed well is not Drilled to the depth initially specified therefor, then, unless the well is completed at a lesser depth as a well productive of Unitized Substances in paying quantities, all Interests assigned by Non-Drilling Parties to the Drilling Party in accordance with Section 14.7 shall be reassigned to such Non-Drilling Parties without warranty of title except against liens, encumbrances and claims caused or created by the Drilling Party.~~

~~(Alternate)~~

ARTICLE 14
SUBSEQUENT TEST WELLS

14.1 Purpose. The purpose of this Article is to enable one or more of the Parties to have a Subsequent Test Well drilled when all the Parties do not desire to participate in the Costs of Drilling such a well. This Article shall become effective seventy-five (75) days in advance of the date on which a Subsequent Test Well must be drilled to prevent the Unit Agreement from becoming subject to termination, but shall become effective only if all the Parties have not then agreed upon the drilling of a Subsequent Test Well. Before the beginning of said seventy-five (75) day period any Party or Parties desiring to Drill a Subsequent Test Well shall have the right to do so by proceeding in accordance with, and subject to, the provisions of Article 16, dealing with Drilling After Discovery.

14.2 Rights and Obligations of Drilling Party. If this Article becomes effective any Party or Parties desiring to have a Subsequent Test Well Drilled shall have the right so to do by following the same procedure, subject to the same rights and obligations, as provided for in Article 16 dealing with Drilling After Discovery, ~~except that for the purpose of this Article the percentage specified in subsection B of Section 16.7 dealing with Relinquishment of Interests by Non-Drilling Party shall be.....per cent (.....%) instead of.....per cent (.....%).~~

ARTICLE 15
ESTABLISHMENT, REVISION AND CONSOLIDATION OF PARTICIPATING AREAS

15.1 Proposal. Unit Operator shall initiate each proposal for the establishment, revision or consolidation of a participating area by submitting the proposal in writing to each Party at least fifteen (15) days before filing the same with the Director. The date of proposed filing must be shown on the proposal.

15.2 Objections to Proposal. Prior to the proposed filing date any Party may submit to all other Parties written objections to such proposal. If the Unit Operator does not agree with the objection the Party making the same may renew it before the Director.

15.3 Revised Proposal. If Unit Operator agrees with any objection it receives, it shall revise the proposal and submit the same to the Parties in the same manner as if it were an original proposal so that all Parties will have opportunity to object thereto.

ARTICLE 16
DRILLING AFTER DISCOVERY

16.1 Purpose. The purpose of this Article is to enable one or more of the parties to have a well drilled after discovery of Unitized Substances in paying quantities when all the Parties do not desire to participate therein.

16.2 Notice of Proposed Drilling. At any time after discovery of Unitized Substances in paying quantities any Party may propose the Drilling of a well within the Unit Area by giving to each of the other Parties written notice specifying the location, depth and estimated cost of the proposed well, which location shall conform to any applicable spacing pattern theretofore adopted or then being followed.

16.3 Response to Notice. Within thirty (30) days after receipt of such notice each Party shall advise all other Parties in writing whether or not it wishes to participate in Drilling the proposed well. If all the Parties so advise that they wish to participate therein, the proposed well shall be Drilled by Unit Operator for the account of all the Parties. If any Party fails to respond to such notice within said thirty (30) day period it shall be deemed to have elected not to participate in drilling such proposed well.

16.4 Notice of Election to Drill. Unless all Parties agree to participate in response to said notice then within fifteen (15) days after expiration of said period of thirty (30) days each Party then desiring to have the proposed well Drilled shall give to all other Parties written notice of its election to proceed with the Drilling of said well. Failure to give such notice shall be deemed an election not to participate in Drilling said well.

16.5 Effect of Election to Drill. If all the Parties so elect to proceed, Unit Operator shall Drill the proposed well for the account of all the Parties, but if one or more, but not all, of the Parties so elect to proceed, Unit Operator shall Drill the well for the account of such Party or Parties, who shall constitute the Drilling Party; provided, however, that if the proposed well is to be Drilled within a participating area to any zone or pool for which such participating area was established the well shall not be drilled without the Approval of the Parties first obtained. Unit Operator shall commence operations for the Drilling of the proposed well as promptly as reasonably possible after all necessary approvals have been obtained.

16.6 Subsequent Election. Any Party who has not previously elected to participate in the proposed well may do so by written notice given to all other Parties at any time before operations for Drilling the well are commenced, in which event such Party shall be included in the Drilling Party. However, such Party shall be bound by any and all Directions and Approvals theretofore given by the Drilling Party concerning the Drilling of the well.

16.7 Relinquishment of Interests by Non-Drilling Party. If any Party does not elect, as above provided, to participate in Drilling the proposed well, such Non-Drilling Party shall be deemed to have relinquished to the Drilling Party all of its operating rights and working interest in and to the proposed well. If the well is completed as a producer of Unitized Substances the operating rights and working interest so relinquished by such Non-Drilling Party shall revert to it at such time as the proceeds or market value of that portion of the Available Production from the well which would have accrued to its Beneficial Interest, if the well had been Drilled for the account of all Parties, (after deducting from

such proceeds or market value a like portion of Lease Burdens paid in cash in respect of the Unitized Substances theretofore produced from the well and the taxes referred to in Section 9.3B) shall equal the total of the following:

A. 100% of that portion of the Costs incurred in operation of the well up to such time which would have been charged to such Non-Drilling Party's Participating Interest if the well had been Drilled for the account of all Parties; and

B. 300% of that portion of the Costs incurred in Drilling the well which would have been charged to such Non-Drilling Party's Participating Interest if the well had been Drilled for the account of all Parties.

From and after such reversion, such Non-Drilling Party shall (a) bear that percentage of all Costs thereafter incurred in operation of the well, and own that percentage of the well, the operating rights and working interest therein and the materials and equipment therein or appurtenant thereto, which is equal to its Participating Interest, and (b) own that percentage of all Available Production from the well which is equal to its Beneficial Interest.

16.8 Rights and Obligations of Drilling Party. If the proposed well is Drilled as above provided otherwise than for the account of all the Parties, all Costs incurred in Drilling the proposed well shall be borne by the Drilling Party and, subject to reversion to Non-Drilling Parties of their relinquished interests, such well, the materials and equipment therein, and Available Production therefrom, shall be owned by the Drilling Party. If the Drilling Party includes two or more Parties:

A. Apportionment of Drilling Party Interests. Each such Party shall bear that percentage of all Costs incurred in Drilling and operating the well which is equal to its Participating Interest and shall own that percentage of the Available Production therefrom equal to its Beneficial Interest.

B. Apportionment of Relinquished Interests. That percentage of all Costs incurred in Drilling the well which is equal to the Participating Interest or Interests of the Non-Drilling Party or Parties shall be borne by the Parties comprising Drilling Party in proportion to their respective Participating Interests among themselves. Until reversion of the relinquished interest of a Non-Drilling Party, the Parties comprising Drilling Party, in proportion to their respective Participating Interests among themselves, shall (1) bear that percentage of the Costs incurred in operating the well equal to such Non-Drilling Party's Participating Interest and (2) own that percentage of the Available Production from the well equal to the Beneficial Interest of such Non-Drilling Party.

C. Lease Burdens. All payments accruing to Lease Burdens in respect of Unitized Substances produced from the well shall be borne by the Parties entitled to share in the Available Production therefrom in the same proportions that they are entitled to share therein.

ARTICLE 17
REQUIRED WELLS

17.1 Definition. For the purpose of this Article a well shall be deemed a required well if the Drilling thereof is required by the final order of an authorized representative of the Department of Interior. Such an order shall be deemed final upon expiration of the time allowed for appeal therefrom without the commencement of appropriate appeal proceedings or, if such proceedings are commenced within said time, upon the final disposition of the appeal. Whenever Unit Operator receives any such order, it shall promptly mail a copy thereof to each of the other Parties and each if any such order is appealed, the Party appealing shall give prompt written notice thereof to each of the other Parties, Party and upon final disposition of the appeal, Unit Operator shall give each of the other Parties prompt written notice of shall the result thereof. have the

17.2 Election to Drill. Any Party desiring to Drill, or participate in the drilling of, a required well shall give to right to Unit Operator written notice thereof within thirty (30) days after the order requiring such well becomes final or appeal within such lesser time as may be required by such order. If such notice is given within said period Unit Operator the same; shall drill the required well for the account of the Party or Parties giving such notice, who shall bear all Costs incurred therein; the rights and obligations of such Party or Parties with respect to the ownership of such well, the operating rights therein, the Available Production therefrom and the bearing of Costs incurred therein shall be the same as if the well had been Drilled for the account of such Party or Parties under Article 16 dealing with Drilling After Discovery.

17.3 Alternatives to Drilling. If no Party elects to Drill a required well pursuant to Article 16 within the period allowed for such election, and if any of the following alternatives is available, the first such alternative which is available shall be followed:

A. Compensatory Royalties. If compensatory royalties may be paid in lieu of Drilling the well and if payment thereof is authorized by the Parties within said period, Unit Operator shall pay such compensatory royalties; or

B. Contraction. If the Drilling of the well may be avoided, without other penalty, by contraction of the Unit Area through exclusion of lands not then within a participating area, Unit Operator shall make reasonable effort to effect such contraction with the approval of the Director; or

C. Termination. If Unitized Substances have not theretofore been discovered in paying quantities within the Unit Area, the Parties shall join in termination of the Unit Agreement in accordance with its provisions.

17.4 Required Drilling. If none of the foregoing alternatives is available, Unit Operator shall Drill the required well for the account of all the Parties, each of whom shall bear that percentage of all Costs incurred therein which is equal to its Participating Interest, unless one or more of the parties shall elect to avail themselves of the benefits provided by Article 16.

ARTICLE 18
DEEPENING OR PLUGGING BACK

18.1 Purpose of Article. It is the purpose of this article to specify the circumstances under which, and the procedure by which, wells may be Deepened or Plugged Back otherwise than for account of all the Parties, whether or not theretofore completed as producers of Unitized Substances. If all the Parties consent in writing to the Deepening or Plugging Back of a well owned by all the Parties, such Deepening or Plugging Back shall be conducted by Unit Operator for the account of all the Parties, and this Article shall not apply thereto. If no Party elects to Deepen or Plug Back a Well Drilled hereunder but not completed as a producer, or a producing well which every Party owning an interest therein desires to abandon, such well shall be abandoned and plugged by Unit Operator for the account of the Parties then owning interests therein.

18.2 Notice and Response on Discontinuance of Production From Producing Well. If every Party then owning an interest in a well completed as a producer of Unitized Substances agrees in writing to discontinue operation of such well for production from each pool or zone in which it is then completed, Unit Operator shall give written notice thereof to all the Parties, except that such notice need not be given in the case of a well owned by all the Parties if every Party has consented in writing to abandonment and plugging of the well, or if every Party has agreed in writing to participate in Deepening or Plugging Back the well. If such notice is required, any Party proposing to Deepen or Plug Back such well shall, within twenty (20) days after receipt of the notice given by Unit Operator, so advise all other Parties in writing, stating the projected depth of the Deepening or Plugging Back and the estimated cost thereof. If such proposal is so made, each of the other Parties who desires to participate therein shall so advise all other Parties in writing within thirty (30) days after receipt of the proposal. Any Party or Parties then electing to proceed with the Deepening or Plugging Back shall give Unit Operator written notice thereof within fifteen (15) days after expiration of said period of thirty (30) days.

18.3 Notice and Response on Direction by Parties. The Deepening or Plugging Back of a well completed as a producer of Unitized Substances may be Directed by the Parties owning such well. In such event, unless the well is owned by all the Parties and every Party has joined in such Direction, Unit Operator shall give written notice thereof to all the Parties, stating the projected depth of such Deepening or Plugging Back and the estimated cost thereof, and within fifteen (15) days after the giving of such notice, any Party or Parties then electing to proceed with such Deepening or Plugging Back shall give to Unit Operator written notice thereof.

18.4 Notice and Response on Well Not Completed as Producer. After a well Drilled hereunder has been drilled to its projected depth, but not completed as a producer, if abandonment of the well is Directed by the Party or Parties for whose account the well was Drilled, or if, in the absence of such Direction, Unit Operator decides to abandon such well, Unit Operator shall so notify all the Parties by telephone or telegram, except that such notice need not be given if the well was Drilled for the account of all the Parties, and every Party consents to abandonment and plugging of the well. If such notice is required, each Party electing to proceed with the Deepening or Plugging Back of the well shall so notify Unit Operator by telegram or by written notice delivered to Unit Operator within forty-eight (48) hours after

receipt of the notice given by Unit Operator. Likewise, if any Party desires to attempt to complete such well as a producer of Unitized Substances at its then depth, such Party shall have the right so to do by giving like notice to Unit Operator of its election to proceed with such completion attempt, in which event such completion attempt shall be deemed a Deepening or Plugging Back operation for the purposes of this Article.

18.5 **Prior Rights of Parties.** In application of Sections 18.2, 18.3 and 18.4 to a well not owned by all the Parties, if election to proceed with the Deepening or Plugging Back of such well is made, as above provided, by a Party or Parties who participated in the initial drilling of the well, or whose relinquished interest therein has theretofore reverted, then, except with the written consent of such Party or Parties, no other Party shall have the right to participate in the Deepening or Plugging Back of such well.

18.6 **Conflict Between Deepening or Plugging Back or Attempting Completion.** If any Party elects in accordance with Section 18.4 to attempt completion of a well at its then depth, such completion attempt shall be made for the account of the Party or Parties making such election notwithstanding election by any other Party or Parties to Deepen or Plug Back the well. If any Party elects to proceed with the Deepening of a well in accordance with Sections 18.2, 18.3 or 18.4 then (subject to the prior right of any Party or Parties electing to make a completion attempt in accordance with Section 18.4, if applicable) the well shall be deepened for the account of the Party or Parties making such election, notwithstanding election by any other Party or Parties to Plug Back the well. In either of the above mentioned events, if the completion attempt or the Deepening operation, as the case may be, does not result in completion of the well as a producer of Unitized Substances, Unit Operator shall give written notice thereof to all the Parties in accordance with Section 18.4, which shall govern the rights of the Parties with respect to election to Deepen or Plug Back the well.

18.7 **Effect of Election to Deepen or Plug Back and Limitation on Right.** If any of the Parties elect to proceed with the Deepening or Plugging Back of a well in accordance with Sections 18.2, 18.3 or 18.4, such Party or Parties (except any such Party who is not entitled to participate therein under Section 18.5) shall constitute the Drilling Party, and Unit Operator shall conduct such operation for the account of the Drilling Party; provided, however, that a well which is within an established Participating Area shall not be Deepened or Plugged Back to any pool or zone for which such participating area was established, except with the prior Approval of the Parties, on the giving of which all Parties shall be entitled to vote whether or not the well is owned by all the Parties.

18.8 **Subsequent Election.** Any Party who has the right to do so in accordance with Section 18.5, but who has not previously elected to participate in a Deepening or Plugging Back operation with which any other Party has elected to proceed, as provided in Sections 18.2, 18.3 or 18.4, shall have the right to participate in such operation by written notice given to all other Parties at any time before operations for Deepening or Plugging Back the well are commenced, in which event such Party shall be included in the Drilling Party. However, such Party shall be bound by any and all Directions and Approvals theretofore given by the Drilling Party concerning such operation.

18.9 **Relinquishment of Interest by Non-Drilling Parties.** When a well is Deepened or Plugged Back otherwise than for the account of all Parties, each Non-Drilling Party shall be deemed to have relinquished to the Drilling Party all of its operating rights and working interest in and to such well. If any Non-Drilling Party owns an interest in any materials and equipment in or appurtenant to the well, the Drilling Party shall pay to such Non-Drilling Party its share of the Salvage Value of such materials and equipment; upon such payment the interest of such Non-Drilling Party in such materials and equipment shall be deemed relinquished to the Drilling Party. If the well after being Deepened or Plugged Back is completed as a producer of Unitized Substances, the operating rights and working interest so relinquished by a Non-Drilling Party shall revert to it at such time as the proceeds or market value of that portion of the Available Production obtained from the well, after such Deepening or Plugging Back, which would have accrued to such Non-Drilling Party's Beneficial Interest, if the well had been Deepened or Plugged Back for the account of all Parties, (after deducting from such proceeds or market value a like portion of Lease Burdens paid in cash in respect of the Unitized Substances theretofore produced from the well and the taxes referred to in Section 9.3 B) shall equal the total of the following:

A. 100% of that portion of the Costs incurred in operating the well after such Deepening or Plugging Back and up to such time which would have been charged to such Non-Drilling Party's Participating Interest had the well been Deepened or Plugged Back for the account of all the Parties; and

B. 200...% of (1) that portion of the Costs incurred in Deepening or Plugging Back the well which would have been charged to such Non-Drilling Party's Participating Interest if the well had been Deepened or Plugged Back for the account of all the Parties and (2) the amount, if any, paid to such Non-Drilling Party as its share of the Salvage Value of materials and equipment in or appurtenant to the well as above provided in this section;

provided, however, that if such Non-Drilling Party did not, and the Drilling Party did, participate in the initial Drilling of the well and if the interest relinquished by it in connection therewith in accordance with Section 16.7 dealing with Relinquishment of Interests by Non-Drilling Party had not reverted to it before such Deepening or Plugging Back, then for the purposes of Subdivision B above there shall be included in and deemed part of the Costs incurred in the Deepening or Plugging Back that portion (if any) of the unrecovered Costs incurred in the initial Drilling of the well which would have been charged to such Non-Drilling Party's Participating Interest if the well had been initially Drilled for the account of all the Parties; and provided further, that if the well is within a previously established participating area and is Deepened or Plugged Back to a pool or zone for which such participating area was established, after obtaining the Approval of the Parties as above provided, then the amount specified in Subdivision B above shall be limited to 100% of that portion of the unrecovered Costs incurred in the initial Drilling of the well down to such pool or zone that would have been chargeable to such Non-Drilling Party's Participating Interest had the well been Drilled for the account of all the Parties.

18.10 **Effect of Reversion.** Reversion to a Non-Drilling Party of the interest relinquished by it in connection with the Deepening or Plugging Back of a well shall have the same effect as the reversion provided for in Section 16.7 dealing with Relinquishment of Interests by Non-Drilling Party.

18.11 **Rights and Obligations of Drilling Parties.** All Costs incurred in Deepening or Plugging Back a well otherwise than for the account of all the Parties shall be borne by the Drilling Party and, subject to reversion to Non-Drilling Parties of their relinquished interests, such well, the materials and equipment therein and the Available Production therefrom shall be owned by the Drilling Party. If the Drilling Party includes two (2) or more Parties apportionment between them of Costs incurred in Deepening or Plugging Back the well, Available Production therefrom, and Lease Burdens shall be in accordance with subdivisions A, B, and C of Section 16.8 dealing with the Rights and Obligations of Drilling Party.

ARTICLE 19
SEPARATE MEASUREMENT AND SALVAGE

19.1 **Separate Measurement.** If a well Drilled, Deepened or Plugged Back otherwise than for the account of all the Parties is completed as a producer of Unitized Substances and if, within thirty (30) days after request, a method of measuring the production from such well that does not require additional facilities is not Approved by the Parties, then Unit Operator shall install such additional tankage, flow lines or other facilities for separate measurement of the Unitized Substances produced from such well as Unit Operator may deem suitable. The Costs of such facilities for separate measurement shall be charged to and borne by the Drilling Party and treated as Costs incurred in operating such well.

19.2 **Salvaged Materials.** If any materials and equipment are salvaged from a well Drilled, Deepened or Plugged Back otherwise than for the account of all the Parties, and completed for production, before reversion to the Non-Drilling Parties of their relinquished interests in the well, the proceeds derived from sale thereof, or, if not sold, the Salvage Value thereof, shall be treated in the same manner as proceeds of Available Production from such well for the purpose of determining reversion to Non-Drilling Parties of their relinquished interests in such well.

ARTICLE 20
PLANS OF DEVELOPMENT

20.1 **Wells and Projects Included.** Each plan for the development and operation of the Unit Area which is submitted by Unit Operator to the Supervisor in accordance with the Unit Agreement shall make provision only for such Drilling, Deepening and Plugging Back operations and such other projects as Unit Operator has been authorized to conduct by the Parties chargeable with the Costs incurred therein.

20.2 **Notice of Proposed Plan.** At least ten (10) days before submitting any such proposed plan to the Supervisor, Unit Operator shall give each Party written notice thereof, together with a copy of the proposed plan.

20.3 **Notice of Approval or Disapproval.** If and when a proposed plan has been approved or disapproved by the Supervisor, Unit Operator shall give prompt written notice thereof to each Party. In case of disapproval Unit Operator shall state in such notice the reasons therefor.

20.4 **Amendments.** If a Drilling, Deepening or Plugging Back operation which is authorized by all the Parties, or which any of the Parties have elected to perform in accordance with Article 16 dealing with Drilling After Discovery or Article 17 dealing with Required Wells or Article 18 dealing with Deepening or Plugging Back is not provided for in the then current plan of development as approved by the Supervisor, Unit Operator shall either (a) request the Supervisor to approve an amendment to such plan which will provide for the conduct of such operation, or (b) request the Supervisor to consent to such operation, if his consent is sufficient.

20.5 **Cessation of Operations Under Plan.** If any such plan as approved by the Supervisor provides for the cessation of any Drilling or other operation therein provided for on the happening of a contingency and if such contingency occurs, Unit Operator shall promptly cease such Drilling or other operations and shall not incur any additional Costs in connection therewith unless and until such Drilling or other operations are again authorized in accordance with this agreement by the Parties chargeable with such Costs.

ARTICLE 21
SECONDARY RECOVERY AND PRESSURE MAINTENANCE

21.1 **Consent Required.** Unit Operator shall not undertake any program of secondary recovery or pressure maintenance involving injection of gas, water or other substance by any method, whether now known or hereafter devised, without first obtaining the consent of not less than all Parties in the aggregate owning not less than One hundred per cent (100 %) of the Participating Interests of all Parties.

21.2 **Above Ground Facilities.** This agreement shall not be deemed to require any Party to participate in the construction or operation of any gasoline plant, sulphur recovery plant, de-waxing plant or other above ground facilities to process or otherwise treat Unitized Substances, other than such facilities as may be required for treating Unitized Substances in ordinary lease operations and such facilities as may be required in the conduct of operations authorized under Section 21.1.

ARTICLE 22
DISPOSITION OF PRODUCTION

22.1 **Taking in Kind.** Each Party shall, currently as produced, take in kind or separately dispose of its share of Available Production and pay Unit Operator for any extra expenditure necessitated thereby. Each Party shall be entitled to receive directly payment for its proportionate share of the proceeds from the sale of all Available Production, and on all purchases or sales, each Party shall execute any division order or contract of sale pertaining to its share of Available Production.

22.2 **Failure to Take in Kind.** If any Party fails to so take or dispose of its share, Unit Operator shall have the right, for the time being and subject to revocation at will by the Party owning same, to purchase for its own account or sell to others such share, at not less than the market price prevailing in the area and not less than the price Unit Operator receives for its share of Available Production, subject to the right of such Party to exercise at any time its right to take in kind or separately dispose of its own share of Available Production not previously delivered by Unit Operator to others pursuant to this Section 22.2.

22.3 Transportation Facilities. See Page 15.

ARTICLE 23
DISPOSAL OF MATERIALS AND EQUIPMENT

23.1 **Classification as Surplus.** Unit Operator, by written notice to the Parties, may classify as surplus any materials and equipment owned by the Parties when deemed by it to be no longer needed in operations hereunder.

23.2 **Division in Kind.** Each Party shall have the right to take in kind its share of surplus tubular goods and other surplus items which are susceptible of division in kind except junk and any item having a replacement cost less than $1,500.00. Said right may be exercised only by written notice to Unit Operator within thirty (30) days after classification as surplus of the materials to be taken in kind.

23.3 **Sale to Parties.** Surplus tubular goods and other items not divided in kind (other than junk and any item having a replacement cost of less than $1,500.00) shall be offered to the Parties and sold to the highest bidder or bidders.

23.4 **Sale to Others.** Surplus materials not disposed of in accordance with Sections 23.2 and 23.3 and junk materials shall be disposed of by Unit Operator for the best prices obtainable.

ARTICLE 24
TRANSFERS OF INTEREST

24.1 **Partial Transfer.** ~~No Party shall assign, mortgage or transfer less than its entire Committed Working Interest and its entire interest under this agreement without first obtaining the Approval of the Parties; provided, however, that after the Drilling of the Initial Test Well or Wells and prior to discovery of Unitized Substances in paying quantities any Party shall have the right, without obtaining the Approval of the Parties, to transfer a portion of its Committed Working Interest under a farmout arrangement, in consideration of the Drilling of a well within the Unit Area free of expense to the other Parties, but only if the well, if completed as a producer of Unitized Substances, will be owned and the Available Production therefrom will be shared by all the Parties in the same manner as if the well had been Drilled for the account of all the Parties, including such transferee.~~ See Page 15.

24.2 **Sale by Unit Operator.** If Unit Operator sells all its Committed Working Interests, it shall resign and a new Unit Operator shall be selected as provided in Section 6 of the Unit Agreement.

24.3 **Assumption of Obligations.** No Party shall make any transfer of Committed Working Interests without making the same expressly subject to the Unit Agreement and this agreement and requiring the transferee in writing to assume and to agree to perform all obligations of the transferor under the Unit Agreement and this agreement insofar as relates to the interest assigned, except that such assumption of obligations shall not be required in case of a transfer by mortgage or deed of trust as security for indebtedness.

24.4 **Effective Date.** A transfer of Committed Working Interests shall not be effective as between the Parties until the first day of the month next following the delivery to Unit Operator of the original or a certified copy of the instrument of transfer conforming to the requirements of Section 24.3, along with evidence satisfactory to Unit Operator of approval by the governmental authority having supervision over the Committed Working Interest transferred, where such approval is required. In no event shall a transfer of Committed Working Interests relieve the transferring Party of any obligations accrued hereunder prior to said effective date, for which purpose any obligation assumed by the transferor to participate in the Drilling, Deepening or Plugging Back of a well prior to such effective date shall be deemed an accrued obligation.

~~(Note: The following Section should be stricken if not desired by the Parties.)~~

24.5 **Preferential Right of Purchase.** Before any Party makes a sale of all or any part of its Committed Working Interest it shall give to the other Parties written notice describing the Committed Working Interest proposed to be sold and stating the price at which and the terms upon which such Party is willing to sell the same. For a period of fifteen (15) days after receipt of such notice the other Parties shall have the right to purchase the interest proposed to be sold at the same price and upon the same terms as stated in said notice, which right may be exercised only by written notice given to the selling Party within the said period of fifteen (15) days. If said right is exercised by any of the Parties, the obligation to purchase shall be subject to title to such interests being found to be merchantable in the selling Party and a reasonable time shall be allowed for examination of title thereto. Upon approval of title the selling Party shall convey such interests to the purchasing Party or Parties who shall thereupon pay to the selling Party the purchase price specified therefor; if two or more Parties have

elected to purchase such interest, the purchase shall be made by them in proportion to their Participating Interests among themselves. If no Party exercises said right of purchase within said fifteen (15) day period, as above provided, the selling Party shall be free to sell the Committed Working Interest described in its notice to any other purchaser provided the sale is consummated within ninety (90) days after the giving of the initial notice of proposal to sell and for a price no lower and terms no less favorable to the selling party than the price and terms specified in such initial notice. Such interests shall not be sold after the expiration of said period of ninety (90) days or for any lower price than said specified price without written notice to the other Parties as hereinabove provided.

The provisions of this Section 24.5 shall not apply to

A. The mortgage by any Party of all or any part of its Committed Working Interest; or

B. To the transfer by any corporate Party of all or any part of its Committed Working Interest to its parent corporation or to a subsidiary corporation or to a corporation which is the subsidiary of its parent corporation; or

C. The sale by any Party of all or substantially all of its oil and gas properties within the state in which the Unit Area is located; or

D. A farmout arrangement made pursuant to the provisions of Section 24.1 dealing with Partial Transfer.

E. Any sale by Donald B. Anderson or Hondo Oil & Gas Company.

ARTICLE 25

ABANDONMENT OF PRODUCING WELLS

25.1 Consent Required. A well which has been completed as a producer of Unitized Substances shall not be abandoned and plugged, nor shall the operation of such well for production from the formations or zones in which it has been completed be discontinued, except with the written consent of all Parties then owning the well or except as provided in Section 18.3 dealing with Notice and Response on Direction by Parties and the succeeding provisions of Article 18 dealing with Deepening or Plugging Back.

25.2 Abandonment Procedure. If the abandonment of a well which has once produced is Directed by the Parties Unit Operator shall give written notice thereof to each party then having an interest in the well who did not join in such Direction. Any such non-joining Party who objects to abandonment of the well (herein called non-abandoning Party) may give written notice thereof to all other Parties (herein called abandoning Parties) then having interests in the well, provided such notice is given within thirty (30) days after receipt of the notice given by Unit Operator. If such objection is so made the non-abandoning Party or Parties shall forthwith pay to the abandoning Parties their respective shares of the Salvage Value of the materials and equipment in or appurtenant to the well, less the reasonably estimated cost of plugging the well. Upon the making of such payment the abandoning Parties shall be deemed to have relinquished unto the non-abandoning Party or Parties all their operating rights and working interest in the well and the area prescribed for such well by spacing order of state or governmental authority, or, if there is no such order, the area established for such well by the spacing pattern then in use in the field, or, if there is no such order or spacing pattern, then the forty (40) acre legal subdivision, or fractional lot or lots approximating the same, embracing such well, but only with respect to the formation or zone in which it is then completed, and all their interest in the materials and equipment in or appurtenant to the well. If there is more than one non-abandoning Party each shall be deemed to have acquired the operating rights and working interest so relinquished in the proportion that the Participating Interest of each such Party immediately prior to such relinquishment then bears to the total Participating Interests of all non-abandoning Parties.

25.3 Rights and Obligations of Non-Abandoning Party. After the relinquishment above provided for such well shall be operated by Unit Operator for the account of the non-abandoning Party or Parties, who shall own all Available Production therefrom and shall bear all Lease Burdens and Costs thereafter incurred in operating the well and plugging it when abandoned, and also the Costs of any additional tankage, flow lines or other facilities needed to measure separately the Unitized Substances produced from the well; said operating costs shall include an overhead charge computed at the highest per well rate applicable to the operation of a single producing well in accordance with Exhibit 2, if such rate is provided.

25.4 Option to Repurchase Materials. If a well taken over by the non-abandoning Party or Parties as above provided is abandoned for plugging within six (6) months after relinquishment by the abandoning Parties of their interest therein, each abandoning Party shall have the right at its option to repurchase that portion of the materials and equipment salvaged from the well equal to the interest relinquished by it to the non-abandoning Party or Parties at the value fixed therefor in accordance with Section 25.2. Said option may be exercised only by written notice given to Unit Operator and the non-abandoning Party or Parties within fifteen (15) days after receipt of the notice given by Unit Operator in connection with such well in accordance with Section 18.2 dealing with Notice and Response on Discontinuance of Production from Producing Well.

ARTICLE 26

SURRENDER

26.1 Release from Obligations. At any time after the Drilling of the Initial Test Well or Wells any Party who is not then committed to participate in the Drilling, Deepening or Plugging Back of a well within the Unit Area and who desires to be relieved of further obligation under this agreement may give to all other Parties written notice thereof. Such other Parties or any of them shall have the right at their option to take from such Party an assignment of all its Committed Working Interests and its entire interest under this agreement by giving to such Party a written notice of election so to do within thirty (30) days after receipt of the initial notice. If such election is made within said period the Party or Parties taking the assignment shall pay to the assigning Party its share of the Salvage Value of any salvable materials and equipment then owned by the Parties, less the reasonably estimated cost of plugging any well or wells in which the assigning Party then has an interest, such payment to be made on receipt of an assignment from the assigning Party of its said interests. If such assignment is taken by more than one Party the Committed Working Interest thereby acquired by them shall be apportioned among such Parties in proportion to their participating interests among themselves. If no Party elects to take such assignment within said thirty (30) day period the Parties shall join in termination of the Unit Agreement.

26.2 Right to Surrender Inside Participating Area. No Committed Working Interest shall be surrendered in whole or in part as to any lands within any Participating Area, without the written consent of all Parties.

26.3 Right to Surrender Outside Participating Area. Committed Working Interests covering lands outside a Participating Area shall not be surrendered in whole or in part without the Approval of the Parties.

26.4 Procedure on Surrender Outside Participating Area. Whenever a Party desires that a Committed Working Interest of any Party covering lands outside a participating area be surrendered, whether or not legal title to such Committed Working Interest is owned by the Party desiring such surrender, such Party shall give to all other Parties written notice thereof, describing such Committed Working Interest. The other Parties, or any of them, shall have the right at their option to take from the Party desiring the surrender an assignment of the entire interest (if any) of such Party in such Committed Working Interest and, subject to such Party's rights under Section 26.5, its entire interest under this agreement insofar as relates to the land covered by such Committed Working Interest, by giving to the Party desiring the surrender written notice of election so to do within thirty (30) days after receipt of such notice. If such election is made within said period the Party or Parties taking the assignment shall pay to the assigning Party its share of the Salvage Value of any salvable materials and equipment owned by the Parties and then located on the land covered by such Committed Working Interest, less the reasonably estimated cost of plugging any well or wells located on such land in which the assigning Party then has an interest, such payment to be made on receipt of an assignment from the assigning Party of its said interest. If no Party elects to take such assignment within such thirty (30) day period the Parties shall cooperate in an effort to contract the Unit Area by exclusion of the land covered by such Committed Working Interest. If such contraction is not effected within thirty (30) days after expiration of the time limited for election to take an assignment as above provided then the Parties shall be deemed to have approved surrender of such Committed Working Interests and the Party or Parties owning legal title to such Committed Working Interests shall forthwith surrender it if surrender thereof can be made in accordance with Section 31 of the Unit Agreement.

26.5 **Effect of Assignment or Surrender.** An assignment made by any Party to another Party or Parties in accordance with Section 26.4 or a surrender of any Committed Working Interest as provided in this Article shall not effect any change in the Participating Interests or the Beneficial Interests of the Parties insofar as relates to all lands within the unit area not covered by the assignment or surrender. However, from and after such assignment or surrender the lands covered thereby shall be deemed Segregated Lands and shall be subject to the provisions of Article 27 dealing with Segregated Lands.

26.6 **Accrued Obligations.** An assignment or surrender in accordance with this Article shall not relieve any Party of its liability for any obligation accrued hereunder prior to such assignment or surrender, or of obligation to bear its share of the Costs incurred in any Drilling, Deepening or Plugging Back operation in which such Party has elected to participate prior to such assignment or surrender.

ARTICLE 27
SEGREGATED LANDS

27.1 **Exclusion From Agreement.** Whenever any lands within the Unit Area become Segregated Lands in accordance with ~~Section 14.8 dealing with Effect of Option 1 Assignment or~~ Section 26.5 dealing with Effect of Assignment or Surrender, such lands shall cease to be subject to this agreement but shall remain subject to the Unit Agreement.

27.2 **Interests of Parties in Assigned Lands.** Upon the making of an assignment referred to in ~~Section 14.8 or~~ Section 26.5, the assigning Party shall cease to have any interest in the lands which become Segregated Lands by reason thereof. Insofar as relates to such Segregated Lands, the Participating Interest and the Beneficial Interest of the assigning Party shall be deemed to have been transferred to and acquired by the Party or Parties receiving such assignment, each of whom (if more than one) shall be deemed to have acquired such interests so assigned in the proportion that its Participating Interest immediately prior to such assignment then bears to the total Participating Interests of all assignees. In addition, each Party retaining an interest in such segregated lands shall retain the same Participating Interest and Beneficial Interest therein as it had immediately prior to such assignment.

27.3 **Operation of Lands Segregated by Assignment.** All operations on lands which become Segregated Lands by reason of assignment pursuant to Section ~~14.8 and~~ 26.5 shall be conducted by Unit Operator for the account and at the expense of the Party or Parties retaining interests therein. Unless otherwise agreed between Unit Operator and such Party or Parties, their respective rights and obligations with respect to such Segregated Lands shall be the same in all respects as if Unit Operator and such Party or Parties had entered into an agreement identical with this agreement but covering only such Segregated Lands, except that if two or more Parties retain interests in the Segregated Lands, the Participating Interest and the Beneficial Interest of each shall be determined in accordance with Section 27.2.

27.4 **Operation of Lands Segregated by Surrender.** All operations on lands which become Segregated Lands by reason of surrender and which remain committed to the Unit Agreement shall be carried on by Unit Operator for the account and at the expense of the parties owning the working interests therein. All Lease Burdens shown on Exhibit B to the Unit Agreement on the effective date hereof payable on account of Unitized Substances produced from Segregated Lands shall be paid by the Unit Operator and shall be charged to and borne by the owners of the working interest in the Segregated Lands in proportion to their Beneficial Interests therein.

ARTICLE 28
CONTRACTION OR EXPANSION OF UNIT AREA

28.1 **Contraction.** In the event of contraction of the Unit Area as provided in Section 2 of the Unit Agreement, the lands excluded from the Unit Area shall be excluded from this agreement, but such exclusion shall not alter the Participating Interests or the Beneficial Interests of the Parties as to lands remaining in the Unit Area.

28.2 **Expansion.** In the event of expansion of the Unit Area as provided in Section 2 of the Unit Agreement the lands added to the Unit Area shall not become subject to this agreement unless and until the owner or owners of the working interest in such lands become Parties to this agreement in accordance with Article 35 dealing with Subsequent Joinder, and until such time any reference to Unit Area shall not include such lands for the purposes of this agreement.

28.3 **Approval Required.** The Unit Operator shall not initiate any contraction or expansion of the Unit Area except with the Approval of the Parties first obtained.

ARTICLE 29
SEVERAL, NOT JOINT LIABILITY

29.1 **Liability.** ~~The liability of the Parties hereunder shall be several and not joint or collective. Each Party shall be responsible only for its obligations as herein set out.~~ See Page 16.

29.2 **No Partnership Created.** ~~It is not the intention of the Parties to create, nor shall this agreement or the Unit Agreement be construed as creating a mining or other partnership or association between the Parties, or to render them liable as partners or associates.~~ See Page [illegible] 16.

ARTICLE 30
NOTICES

30.1 **Giving and Receipt.** Except as otherwise specified herein, any notice, consent, Approval, Direction or statement herein provided or permitted to be given by Unit Operator or a Party to the Parties shall be given in writing by United States mail or by telegraph, properly addressed to each Party to whom given, with postage or charges prepaid, or by delivery thereof in person to the Party to whom given; however, if delivered to a corporate Party it shall not be deemed given unless delivered personally to an executive officer of such Party or to its representative designated pursuant to Section 7.5 dealing with Representatives. A notice given under any provision hereof shall be deemed given only when received by the Party to whom such notice is directed, except that any notice given by United States registered mail or by telegraph, properly addressed to the Party to whom given with all postage and charges prepaid, shall be deemed given to and received by the Party to whom directed forty-eight (48) hours after such notice is deposited in the United States mails or twenty-four (24) hours after such notice is filed with an operating telegraph company for immediate transmission by telegraph, and also except that a notice to Unit Operator shall not be deemed given until actually received by it.

30.2 **Proper Addresses.** Each Party's proper address shall be deemed to be the address set forth under or opposite its signature hereto unless and until such Party specifies another post office address within the continental limits of the United States by not less than ten (10) days prior written notice to all other Parties.

ARTICLE 31
EXECUTION IN COUNTERPARTS AND RATIFICATION

31.1 **Counterparts.** This agreement may be executed in counterparts and all such counterparts taken together shall be deemed to constitute one and the same instrument.

31.2 **Ratification.** This agreement may be executed by the execution and delivery of a good and sufficient instrument of ratification, adopting and entering into this agreement. Such ratification shall have the same effect as if the party executing it had executed this agreement or a counterpart hereof.

ARTICLE 32
SUCCESSORS AND ASSIGNS

32.1 **Covenants.** This agreement shall be binding on and inure to the benefit of all Parties signing the same, their heirs, devisees, personal representatives, successors and assigns, whether or not it is signed by all the parties listed below. The terms hereof shall constitute a covenant running with the lands and the Committed Working Interests of the Parties.

ARTICLE 33
HEADINGS FOR CONVENIENCE

33.1 **Headings.** The table of contents and the headings used in this agreement are inserted for convenience only and shall be disregarded in construing this agreement.

ARTICLE 34
EFFECTIVE DATE AND TERM

34.1 Effective Date. This agreement shall become effective on the effective date of the Unit Agreement.

34.2 Term. The term of this agreement shall be the same as the term of the Unit Agreement.

34.3 Effect of Termination. Termination of this agreement shall not relieve any Party of its obligations accrued hereunder before such termination. Notwithstanding termination of this agreement the provisions hereof relating to the charging and payment of Costs and the disposition of materials and equipment shall continue in force until all materials and equipment owned by the Parties have been disposed of and until final accounting between Unit Operator and the Parties. Termination of this agreement shall automatically terminate all rights and interests acquired by virtue of this agreement in lands within the Unit Area except such transfers of Committed Working Interests as have been evidenced by formal written instruments of transfer.

34.4 Effect of Signature. When this agreement is executed by two Parties, execution by each shall be deemed consideration for execution by the other and each Party theretofore or thereafter executing this agreement shall thereupon become and remain bound hereby until the termination of this agreement. However, if the Unit Agreement does not become effective within twelve (12) months from and after the date of this agreement then at the expiration of said period this agreement shall terminate.

ARTICLE 35
SUBSEQUENT JOINDER

35.1 Prior to the Commencement of Operations. Prior to the commencement of operations under the Unit Agreement, all owners of Working Interests in the Unit Area who have joined in the Unit Agreement shall be privileged to execute or ratify this agreement, except as otherwise provided in Section 11.12 which deals with Joinder by True Owner.

35.2 After Commencement of Operations. After commencement of operations under the Unit Agreement, subsequent joinder in the Unit Agreement and in this agreement by any owner of Working Interest in land within the Unit Area who is not a Party shall be permitted upon such reasonable terms and conditions as may be approved by the Parties.

ARTICLE 36
WITHDRAWAL OF TRACTS

36.1 Restriction. No Party shall withdraw a tract from the Unit Area except with the written Approval or Direction of the Parties.

36.2 Required Withdrawal. If the owner of any substantial Lease Burden in a tract within the Unit Area fails to join in the Unit Agreement, upon Direction of the Parties in writing such tract shall be withdrawn from the Unit Area in accordance with Section 29 of the Unit Agreement, provided the time for such withdrawal has not expired. In such event if any Party or Parties owning a Committed Working Interest in such tract provide such indemnity as may be approved in writing by all other Parties, the Party or Parties owning Committed Working Interest in such tract shall not be required to withdraw it from the Unit Area.

36.3 Action Before Effective Date. Any Approval or Direction provided for in this article may be given before the effective date of this agreement by the Parties who have executed the same.

ARTICLE 37
RIGHT OF APPEAL

37.1 Not Waived. Nothing contained in this agreement shall be deemed to constitute the waiver by any Party of any right it would otherwise have to contest the validity of any law or any order or regulation of governmental authority (whether federal, state or local) relating to or affecting the conduct of operations within the Unit Area or to appeal from any such order.

ARTICLE 38
OTHER PROVISIONS

Other provisions, if any, are:

ARTICLE 1

1.19 EXHIBITS. The following exhibits are incorporated herein by reference:

A. Exhibits "A" and "B" of the Unit Agreement.

B. Exhibit "1", attached hereto, is a description of the unit area, a statement of the Participating and Beneficial Interests of each Party, as defined in Sections 1.6 and 1.7, and a recapitulation of the Participating and Beneficial percentages of each Party, as defined in Sections 1.6 and 1.7.

C. Exhibit "2" is the Accounting Procedure. In the event of conflict between this agreement and Exhibit "2", this agreement shall prevail.

D. Exhibit "3", attached hereto, contains the location of the initial test well, the depth to which the initial test well is to be drilled, the manner in which the costs and expenses of drilling, testing and completing or plugging and abandoning the initial test well are to be shared by certain of the Parties, and the title examination area for the initial test well.

E. Exhibit "5", attached hereto, contains insurance provisions applicable to the development and operation of the unit area.

Whenever Exhibits "A" and "B" are revised, Exhibit "1" shall be revised according to such revision to be effective as of the effective date of revised Exhibits "A" and "B". Whenever in this agreement reference is made to any of said exhibits, such reference shall mean said exhibits as originally attached hereto or incorporated herein, but if the same have been revised, it shall mean the latest revision thereof.

ARTICLE 3

3.1 TREATED AS LEASED. If a Party signatory to this agreement owns in fee all or any part of the oil and gas rights in any tract within the Unit Area which is not subject to any oil and gas lease, or other contract in the nature thereof, such Party shall be deemed to own a Committed Working Interest in such tract to the extent of 7/8 of its interest therein and a royalty interest with respect to the remaining 1/8 interest therein.

ARTICLE 8

8.3 NON-LIABILITY. Unit Operator shall not be liable to any other Party for anything done or omitted to be done by it in the conduct of operations hereunder except that Unit Operator shall be solely responsible for any and all damages resulting from the gross negligence or willful misconduct of Unit Operator, its officers and employees.

ARTICLE 9

9.4 NON-DISCRIMINATION. In connection with the performance of work under this agreement, the Unit Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. Unit Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the nondiscrimination clause.

ARTICLE 22

22.3 TRANSPORTATION FACILITIES. Unit Operator agrees for itself and any successor Unit Operator hereunder that should it, or any such successor Unit Operator, now or hereafter, directly or indirectly, own or control any pipe line connected with any wells upon the unit area, or should it or any such successor Unit Operator ever have any working agreement or arrangement, excepting more sales contracts and division orders, with any pipe line company, or with any other party or parties, for the transportation of oil, gas or other substances produced from the unit area, then in any such event Unit Operator shall at the request of the Parties jointly or severally, transport or cause to be transported the share of production of the requesting Party or Parties by the same means, upon the same terms and at the same rate per gallon, barrel or Mcf. as production of Unit Operator or such successor Unit Operator shall be transported.

ARTICLE 24

24.1 PARTIAL TRANSFER. For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interests covered by this agreement, and notwithstanding any other provisions to the contrary, no Party shall sell, encumber, transfer or make other disposition of its interest in the leases embraced within the unit area and in wells, equipment and production unless such disposition covers either:

(1) the entire interest of the Party in all leases and equipment and production; or

(2) an equal undivided interest in all leases and equipment and production in the unit area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement with assumption of obligations hereunder in writing by the assignee or transferee, and shall be made without prejudice to the rights of the other parties.

If at any time the interest of any Party is divided among and owned by four or more co-owners, Unit Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such Party's share of the joint expenses, and to deal generally with, and with power to bind, the co-owners of such Party's interests

within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the unit area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

Notwithstanding the foregoing provisions, after the Drilling of the Initial Test Well or Wells and prior to discovery of Unitized Substances in paying quantities any Party shall have the right, without obtaining the Approval of the Parties, to transfer a portion of its Committed Working Interest under a farmout arrangement, in consideration of the Drilling of a well within the Unit Area free of expense to the other parties; but, provided, further, that any Party which has availed itself of the provisions of Article 14 and has received negative responses from all Parties to its notice of proposed drilling, may elect to cause said proposed well to be drilled under a farmout arrangement in lieu of incurring the obligation of being the sole Drilling Party, in which event the Party so electing shall first comply with the provisions of the first paragraph of Section 24.5, and if no other party exercises its right to acquire the interests offered to be farmed out, the Party desiring to farmout shall be permitted to proceed with its arrangement with the Party desiring to farmout and the Farmoutee constituting the Drilling Party; and if the well drilled pursuant to such farmout arrangement is completed as a producer of Unitized Substances, then the provisions of Section 16.7 as modified by Section 14.2 shall apply.

ARTICLE 29

29.1 LIABILITY. Each Party shall be individually responsible only for its own obligations as set out in this agreement and shall be liable only for its proportionate share of the costs, expenses and liabilities as herein stipulated. Except with respect to damages arising from loss of title to a tract and damages arising from operations conducted for less than all of the Parties, each Party, to the extent of such Party's Participating Interest, indemnifies and agrees to hold each other Party harmless of and from any claim of or liability to any third person, asserted upon the ground that operations under this agreement have resulted in or will result in any loss or damage to such third person, to the extent, but only to the extent, that such claims or liability is asserted against such other Party in an amount in excess of such other Party's share

of such claim or liability corresponding to the latter's Participating Interest; it being the intention of the Parties that any claim of or liability to any third person asserted upon the ground that operations under this agreement have resulted in, or will result in, any loss or damage to such third person shall be borne by all Parties in proportion to their respective Participating Interests.

29.2 NO PARTNERSHIP CREATED. The duties, obligations and liabilities of the Parties shall be several and not joint or collective, and nothing contained herein shall ever be construed as creating a partnership of any kind, an association for profit or a trust between or among the Parties. Each Party hereby elects that it and the operations covered by this agreement be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, or such portion or portions thereof as the Secretary of the Treasury of the United States or his delegate shall permit by election to be excluded therefrom. Unit Operator is hereby authorized and directed to execute on behalf of each Party such additional or further evidence of said election as may be required by regulations issued under said Subchapter K, or should said regulations require each party to execute such further evidence, each Party agrees to execute or join in the execution thereof.

IN WITNESS WHEREOF, this agreement has been executed by the undersigned parties as of the day and year first above written.

HONOLULU OIL CORPORATION

Date:_____ By_____
President

ATTEST:

_____
Secretary

Address: P.O. Drawer 1391
Midland, Texas

UNIT OPERATOR AND WORKING INTEREST OWNER

Date:_____

_____
Donald B. Anderson

Address: Box 660
Roswell, New Mexico

THE BRITISH-AMERICAN OIL PRODUCING COMPANY

Date:_____ By_____
Vice President

ATTEST:

_____
Secretary

Address: P.O. Box 749
Dallas 21, Texas

Date:_____

_____
Fred M. Cassidy

Address: P.O. Box 96
Midland, Texas

CITIES SERVICE OIL COMPANY

Date:_____ By_____
Attorney-in-Fact

Address: Cities Service Bldg.
Bartlesville, Oklahoma

GULF OIL CORPORATION

Date:_____ By_____
W. A. Shellshear, Attorney-in-Fact

ATTEST:

_____
Secretary

Address: P.O. Box 669
Roswell, New Mexico

HONDO OIL & GAS COMPANY

Date:_____ By_____

ATTEST:

_____

Address: Box 660
Roswell, New Mexico

SINCLAIR OIL & GAS COMPANY

Date:_____ By_____

ATTEST:

_____

Address: P.O. Box 1470
Midland, Texas

SUNRAY MID-CONTINENT OIL COMPANY

Date:_____

By_____
Vice President

ATTEST:

_____
Secretary

Address: 1101 Wilco Bldg.
Midland, Texas

TEXAS PACIFIC COAL AND OIL COMPANY

Date:_____

By_____

ATTEST:

_____

Address: P.O. Box 2110
Fort Worth 1, Texas

WORKING INTEREST OWNERS

EXHIBIT "1"

Attached to and made a part of North Mullis Unit Operating Agreement, County of Chaves, State of New Mexico, dated March 15, 1960

DESCRIPTION OF UNIT AREA
STATEMENT OF PARTICIPATING AND BENEFICIAL INTERESTS

Description of Unit Area

The Unit Area is comprised of the following lands situated in the County of Chaves, State of New Mexico:

All of Sections 33 and 34, Township 14 South, Range 29 East, N.M.P.M.; and

The North Half (N 1/2) and the North Half of the Southwest Quarter (N 1/2 SW 1/4) of Section 3 and the Northeast Quarter (NE 1/4), the East Half of the Northwest Quarter (E 1/2 NW 1/4) and the North Half of the Southeast Quarter (N 1/2 SE 1/4) of Section 4, Township 15 South, Range 29 East, N.M.P.M.

Statement of Participating and Beneficial Interests

Party	Tract No.	Lease Burdens	Acres Participating	Acres Beneficial	Percentage Participating	Percentage Beneficial
Donald B. Anderson	7	13.50	40.00	34.60000	1.99830	2.01202
	12	12.50	40.00	35.00000	1.99830	2.03528
	10) 13) 15)	12.50	53.52	46.83000	2.67373	2.72320
Total			133.52	116.43000	6.67033	6.77050
British American	1	16.00	80.00	67.20000	3.99660	3.90773
	3	15.50	40.00	33.80000	1.99830	1.96550
Total			120.00	101.00000	5.99490	5.87323
Fred M. Cassidy	15	18.75	80.00	65.00000	3.99660	3.77980
Total			80.00	65.00000	3.99660	3.77980
Cities Service	10	12.50	10.00	8.75000	.49958	.50882
Total			10.00	8.75000	.49958	.50882
Gulf	13	12.50	20.00	17.50000	.99915	1.01764
	15	12.50	120.00	105.00000	5.99490	6.10584
Total			140.00	122.50000	6.99405	7.12348
Hondo	6	13.50	120.00	103.80000	5.99491	6.03605
	8	12.50	40.00	35.00000	1.99830	2.03528
Total			160.00	138.80000	7.99321	8.07133
Honolulu	2	16.00	400.00	336.00000	19.98301	19.53867
	4	14.00	320.80	275.88800	16.02638	16.04311
	5	13.50	200.90	173.77850	10.03647	10.10536
	9	13.00	80.00	69.60000	3.99660	4.04730
	10) 13) 15)	12.50	89.34	78.17250	4.46321	4.54579
Total			1091.04	933.43900	54.50567	54.28023
Sinclair	10	12.50	20.00	17.50000	.99915	1.01764
Total			20.00	17.50000	.99915	1.01764

Party	Tract No.	Lease Burdens	Acres Participating	Acres Beneficial	Percentage Participating	Percentage Beneficial
Sunray Mid-Continent	14	12.50	80.00	70.00000	3.99660	4.07056
	10) 13) 15)	12.50	7.14	6.24750	.35670	.36330
Total			87.14	76.24750	4.35330	4.43386
Texas Pacific	11	12.50	160.00	140.00000	7.99321	8.14111
Total			160.00	140.00000	7.99321	8.14111
Total (Unit)			2001.70	1719.66650	100.00000	100.00000

Recapitulation of Participating and Beneficial Percentages

Party	Percentage Participating	Percentage Beneficial
Donald B. Anderson	6.67033	6.77050
British American	5.99490	5.87323
Fred M. Cassidy	3.99660	3.77980
Cities Service	.49958	.50882
Gulf	6.99405	7.12348
Hondo	7.99321	8.07133
Honolulu	54.50567	54.28023
Sinclair	.99915	1.01764
Sunray Mid-Continent	4.35330	4.43386
Texas Pacific	7.99321	8.14111
Total	100.00000	100.00000

EXHIBIT "2"

PASO-T-1955-2

Attached to and made a part of UNIT OPERATING AGREEMENT FOR THE NORTH MULLIS UNIT AREA, CHAVES COUNTY, NEW MEXICO.

ACCOUNTING PROCEDURE

(UNIT AND JOINT LEASE OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions

"Joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.

"Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the subject area for the joint account of the parties hereto.

"Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

2. Statements and Billings

Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Subparagraph C below:

A. Statement in detail of all charges and credits to the joint account.

B. Statement of all charges and credits to the joint account, summarized by appropriate classifications indicative of the nature thereof.

C. Statements as follows:

(1) Detailed statement of material ordinarily considered controllable by operators of oil and gas properties;

(2) Statement of ordinary charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and

(3) Detailed statement of any other charges and credits.

3. Payments by Non-Operator

Each party shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

4. Adjustments

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. Subject to the exception noted in Paragraph 5 of this section I, all statements rendered to Non-Operator by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or making of claims for adjustment thereon. The provisions of this paragraph shall not prevent adjustments resulting from physical inventory of property as provided for in Section VI, Inventories, hereof.

5. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year, provided, however, that Non-Operator must take written exception to and make claim upon the Operator for all discrepancies disclosed by said audit within said twenty-four (24) month period. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

II. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

1. Rentals and Royalties

Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid directly to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.

2. Labor

A. Salaries and wages of Operator's employees directly engaged on the joint property in the development, maintenance, and operation thereof, including salaries or wages paid to geologists and other employees who are temporarily assigned to and directly employed on a drilling well.

B. Operator's cost of holiday, vacation, sickness and disability benefits, and other customary allowances applicable to the salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. Costs under this Subparagraph 2 B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable under Subparagraph 2 A and Paragraph 11 of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Costs of expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages as provided under Subparagraphs 2 A, 2 B, and Paragraph 11 of this Section II.

3. Employee Benefits

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost, provided that the total of such charges shall not exceed ten per cent (10%) of Operator's labor costs as provided in Subparagraphs A and B of Paragraph 2 of this Section II and in Paragraph 11 of this Section II.

4. Material

Material, equipment, and supplies purchased or furnished by Operator for use of the joint property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the joint property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees, equipment, material, and supplies necessary for the development, maintenance, and operation of the joint property subject to the following limitations:

A. If material is moved to the joint property from vendor's or from the Operator's warehouse or other properties, no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available, except by special agreement with Non-Operator.

B. If surplus material is moved to Operator's warehouse or other storage point, no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator. No charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.

6. Service

A. Outside Services:
The cost of contract services and utilities procured from outside sources.

B. Use of Operator's Equipment and Facilities:
Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 5 of Section III entitled "Operator's Exclusively Owned Facilities."

7. Damages and Losses to Joint Property and Equipment

All costs or expenses necessary to replace or repair damages or losses incurred by fire, flood, storm, theft, accident, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after report of the same has been received by Operator.

8. Litigation Expense

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorneys' fees and expenses as hereinafter provided, together with all judgments obtained against the parties or any of them on account of the joint operations under this agreement, and actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.

A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto; and a charge commensurate with cost of providing and furnishing such services rendered may be made against the joint account; but no such charge shall be made until approved by the legal departments of or attorneys for the respective parties hereto.

B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

9. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

10. Insurance and Claims

A. Premiums paid for insurance required to be carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.

B. If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses, including legal services, shall be charged to the joint account.

11. District and Camp Expense (Field Supervision and Camp Expense)

A pro rata portion of the salaries and expenses of Operator's production superintendent and other employees serving the joint property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's Midland Office office located at or near Midland, Texas (or a comparable office if location changed), and necessary suboffices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in the conduct of the operations on the joint property and other properties operated in the same locality. The expense of, less any revenue from, these facilities should be inclusive of depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all properties served on [redacted]

a well basis, one (1) drilling well being equivalent to six (6) producing wells. The total District and Camp Expense per producing well unit shall not exceed $55.00 per month.

12. Administrative Overhead

Operator shall have the right to assess against the joint property covered hereby the following management and administrative overhead charges, which shall be in lieu of all expenses of all offices of the Operator not covered by Section II, Paragraph 11, above, including salaries and expenses of personnel assigned to such offices, except that salaries of geologists and other employees of Operator who are temporarily assigned to and directly serving on the joint property will be charged as provided in Section II, Paragraph 2, above. Salaries and expenses of other technical employees assigned to such offices will be considered as covered by overhead charges in this paragraph unless charges for such salaries and expenses are agreed upon between Operator and Non-Operator as a direct charge to the joint property.

WELL BASIS (Rate Per Well Per Month)

	DRILLING WELL RATE	PRODUCING WELL RATE (Use Completion Depth)		
Well Depth	Each Well	First Five	Next Five	All Wells Over Ten
All Depths	$350	$50	$45	$40

A. Overhead charges for drilling wells shall begin on the date each well is spudded and terminate when it is on production or is plugged, as the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.

B. In connection with overhead charges, the status of wells shall be as follows:
(1) Injection wells for recovery operations, such as for repressure or water flood, shall be included in the overhead schedule the same as producing oil wells.
(2) Water supply wells utilized for water flooding operations shall be included in the overhead schedule the same as producing oil wells.
(3) Producing gas wells shall be included in the overhead schedule the same as producing oil wells.

(4) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.

(5) Wells being plugged back, drilled deeper, or converted to a source or input well shall be included in the overhead schedule the same as drilling wells.

(6) Temporarily shut-down wells (other than by governmental regulatory body) which are not produced or worked upon for a period of a full calendar month shall not be included in the overhead schedule; however, wells shut in by governmental regulatory body shall be included in the overhead schedule only in the event the allowable production is transferred to other wells on the same property. In the event of a unit allowable, all wells capable of producing will be counted in determining the overhead charge.

(7) Wells completed in dual or multiple horizons shall be considered as two wells in the producing overhead schedule.

(8) Lease salt water disposal wells shall not be included in the overhead schedule unless such wells are used in a secondary recovery program on the joint property.

C. The above overhead schedule for producing wells shall be applied to the total number of wells operated under the Operating Agreement to which this accounting procedure is attached, irrespective of individual leases.

D. It is specifically understood that the above overhead rates apply only to drilling and producing operations and are not intended to cover the construction or operation of additional facilities such as, but not limited to, gasoline plants, compressor plants, repressuring projects, salt water disposal facilities, and similar installations. If at any time any or all of these become necessary to the operation, a separate agreement will be reached relative to an overhead charge and allocation of district expense.

E. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. Operator's Fully Owned Warehouse Operating and Maintenance Expense

(Describe fully the agreed procedure to be followed by the Operator.)

No direct costs. Charges to be included in District and Camp Expense.

14. Other Expenditures

Any expenditure, other than expenditures which are covered and dealt with by the foregoing provisions of this Section II, incurred by the Operator for the necessary and proper development, maintenance, and operation of the joint property.

III. BASIS OF CHARGES TO JOINT ACCOUNT

1. Purchases

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

2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

A. New Material (Condition "A")

(1) New material transferred from Operator's warehouse or other properties shall be priced f.o.b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, pumping units, sucker rods, engines, and other major equipment. Tubular goods, two-inch (2") and over, shall be priced on carload basis effective at date of transfer and f.o.b. railway receiving point nearest the joint account operation, regardless of quantity transferred.

(2) Other material shall be priced on basis of a reputable supply company's preferential price list effective at date of transfer and f.o.b. the store or railway receiving point nearest the joint account operation where such material is available.

(3) Cash discount shall not be allowed.

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

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

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

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

(b) Is serviceable for original function but substantially not suitable for reconditioning,

shall be classed as Condition "C" and priced at fifty per cent (50%) of new price.

(3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.

(4) Tanks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

3. Premium Prices

Whenever materials and equipment are not readily obtainable at the customary supply point and at prices specified in Paragraphs 1 and 2 of this Section III because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the joint account for the required materials on the basis of the Operator's direct cost and expense incurred in procuring such materials, in making it suitable for use, and in moving it to the location, provided, however, that notice in writing is furnished to Non-Operator of the proposed charge prior to billing the Non-Operator for the material and/or equipment acquired pursuant to this provision, whereupon Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from the Operator, to furnish in kind, or in tonnage as the parties may agree, at the location, nearest railway receiving point, or Operator's storage point within a comparable distance, all or part of his share of material and/or equipment suitable for use and acceptable to the Operator. Transportation costs on any such material furnished by Non-Operator, at any point other than at the location, shall be borne by such Non-Operator. If, pursuant to the provisions of this paragraph, any Non-Operator furnishes material and/or equipment in kind, the Operator shall make appropriate credits therefor to the account of said Non-Operator.

4. Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

5. Operator's Exclusively Owned Facilities

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

A. Water, fuel, power, compressor and other auxiliary services at rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.

B. Automotive equipment at rates commensurate with cost of ownership and operation. Such rates should generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck and tractor rates may include wages and expenses of driver.

C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located. Pulling units shall be charged at hourly rates commensurate with the cost of ownership and operation, which shall include repairs and maintenance, operating supplies, insurance, depreciation, and taxes. Pulling unit rates may include wages and expenses of the operator.

D. A fair rate shall be charged for laboratory services performed by Operator for the benefit of the joint account, such as gas, water, core, and any other analyses and tests; provided such charges shall not exceed those currently prevailing if performed by outside service laboratories.

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

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

IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. The disposition of major items of surplus material, such as derricks, tanks, engines, pumping units, and tubular goods, shall be subject to mutual determination by the parties hereto; provided Operator shall have the right to dispose of normal accumulations of junk and scrap material either by transfer or sale from the joint property.

1. Material Purchased by the Operator or Non-Operator

Material purchased by either the Operator or Non-Operator shall be credited by the Operator to the joint account for the month in which the material is removed by the purchaser.

2. Division in Kind

Division of material in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party, and corresponding credits will be made by the Operator to the joint account. Such credits shall appear in the monthly statement of operations.

3. Sales to Outsiders

Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected by Operator from vendee. Any claims by vendee for defective material or otherwise shall be charged back to the joint account if and when paid by Operator.

V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT

Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

1. New Price Defined

New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Charges to Joint Account."

2. New Material

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

3. Good Used Material

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

A. At seventy-five per cent (75%) of current new price if material was charged to joint account as new, or

B. At sixty-five per cent (65%) of current new price if material was originally charged to the joint property as secondhand at seventy-five per cent (75%) of new price.

4. Other Used Material

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

A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or

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

5. Bad-Order Material

Material and equipment (Condition "D"), which is no longer usable for its original purpose without excessive repair cost but is further usable for some other purpose, shall be priced on a basis comparable with that of items normally used for that purpose.

6. Junk

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

7. Temporarily Used Material

When the use of material is temporary and its service to the joint account does not justify the reduction in price as provided in Paragraph 3 B, above, such material shall be priced on a basis that will leave a net charge to the joint account consistent with the value of the service rendered.

VI. INVENTORIES

1. Periodic Inventories, Notice and Representation

At reasonable intervals, inventories shall be taken by Operator of the joint account material, which shall include all such material as is ordinarily considered controllable by operators of oil and gas properties.

Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operator may be represented when any inventory is taken.

Failure of Non-Operator to be represented at an inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

2. Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

3. Special Inventories

Special inventories may be taken, at the expense of the purchaser, whenever there is any sale or change of interest in the joint property; and it shall be the duty of the party selling to notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be represented and shall be governed by the inventory so taken.

EXHIBIT "3"

Attached to and made a part of North Mullis Unit Operating Agreement, County of Chaves, State of New Mexico, dated March 15, 1960

INITIAL TEST WELL

A. Location. The initial test well shall be drilled at a location in the NE 1/4 SE 1/4 of Section 33, Township 14 South, Range 29 East, N.M.P.M.

B. Depth. The initial test well shall be drilled conformably with the terms of Article 9 of the North Mullis Unit Agreement.

C. Costs. All costs and expenses incurred in connection with initial test well, including drilling, testing, and completing through the flow line, if a producer, and plugging and abandoning, if a dry hole, shall be shared by the following parties in the respective percentages set opposite their names:

Donald B. Anderson	17.33727%
British American	5.99490
Fred M. Cassidy	3.99660
Honolulu	58.96887
Sinclair	.99915
Sunray Mid-Continent	4.71000
Texas Pacific	7.99321
	100.00000%

D. Title Examination Area. The title examination area for the initial test well shall be the SE 1/4 of Section 33, Township 14 South, Range 29 East, N.M.P.M.

EXHIBIT "5"

Attached to and made a part of North Mullis Unit Operating Agreement, County of Chaves, State of New Mexico, dated March 15, 1960

INSURANCE

I. For Operations by Unit Operator: The Unit Operator shall carry for the benefit of the joint account insurance to cover the Unit Operator's operations on the lands covered by this agreement as follows:

(a) Workmen's Compensation insurance: In compliance with the workmen's compensation laws of the State of New Mexico, including employer's liability.

(b) Comprehensive General liability insurance: In amounts of $500,000.00 for injuries to one person and $1,000,000.00 for any one accident, and property damage insurance in the amounts of $1,100,000.00 in excess of $25,000.00, it being expressly understood and agreed that the first $25,000.00 of property damage liability shall be uninsured.

(c) Automobile public liability and property damage insurance: In amounts of $500,000.00 for injuries to one person, $1,000,000.00 for injuries in one accident and $5,000.00 basic property damage with $1,100,000.00 in excess of $25,000.00. It is understood and agreed that $20,000.00 in excess of $5,000.00 shall be uninsured.

II. For Contracted Operations: The Unit Operator shall require its contractors and subcontractors working or performing services on the lands covered hereby to comply with the workmen's compensation laws of the State of New Mexico and to carry such other insurance and in such amounts as the Unit Operator shall deem necessary.

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

NORTH MULLIS UNIT

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 March 15, 1960, 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 11th day of May 1960.

Commissioner of Public Lands
of the State of New Mexico

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
Humble EXHIBIT NO. 6
CASE NO. 1925

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
NORTH MULLIS UNIT AREA
CHAVES COUNTY - NEW MEXICO

No._____

THIS AGREEMENT, entered into as of the 15th day of March, 1960, 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 area subject to this agreement; and

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

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

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chapter 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, 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 Mullis Unit Area covering the land hereinafter described to give reasonably effective control of operations therein; and

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

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in the

below-defined unit area, and agree severally among themselves as follows:

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

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 1921.92 acres, more or less.

Exhibit "A" shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or Commissioner of Public Lands, hereinafter referred to as "Commissioner" and not less than six copies of the revised exhibits shall be filed with the Supervisor, and at least one copy shall be filed with the Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

The above described unit area shall when practicable be expended to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

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

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

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

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

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government Survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within 5 years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the

time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of Unit Operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "unavoidable delay" time shall be made by Unit Operator and subject to approval of the Director and Commissioner. The Unit Operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and Commissioner and promptly notify all parties in interest.

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

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

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

4. UNIT OPERATOR: HONOLULU OIL CORPORATION, a Delaware corporation with offices at Midland, Texas, is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of

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.

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

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

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

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

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title, or interest as the owner of a working interest or other

interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator; Provided, That, if a majority but less than 75% of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director and the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and the Commissioner at their election may declare this Unit Agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT: If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective

proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this Unit Agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor, and one true copy with the Commissioner, prior to approval of this agreement by the Director.

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

9. DRILLING TO DISCOVERY: Within 6 months after the effective date hereof, Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal Land, or by the Commissioner if on State Land, or by the Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Devonian formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit), or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal Land, the

Commissioner if on State Land, or the Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 10,400 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal Land, the Commissioner if on State Land, or the Commission if on privately owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and the Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION: Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time beforethe expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner, a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling

necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall (a) specify the number and location of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Commissioner. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and the Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY: Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director and the Commissioner, a schedule, based on subdivisions of the public land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area

becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

In the absence of agreement at any time between the Unit Operator and the Director and the Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands, the Commissioner as to State lands, and the Commission as to privately owned lands, respectively, and the amount thereof deposited, as directed by the Supervisor and the Commissioner, respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

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

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

area from which initially produced as constituted at the time of such final production.

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

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

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

14. ROYALTY SETTLEMENT: The United States and 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, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interests 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.

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, which shall be in conformity with a plan first approved by the Supervisor, the Commissioner, and the Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area, and 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; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by the Supervisor, the Commissioner, and the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

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

15. 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 United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States, unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

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

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

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

17. DRAINAGE: The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement or pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal lands or as approved by the Commissioner for State lands.

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

(a) The development and operation of lands subject to this agreement under the

terms 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 the land therein embraced.

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

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease.

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(b) of the Act, as amended by the Act of July 29, 1954, (68 Stat. 583, 585):

> "Any [federal] lease hereafter committed to any such [unit] plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(h) Any lease embracing lands of the State of New Mexico, which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

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

19. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto

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

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

(a) Such date of expiration is extended by the Director and the Commissioner; or

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

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

(d) It is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and the Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION: The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being

hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law. It is agreed, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner and as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

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

22. CONFLICT OF SUPERVISION: Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the said Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained.

23. APPEARANCES: Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of Public Lands and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of said Department, the said Commission or the said Commissioner, or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the said Commissioner or the said Commission, or any other legally constituted authority; provided, however, that any

other interested party shall also have the right at his own expense to be heard in any such proceeding.

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

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

26. UNAVOIDABLE DELAY: All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to the matters herein enumerated or not.

27. FAIR EMPLOYMENT: In connection with the performance of work under this agreement, the Unit Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion, or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Unit Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of the

nondiscrimination clause.

The Unit Operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

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

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

29. NON-JOINDER AND SUBSEQUENT JOINDER: If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest.

Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as effectively committed to this unit agreement. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the Commissioner and the Commission of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, the Commissioner or the Commission.

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

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

If as a result of any such surrender, the working interest rights as to such lands become vested in any party other than the fee owner of the unitized substances, said party shall forfeit such rights and no further benefits from operation hereunder as to said land shall accrue to such party, unless within ninety (90) days thereafter said party shall execute this agreement and the unit operating agreement as to the working interest acquired through such surrender, effective as though such land had remained continuously subject to this agreement and the unit operating agreement. And in the event such agreements are not so executed, the party next in the chain of

title shall be and become the owner of such working interest at the end of such ninety (90) day period, with the same force and effect as though such working interest had been surrendered to such party.

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

(1) Execute this agreement and the unit operating agreement as a working interest owner, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.

(2) Again lease such lands but only under the condition that the holder of such lease shall within thirty (30) days after such lands are so leased execute this agreement and the unit operating agreement as to each participating area theretofore established hereunder, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.

(3) Operate or provide for the operation of such land independently of this agreement as to any part thereof or any oil or gas deposits therein not then included within a participating area.

If the fee owner of the unitized substances does not execute this agreement and the unit operating agreement as a working interest owner or again lease such lands as above provided with respect to each existing participating area, within six (6) months after any such surrender or forfeiture, such fee owner shall be deemed to have waived the right to execute the unit operating agreement or lease such lands as to each such participating area, and to have agreed, in consideration for the compensation hereinafter provided, that operations hereunder as to any such participating area or areas shall not be affected by such surrender.

For any period the working interest in any lands are not expressly committed to the unit operating agreement as the result of any such surrender or forfeiture, the benefits and obligations of operations accruing to such lands under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective participating working interest ownerships in any such participating area or areas, and such owners of working interests shall compensate the fee owner of unitized substances in such lands

by paying sums equal to the rentals, minimum royalties, and royalties applicable to such lands under the lease in effect when the lands were unitized, as to such participating area or areas.

Upon commitment of a working interest to this agreement and the unit operating agreement as provided in this section, an appropriate accounting and settlement shall be made, to reflect the retroactive effect of the commitment, for all benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered working interest during the period between the date of surrender and the date of recommitment, and payment of any moneys found to be owing by such an accounting shall be made as between the parties then signatory to the unit operating agreement and this agreement within thirty (30) days after the recommitment. The right to become a party to this agreement and the unit operating agreement as a working interest owner by reason of a surrender or forfeiture as provided in this section shall not be defeated by the nonexistence of a unit operating agreement and in the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

Nothing in this section shall be deemed to limit the right of joinder or subsequent joinder to this agreement as provided elsewhere in this agreement. The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

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

HONOLULU OIL CORPORATION

Date:_____

By_____
President

ATTEST:

_____
Secretary

Address: P.O. Drawer 1391
Midland, Texas

UNIT OPERATOR AND WORKING INTEREST OWNER

Date: _____

_____
Donald B. Anderson

Address: Box 660
Roswell, New Mexico

THE BRITISH-AMERICAN OIL PRODUCING COMPANY

Date: _____ By _____

ATTEST:

_____

Address: P.O. Box 749
Dallas 21, Texas

Date: _____

_____
C. C. Byars

Address: _____
Lubbock, Texas

CITIES SERVICE OIL COMPANY

Date: _____ By _____

ATTEST:

_____

_____

Address: _____
_____

GULF OIL CORPORATION

Date: _____ By _____

ATTEST:

_____

Address: _____
_____

Date: _____

_____
H. E. Harrington

Address: Box 660
Roswell, New Mexico

HONDO OIL & GAS COMPANY

Date: _____ By _____

ATTEST:

_____

Address: Box 660
Roswell, New Mexico

SINCLAIR OIL & GAS COMPANY

Date: _____ By _____
President

ATTEST:

_____
Secretary

Address: _____

_____

SUNRAY MID-CONTINENT OIL COMPANY

Date: _____ By _____
President

ATTEST:

_____
Secretary

Address: P.O. Box 2039
Tulsa 2, Oklahoma

TEXAS PACIFIC COAL AND OIL COMPANY

Date: _____ By _____
President

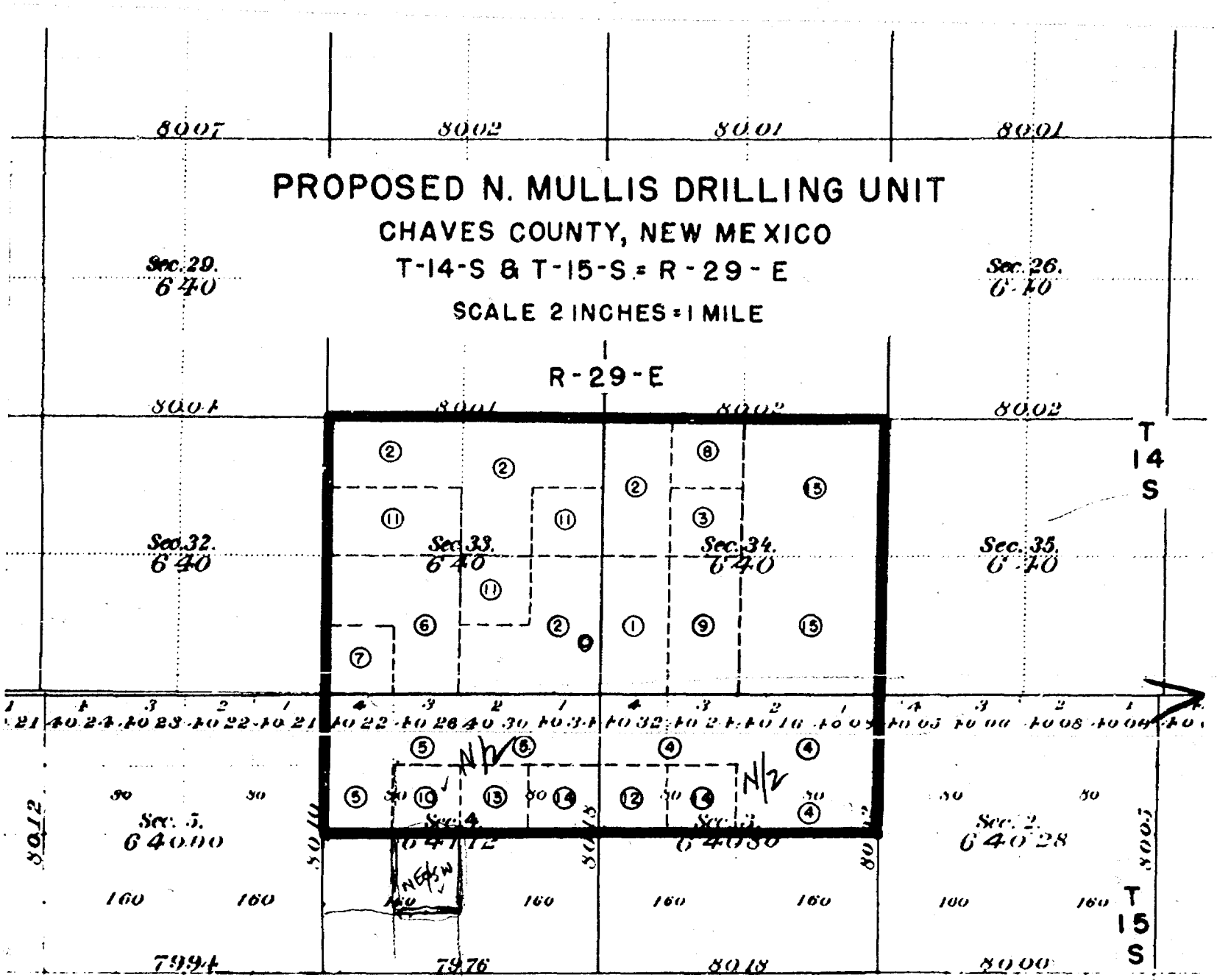
ATTEST:

_____
Secretary

Address: _____
Fort Worth 1, Texas

WORKING INTEREST OWNERS

EXHIBIT "A"



FEDERAL LANDS

TRACT	SERIAL NO.	WORKING INTEREST OWNER	ACRES IN UNIT
1.	N. M. 02259	Honolulu (British-American operating rights)	80.00
2.	N. M. 02259	Honolulu	400.00
3.	N. M. 051569	British-American	40.00
4.	N. M. 05305	Fred M. Cassidy (Optioned to Honolulu)	240.80
5.	N. M. 05413	Honolulu	201.12
6.	L. C. 060546	Hondo	120.00
7.	L. C. 060546-A	H. E. Harrington	40.00
8.	L. C. 066029-A	H. E. Harrington	40.00
9.	L. C. 070534	Fred M. Cassidy (Optioned to Honolulu)	80.00
		Total Federal	1,241.92

STATE LANDS

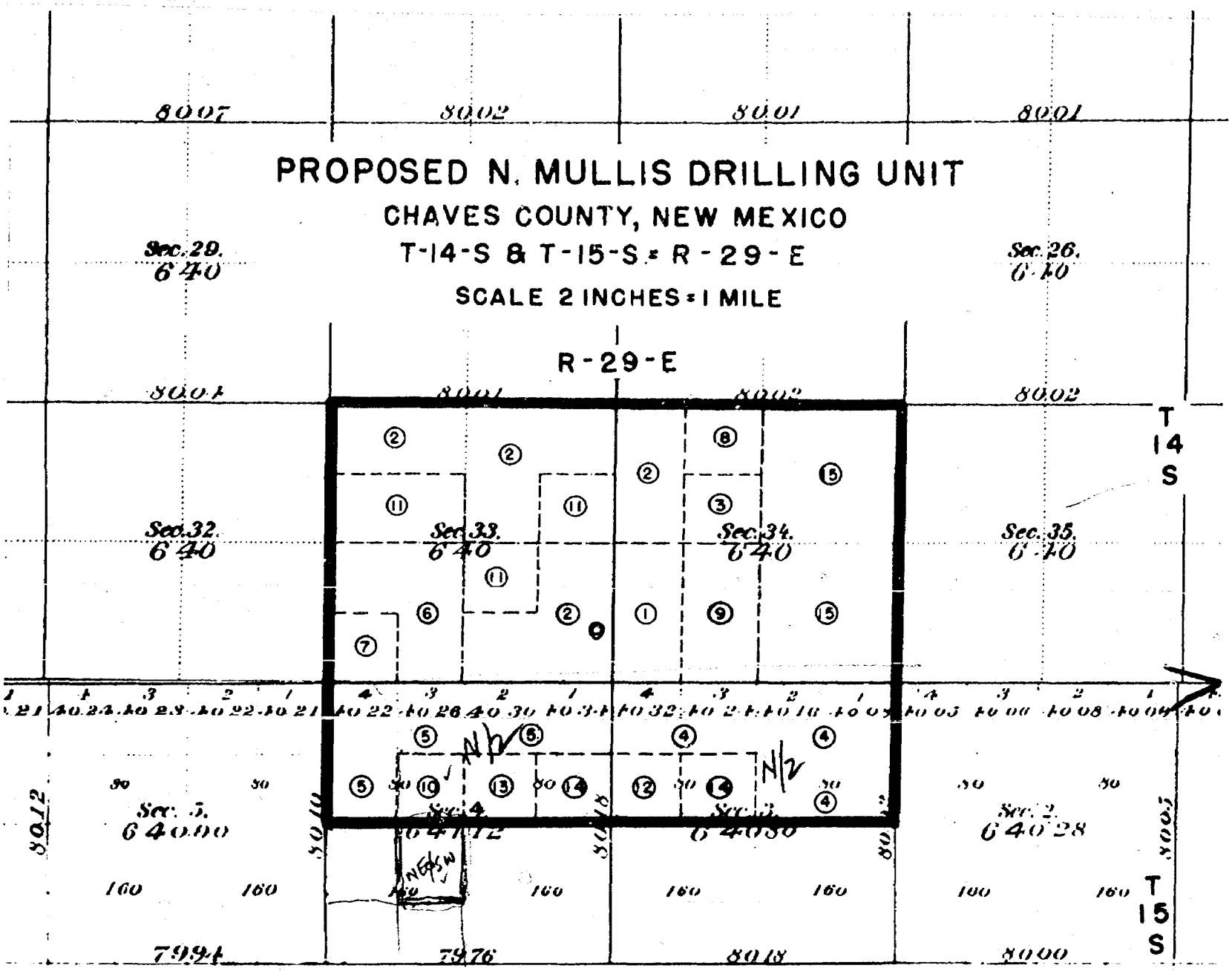
TRACT	LEASE NO.	WORKING INTEREST OWNER	ACRES IN UNIT
10.	E-521-2	Sinclair-Cities Service	40.00
11.	E-5986	T. P. Coal & Oil	160.00
* 12.	E-7191	J. K. Wadley	40.00
13.	E-9933-2	Gulf	40.00
14.	E-9971	Sunray-MidContinent	80.00
		Total State	360.00

* Donald B. Anderson is acquiring this tract.

FEE LANDS

15.		Gulf & C. C. Byars	320.00

EXHIBIT "A"



FEDERAL LANDS

	TRACT	SERIAL NO.	WORKING INTEREST OWNER	ACRES IN UNIT	
Sec. 8. 640	1.	N. M. 02259	Honolulu (British-American operating rights)	80.00	11.40
	2.	N. M. 02259	Honolulu	400.00	
	3.	N. M. 051569	British-American	40.00	
	4.	N. M. 05305	Fred M. Cassidy (Optioned to Honolulu)	240.80	
7994	5.	N. M. 05413	Honolulu	201.12	800
	6.	L. C. 060546	Hondo	120.00	
	7.	L. C. 060546-A	H. E. Harrington	40.00	
	8.	L. C. 066029-A	H. E. Harrington	40.00	
	9.	L. C. 070534	Fred M. Cassidy (Optioned to Honolulu)	80.00	
Sec. 17. 640			Total Federal	1,241.92	14.40

STATE LANDS

	TRACT	LEASE NO.	WORKING INTEREST OWNER	ACRES IN UNIT	
7992					108
	10.	E-521-2	Sinclair-Cities Service	40.00	
	11.	E-5986	T. P. Coal & Oil	160.00	
	* 12.	E-7191	J. K. Wadley	40.00	
Sec. 20 640	13.	E-9933-2	Gulf	40.00	23.40
	14.	E-9971	Sunray-MidContinent	80.00	
			Total State	360.00	

* Donald B. Anderson is acquiring this tract.

FEE LANDS

792					912
	15.		Gulf & C. C. Byars	320.00	

EXHIBIT "B"
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage
FEDERAL LANDS:						
1	W 1/2 SW 1/4 Sec. 34, T-14-S, R-29-E	80.00	NM-02259 8-1-50	U.S.A. - All	Honolulu Oil Corp. (B-A) British American is presently vested with the operating rights in and has the right to elect to take an assignment of the lease on this tract)	George Anna Mapes, Indv. & as Gdn. of Est. of Gail Ann Hopkins, 1106 Don Casper St., Santa Fe, N.M.-3%; E.H. Shaw & wife, Mabel Shaw, Box 103, Midland, Texas-1/2%
2	N 1/2 N 1/2, SW 1/4 NE 1/4, NE 1/4 SE 1/4, S 1/2 SE 1/4 Sec. 33; W 1/2 NW 1/4 Sec. 34, T-14-S, R-29-E	400.00	NM-02259 8-1-50	U.S.A. - All	Honolulu Oil Corp.	George Anna Mapes, Indv. & as Gdn. of Est. of Gail Ann Hopkins, 1106 Don Casper St., Santa Fe, N.M.-3%; E.H. Shaw & wife, Mabel Shaw, Box 103, Midland, Texas-1/2%
3	SE 1/4 NW 1/4 Sec. 34, T-14-S, R-29-E	40.00	NM-051569 7-1-59	U.S.A. - All	British American Oil Producing Co., Mercantile Bank Bldg., Dallas 21, Texas	Bertrand O. Baetz & wife, Margaret E. Baetz, 419 Gunter Bldg., San Antonio, Texas-3%
4	Lots 1,2,3,4 & S 1/2 NE 1/4 Sec. 3, T-15-S, R-29-E	240.80	NM-05305 6-1-51	U.S.A. - All	Fred M. Cassidy (Optioned to Honolulu)	William W. Dunn & wife, Dorothy Dunn, Artesia, N.M.-1%
5	Lots 1,2,3,4 & SW 1/4 NW 1/4 Sec. 4, T-15-S, R-29-E	201.12	NM-05413 7-1-53	U.S.A. - All	Honolulu Oil Corp.	William W. Dunn, Box 593, Artesia, N.M.-1%

EXHIBIT "B"
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

on of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
Sec. 34, E	80.00	NM-02259 8-1-50	U.S.A. - All	Honolulu Oil Corp. (B-A) (British American is presently vested with the operating rights in and has the right to elect to take an assignment of the lease on this tract)	George Anna Mapes, Indv. & as Gdn. of Est. of Gail Ann Hopkins, 1106 Don Casper St., Santa Fe, N.M.-3%; E.H. Shaw & wife, Mabel Shaw, Box 103, Midland, Texas-1/2%	Honolulu-100%
SW 1/4 NE 1/4, , S 1/2 SE 1/4 2 NW 1/4 Sec. 34, E	400.00	NM-02259 8-1-50	U.S.A. - All	Honolulu Oil Corp.	George Anna Mapes, Indv. & as Gdn. of Est. of Gail Ann Hopkins, 1106 Don Casper St., Santa Fe, N.M.-3%; E.H. Shaw & wife, Mabel Shaw, Box 103, Midland, Texas-1/2%	Honolulu-100%
Sec. 34, E	40.00	NM-051569 7-1-59	U.S.A. - All	British American Oil Producing Co., Mercantile Bank Bldg., Dallas 21, Texas	Bertrand O. Baetz & wife, Margaret E. Baetz, 419 Gunter Bldg., San Antonio, Texas-3%	British American-100%
& S 1/2 NE 1/4 S, R-29-E	240.80	NM-05305 6-1-51	U.S.A. - All	Fred M. Cassidy (Optioned to Honolulu)	William W. Dunn & wife, Dorothy Dunn, Artesia, N.M.-1%	Fred M. Cassidy-100%
& SW 1/4 NW 1/4 S, R-29-E	201.12	NM-05413 7-1-53	U.S.A. - All	Honolulu Oil Corp.	William W. Dunn, Box 593, Artesia, N.M.-1%	Honolulu Oil Corp.-100%

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage
6	N 1/2 SW 1/4, SE 1/4 SW 1/4 Sec. 33, T-14-S, R-29-E	120.00	LC-060546 8-1-48	U.S.A. - All	Hondo Oil & Gas Co., Box 660, Roswell, N.M.	Wallace Gates & wife, Vergine Russell Gates, Artesia, N.M. -1%
7	SW 1/4 SW 1/4 Sec. 33, T-14-S, R-29-E	40.00	LC-060546-A 8-1-48	U.S.A. - All	H.E. Harrington, Box 660, Roswell, N.M.	Wallace Gates & wife, Vergine Russell Gates, Artesia, N.M. -1%
8	NE 1/4 NW 1/4 Sec. 34, T-14-S, R-29-E	40.00	LC-066029-A 9-1-48	U.S.A. - All	H.E. Harrington, Box 660, Roswell, N.M.	None
9	E 1/2 SW 1/4 Sec. 34, T-14-S, R-29-E	80.00	LC-070534 7-1-51	U.S.A. - All	Fred M. Cassidy (Optioned to Honolulu)	None

9 Federal tracts 1241.92 acres or 64.6% of unit area.

STATE LANDS:

10	SE 1/4 NW 1/4 Sec. 4, T-15-S, R-29-E	40.00	E-521-2 9-10-45	State of New Mexico-All	Sinclair Oil & Gas Co. Box 521, Tulsa, Okla.; Cities Service Oil Co., Bartlesville, Okla.	None
11	S 1/2 NW 1/4, SE 1/4 NE 1/4, NW 1/4 SE 1/4 Sec. 33, T-14-S, R-29-E	160.00	E-5988 2-11-52	State of New Mexico-All	Texas Pacific Coal & Oil Co., Box 2110, Fort Worth, Texas	None
*12	SW 1/4 NW 1/4 Sec. 3, T-15-S, R-29-E	40.00	E-7191 6-10-53	State of New Mexico-All	J.K. Wadley, Box 718, Texarkana, Ark.	None
13	SW 1/4 NE 1/4 Sec. 4, T-15-S, R-29-E	40.00	E-9933-2 11-15-55	State of New Mexico-All	Gulf Oil Corp.	None
14	SE 1/4 NE 1/4 Sec. 4, SE 1/4 NW 1/4 Sec. 3, T-15-S, R-29-E	80.00	E-9971 4-17-56	State of New Mexico-All	Sunray-Mid-Continent Tulsa, Okla.	None

*Donald B. Anderson in acquiring this tract subject to the approval of the Commissioner of Public Lands of the State of New Mexico.

5 State Tracts 360.00 acres or 18.7% of unit area.

on of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
1/4, SE 1/4 c. 33, T-14-S,	120.00	LC-060546 8-1-48	U.S.A. - All	Hondo Oil & Gas Co., Box 660, Roswell, N.M.	Wallace Gates & wife, Vergine Russell Gates, Artesia, N.M.-1%	Hondo-100%
1/4 Sec. 33, -29-E	40.00	LC-060546-A 8-1-48	U.S.A. - All	H.E. Harrington, Box 660, Roswell, N.M.	Wallace Gates & wife, Vergine Russell Gates, Artesia, N.M.-1%	H.E. Harrington-100%
1/4 Sec. 34, -29-E	40.00	LC-066029-A 9-1-48	U.S.A. - All	H.E. Harrington, Box 660, Roswell, N.M.	None	H.E. Harrington-100%
1/4 Sec. 34, -29-E	80.00	LC-070534 7-1-51	U.S.A. - All	Fred M. Cassidy (Optioned to Honolulu)	None	Fred M. Cassidy-100%

9 Federal tracts 1241.92 acres or 64.6% of unit area.

1/4 Sec. 4, -29-E	40.00	E-521-2 9-10-45	State of New Mexico-All	Sinclair Oil & Gas Co. Box 521, Tulsa, Okla.; Cities Service Oil Co., Bartlesville, Okla.	None	Sinclair-50% Cities Service-50%
/4, SE 1/4 1/4 SE 1/4 -14-S, R-29-E	160.00	E-5988 2-11-52	State of New Mexico-All	Texas Pacific Coal & Oil Co., Box 2110, Fort Worth, Texas	None	Texas Pacific Coal & Oil Co.-100%
1/4 Sec. 3, 29-E	40.00	E-7191 6-10-53	State of New Mexico-All	J.K. Wadley, Box 718, Texarkana, Ark.	None	J.K. Wadley-100%
1/4 Sec. 4, -29-E	40.00	E-9933-2 11-15-55	State of New Mexico-All	Gulf Oil Corp.	None	Gulf Oil Corp.-100%
1/4 Sec. 4, 1/4 Sec. 3, -29-E	80.00	E-9971 4-17-56	State of New Mexico-All	Sunray-Mid-Continent Tulsa, Okla.	None	Sunray-Mid-Continent-100%

n in acquiring this tract subject to the approval of the Commissioner of Public Lands of the State of New Mexico.

5 State Tracts 360.00 acres or 18.7% of unit area.

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage
FEE LANDS:						
15	Undivided 1/4 interest in the E 1/2 Sec. 34, T-14-S, R-29-E	80.00 (net)	Lease dated 11/16/59, Expires 11/16/66, L. L. Horne, 1005 Electric Bldg., Fort Worth, Texas	Lessors-1/8	C. C. Byars	None
15	Undivided 3/8 interest in the E 1/2 Sec. 34, T-14-S, R-29-E	120.00 (net)	Willie N. Bacon & wife, Susie L. Bacon, Box 203, Westbrook, Texas, Lease dated 5/4/56, Expires 5/14/66, Recorded Vol. 58, p. 395.	Lessors-1/8	Gulf Oil Corp.	None
15	Undivided 3/16 interest in the E 1/2 Sec. 34, T-14-S, R-29-E	60.00 (net)	J.K. Wadley & wife, Susie L. Wadley, Box 718, Texarkana, Ark., Lease dated 5/2/56, Expires 5/14/66 Recorded Vol. 58, p.401.	Lessors-1/8	Gulf Oil Corp.	None
15	Undivided 43/320 interest in the E 1/2 Sec. 34, T-14-S, R-29-E	43.00 (net)	Walter Keith & wife, Daisy Keith, Stephens, Ark., Lease dated 5/2/56, Expires 5/14/66, Recorded Vol. 58, p. 399.	Lessors-1/8	Gulf Oil Corp.	None
15	Undivided 3/64 interest in the E 1/2 Sec. 34, T-14-S, R-29-E	15.00 (net)	George R. Gibson & wife, Orpha O. Gibson, Midland National Bank Bldg., Midland, Texas, Lease dated 5/3/56, Expires 5/14/66, Recorded Vol. 58, p. 397.	Lessors-1/8	Gulf Oil Corp.	None

f Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
interest in . 34, T-14-S,	80.00 (net)	Lease dated 11/16/59, Expires 11/16/66, L. L. Horne, 1005 Electric Bldg., Fort Worth, Texas	Lessors-1/8	C. C. Byars	None	C.C. Byars-100%
interest in . 34, T-14-S,	120.00 (net)	Willie N. Bacon & wife, Susie L. Bacon, Box 203, Westbrook, Texas, Lease dated 5/4/56, Expires 5/14/66, Recorded Vol. 58, p. 395.	Lessors-1/8	Gulf Oil Corp.	None	Gulf-100%
16 interest in c. 34, T-14-S,	60.00 (net)	J.K. Wadley & wife, Susie L. Wadley, Box 718, Texarkana, Ark., Lease dated 5/2/56, Expires 5/14/66 Recorded Vol. 58, p.401.	Lessors-1/8	Gulf Oil Corp.	None	Gulf-100%
/320 interest Sec. 34, -E	43.00 (net)	Walter Keith & wife, Daisy Keith, Stephens, Ark., Lease dated 5/2/56, Expires 5/14/66, Recorded Vol. 58, p. 399.	Lessors-1/8	Gulf Oil Corp.	None	Gulf-100%
64 interest in c. 34, T-14-S,	15.00 (net)	George R. Gibson & wife, Orpha O. Gibson, Midland National Bank Bldg., Midland, Texas, Lease dated 5/3/56, Expires 5/14/66, Recorded Vol. 58, p. 397.	Lessors-1/8	Gulf Oil Corp.	None	Gulf-100%

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage
15	Undivided 1/160 interest in the E 1/2 Sec. 34, T-14-S, R-29-E	2.00 (net)	A.C. Taylor & wife, Lucille Taylor, 2313 Walnut St., Texarkana, Texas, Lease dated 5/31/56, Expires 5/14/66, Recorded Vol. 58, p. 465.	Lessors-1/8	Gulf Oil Corp.	None

1 Fee (patented) tract 320.00 acres or 16.7% of unit area.

Total: 15 tracts 1,921.92 acres in entire unit area.

n of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Working Interest & Percentage
1/160 interest in Sec. 34, T-14-S,	2.00 (net)	A.C. Taylor & wife, Lucille Taylor, 2313 Walnut St., Texarkana, Texas, Lease dated 5/31/56, Expires 5/14/66, Recorded Vol. 58, p. 465.	Lessors-1/8	Gulf Oil Corp.	None	Gulf-100%

1 Fee (patented) tract 320.00 acres or 16.7% of unit area.

1,921.92 acres in entire unit area.

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. sec. 4.611, 12 F.R. 6,84, I do hereby:

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

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

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

Dated _____.

_____

Director, United States Geological Survey

CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO,
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION OF THE
NORTH MULLIS UNIT AREA, COUNTY OF CHAVES,
STATE OF NEW MEXICO

There has been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the North Mullis Unit Area, Chaves County, New Mexico, dated March 15, 1960, in which Honolulu Oil Corporation is designated as Operator, and which has been executed by various parties owning and holding oil and gas leases embracing lands within the Unit Area and upon examination of said agreement, the Commissioner finds:

(a) That such agreement will tend to promote conservation of oil and gas and the better utilization of reservoir energy in said field;

(b) That under the operations proposed, the state will receive its fair share of the recoverable oil or gas in place under its land in the area affected;

(c) That the agreement is in other respects for the best interests of the state;

(d) That the agreement provides for the unit operation of the field, for allocation of production and sharing of proceeds from a part of the area covered by the agreement on an acreage basis as specified in the agreement.

NOW, THEREFORE, by virtue of the authority conferred upon me by virtue of the Laws of the State of New Mexico, 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 above referred to North Mullis Unit Agreement as to the lands of the State of New Mexico committed thereto, and all oil and gas leases embracing lands of the State of New Mexico committed to said agreement shall be and the same are hereby amended so that the provisions thereof will conform to the provisions of said Unit Agreement and so that the length of the secondary term of each such lease as to the lands within the Unit Area will be extended, insofar as is necessary, to coincide with the term of said Unit Agreement and in the event the term of said Unit Agreement shall be extended as provided therein, such extension shall also be effective to extend the term of each oil and gas lease embracing lands of the State of New Mexico committed to said Unit Agreement which would otherwise expire, so as to coincide with the extended term of such Unit Agreement.

IN WITNESS WHEREOF, this Certificate of Approval is executed as of this _____ day of _____, 1960.

_____
Commissioner of Public Lands of the
State of New Mexico

CONSERVATION DIVISION
RECEIVED
MAY 23
GEOLOGICAL SURVEY

RECEIVED
MAY 12 1960
U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

CERTIFICATION--DETERMINATION

14-08-0001 6788

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. sec. 4.611, 12 F.R. 6784, I do hereby:

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

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

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

Dated MAY 27 1960.

Acting Director, United States Geological Survey

RATIFICATION AND JOINDER
of
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
of the
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

In consideration of the execution of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTH MULLIS UNIT AREA, COUNTY OF CHAVES, STATE OF NEW MEXICO, by the working interest owners named therein (a copy of which has been delivered to the undersigned), in form approved on behalf of the Secretary of the Interior, the undersigned owner or owners of lands or leases, or interests therein or royalties presently held or which may arise under existing option agreements, or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, join, approve, ratify and adopt the terms and provisions of said Unit Agreement to the same extent as if he had signed the original agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative as applicable to said several lands and interest, agree that the term of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agree that the drilling, development and producing requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests do or shall apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

This Ratification and Joinder of Unit Agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document and shall become effective and be binding upon all those who execute a counterpart hereof, regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands affected hereby upon the approval of said Unit Agreement by the Secretary of the Interior, or his duly authorized representative, or otherwise as provided in the Unit Agreement for subsequent joinder, and when so executed shall be binding upon the undersigned, his heirs, devisees, assigns or successors in interest.

Date: 4/30/60

J. G. Thornhill

Alma Doyle Thornhill

2622 West 3rd St. Lubbock, Texas

STATE OF Texas)
) ss.
COUNTY OF Lubbock)

On this 30th day of April, 1960, before me personally appeared J. G. Thornhill & Alma Doyle Thornhill to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that ~~he~~ they executed the same as ~~his~~ their free act and deed.

Given under my hand and seal of office this 30th day of April, 1960.

VIRGINIA SUTTON Virginia Sutton
Notary Public in and for said
County and State

My commission expires:

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me personally appeared _____, to me 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

COPY

HERVEY, DOW & HINKLE, ATTORNEYS
ROSWELL, NEW MEXICO

MAIN OFFICE OCC
1960 MAY 17 AM 8 15

May 16, 1960

Case #1925

United States Geological Survey
Box 6721
Roswell, New Mexico

Commissioner of Public Lands
Box 791
Santa Fe, New Mexico

New Mexico Oil Conservation Commission
Box 871
Santa Fe, New Mexico

Re: North Mullis Unit
Chaves County, New Mexico

Gentlemen:

We enclose herewith to the Supervisor six copies, to the Commissioner two copies, and to the Commission one copy, each of a Ratification and Joinder of the above Unit Agreement executed by Willie N. Bacon and Nell M. Bacon his wife covering the captioned unit; this ratification relates to the royalty interest in Tract 15.

We would call your attention to the fact that there is a clerical error in Exhibit B to the Unit Agreement as submitted in that said Exhibit states that this interest is owned by Willie N. Bacon and wife Susie L. Bacon when in fact it should be Willie N. Bacon and wife Nell M. Bacon. Since there are several other typographical errors in Exhibit B we are requesting the Unit Operator to prepare a revision which will be submitted to you in the immediate future; however, it is trusted that since these are only clerical errors of small magnitude that you will be in a position to approve the Unit Agreement before the submission of such revision.

Respectfully,

HERVEY, DOW & HINKLE

By

SBC:mke
Encls.

cc: Honolulu Oil Corporation

RECEIVED
1960 MAY 17 AM 8 16

RATIFICATION AND JOINDER
of
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
of the
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

In consideration of the execution of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTH MULLIS UNIT AREA, COUNTY OF CHAVES, STATE OF NEW MEXICO, by the working interest owners named therein (a copy of which has been delivered to the undersigned), in form approved on behalf of the Secretary of the Interior, the undersigned owner or owners of lands or leases, or interests therein or royalties presently held or which may arise under existing option agreements, or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, join, approve, ratify and adopt the terms and provisions of said Unit Agreement to the same extent as if he had signed the original agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative as applicable to said several lands and interest, agree that the term of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agree that the drilling, development and producing requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests do or shall apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

This Ratification and Joinder of Unit Agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document and shall become effective and be binding upon all those who execute a counterpart hereof, regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands affected hereby upon the approval of said Unit Agreement by the Secretary of the Interior, or his duly authorized representative, or otherwise as provided in the Unit Agreement for subsequent joinder, and when so executed shall be binding upon the undersigned, his heirs, devisees, assigns or successors in interest.

Date: 5-9-60

Willie N Bacon
Willie N. Bacon

Nell M Bacon
Nell M. Bacon
Box 14,
Westbrook, Texas

STATE OF Texas)
) ss.
COUNTY OF Mitchell)

On this 7 day of ~~April~~ May, 1960, before me personally appeared Willie N. Bacon & Nell M. Bacon to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ~~he~~ they executed the same as ~~his~~ their free act and deed.

Given under my hand and seal of office this 9 day of ~~April~~ May, 1960.

Margaret L Powell
Notary Public in and for said
County and State

My commission expires:

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me personally appeared _____, to me 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

RATIFICATION AND JOINDER
of
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
of the
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

In consideration of the execution of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTH MULLIS UNIT AREA, COUNTY OF CHAVES, STATE OF NEW MEXICO, by the working interest owners named therein (a copy of which has been delivered to the undersigned), in form approved on behalf of the Secretary of the Interior, the undersigned owner or owners of lands or leases, or interests therein or royalties presently held or which may arise under existing option agreements, or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, join, approve, ratify and adopt the terms and provisions of said Unit Agreement to the same extent as if he had signed the original agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative as applicable to said several lands and interest, agree that the term of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agree that the drilling, development and producing requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests do or shall apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

This Ratification and Joinder of Unit Agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document and shall become effective and be binding upon all those who execute a counterpart hereof, regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands affected hereby upon the approval of said Unit Agreement by the Secretary of the Interior, or his duly authorized representative, or otherwise as provided in the Unit Agreement for subsequent joinder, and when so executed shall be binding upon the undersigned, his heirs, devisees, assigns or successors in interest.

Date: 5-8-60

H. E. Harrington
H. E. Harrington

_____

_____

_____

_____

_____

STATE OF New Mexico)
) ss.
COUNTY OF Chaves)

On this 7 day of May, 1960, before me personally appeared H. E. Harrington, to me 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.

Given under my hand and seal of office this 7 day of May, 1960.

Notary Public in and for said
County and State

My commission expires:
9/28/60

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me personally appeared _____, to me 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.

Given under my hand and seal of office this _____ day of _____, 1960.

Notary Public in and for said
County and State

My commission expires:

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, 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.

Given under my hand and seal of office this _____ day of _____, 1960.

Notary Public in and for said
County and State

My commission expires:

RATIFICATION AND JOINDER
of
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
of the
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

In consideration of the execution of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTH MULLIS UNIT AREA, COUNTY OF CHAVES, STATE OF NEW MEXICO, by the working interest owners named therein (a copy of which has been delivered to the undersigned), in form approved on behalf of the Secretary of the Interior, the undersigned owner or owners of lands or leases, or interests therein or royalties presently held or which may arise under existing option agreements, or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, join, approve, ratify and adopt the terms and provisions of said Unit Agreement to the same extent as if he had signed the original agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative as applicable to said several lands and interest, agree that the term of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agree that the drilling, development and producing requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests do or shall apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

This Ratification and Joinder of Unit Agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document and shall become effective and be binding upon all those who execute a counterpart hereof, regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands affected hereby upon the approval of said Unit Agreement by the Secretary of the Interior, or his duly authorized representative, or otherwise as provided in the Unit Agreement for subsequent joinder, and when so executed shall be binding upon the undersigned, his heirs, devisees, assigns or successors in interest.

Date: April 27, 1960

J. K. Wadley

Susie L. Wadley

A. C. Taylor

Lucille Taylor

12, 15

STATE OF ARKANSAS)
) ss.
COUNTY OF MILLER)

On this 27th day of April, 1960, before me personally appeared J. K. Wadley and Susie L. Wadley to me 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.

Given under my hand and seal of office this 27th day of April, 1960.

My Commission Expires Feb. 18th, 1964

Opal Nichols
Notary Public in and for said
County and State

My commission expires:

STATE OF ~~TEXAS~~ ARKANSAS)
) ss.
COUNTY OF ~~HOWARD~~ MILLER)

On this 27th day of April, 1960, before me personally appeared A. C. Taylor and Lucille Taylor, to me 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.

Given under my hand and seal of office this 27th day of April, 1960.

My Commission Expires Feb. 18th, 1964

Opal Nichols
Notary Public in and for said
County and State

My commission expires:

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF ARKANSAS)
) ss.
COUNTY OF MILLER)

On this 27th day of April, 1960, before me personally appeared J. K. Wadley and Susie L. Wadley to me 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.

Given under my hand and seal of office this 27th day of April, 1960.

My Commission Expires Feb. 18th, 1964

Opal Nichols
Notary Public in and for said
County and State

My commission expires:

STATE OF ~~TEXAS~~ ARKANSAS)
) ss.
COUNTY OF ~~BOWIE~~ MILLER)

On this 27th day of April, 1960, before me personally appeared A. C. Taylor and Lucille Taylor, to me 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.

Given under my hand and seal of office this 27th day of April, 1960.

My Commission Expires Feb. 18th, 1964

Opal Nichols
Notary Public in and for said
County and State

My commission expires:

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

RATIFICATION AND JOINDER
of
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
of the
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

In consideration of the execution of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTH MULLIS UNIT AREA, COUNTY OF CHAVES, STATE OF NEW MEXICO, by the working interest owners named therein (a copy of which has been delivered to the undersigned), in form approved on behalf of the Secretary of the Interior, the undersigned owner or owners of lands or leases, or interests therein or royalties presently held or which may arise under existing option agreements, or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, join, approve, ratify and adopt the terms and provisions of said Unit Agreement to the same extent as if he had signed the original agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative as applicable to said several lands and interest, agree that the term of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agree that the drilling, development and producing requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests do or shall apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

This Ratification and Joinder of Unit Agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document and shall become effective and be binding upon all those who execute a counterpart hereof, regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands affected hereby upon the approval of said Unit Agreement by the Secretary of the Interior, or his duly authorized representative, or otherwise as provided in the Unit Agreement for subsequent joinder, and when so executed shall be binding upon the undersigned, his heirs, devisees, assigns or successors in interest.

Date: April 19, 1960

Gayle Ann Hopkins Kenney

Gayle Ann Hopkins Kenney

George Anna Hayes, Indiv. & as Adm. [illegible] Est. of Gayle Ann Hopkins

1106 Don Gaspar St.

Santa Fe, New Mexico

1, 2

STATE OF ~~New Mexico~~)
) ss.
COUNTY OF ~~Santa Fe~~)

On this 19 day of ~~April~~, 1960, before me personally appeared ~~George Anne Hayes~~, to me known to be the person who executed the foregoing instrument ~~in behalf of Gail Ann Hopkins~~, and acknowledged that she executed the same as ~~the~~ her free act and deed. ~~of said George Anne Hayes~~.

Given under my hand and seal of office this 19 day of ~~April~~, 1960.

George Bruce Grimes
Notary Public in and for said
County and State

My commission expires: My Commission expires September 24 1960

INDIVIDUAL ACKNOWLEDGMENT

STATE OF NEW MEXICO,
County of Lea } ss.

The foregoing instrument was acknowledged before me this 20th day of April, 1960 by Gayle Ann "Hopkins" Kenney

My Commission expires 30 Nov, 1960 Kellie Sue Brackeen
Notary Public

Form 520 Hall-Poorbaugh Press, Roswell, N. M.

RATIFICATION AND JOINDER
of
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
of the
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

In consideration of the execution of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTH MULLIS UNIT AREA, COUNTY OF CHAVES, STATE OF NEW MEXICO, by the working interest owners named therein (a copy of which has been delivered to the undersigned), in form approved on behalf of the Secretary of the Interior, the undersigned owner or owners of lands or leases, or interests therein or royalties presently held or which may arise under existing option agreements, or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, join, approve, ratify and adopt the terms and provisions of said Unit Agreement to the same extent as if he had signed the original agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative as applicable to said several lands and interest, agree that the term of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agree that the drilling, development and producing requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests do or shall apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

This Ratification and Joinder of Unit Agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document and shall become effective and be binding upon all those who execute a counterpart hereof, regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands affected hereby upon the approval of said Unit Agreement by the Secretary of the Interior, or his duly authorized representative, or otherwise as provided in the Unit Agreement for subsequent joinder, and when so executed shall be binding upon the undersigned, his heirs, devisees, assigns or successors in interest.

Date: April 28, 1960

Bertrand O. Baetz

Margaret E. Baetz

Bertrand O. Baetz
Margaret E. Baetz
419 Gunter Bldg.
San Antonio, Texas

STATE OF Texas)
) ss.
COUNTY OF Bexar)

On this _____ day of April, 1960, before me personally appeared Bertrand O. Baetz & Margaret E. Baetz to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as ~~his~~ their free act and deed.

Given under my hand and seal of office this 28th day of April, 1960.

Emil P. Weilbacher Jr.
Notary Public in and for said
County and State

My commission expires: 6-1-61

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me personally appeared _____, to me 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

RATIFICATION AND JOINDER
of
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
of the
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

In consideration of the execution of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTH MULLIS UNIT AREA, COUNTY OF CHAVES, STATE OF NEW MEXICO, by the working interest owners named therein (a copy of which has been delivered to the undersigned), in form approved on behalf of the Secretary of the Interior, the undersigned owner or owners of lands or leases, or interests therein or royalties presently held or which may arise under existing option agreements, or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, join, approve, ratify and adopt the terms and provisions of said Unit Agreement to the same extent as if he had signed the original agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative as applicable to said several lands and interest, agree that the term of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agree that the drilling, development and producing requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests do or shall apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

This Ratification and Joinder of Unit Agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document and shall become effective and be binding upon all those who execute a counterpart hereof, regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands affected hereby upon the approval of said Unit Agreement by the Secretary of the Interior, or his duly authorized representative, or otherwise as provided in the Unit Agreement for subsequent joinder, and when so executed shall be binding upon the undersigned, his heirs, devisees, assigns or successors in interest.

Date: April 13, 1960

William W. Dunn
William W. Dunn

Dorothy Dunn

Wallace Gates

Virginia Russell Gates
Virginia Russell Gates

Willie Lee Dunnam

6, 7, 4, 5

STATE OF [illegible])
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 21st day of April, 19 60 by William W. Dunn & Willie Lee Dunn.

Ida G. Knapp
Notary Public in and for County of Chaves Eddy, State of New

My commission expires:
June 5, 1963

COUNTY OF EDDY (Chaves)

On this 13th day of April, 1960, before me personally appeared Wallace Gates & Virginia Russell Gates, to me 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.

Given under my hand and seal of office this 13th day of April, 1960.

Ida G. Knapp
Notary Public in and for said County and State

My commission expires:
June 5, 1963

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said County and State

My commission expires:

RATIFICATION AND JOINDER
of
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
of the
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

In consideration of the execution of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTH MULLIS UNIT AREA, COUNTY OF CHAVES, STATE OF NEW MEXICO, by the working interest owners named therein (a copy of which has been delivered to the undersigned), in form approved on behalf of the Secretary of the Interior, the undersigned owner or owners of lands or leases, or interests therein or royalties presently held or which may arise under existing option agreements, or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, join, approve, ratify and adopt the terms and provisions of said Unit Agreement to the same extent as if he had signed the original agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative as applicable to said several lands and interest, agree that the term of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agree that the drilling, development and producing requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests do or shall apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

This Ratification and Joinder of Unit Agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document and shall become effective and be binding upon all those who execute a counterpart hereof, regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands affected hereby upon the approval of said Unit Agreement by the Secretary of the Interior, or his duly authorized representative, or otherwise as provided in the Unit Agreement for subsequent joinder, and when so executed shall be binding upon the undersigned, his heirs, devisees, assigns or successors in interest.

Date: 5-5-60

Margaret K. Hunker

Doris K. Hunker

STATE OF NEW MEXICO)
) ss.
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me on this 5th day of May, 1960, by GEORGE H. HUNKER, JR. AND MARGARET K. HUNKER, his wife.

Georgia D. Bippus
Notary Public in and for
Chaves County, New Mexico

My Commission Expires:
May 10, 1962.

RATIFICATION AND JOINDER
of
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
of the
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

In consideration of the execution of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTH MULLIS UNIT AREA, COUNTY OF CHAVES, STATE OF NEW MEXICO, by the working interest owners named therein (a copy of which has been delivered to the undersigned), in form approved on behalf of the Secretary of the Interior, the undersigned owner or owners of lands or leases, or interests therein or royalties presently held or which may arise under existing option agreements, or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, join, approve, ratify and adopt the terms and provisions of said Unit Agreement to the same extent as if he had signed the original agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative as applicable to said several lands and interest, agree that the term of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agree that the drilling, development and producing requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests do or shall apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

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Date: April 29, 1960

L L Horne

L. L. Horne
4455 Belfort Place
Dallas, Texas

15

STATE OF Texas)
) ss.
COUNTY OF Dallas)

On this 29 day of April, 1960, before me personally appeared L. L. Horne, to me 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.

Given under my hand and seal of office this 29th day of April, 1960.

Martha Mahone Wright
Notary Public in and for said
County and State

My commission expires: June 1st, 1961

MARTHA MAHONE WRIGHT

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me personally appeared _____, to me 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

STATE OF _____)
) ss.
COUNTY OF _____)

On this _____ day of _____, 1960, before me appeared _____ _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, 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.

Given under my hand and seal of office this _____ day of _____, 1960.

_____
Notary Public in and for said
County and State

My commission expires:

RATIFICATION AND JOINDER
of
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
of the
NORTH MULLIS UNIT AREA
CHAVES COUNTY, NEW MEXICO

In consideration of the execution of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE NORTH MULLIS UNIT AREA, COUNTY OF CHAVES, STATE OF NEW MEXICO, by the working interest owners named therein (a copy of which has been delivered to the undersigned), in form approved on behalf of the Secretary of the Interior, the undersigned owner or owners of lands or leases, or interests therein or royalties presently held or which may arise under existing option agreements, or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, join, approve, ratify and adopt the terms and provisions of said Unit Agreement to the same extent as if he had signed the original agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative as applicable to said several lands and interest, agree that the term of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agree that the drilling, development and producing requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests do or shall apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

This Ratification and Joinder of Unit Agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document and shall become effective and be binding upon all those who execute a counterpart hereof, regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands affected hereby upon the approval of said Unit Agreement by the Secretary of the Interior, or his duly authorized representative, or otherwise as provided in the Unit Agreement for subsequent joinder, and when so executed shall be binding upon the undersigned, his heirs, devisees, assigns or successors in interest.

Date: 4-12-60

E. H. Shaw

Mabel Shaw

Fred M. Cassidy

Margaret Cassidy

George R. Gibson

Orpha O. Gibson

15, 1, 2

STATE OF Texas)
) ss.
COUNTY OF Midland)

On this 12 day of April, 1960, before me personally appeared E. H. Shaw & Mabel Shaw, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as ~~his~~ their free act and deed.

Given under my hand and seal of office this 12 day of April, 1960.

HELEN COLE - NOTARY PUBLIC

Helen Cole
Notary Public in and for said
Midland County and State of Texas.

My commission expires:
June 1, 1961

STATE OF Texas)
) ss.
COUNTY OF Midland)

On this ____ day of April, 1960, before me personally appeared Fred M. Cassidy & Margaret Cassidy to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as ~~his~~ their free act and deed.

Given under my hand and seal of office this 13th day of April, 1960.

Margaret Newnham
Notary Public in and for said
Midland County and State of Texas.

June 1, 1961

STATE OF Texas)
)
COUNTY OF Midland)

ON THIS the 12 day of April, 1960, before me personally appeared George R. Gibson and Orpha O. Gibson

to me known to be the persons described in and who executed the foregoing instrument and acknowledged to me that they excuted the same as their free act and deed.

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

Wanda Wallace
Notary Public in and for Midland County, Texas

My Commission Expires:

6-1-61

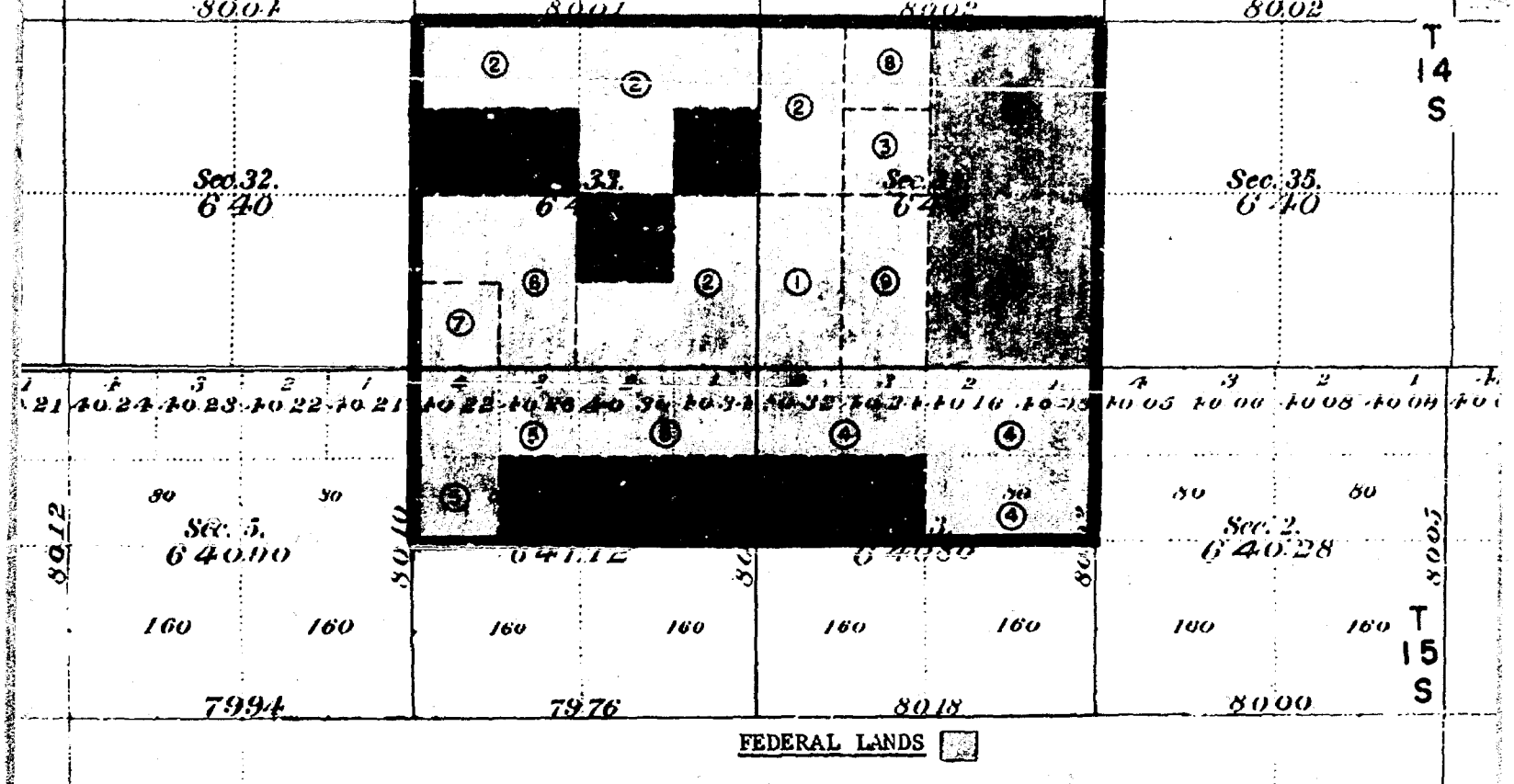
EXHIBIT A

PROPOSED N. MULLIS DRILLING UNIT

CHAVES COUNTY, NEW MEXICO

T-14-S & T-15-S = R-29-E

SCALE 2 INCHES = 1 MILE



FEDERAL LANDS

TRACT	SERIAL NO.	WORKING INTEREST OWNER	ACRES IN UNIT
1.	N. M. 02259	Honolulu (British-American operating rights)	80.00
2.	N. M. 02259	Honolulu	400.00
3.	N. M. 051569	British-American	40.00
4.	N. M. 05305	Fred M. Cassidy (Optioned to Honolulu)	240.80
5.	N. M. 05413	Honolulu	201.12
6.	L. C. 060546	Hondo	120.00
7.	L. C. 060546-A	H. E. Harrington	40.00
8.	L. C. 066029-A	H. E. Harrington	40.00
9.	L. C. 070534	Fred M. Cassidy (Optioned to Honolulu)	80.00
		Total Federal	1,241.92

STATE LANDS

TRACT	LEASE NO.	WORKING INTEREST OWNER	ACRES IN UNIT
10.	E-521-2	Sinclair-Cities Service	40.00
11.	E-5988	T. P. Coal & Oil	160.00
12.	E-7191	J. K. Wadley	40.00
13.	E-9933-2	Gulf	40.00
14.	E-9971	Sunray-MidContinent	80.00
		Total State	360.00

FEE LANDS

15.		Gulf	320.00
		TOTAL ACREAGE IN UNIT AREA	1,921.92

Case 1925

Sec. 29. | Sec. 28. | Sec. 27. | Sec. 26.

EXHIBIT B

PROPOSED N. MULLIS DRILLING UNIT

CHAVES COUNTY, NEW MEXICO

T-14-S & T-15-S - R-29-E

SCALE 2 INCHES = 1 MILE

R-29-E

Sec.17 6.40 | Sec.16 6.40 | Sec.15 6.40 | Sec.14 6.40

Sec.20 6.40 | Sec.21 6.40 | Sec.22 6.40 | Sec.23 6.40

Sec.29 6.40 | Sec.28 6.40 | Sec.27 6.40 | Sec.26 6.40

Sec.32 6.40 | Sec.33 6.40 | Sec.34 6.40 | Sec.35 6.40

Sec. 5 6.40.80 | Sec. 4 6.41.12 | Sec. 3 6.40.18 | Sec. 2 6.40.28

Sec.8 6.40 | Sec.9 6.40 | Sec.10 6.40 | Sec.11 6.40

Sec.17 6.40 | Sec.16 6.40 | Sec.15 6.40 | Sec.14 6.40

British-Amer. Hono.-Federal
T.D. 3600'
Devonian
TOP OF PAY 10222'

Steinburger
Reddie/ T.D. 4200 San Andres
Hono.-Federal T.D. 1858 Queen

Kelly
Kelly-Fed. T-H
T.D. 1894' Queen

Steinburger
Kimes T.D. 3616 San Andres

T.D. 3680' San Andres
English
Billingsley

PROPOSED LOCATION

1.100 | 1.090 | 1.110 | 1.100

T 14 S

T 15 S

Dry Laguna

SEISMIC MAP

- MISSISSIPPIAN HORIZON -

C. I. = .010 SEC. (70')

"CONFIDENTIAL"