CASE 6998: MONSANTO COMPANY FOR APPROVAL OF THE BACK BASIN UNIT AREA, LEA COUNTY, NEW MEXICO.

Case No.

6998

Application

Transcripts

Small Exhibits

ETC

Unit Name BACK BASIN UNIT- EXPLORATORY
Operator MONSANTO COMPANY
County LEA COUNTY

DATE APPROVED	OCC CASE NO. 6998 OCC ORDER NO. R-6457	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREG CLAU
Commissioner 9-22-80	Commission 9-10-80		1,920.00	160.00	1,760.00	-0-	Ye

UNIT AREA

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM

Section 17: All
Section 20: All
Section 29: ALL

TERMINATED AA: 10/23/81
Eff: 8/15/81
NO COMMERCIAL DETERMINATION ON 1ST WELL &
2ND WELL NOT DRILLED WITHIN TIME PERIOD

OCD

Unit Name BACK BASIN UNIT- EXPLORATORY
Operator MONSANTO COMPANY
County LEA COUNTY

ASE NO. 6998 ORDER NO. R-6457	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
ssion 80		1,920.00	160.00	1,760.00	-0-	Yes	5 ye

EAST, NMPM

TERMINATED AA: 10/23/81
Eff: 8/15/81
NO COMMERCIAL DETERMINATION ON 1ST WELL &
2ND WELL NOT DRILLED WITHIN TIME PERIOD

Unit Name BACK BASIN UNIT
Operator MONSANTO COMPANY
County LEA COUNTY

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	L
5	LG-8378	C.S.	29	23S	34E	NW/4	8-8-80	160.00		J. C. Wi

TERMINATED eff: 10/23/81
Eff: 8/15/81

Unit Name BACK BASIN UNIT
Operator MONSANTO COMPANY
County LEA COUNTY

SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
29	23S	34E	NW/4	8-8-80	160.00		J. C. Williamson

TERMINATED Eff: 9/15/81 Appr: 10/23/81

GEORGE H. HUNKER, JR.
DON M. FEDRIC

LAW OFFICES OF
HUNKER-FEDRIC, P.A.
210 HINKLE BUILDING
POST OFFICE BOX 1837
ROSWELL, NEW MEXICO 88201

TELEPHONE 622-2700
AREA CODE 505

October 24, 1980

Oil Conservation Division
State of New Mexico
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Case No. 6998
Order No. R-6457
Back Basin Unit
Lea County, New Mexico

Gentlemen:

In connection with the captioned Order, we enclose for filing with the Division an executed original of the Back Basin Unit Agreement, which Agreement became effective October 22, 1980. We further enclose a copy of the Certificate of Approval of the Commissioner of Public Lands dated September 22, 1980, and a copy of the Certificate-Determination from the United States Geological Survey dated October 22, 1980.

If anything further is requested, please contact us, and we appreciate your kind assistance.

Yours very sincerely,

HUNKER-FEDRIC, P.A.

Don M. Fedric

DMF:dd
Encls.

xc: Monsanto Company
1330 Midland National Bank Tower
500 West Texas
Midland, Texas 79701

xc: Mr. J.C. Williamson
P.O. Box 16
Midland, Texas 79701

CERTIFICATION--DETERMINATION

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

A. Approve the attached agreement for the development and operation of the Back Basin 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.

FOR ACTING Jack Willoek
Deputy Conservation Manager, SCR
United States Geological Survey

22 OCT 1980
Dated

14-08-0001-18442
Contract Number

NEW MEXICO STATE LAND OFFICE

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

BACK BASIN UNIT

LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated July 17, 1980, which said Agreement has been executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

(a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.

(b) That under the proposed agreement, the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.

(c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.

(d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 19-10-45, 19-10-46, 19-10-47, New Mexico Statutes Annotated, 1978 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 22nd day of September, 19 80.

COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
BACK BASIN UNIT AREA
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 17th day of July, 1980, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 88, Laws 1943, as amended by Section 1 of Chapter 176, Laws of 1961) (Chapter 19, Article 10, Section 45, New Mexico Statutes 1978 Annotated), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 88, Laws 1943, as amended by Section 1, Chapter 162, Laws of 1951) (Chapter 19, Article 10, Section 47, New Mexico Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Division of the State of New Mexico (hereinafter referred to as the "Division") is authorized by an Act of the Legislature (Chapter 72, Laws of 1935 as amended) (Chapter 70, Article 2, Section 2 et seq., New Mexico Statutes 1978 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interest in the 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 interest in the below-defined unit area, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of Feburary 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this

agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

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

Township 23 South, Range 34 East, N.M.P.M.
Section 17: All
Section 20: All
Section 29: All,

containing 1,920 acres, more or less,
Lea County, New Mexico.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Division, hereinafter referred to as "Division".

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

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

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

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

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

(e) Notwithstanding any prior elimination under the Drilling to Discovery Section, all legal subdivision of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all nonparticipating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Land Commissioner and promptly notify all parties in interest.

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

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All 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. MONSANTO COMPANY of 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 the capacity and not as an owner of interest in unitized substances, and the term "working-interest owner" when used shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit operator shall have the right to resign at any time prior to the establishment of a participating area or area hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights

as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working-interest owners and the Supervisor, the Land Commissioner, and State Division 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 Land Commissioner as to State lands or the State Division if on Fee 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 interest as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Supervisor and the Land Commissioner.

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

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

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

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners

of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interest, 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 agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Land Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Land Commissioner, if on State land, or by the Division, if on Fee lands, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Morrow 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, completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, or the Division if on Fee lands, 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 13,600 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal land or of the Land Commissioner if on State land, or the Division if on Fee lands, 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 Supervisor and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantitites, the Unit Operator shall submit for the approval of the Supervisor, the Land Commissioner, and State Division an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Land Commisioner, and State Division, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the Land Commissioner and State Division 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, the Land Commissioner, and State Division may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the Land Commissioner, and State Division.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and the Land Commissioner are authorized to grant a reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor, the Land Commissioner, and State Division, 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, the Land Commissioner, or the State Division, the Unit Operator shall submit for approval by the Supervisor, the Land Commissioner, and State Division a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonable proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor, the Land Commissioner, and State Division to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall

govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, any any two or more participating areas so established may be combined into one, on approval of the Supervisor, the Land Commissioner, and the State Division. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit, said participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the Supervisor, the Land Commissioner, and State Division. The participating area or areas so established shall be revised from time to time, subject to like approval, to include land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicted, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor, the Land Commissioner, and Division, No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

In the absence of agreement at any time between the Unit Operator and the Supervisor, the Land Commissioner, and State Division, as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interest and the Supervisor and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands, the Land Commissioner for the State lands, and the Division for the Fee lands, and the amount thereof shall be deposited, as directed by the Supervisor and the Land Commissioner, and the Division 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, the Land Commissioner, and State Division that a well drilled under this agreement is not capable of production in paying quantities and inclusions of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

Determination as to whether a well completed within the Unit Area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as a result of the completion of a well for production in paying quantities in accordance with Section 9 hereof.

Determination as to whether a well completed within the unit area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as the result of the completion of a well for production in paying quantities in accordance with Section 9 hereof.

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 unitization 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, Land Commissioner, and State Division, or unavoidable loss, 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 royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was defined at the time of such final production.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately

preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

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

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

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

(j) 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, subject to the provisions of subsection (e) of Section 2 and subsection (i) of this Section 18.

(k) 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 respective tracts.

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

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

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

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

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

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose hereof 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; provided, 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 developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Division.

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

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and the Commissioner of Public Lands and the Division and to appeal from orders issued under the regulations of said Department or Land Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior or the Land Commissioner, or the Division, or any other

legally constituted authority; provided however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

interests in accordance with their respective working interest ownerships, and such owners or working interests shall compensate the fee owner of unitized 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.

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

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

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

32. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed, or implied, not any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

33. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working-interest owners, nor any of them, shall be subject to any forfeiture, termination, or expiration of any right hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the working-interest owners, or any of them, are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Division, agree that all powers and authority vested in the State Division in and by any provisions of this agreement are vested in the State Division and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

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

"Unit Operator"
MONSANTO COMPANY

Attest:

By _____
Attorney-in-Fact

Secretary

1330 Midland National Bank Tower
Midland, Texas 79701

Date _____

"Working Interest Owners"

Date 7-17-80

J.C. WILLIAMSON
P. O. Box 16
Midland, Texas 79701

Date 7-17-80

LOIS G. WILLIAMSON,
Wife of J.C. Williamson
P. O. Box 16
Midland, Texas 79701

CONOCO INC.

Attest:

By _____
Attorney-in-Fact

Secretary

Gibraltar Savings Center
Midland, Texas 79701

Date _____

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 17th day of July, 1980, by J.C. WILLIAMSON and LOIS G. WILLIAMSON, his wife.

Notary Public

My commission expires:
11-30-80

STATE OF TEXAS)
) ss
COUNTY OF ~~MIDLAND~~ Harris)

The foregoing instrument was acknowledged before me this 28th day of July, 1980, by FREDERIC TIETZ, ATTORNEY - IN - FACT of MONSANTO COMPANY, a Delaware corporation, for and on behalf of said corporation.

Marvel B. Nicely
Notary Public
MARVEL B. NICELY

My commission expires:
JANUARY 31, 1981

STATE OF _____)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by _____, _____ of CONOCO INC., a _____ corporation, for and on behalf of said corporation.

Notary Public

My commission expires:
_____

Exhibit "A"
BACK BASIN UNIT
LEA County, New Mexico

TRACT No.	Acreage	Percentage
FEDERAL	1760.00	91.67%
State	160.00	8.33%
TOTAL	1920.00	

Rge. 34 E.

Twp. 23 S.

J.C. Williamson
2-28-81

(2)

17

NM 18304

Continental Oil Co.
(Conoco, Inc.)
A.B.U.

(1)

LC 065194

J.C. Williamson
2-28-81

20

(3)

NM 18306

J.C. Williamson
6-1-90

J.C. Williamson
2-28-81

(5)

LG-8318

29

(4)

NM 18307

EXHIBIT "B" TO UNIT AGREEMENT
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land and No. Acres	Serial No. & Lease Date	Lessee of Record	Basic Roy. & Percent.	Overriding Royalty Owner & Percentage		Working Inter Owner & Perce
FEDERAL LEASES: ALL IN TOWNSHIP 23 SOUTH, RANGE 34 EAST, N.M.P.M.							
1.	Sec. 17: S½ (320)	LC 065194 5/1/51	Conoco Inc.	USA 12.5%	Helen M. Kolliker (widow of R.S. Magruder)	1%	Conoco Inc. -
					Ft. Worth Nat'l. Bank, Trustee, Estate of R.S. Magruder, Trust 1059	1%	
					Alfred S. Blauw	.00125 %	
					Charles F. Montgomery	.00125 %	
					Edwin S. Raymond	.00125 %	
					J.G. Thornhill	.00125 %	
					Tom I. Ingram	.0021875%	
					Eugene E. Nearburg	.0010937%	
					Anna A. Reischman	.0010938%	
2.	Sec. 17: N½ (320)	NM 18304	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas	5%	J.C. Williams
					Great Basins Petrol. Co.	5%	
					H & F Investments	1%	
					Mark B. McFeeley, Trustee	.5%	
					Lois G. Williamson	.75%	
					Florence M. Curry	.25%	
3.	Sec. 20: All (640)	NM 18306	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas	5%	J.C. Williams
					Great Basins Petrol. Co.	5%	
					H & F Investments	1%	
					Mark B. McFeeley, Trustee	.5%	
					Lois G. Williamson	.75%	
					Florence M. Curry	.25%	
4.	Sec. 29: E½, SW¼ (480)	NM 18307	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas	5%	J.C. Williams
					Great Basins Petrol. Co.	5%	
					Ratliff Exploration Co.	2½% PPI	

TOTAL FEDERAL ACREAGE (4 Tracts): 1,760 acres

EXHIBIT "B" TO UNIT AGREEMENT
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

Serial No. & Lease Date	Lessee of Record	Basic Roy. & Percent.	Overriding Royalty Owner & Percentage		Working Interest Owner & Percentage
WNSHIP 23 SOUTH, RANGE 34 EAST, N.M.P.M.					
LC 065194 5/1/51	Conoco Inc.	USA 12.5%	Helen M. Kolliker (widow of R.S. Magruder)	1%	Conoco Inc. - 100%
			Ft. Worth Nat'l. Bank, Trustee, Estate of R.S. Magruder, Trust 1059	1%	
			Alfred S. Blauw	.00125 %	
			Charles F. Montgomery	.00125 %	
			Edwin S. Raymond	.00125 %	
			J.G. Thornhill	.00125 %	
			Tom I. Ingram	.0021875%	
			Eugene E. Nearburg	.0010937%	
			Anna A. Reischman	.0010938%	
NM 18304	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas	5%	J.C. Williamson - 100%
			Great Basins Petrol. Co.	5%	
			H & F Investments	1%	
			Mark B. McFeeley, Trustee	.5%	
			Lois G. Williamson	.75%	
			Florence M. Curry	.25%	
NM 18306	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas	5%	J.C. Williamson - 100%
			Great Basins Petrol. Co.	5%	
			H & F Investments	1%	
			Mark B. McFeeley, Trustee	.5%	
			Lois G. Williamson	.75%	
			Florence M. Curry	.25%	
NM 18307	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas	5%	J.C. Williamson - 100%
			Great Basins Petrol. Co.	5%	
			Ratliff Exploration Co.	2½% PPI	

acts): 1,760 acres

EXHIBIT "B" TO BACK BASIN UNIT AGREEMENT (continued)

Tract No.	Description of Land and No. Acres	Serial No. & Lease Date	Lessee of Record	Basic Roy. & Percent.	Overriding Royalty Owner & Percentage		Working Int Owner & Per
STATE LEASE:							
5.	Sec. 29: NW¼ (160)	LG 8378 6/1/80	J.C. Williamson	State N.M. 12.5%	Lois Williamson	4.5834%	J.C. Williams
					Max E. Curry	4.5834%	
					Daroyl R. Curry	1.6666%	
					Bill Stapler	1.6666%	

* Assignment Pending Approval (Great Basins Petroleum Co.-Williamson)

TOTAL STATE ACREAGE: 160 acres - 8.33% of Unit
TOTAL FEDERAL ACREAGE: 1,760 acres - 91.67% of Unit
TOTAL UNIT ACREAGE: 1,920 acres

UNIT AGREEMENT (continued)

Serial No. & Lease Date	Lessee of Record	Basic Roy. & Percent.	Overriding Royalty Owner & Percentage		Working Interest Owner & Percentage
LG 8378 6/1/80	J.C. Williamson	State N.M. 12.5%	Lois Williamson Max E. Curry Daroyl R. Curry Bill Stapler	4.5834% 4.5834% 1.6666% 1.6666%	J.C. Williamson - 100%

roval (Great Basins Petroleum Co.-Williamson)

60 acres - 8.33% of Unit
60 acres - 91.67% of Unit
20 acres

CONSENT AND RATIFICATION
BACK BASIN UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Back Basin Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the Seventeenth day of July, 1980, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Back Basin Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

TRACT NOS. 2, 3, 4, and 5

Address:

619 West Texas, Suite 200

Midland, Texas 79701

COLA PETROLEUM, INC.

By: T. B. Garber
Title: President

ATTEST:

By: Kellie Mae Armstrong
Title: Assistant Secretary

INDIVIDUAL

STATE OF X

COUNTY OF X

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by _____.

My Commission Expires:

Notary Public in and for
County,

(Typed name of Notary)

CORPORATE

STATE OF TEXAS X

COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this 25th day of July, 1980, by T. B. Garber who is President of Cola Petroleum, Inc. a Texas Corporation, for and on behalf of said Corporation.

My Commission Expires:

2-7-84

Bonnie Atwater
Notary Public in and for
County,

Bonnie Atwater
(Typed name of Notary)

CONSENT AND RATIFICATION
BACK BASIN UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Back Basin Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the Seventeenth day of July, 1980, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Back Basin Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

TRACTS NOS. 2, 3, 4, and 5

Max Curry

Florence Curry (Spouse)

Address:

1201 North Big Spring

Midland, Texas 79701

INDIVIDUAL

STATE OF TEXAS)

COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 25th day of July, 1980, by Max Curry and Florence Curry, his wife.

My Commission Expires:

6-22-81

Linda Walker
Notary Public in and for
County,

Linda Walker
(Typed name of Notary)

CORPORATE

STATE OF TEXAS)

COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said Corporation.

My Commission Expires:

_____

_____
Notary Public in and for
County,

_____
(Typed name of Notary)

CONSENT AND RATIFICATION
BACK BASIN UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Back Basin Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the Seventeenth day of July, 1980, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Back Basin Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

TRACT NOS. 2, 3, 4, and 5

Address:

Suite 900
Vaughn Building
Midland, Texas 79701

FLORIDA EXPLORATION COMPANY

By: Jim R. Williams
Title: V.P.

ATTEST:

By: Janice W. Rogers
Title: Asst. Secretary

INDIVIDUAL

STATE OF)(
COUNTY OF)(

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by _____.

My Commission Expires:

_____

Notary Public in and for
County,

(Typed name of Notary)

CORPORATE

STATE OF TEXAS)(
COUNTY OF MIDLAND)(

The foregoing instrument was acknowledged before me this 25 day of July, 1980, by Jim R. Williams who is Vice President of FLORIDA EXPLORATION COMPANY a Texas Corporation, for and on behalf of said Corporation.

My Commission Expires:

6-4-84

Joyce L. Bolding
Notary Public in and for Midland
County, Texas

Joyce L. Bolding
(Typed name of Notary)

CONSENT AND RATIFICATION
BACK BASIN UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Back Basin Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the Seventeenth day of July, 1980, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Back Basin Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

TRACT NOS. 2, 3, 4, and 5

Address:

Box 3579

Midland, Texas 79702

LANDIS DRILLING COMPANY

By: Fred Landis
President

ATTEST: Ralph Shillaman
Secretary

INDIVIDUAL

STATE OF)

COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by _____.

My Commission Expires:

_____

_____
Notary Public in and for _____ County,

_____
(Typed name of Notary)

CORPORATE

STATE OF TEXAS)

COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 29th day of July, 1980, by Fred Landis, who is President of Landis Drilling Company a Texas Corporation, for and on behalf of said Corporation.

My Commission Expires:

11-30-80

Jane Fulton
Notary Public in and for
Midland County, Texas

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Attest: _____

LUNAR OIL & GAS

By _____

Date _____

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 12th day of August, 1980, by Mac E. Curry, of LUNAR OIL & GAS, a partnership, for and on behalf of said partnership.

Linda Walker
Notary Public

My commission expires:
6-22-81

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Attest: _____
Secretary

GREAT BASINS PETROLEUM CO.

By _____
President

Date 8/11/80

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

The foregoing instrument was acknowledged before me this 11th day of AUGUST, 1980, by CHARLES W. HATTEN, President of GREAT BASINS PETROLEUM CO., a corporation, for and on behalf of said corporation.

_____
Notary Public

My commission expires:

OFFICIAL SEAL
J. S. MANUS
NOTARY PUBLIC-CALIFORNIA
PRINCIPAL OFFICE IN
LOS ANGELES COUNTY
My Commission Expires Dec. 17, 1982

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Attest: Jeanne H. Hunker

H & F INVESTMENTS

By Don M. Fedric

Date 8-18-80

STATE OF NEW MEXICO)
) ss
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 18th day of August, 1980, by Don M. Fedric of H & F INVESTMENTS, a partnership, for and on behalf of said partnership.

Rebecca Colmer
Notary Public

My commission expires:
9-17-80

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date _____

By _____
DAROYL R. CURRY

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 12th day of August, 1980, by DAROYL R. CURRY.

_____
Notary Public

My commission expires:
6-22-81

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Florence Curry
FLORENCE CURRY

Max E. Curry
MAX E. CURRY

By _____

Date _____

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 12th day of August, 1980, by MAX E. CURRY and FLORENCE CURRY, his wife.

Linda Walker
Notary Public

My commission expires:
6-22-81

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

By Bill Stapler
BILL STAPLER

Date 8-12-80

STATE OF TEXAS)
) ss
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 12th day of August, 1980, by BILL STAPLER.

Notary Public

My commission expires:
2-14-84

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

MARK B. McFEELEY, Trustee in Bankruptcy
By for American Fuels Corporation

Date 8/11/80

STATE OF NEW MEXICO)
) ss
COUNTY OF SANTA FE)

The foregoing instrument was acknowledged before me this 11th day of August, 1980, by MARK B. McFEELEY, Trustee in Bankruptcy for American Fuels Corporation, for and on behalf of said bankrupt.

Cynthia A. Leyba
Notary Public

My commission expires:
January 28, 1980

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date 8/18/80

By Lois G. Williamson
LOIS G. WILLIAMSON

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 8th day of August, 1980, by LOIS G. WILLIAMSON, Wife of J.C. Williamson.

Dee Ann Cowden
Notary Public

My commission expires:
7/25/81

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Attest: James Wagoneller

Date 8/8/1980

RATLIFF EXPLORATION COMPANY

By Barton W. Ratliff
PRESIDENT

STATE OF OKLAHOMA)
) ss
COUNTY OF STEPHENS)

The foregoing instrument was acknowledged before me this 8TH day of AUGUST, 1980, by BARTON W. RATLIFF, of RATLIFF EXPLORATION COMPANY, a OKLAHOMA corporation, for and on behalf of said corporation.

Mildred Crain
Notary Public

My commission expires:
June 2, 1984

Unit Name BACK BASIN UNIT- EXPLORATORY
Operator MONSANTO COMPANY
County LEA COUNTY

DATE APPROVED	OCC CASE NO. 6998 OCC ORDER NO. R-6457	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGRE CLA
Commissioner 9-22-80	Commission 9-10-80		1,920.00	160.00	1,760.00	-0-	

UNIT AREA

TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM

Section 17: All
Section 20: All
Section 29: ALL

OCC

Unit Name BACK BASIN UNIT- EXPLORATORY
Operator MONSANTO COMPANY
County LEA COUNTY

NO. 6998 R NO. R-6457	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
		1,920.00	160.00	1,760.00	-0-	Yes	5 yrs

NMPM

Unit Name BACK BASIN UNIT
Operator MONSANTO COMPANY
County LEA COUNTY

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	
5	LG-8378	C.S.	29	23S	34E	NW/4	8-8-80	160.00		J

Unit Name BACK BASIN UNIT
Operator MONSANTO COMPANY
County LEA COUNTY

NSTI-UTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
C.S.	29	23S	34E	NW/4	8-8-80	160.00		J. C. Williamson

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

BRUCE KING
GOVERNOR

LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

September 12, 1980

Re: CASE NO. 6998
ORDER NO. R-6457

Mr. Don Fedric
Hunker-Fedric
Attorneys at Law
Post Office Box 1837
Roswell, New Mexico 88201

Applicant:

Monsanto Company

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD x
Artesia OCD x
Aztec OCD

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6998
Order No. R-6457

APPLICATION OF MONSANTO COMPANY
FOR APPROVAL OF THE BACK BASIN
UNIT AGREEMENT, LEA COUNTY,
NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on August 20, 1980, at Santa Fe, New Mexico, before Examiner Richard L. Stamets.

NOW, on this 10th day of September, 1980, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Monsanto Company, seeks approval of the Back Basin Unit Agreement covering 1,920 acres, more or less, of State and Federal lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 17: All
Section 20: All
Section 29: All

(3) That all plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

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

IT IS THEREFORE ORDERED:

(1) That the Back Basin Unit Agreement is hereby approved.

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

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

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

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

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

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

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

JOE D. RAMEY
Director

SEAL

fd/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
20 August 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Monsanto Company for a unit agreement, Lea County, New Mexico.

CASE 6998

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation Division: Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant: Don M. Fedric, Esq.
HUNKER, FEDRIC P. A.
P. O. BOX 1837
Roswell, New Mexico 88201

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I N D E X

E X H I B I T S

SALLY W. BOYD, C.S.R.
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MR. STAMETS: Call next Case 6998.

MR. PADILLA: Application of Monsanto Company for a unit agreement, Lea County, New Mexico.

MR. FEDRIC: Mr. Examiner, I'm Don Fedric from Roswell, representing Monsanto, and I have one witness to be called.

MR. STAMETS: Any other appearances in this case?

I'd like to have the witness stand and be sworn, please.

(Witness sworn.)

J. C. WILLIAMSON

being called as a witness and having been duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. FEDRIC:

Q. State your name, your occupation, and your address, please.

A. J. C. Williamson, 1585 Midland National Bank, Midland, Texas, and I'm a geologist.

Q. Mr. Williamson, have you appeared before the Commission before?

A. Yes.

Q. And have you qualified as a geologist?

A. Yes.

Q. You're appearing on behalf of Monsanto Company, is that correct?

A. Yes.

Q. Monsanto has an application to form the Back Basin Unit in Lea County, New Mexico. This is a unit area covering three sections, 17, 20, and 29, of Township 23 South, Range 34 East, Lea County, is that correct?

A. Yes.

Q. Would you look at what is designated as Exhibit A? Tell the Examiner what Exhibit A is, please.

A. Well, it's a report of the area by the Curry Engineering by which they recommend that this acreage be put into a unit so it could be developed as a whole.

Q. Okay, there are four exhibits to Exhibit A, structure maps on the Devonian, the Morrow, the Bone Springs, and an east and west cross section of various formations and the wells in the area, is this correct?

A. Yes.

Q. Is this supportive evidence for the report by Curry Engineering?

A. Yes.

Q. And did you assist Curry Engineering in

preparing the report?

A. Yes.

Q. Okay, is it the recommendation of the report that the unit area, which is called the Back Basin Area, that be put together as a unit type prospect and for unit development?

A. Yes.

Q. Okay. One of the first exhibits is an outline of the unit area and it shows the unit area. This is Exhibit A. It shows in dark red the proposed unit area, is that correct?

A. Yes.

Q. This particular exhibit also shows the other units in the particular part of Lea County, is that correct?

A. Yes.

Q. Okay. The leases that are in the proposed Back Basin Unit are Federal leases except for the northwest quarter of Section 29, is that correct?

A. Yes.

Q. And the northwest quarter of 29 is the only State acreage which would be in the proposed unit.

A. Yes.

Q. Okay. Where is the initial test well in the unit proposed to be drilled?

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

A. In Section 20.

Q. And to what depth?

A. To test the Morrow, which would be around from 13,600 to 900.

Q. Now when is the well estimated to start?

A. As soon as possible, possibly in September.

Q. Okay. Is there also a well which is presently located in Section 29 that's planned to be re-entered as part of the unit plan?

A. Yes.

Q. And this particular well is in the northeast quarter of Section 29, is that correct?

A. It's 1980 from the east and 660 from the north of Section 29.

Q. Okay, and if that well is re-entered and is made productive, is it presently anticipated that the north half of Section 29 will be the proration unit for the production from that well?

A. Yes.

Q. And that proration unit then would include the State acreage which is in the northeast quarter -- excuse me, northwest quarter --

A. Yes.

Q. -- of Section 29.

A. Yes, sir.

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Q. And Monsanto is the proposed unit operator, is that correct?

A. Yes.

Q. All of the Federal lease in the proposed unit are owned by you, is that correct?

A. At this minute.

Q. Okay. Isn't the essence of the Curry Engineering report that the unit development would be the most efficient method of development for this area?

A. Yes, it is.

Q. And this will be a multi-pay, expensive type area to develop, is that correct?

A. It sure is.

Q. And this is one of the reasons for the recommendation for a unit type development, is that correct?

A. Yes, sir.

Q. Okay, and based upon the geology, your information, your knowledge as a geologist, and the report, do you feel that the unit area is logical for unitization and unit development?

A. Yes.

Q. And in your opinion would it be in the best interests of sound conservation principles, prevention of waste, and orderly development for the lands to be developed as a unit and as a unit type plan?

A. Yes, it would.

MR. FEDRIC: Mr. Examiner, I have submitted as exhibits, Exhibit A, the Curry Engineering report, and the exhibits to that.

I also wish to submit at this time a letter from Continental Oil Company, which is the owner of the acreage in the south half of 17, and they refuse to commit to the unit. They have submitted a letter refusing to commit, and that would be Exhibit B.

I'd also wish to submit from the United States Geological Survey and Exhibit C, whereby they have designated the area logical for unitization.

As Exhibit D, a letter from the Commissioner of Public Lands approving the unit plan as to form and content and subject to approval by this organization.

And now, as the last two exhibits, E and F, a copy of the unit agreement, which has been fully executed by all working interest owners and ratified by all overriding royalty interest owners, and a copy, as Exhibit F, a copy of the unit operating agreement, which also is signed by all the working interest owners.

That finished our testimony.

MR. STAMETS: Okay. Anyone have any questions of this witness?

CROSS EXAMINATION

BY MR. STAMETS:

Q. Are you familiar enough with the unit agreement to tell us whether it provides for participating areas, plans of development, annual submittal and approval of these?

A. Well, it calls for first a -- the real first thing it calls for, the drilling of a Morrow test, which is on the unit, which would be on section 20, and after that we will have to, I believe, submit a plan of development to USGS.

Now, during this time, more than likely, we will -- while they're drilling the well, we will re-enter the -- the old well that we have there at present, and probably make a well out of it, or attempt to.

Those two developments are promised, I believe, to the USGS, anyway; that's a development plan we're planning to do, anyway, and we have to have this production, this well drilled and completed as a producer, I think, by February the 28th, 1981.

Q. Does the unit agreement provide for Division approval of any plans of operation or approval of participating areas?

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MR. FEDRIC: I believe, Mr. Stamets, that the only provision in there is as to participating areas in connection with the USGS. Participating areas at this point in time are defined, however, as proration units, but may be expanded for United State royalty. I don't know.

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MR. STAMETS: Is there any objection to submitting this data to the Division for approval, if that should be required?

MR. FEDRIC: Not at all.

MR. STAMETS: Okay. Any other questions of the witness?

It appears as though they may be in there. Mr. Padilla has noted them.

Any other questions of the witness? He may be excused.

Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

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Santa Fe, New Mexico 87501
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd C.S.R.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 6996 heard by me on 8-20, 1980.

Richard L. Stamets, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
20 August 1980

EXAMINER HEARING

IN THE MATTER OF:

Application of Monsanto Company for a unit agreement, Lea County, New Mexico.

CASE 6998

BEFORE: Richard L. Stamets

TRANSCRIPT OF HEARING

A P P E A R A N C E S

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State Land Office Bldg.
Santa Fe, New Mexico 87501

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I N D E X

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Anything further in this case?

The case will be taken under advisement.

(Hearing concluded.)

C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

_____

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. _____, heard by me on _____ 19____.

_____, Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.
Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

CURRY ENGINEERING
MIDLAND, TEXAS 79701
1201 N. BIG SPRING STREET
P. O. BOX 5598 AC 915 682-2031

MAX E. CURRY
DAROYL R. CURRY

Mr. J. C. Williamson
1385 MNB Tower
Midland, Texas 79701

Re: Williamson et al leases in
Section 17, 20, and 29, T-23-S,
R-34-E, Lea County, New Mexico

Dear Mr. Williamson:

You have directed Curry Engineering to examine three leases lying between the Bell Lake Unit and the Antelope Ridge area of Lea County, New Mexico for purposes of determining the most prudent and efficient manner of developing the producing horizons of that area. We have completed our study of subsurface structural configurations developed from electrical and radioactive log analyses, sample logs, seismic interpretations, and reservoir performance of existing wells. As a result of our studies, it is our recommendation that your leases be put into a Federal and State drilling unit as the most prudent and efficient method of developing these important energy reserves. From a geological and engineering position it is recommended further that the proposed unit be confined to Sections 17, 20 and 29 of Township 23 South, Range 34 East, Lea County, New Mexico. We offer the conclusions, recommendations, and discussions below for your information and further direction.

The area of the proposed unit is a very complex multipay development area that requires deep drilling through several zones of low pressure incompetent beds interspersed with abnormally high pressure formations extremely sensitive to drilling fluids. This necessarily requires careful planning, several strings of special casing, special mud programs and well engineered proceedures to permit the recovery of large gas, gas-condensate, and oil reserves. The wells take a long time to drill, require a substantial amount of time to design and procure the special equipment required, obtain a drilling rig capable of drilling this depth under the conditions here stipulated and also require a large amount of capital investment. These conditions can best be prudently and efficiently accomplished under a proposed Federal and State drilling unit.

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. A
CASE NO. 6998
Submitted by Monsanto
Hearing Date 8/20/80

The area is prospective of commercial production from the Bone Springs (Permian) formations from 8,600' - 12,000', the Wolfcamp (Permian) formation from 12,100' - 12,500', the Strawn (Penn.) formation from 12,500' - 12,700', the Atoka (Penn.) formation from 12,700' - 13,400', the Morrow (Penn.) sands from 13,400' to 13,900', and the Devonian formation below 14,700'. Many of these formations have unusual physical properties in this area that require very special treatment that make development both dangerous and expensive to drill and exploit to properly protect the reservoirs and conserve the hydrocarbon reserves, some of those properties are discussed below:

A. Bone Springs (8,600' - 12,000'). This formation is a complicated system of carbonates and sands about 3,400' in thickness constituting several independent reservoirs. There is a distinct possibility of reefing in the carbonates and it is suspected that dissimilar producing mechanisms exist between the reservoirs (some of the sands are believed to be gas productive). None of the Bone Springs reservoirs have greater than normal pressures, but some non-productive formations are composed of incompetent low pressure zones that must be cased off before penetrating high pressure formations below.

B. The Wolfcamp (12,100' - 12,500') formation is an abnormally high pressure, relatively low permeability formation that will be productive in areas of stress where the matrix rock is factured or exhibits secondary porosity with greater permeability. Casing must be set at the top of this formation to preclude the loss of drilling fluids into incompetent horizons above and permit weighting up of the mud system to hold the excessive pressure encountered in drilling this interval. Failure to set this string of casing will invariably result in blow-out or loss of control of the well.

C. The Pennsylvanian (Strawn-Atoka-Morrow) formations encountered between 12,500' and 13,900' are of abnormally high pressures and are extremely sensitive of any liquids invading the porous intervals during the drilling and completion of these multipay horizons. Although most of the productive intervals are similar in pressures (8,700^{+} psi at formation depth) they are vastly dissimilar in hydrocarbon composition resulting in the production of liquids varying from none to over 100 barrels of condensate per million cubic feet of gas. Special drilling fluids are required to prevent invasion and still offer sufficient weighting capabilities to control the pressure. This results in very low penetration rates that increase the cost of drilling. High pressure casing, tubing, well head equipment, special seperating surface equipment, and very special completion techniques are required to successfully produce these horizons. Casing must be set through these intervals to drill the normal pressure prospective intervals below.

D. The Devonian formation (below 14,700') is of normal or sub-normal in pressure and usually produces a dry gas with very little or no liquid recovery. The formation is not sensitive to normal drilling fluids and, after the Pennsylvanian is behind casing, the Mississippian and Devonian formation may be drilled with fluids that offer better penetration rates; however, to drill to this depth one must plan to run larger and more expensive casing sizes in the zones above to allow sufficient hole size for drilling below the Pennsylvanian.

Obviously the development program for the subject area must be well planned, engineered, and executed to properly evaluate the various horizons and to gather good data for geological interpretations of a most complicated geological enviornment. These objectives may best be accomplished by a unitized development program in order to protect and recover these important energy reserves.

In support of our recommendation the proposed unit be confined to the government Sections 17, 20, and 29 of Township 23 South, Range 34 East, Lea County, New Mexico we offer the following exhibits for your information and reference:

PLATE A: Land map of the subject area outlining the proposed unit and other units in the area.

PLATE B: Structural map contoured on top of the Devonian formation.

PLATE C: Structural map contoured on top of the Morrow (Penn.) clastics.

PLATE D: Structural map contoured on top of the Bone Springs formation.

PLATE E: Cross section, East-West, Bone Springs, Wolfcamp, and Pennsylvanian formations.

The boundaries recommended for the proposed unit were selected for the following reasons:

A. NORTH BOUNDARY: The north boundary is established as being the south boundary of the existing North Bell Lake Unit operated by Continental Oil Company.

B. SOUTH BOUNDARY: The south boundary is established as being the north boundary of the existing Bell Lake Unit operated by Continental Oil Company.

C. WEST BOUNDARY: The west boundary is recommended for the following reasons: (Reference PLATE "B"). The recommended unit lies in a graben between two horsts running north and south that constitute the Bell Lake structural highs and the Antelope Ridge structural highs. These faults and features are pronounced during Devonian time and extend into Wolfcamp time, but are less pronounced through the Pennsylvanian sections. It is significant that the east flank of the structural highs have received better quality and thicker sands deposited during Morrow time and also is the area where the carbonates deposited during the Atoka time are better developed with porosity and permeability. These are the principal reasons for confining the proposed unit to the east flank of the Mid Bell Lake and North Bell Lake features. The west boundary of the proposed unit is limited by the fault labeled Fault "B" on PLATE "B" that is believed to extend through all of the Pennsylvanian section into Wolfcamp time.

D. EAST BOUNDARY: The east boundary of the proposed unit is confined to the east line of Section 29 and 20 by the west boundaries of the Antelope Ridge Unit and the Antebellum Units as well as the intention of confining the proposed unit to the eastern slope of the Bell Lake structures. The eastern limits of that structure terminate at or very near the eastern boundaries of all three sections.

If you have any questions relative to our study of this area and the conclusions reached, please feel free to call at any time. We have our notes and supporting data available for your inspection ay any time you wish.

Very truly yours,

CURRY ENGINEERING

Max E. Curry

MC/dc

Midland Division
North American Exploration

Conoco Inc.
P. O. Box 1959
Midland, TX 79702
(915) 684-7411

August 6, 1980

Monsanto Company
1330 Midland National Bank Tower
Midland, Texas 79701

Attention: Mr. Cecil Ellis

Re: Federal Unit - Back Basin Unit, Bell Lake Area, L-69994, Lea County, New Mexico

Gentlemen:

Mr. J. C. Williamson has proposed the formation of a three section Federal Unit consisting of Sections 17, 20, and 29, T-23-S, R-34-E, Lea County, New Mexico, with Monsanto Company as Operator for the drilling of a Morrow test in the E/2 of Section 20.

Please be advised that Conoco Inc. does not wish to join in the proposed unit with our lease covering the S/2 of Section 17. If you should have any questions concerning this letter, please contact this office.

Yours very truly,

David M. Goodfellow

David M. Goodfellow
District Landman
Midland Division

jgr

United States Department of the Interior

GEOLOGICAL SURVEY
South Central Region
P. O. Box 26124
Albuquerque, New Mexico 87125

JUL 02 1980

Hunker-Fedric, P.A.
Attention: George H. Hunker, Jr.
P. O. Box 1837
Roswell, New Mexico 88201

Gentlemen:

Your application of June 6, 1980, filed with the District Supervisor, Roswell, New Mexico, requests the designation of the Back Basin unit area, embracing 1,920.00 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A' Black Basin Unit, Lea County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the Morrow formation, or to a depth of 13,600 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Deputy Conservation Manager, Oil and Gas, for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the Supervisor, Albuquerque, New Mexico, for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. C
CASE NO. 6998
Submitted by MONSANTO
Hearing Date 8/20/80

Inasmuch as this unit agreement involves State land, we are sending a copy of this letter to the Commissioner of Public Lands in Santa Fe, New Mexico. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,

James W. Sutherland

James W. Sutherland
Acting Conservation Manager
for the Director

Hunker-Fedric, P.A.
Attention: George H. Hunker, Jr.
P. O. Box 1837
Roswell, NM 88201

State of New Mexico

Commissioner of Public Lands

ALEX J. ARMIJO
COMMISSIONER

July 29, 1980

P. O. BOX 1148
SANTA FE, NEW MEXICO 87501

Hunker-Fedric, P.A.
P. O. Box 1837
Roswell, New Mexico 88201

Re: Proposed Back Basin Unit
Lea County, New Mexico

ATTENTION: Mr. George H. Hunker, Jr.

Gentlemen:

We have reviewed the unexecuted copy of unit agreement for the Back Basin Unit, Lea County, New Mexico, which you submitted on behalf of Monsanto Company. The form of agreement meets the requirements of the Commissioner of Public Lands, therefore, we have give you approval as to form and content.

Please submit the Geological Report and any other geological data you might have.

When submitting your agreement for final approval the following are required by this office:

1. Application for final approval stating tracts committed and tracts not committed.

2. Two (2) copies of the Unit Agreement-one must be an original copy.

3. Two (2) copies of final Exhibits "A" and "B".

4. Two (2) sets of all ratifications from Lessees of Record and Working Interest Owners-all signatures should be acknowledged before a notary and one set must contain original signatures.

5. One (1) copy of the Operating Agreement (original)

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 2
CASE NO. 6998
Submitted by Monsanto
Hearing Date 8/20/80

6. Filing fee in the amount of Thirty ($30.00) Dollars.

Very truly yours,

ALEX J. ARMIJO
COMMISSIONER OF PUBLIC LANDS

BY: Floyd O. Prando

FLOYED O. PRANDO, Assistant
Director-Oil & Gas Division
AC 505-827-2748

AJA/FOP/s

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
BACK BASIN UNIT AREA
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 17th day of July, 1980, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto."

WITNESSETH:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 88, Laws 1943, as amended by Section 1 of Chapter 176, Laws of 1961) (Chapter 19, Article 10, Section 45, New Mexico Statutes 1978 Annotated), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 88, Laws 1943, as amended by Section 1, Chapter 162, Laws of 1951) (Chapter 19, Article 10, Section 47, New Mexico Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Division of the State of New Mexico (hereinafter referred to as the "Division") is authorized by an Act of the Legislature (Chapter 72, Laws of 1935 as amended) (Chapter 70, Article 2, Section 2 et seq., New Mexico Statutes 1978 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interest in the 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 interest in the below-defined unit area, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of Feburary 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

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO. 6
CASE NO. 6998
Submitted by MINSANT.
Hearing Date 8/20/80

agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

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

Township 23 South, Range 34 East, N.M.P.M.
Section 17: All
Section 20: All
Section 29: All,

containing 1,920 acres, more or less,
Lea County, New Mexico.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Division, hereinafter referred to as "Division".

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

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

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

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

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

(e) Notwithstanding any prior elimination under the Drilling to Discovery Section, all legal subdivision of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all nonparticipating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Land Commissioner and promptly notify all parties in interest.

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

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All 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. MONSANTO COMPANY of 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 the capacity and not as an owner of interest in unitized substances, and the term "working-interest owner" when used shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit operator shall have the right to resign at any time prior to the establishment of a participating area or area hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights

as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working-interest owners and the Supervisor, the Land Commissioner, and State Division 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 Land Commissioner as to State lands or the State Division if on Fee 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 interest as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Supervisor and the Land Commissioner.

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

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

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

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners

of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interest, 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 agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Land Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Land Commissioner, if on State land, or by the Division, if on Fee lands, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Morrow 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, completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, or the Division if on Fee lands, 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 13,600 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal land or of the Land Commissioner if on State land, or the Division if on Fee lands, 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 Supervisor and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantitites, the Unit Operator shall submit for the approval of the Supervisor, the Land Commissioner, and State Division an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Land Commisioner, and State Division, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the Land Commissioner and State Division 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, the Land Commissioner, and State Division may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the Land Commissioner, and State Division.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and the Land Commissioner are authorized to grant a reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor, the Land Commissioner, and State Division, 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, the Land Commissioner, or the State Division, the Unit Operator shall submit for approval by the Supervisor, the Land Commissioner, and State Division a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonable proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor, the Land Commissioner, and State Division to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall

govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, any any two or more participating areas so established may be combined into one, on approval of the Supervisor, the Land Commissioner, and the State Division. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit, said participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the Supervisor, the Land Commissioner, and State Division. The participating area or areas so established shall be revised from time to time, subject to like approval, to include land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicted, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor, the Land Commissioner, and Division, No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

In the absence of agreement at any time between the Unit Operator and the Supervisor, the Land Commissioner, and State Division, as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interest and the Supervisor and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands, the Land Commissioner for the State lands, and the Division for the Fee lands, and the amount thereof shall be deposited, as directed by the Supervisor and the Land Commissioner, and the Division 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, the Land Commissioner, and State Division that a well drilled under this agreement is not capable of production in paying quantities and inclusions of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

Determination as to whether a well completed within the Unit Area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as a result of the completion of a well for production in paying quantities in accordance with Section 9 hereof.

Determination as to whether a well completed within the unit area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as the result of the completion of a well for production in paying quantities in accordance with Section 9 hereof.

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 unitization 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, Land Commissioner, and State Division, or unavoidable loss, 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 royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was defined at the time of such final production.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately

preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

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

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

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

(j) 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, subject to the provisions of subsection (e) of Section 2 and subsection (i) of this Section 18.

(k) 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 respective tracts.

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

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

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

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

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

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose hereof 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; provided, 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 developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Division.

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

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and the Commissioner of Public Lands and the Division and to appeal from orders issued under the regulations of said Department or Land Commissioner or to apply for relief from any of said regulations or in proceedings relative to operations before the Department of the Interior or the Land Commissioner, or the Division, or any other

legally constituted authority; provided however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

interests in accordance with their respective working interest ownerships, and such owners or working interests shall compensate the fee owner of unitized 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.

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

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

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

32. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed, or implied, not any operations conducted hereunder, shall create or be deemed to have created a partnership or association between the parties hereto or any of them.

33. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working-interest owners, nor any of them, shall be subject to any forfeiture, termination, or expiration of any right hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the working-interest owners, or any of them, are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Division, agree that all powers and authority vested in the State Division in and by any provisions of this agreement are vested in the State Division and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

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

"Unit Operator"
MONSANTO COMPANY

Attest:

Secretary

Date

By
Attorney-in-Fact
1330 Midland National Bank Tower
Midland, Texas 79701

"Working Interest Owners"

Date 7-17-80

J.C. WILLIAMSON
P. O. Box 16
Midland, Texas 79701

Date 7-17-80

LOIS G. WILLIAMSON,
Wife of J.C. Williamson
P. O. Box 16
Midland, Texas 79701

Attest:

CONOCO INC.

Secretary

Date

By
Attorney-in-Fact
Gibraltar Savings Center
Midland, Texas 79701

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 17th day of July, 1980, by J.C. WILLIAMSON and LOIS G. WILLIAMSON, his wife.

Notary Public

My commission expires:
11-30-80

STATE OF TEXAS)
) ss
COUNTY OF ~~MIDLAND~~ Harris)

The foregoing instrument was acknowledged before me this 28th day of July, 1980, by FREDERIC TIETZ, ATTORNEY-IN-FACT of MONSANTO COMPANY, a Delaware corporation, for and on behalf of said corporation.

Marvel B. Nicely
Notary Public
MARVEL B. NICELY

My commission expires:
JANUARY 31, 1981

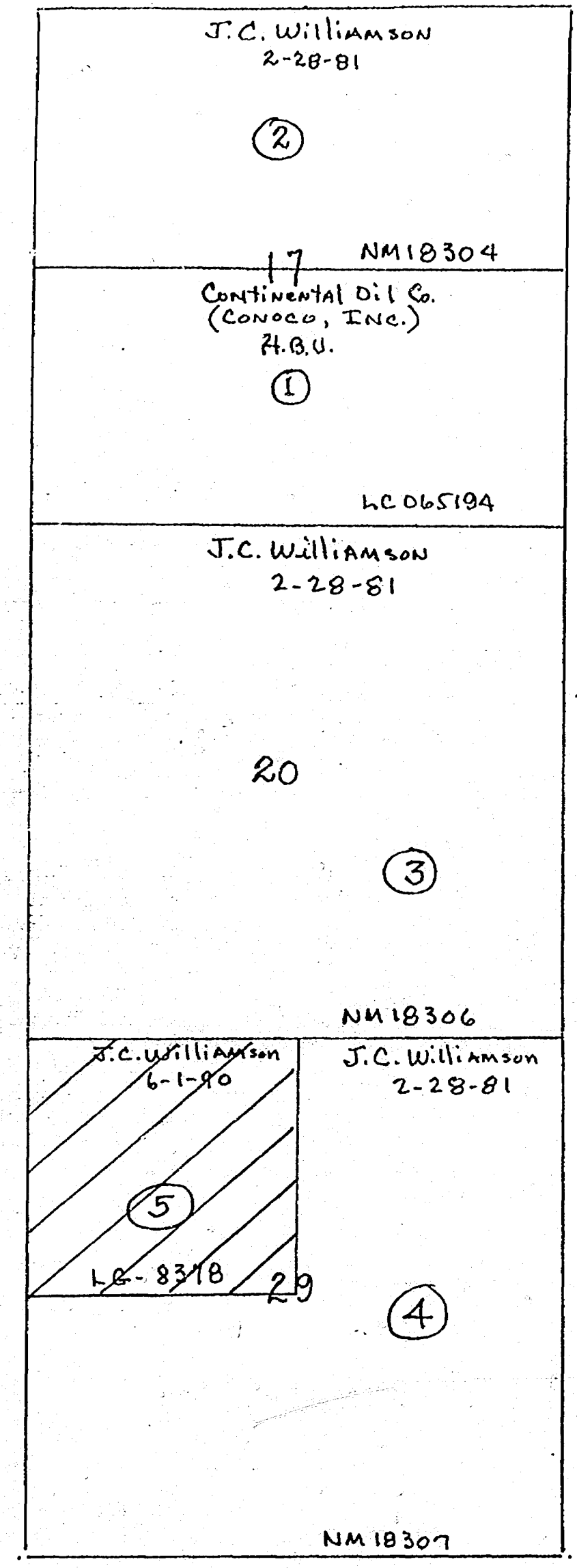
STATE OF _____)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by _____, _____ of CONOCO INC., a _____ corporation, for and on behalf of said corporation.

Notary Public

My commission expires:
_____

Exhibit "A"
BACK BASIN Unit
LEA County, New Mexico



TRACT No.	Acreage	Percentage
FEDERAL	1760.00	91.67%
State	160.00	8.33%
TOTAL	1920.00	

EXHIBIT "B" TO UNIT AGREEMENT
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land and No. Acres	Serial No. & Lease Date	Lessee of Record	Basic Roy. & Percent.	Overriding Royalty Owner & Percentage		Working Inte Owner & Perc
FEDERAL LEASES: ALL IN TOWNSHIP 23 SOUTH, RANGE 34 EAST, N.M.P.M.							
1.	Sec. 17: S½ (320)	LC 065194 5/1/51	Conoco Inc.	USA 12.5%	Helen M. Kolliker (widow of R.S. Magruder)	1%	Conoco Inc.
					Ft. Worth Nat'l. Bank, Trustee, Estate of R.S. Magruder, Trust 1059	1%	
					Alfred S. Blauw	.00125 %	
					Charles F. Montgomery	.00125 %	
					Edwin S. Raymond	.00125 %	
					J.G. Thornhill	.00125 %	
					Tom I. Ingram	.0021875%	
					Eugene E. Nearburg	.0010937%	
					Anna A. Reischman	.0010938%	
2.	Sec. 17: N½ (320)	NM 18304	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas	5%	J.C. Willia
					Great Basins Petrol. Co.	5%	
					H & F Investments	1%	
					Mark B. McFeeley, Trustee	.5%	
					Lois G. Williamson	.75%	
					Florence M. Curry	.25%	
3.	Sec. 20: All (640)	NM 18306	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas	5%	J.C. Willia
					Great Basins Petrol. Co.	5%	
					H & F Investments	1%	
					Mark B. McFeeley, Trustee	.5%	
					Lois G. Williamson	.75%	
					Florence M. Curry	.25%	
4.	Sec. 29: E½, SW¼ (480)	NM 18307	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas	5%	J.C. Willia
					Great Basins Petrol. Co.	5%	
					Ratliff Exploration Co.	2½% PPI	

TOTAL FEDERAL ACREAGE (4 Tracts): 1,760 acres

EXHIBIT "B" TO UNIT AGREEMENT
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

:ial No. Lease Date	Lessee of Record	Basic Roy. & Percent.	Overriding Royalty Owner & Percentage		Working Interest Owner & Percentage
IP 23 SOUTH, RANGE 34 EAST, N.M.P.M.					
065194 1/51	Conoco Inc.	USA 12.5%	Helen M. Kolliker (widow of R.S. Magruder)	1%	Conoco Inc. - 100%
			Ft. Worth Nat'l. Bank, Trustee, Estate of R.S. Magruder, Trust 1059	1%	
			Alfred S. Blauw	.00125 %	
			Charles F. Montgomery	.00125 %	
			Edwin S. Raymond	.00125 %	
			J.G. Thornhill	.00125 %	
			Tom I. Ingram	.0021875%	
			Eugene E. Nearburg	.0010937%	
			Anna A. Reischman	.0010938%	
18304	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas	5%	J.C. Williamson - 100%
			Great Basins Petrol. Co.	5%	
			H & F Investments	1%	
			Mark B. McFeeley, Trustee	.5%	
			Lois G. Williamson	.75%	
			Florence M. Curry	.25%	
18306	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas	5%	J.C. Williamson - 100%
			Great Basins Petrol. Co.	5%	
			H & F Investments	1%	
			Mark B. McFeeley, Trustee	.5%	
			Lois G. Williamson	.75%	
			Florence M. Curry	.25%	
18307	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas	5%	J.C. Williamson - 100%
			Great Basins Petrol. Co.	5%	
			Ratliff Exploration Co.	2½% PPI	

s): 1,760 acres

EXHIBIT "B" TO BACK BASIN UNIT AGREEMENT (continued)

Tract No.	Description of Land and No. Acres	Serial No. & Lease Date	Lessee of Record	Basic Roy. & Percent.	Overriding Royalty Owner & Percentage		Working Owner &
STATE LEASE:							
5.	Sec. 29: NW¼ (160)	LG 8378 6/1/80	J.C. Williamson	State N.M. 12.5%	J.C. Williamson	4.5834%	J.C. Will
					Max E. Curry	4.5834%	
					Daroyl R. Curry	1.6666%	
					Bill Stapler	1.6666%	

* Assignment Pending Approval (Great Basins Petroleum Co.-Williamson)

TOTAL STATE ACREAGE: 160 acres - 8.33% of Unit
TOTAL FEDERAL ACREAGE: 1,760 acres - 91.67% of Unit
TOTAL UNIT ACREAGE: 1,920 acres

GREEMENT (continued)

al No. ase Date	Lessee of Record	Basic Roy. & Percent.	Overriding Royalty Owner & Percentage		Working Interest Owner & Percentage
78	J.C. Williamson	State N.M. 12.5%	J.C. Williamson	4.5834%	J.C. Williamson - 100%
			Max E. Curry	4.5834%	
			Daroyl R. Curry	1.6666%	
			Bill Stapler	1.6666%	

(Great Basins Petroleum Co.-Williamson)

res - 8.33% of Unit
res - 91.67% of Unit
res

CONSENT AND RATIFICATION
BACK BASIN UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Back Basin Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the Seventeenth day of July, 1980, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Back Basin Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

TRACT NOS. 2, 3, 4, and 5

Address:

619 West Texas, Suite 200

Midland, Texas 79701

COLA PETROLEUM, INC.

By: T. B. Garber
Title: President

ATTEST:

By: Willie Mae Armstrong
Title: Assistant Secretary

INDIVIDUAL

STATE OF)(

COUNTY OF)(

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by _____.

My Commission Expires:

_____

_____
Notary Public in and for
County,

_____
(Typed name of Notary)

CORPORATE

STATE OF TEXAS)(

COUNTY OF MIDLAND)(

The foregoing instrument was acknowledged before me this 25th day of July, 1980, by T. B. Garber who is President of Cola Petroleum, Inc. a Texas Corporation, for and on behalf of said Corporation.

My Commission Expires:

2-7-84

Bonnie Atwater
Notary Public in and for
County,

Bonnie Atwater
(Typed name of Notary)

CONSENT AND RATIFICATION
BACK BASIN UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Back Basin Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the Seventeenth day of July, 1980, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Back Basin Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

TRACT NOS. 2, 3, 4, and 5

Max Curry

Florence Curry (Spouse)

Address:

1201 North Big Spring

Midland, Texas 79701

INDIVIDUAL

STATE OF TEXAS)

COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 25th day of July, 1980, by Max Curry and Florence Curry, his wife.

My Commission Expires:

6-22-81

Linda Walker
Notary Public in and for
County,
Linda Walker
(Typed name of Notary)

CORPORATE

STATE OF TEXAS)

COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by _____ who is _____ of _____ a _____ Corporation, for and on behalf of said Corporation.

My Commission Expires:

_____

_____
Notary Public in and for
County,

_____
(Typed name of Notary)

CONSENT AND RATIFICATION
BACK BASIN UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned, (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Back Basin Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the Seventeenth day of July, 1980, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Back Basin Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

TRACT NOS. 2, 3, 4, and 5

Address:

Suite 900
Vaughn Building
Midland, Texas 79701

FLORIDA EXPLORATION COMPANY

By: Jim R. Williams
Title: V.P.

ATTEST:

By: James W. Payne
Title: Asst. Secretary

INDIVIDUAL

STATE OF)
COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by _____.

My Commission Expires:

_____

Notary Public in and for _____ County,

_____
(Typed name of Notary)

CORPORATE

STATE OF TEXAS)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 25 day of July, 1980, by Jim R. Williams who is Vice President of FLORIDA EXPLORATION COMPANY a Texas Corporation, for and on behalf of said Corporation.

My Commission Expires:

6-4-84

Joyce L. Bolding
Notary Public in and for Midland County, Texas

Joyce L. Bolding
(Typed name of Notary)

CONSENT AND RATIFICATION
BACK BASIN UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more), hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Back Basin Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the Seventeenth day of July, 1980, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, also being the owners of the leasehold, royalty, or other interests in the lands or minerals embraced in said Unit Area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interests to the Back Basin Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

TRACT NOS. 2, 3, 4, and 5

LANDIS DRILLING COMPANY

Address:

Box 3579

Midland, Texas 79702

By: Fred Landis
President

ATTEST: Ralph Schwarm
Secretary

INDIVIDUAL

STATE OF)

COUNTY OF)

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by _____.

My Commission Expires:

_____

_____
Notary Public in and for _____ County,

_____
(Typed name of Notary)

CORPORATE

STATE OF TEXAS)

COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 29th day of July, 1980, by Fred Landis, who is President of Landis Drilling Company a Texas Corporation, for and on behalf of said Corporation.

My Commission Expires:

11-30-80

_____
Notary Public in and for
Midland County, Texas

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Attest: _____

LUNAR OIL & GAS

By _____

Date _____

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 12th day of August, 1980, by Max E. Curry, of LUNAR OIL & GAS, a partnership, for and on behalf of said partnership.

Linda Walbin
Notary Public

My commission expires:
6-22-81

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Attest: _____
Secretary

GREAT BASINS PETROLEUM CO.

By _____
President

Date 8/11/80

STATE OF CALIFORNIA)
) ss
COUNTY OF LOS ANGELES)

The foregoing instrument was acknowledged before me this 11th day of AUGUST, 1980, by CHARLES W. Hatten, President of GREAT BASINS PETROLEUM CO., a corporation, for and on behalf of said corporation.

_____
Notary Public
J.S. Manus

My commission expires:

OFFICIAL SEAL
J. S. MANUS
NOTARY PUBLIC - CALIFORNIA
PRINCIPAL OFFICE IN
LOS ANGELES COUNTY
My Commission Expires Dec. 17, 1982

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Attest _____ H & F INVESTMENTS

By _____

Date 8-15-80

STATE OF NEW MEXICO)
) ss
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 15th day of August, 1980, by Don M. Fedric, of H & F INVESTMENTS, a partnership, for and on behalf of said partnership.

_____
Notary Public

My commission expires:
9-17-83

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement; and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date_____

By _____
DAROYL R. CURRY

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 12th day of August, 1980, by DAROYL R. CURRY.

Linda Walker
Notary Public

My commission expires:
6-22-81

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Florence Curry
FLORENCE CURRY

Date _____

Max E. Curry
MAX E. CURRY

By _____

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 12th day of August, 1980, by MAX E. CURRY and FLORENCE CURRY, his wife.

Linda Walker
Notary Public

My commission expires:
6-22-81

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date 8-12-80

By Bill Stapler
BILL STAPLER

STATE OF TEXAS)
) ss
COUNTY OF Harris)

The foregoing instrument was acknowledged before me this 12th day of August, 1980, by BILL STAPLER.

Notary Public

My commission expires:
2-14-84

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

MARK B. McFEELEY, Trustee in Bankruptcy
By for American Fuels Corporation

Date 8/11/80

STATE OF NEW MEXICO)
) ss
COUNTY OF SANTA FE)

The foregoing instrument was acknowledged before me this 11th day of August, 1980, by MARK B. McFEELEY, Trustee in Bankruptcy for American Fuels Corporation, for and on behalf of said bankrupt.

Notary Public

My commission expires:
January 28 1982

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Date 8/8/80

By Lois G. Williamson
LOIS G. WILLIAMSON

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 5th day of August, 1980, by LOIS G. WILLIAMSON, Wife of J.C. Williamson.

Notary Public

My commission expires:
8/25/81

RATIFICATION OF AGREEMENTS ENTITLED
"UNIT AGREEMENT" AND "UNIT OPERATING AGREEMENT"
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

KNOW ALL MEN BY THESE PRESENTS, THAT:

WHEREAS, each of the undersigned owners of a royalty interest or interests hereby acknowledges receipt of a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Agreement; and

WHEREAS, each of the undersigned owners of a working interest or interests hereby acknowledges receipt of a true and correct copy of said Unit Agreement, and a true and correct copy of that certain Agreement dated July 17, 1980, entitled "Unit Operating Agreement, Back Basin Unit, Lea County, New Mexico", which said Agreement is hereinafter referred to as the Unit Operating Agreement; and

WHEREAS, Exhibits "A" and "B", attached to and made a part of said Unit Agreement, identify the separately owned tracts which may become a part of the Back Basin Unit Area as initially constituted, depending upon whether such tracts qualify for inclusion therein as provided in said Agreement; and

WHEREAS, each of the undersigned represents that it is a Royalty Owner or Working Interest Owner, or both, as defined in said Unit Agreement, in one or more of the tracts identified by said exhibits; and

WHEREAS, each undersigned Royalty Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement, and each undersigned Working Interest Owner, being familiar with the contents thereof, desires to ratify and confirm said Unit Agreement and said Unit Operating Agreement.

NOW, THEREFORE, each of the undersigned who is the owner of a royalty interest or interests only does hereby ratify and confirm said Unit Agreement, and each of the undersigned who is the owner of a working interest or interests only or the owner of both a working interest or interests and royalty interest or interests, does hereby ratify and confirm said Unit Agreement and said Unit Operating Agreement, each owner with respect to all of its interests in all of the separately owned tracts identified by said exhibits, thereby becoming a party thereto.

IN WITNESS WHEREOF, each of the undersigned parties has executed this instrument on the date set forth below opposite its signature.

Attest: James Wagnon

RATLIFF EXPLORATION COMPANY

By Boston W. Ratliff
PRESIDENT

Date 8/8/1980

STATE OF OKLAHOMA)
) ss
COUNTY OF STEPHENS)

The foregoing instrument was acknowledged before me this 8TH day of AUGUST, 1980, by BOSTON W. RATLIFF, of RATLIFF EXPLORATION COMPANY, a OKLAHOMA corporation, for and on behalf of said corporation.

Mildred Cain
Notary Public

My commission expires:
June 2, 1984

CONTINENTAL
BELL LAKE UNIT
(OPER)
NO. BELL LAKE
MID BELL LAKE
ANTELOPE RIDGE UNIT
(OPER.)
BELL LAKE UNIT
(OPER.)
BELL LAKE
PLATE A

A.A.P.L. FORM 610 - 1977

MODEL FORM OPERATING AGREEMENT

UNIT OPERATING AGREEMENT

DATED

July 17, 1980,

OPERATOR MONSANTO COMPANY

CONTRACT AREA All of Sections 17, 20, and 29,

Township 23 South, Range 34 East

COUNTY OR PARISH OF Lea STATE OF New Mexico

BEFORE EXAMINER STAMETS
OIL CONSERVATION DIVISION
EXHIBIT NO.
CASE NO. 6998 Monsanto
Submitted by 8/20/80
Hearing Date

TABLE OF CONTENTS

OPERATING AGREEMENT

THIS AGREEMENT, entered into by and between MONSANTO COMPANY, hereinafter designated and referred to as "Operator", and the signatory party or parties other than Operator, sometimes hereinafter referred to individually herein as "Non-Operator", and collectively as "Non-Operators",

WITNESSETH:

WHEREAS, the parties to this agreement are owners of oil and gas leases and/or oil and gas interests in the land identified in Exhibit "A", and the parties hereto have reached an agreement to explore and develop these leases and/or oil and gas interests for the production of oil and gas to the extent and as hereinafter provided:

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.
DEFINITIONS

As used in this agreement, the following words and terms shall have the meanings here ascribed to them:

A. The term "oil and gas" shall mean oil, gas, casinghead gas, gas condensate, and all other liquid or gaseous hydrocarbons and other marketable substances produced therewith, unless an intent to limit the inclusiveness of this term is specifically stated.

B. The terms "oil and gas lease", "lease" and "leasehold" shall mean the oil and gas leases covering tracts of land lying within the Contract Area which are owned by the parties to this agreement.

C. The term "oil and gas interests" shall mean unleased fee and mineral interests in tracts of land lying within the Contract Area which are owned by parties to this agreement.

D. The term "Contract Area" shall mean all of the lands, oil and gas leasehold interests and oil and gas interests intended to be developed and operated for oil and gas purposes under this agreement. Such lands, oil and gas leasehold interests and oil and gas interests are described in Exhibit "A".

E. The term "drilling unit" shall mean the area fixed for the drilling of one well by order or rule of any state or federal body having authority. If a drilling unit is not fixed by any such rule or order, a drilling unit shall be the drilling unit as established by the pattern of drilling in the Contract Area or as fixed by express agreement of the Drilling Parties.

F. The term "drillsite" shall mean the oil and gas lease or interest on which a proposed well is to be located.

G. The terms "Drilling Party" and "Consenting Party" shall mean a party who agrees to join in and pay its share of the cost of any operation conducted under the provisions of this agreement.

H. The terms "Non-Drilling Party" and "Non-Consenting Party" shall mean a party who elects not to participate in a proposed operation.

Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural includes the singular, and the neuter gender includes the masculine and the feminine.

ARTICLE II.
EXHIBITS

The following exhibits, as indicated below and attached hereto, are incorporated in and made a part hereof:

[X] A. Exhibit "A", shall include the following information:
- (1) Identification of lands subject to agreement,
- (2) Restrictions, if any, as to depths or formations,
- (3) Percentages or fractional interests of parties to this agreement,
- (4) Oil and gas leases and/or oil and gas interests subject to this agreement,
- (5) Addresses of parties for notice purposes.

[ ] B. Exhibit "B", Form of Lease.

[X] C. Exhibit "C", Accounting Procedure.

[X] D. Exhibit "D", Insurance.

[X] E. Exhibit "E", Gas Balancing Agreement.

[X] F. Exhibit "F", Non-Discrimination and Certification of Non-Segregated Facilities.

If any provision of any exhibit, except Exhibit "E", is inconsistent with any provision contained in the body of this agreement, the provisions in the body of this agreement shall prevail.

ARTICLE III.
INTERESTS OF PARTIES

A. Oil and Gas Interests:

If any party owns an unleased oil and gas interest in the Contract Area, that interest shall be treated for the purpose of this agreement and during the term hereof as if it were a leased interest under the form of oil and gas lease attached as Exhibit "B". As to such interest, the owner shall receive royalty on production as prescribed in the form of oil and gas lease attached hereto as Exhibit "B". Such party shall, however, be subject to all of the provisions of this agreement relating to lessees, to the extent that it owns the lessee interest.

B. Interest of Parties in Costs and Production:

Exhibit "A" lists all of the parties and their respective percentage or fractional interests under this agreement. Unless changed by other provisions, all costs and liabilities incurred in operations under this agreement shall be borne and paid, and all equipment and material acquired in operations on the Contract Area shall be owned by the parties as their interests are shown in Exhibit "A". All production of oil and gas from the Contract Area, subject to the payment of lessor's royalties which will be borne by the Joint Account, shall also be owned by the parties in the same manner during the term hereof; provided, however, this shall not be deemed an assignment or cross-assignment of interests covered hereby.

ARTICLE IV.
TITLES

A. Title Examination:

Title examination shall be made on the drillsite of any proposed well prior to commencement of drilling operations or, if the Drilling Parties so request, title examination shall be made on the leases and/or oil and gas interests included, or planned to be included, in the drilling unit around such well. The opinion will include the ownership of the working interest, minerals, royalty, overriding royalty and production payments under the applicable leases. At the time a well is proposed, each party contributing leases and/or oil and gas interests to the drillsite, or to be included in such drilling unit, shall furnish to Operator all abstracts (including Federal Lease Status Reports), title opinions, title papers and curative material in its possession free of charge. All such information not in the possession of or made available to Operator by the parties, but necessary for the examination of title, shall be obtained by Operator. Operator shall cause title to be examined by attorneys on its staff or by outside attorneys. Copies of all title opinions shall be furnished to each party hereto. The cost incurred by Operator in this title program shall be borne as follows:

☐ Option No. 1: Costs incurred by Operator in procuring abstracts and title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be a part of the administrative overhead as provided in Exhibit "C," and shall not be a direct charge, whether performed by Operator's staff attorneys or by outside attorneys.

☒ Option No. 2: Costs incurred by Operator in procuring abstracts and fees paid outside attorneys for title examination (including preliminary, supplemental, shut-in gas royalty opinions and division order title opinions) shall be borne by the Drilling Parties in the proportion that the interest of each Drilling Party bears to the total interest of all Drilling Parties as such interests appear in Exhibit "A". Operator shall make no charge for services rendered by its staff attorneys or other personnel in the performance of the above functions.

Each party shall be responsible for securing curative matter and pooling amendments or agreements required in connection with leases or oil and gas interests contributed by such party. The Operator shall be responsible for the preparation and recording of Pooling Designations or Declarations as well as the conduct of hearings before Governmental Agencies for the securing of spacing or pooling orders. This shall not prevent any party from appearing on its own behalf at any such hearing.

No well shall be drilled on the Contract Area until after (1) the title to the drillsite or drilling unit has been examined as above provided, and (2) the title has been approved by the examining attorney or title has been accepted by all of the parties who are to participate in the drilling of the well.

B. Loss of Title:

1. Failure of Title: Should any oil and gas interest or lease, or interest therein, be lost through failure of title, which loss results in a reduction of interest from that shown on Exhibit "A", this agreement, nevertheless, shall continue in force as to all remaining oil and gas leases and interests, and

(a) The party whose oil and gas lease or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from Operator or the other parties any development

or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto for drilling, development, operating or other similar costs by reason of such title failure; and

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

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

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

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

(f) No charge shall be made to the joint account for legal expenses, fees or salaries, in connection with the defense of the interest claimed by any party hereto, it being the intention of the parties hereto that each shall defend title to its interest and bear all expenses in connection therewith.

2. Loss by Non-Payment or Erroneous Payment of Amount Due: If, through mistake or oversight, any rental, shut-in well payment, minimum royalty or royalty payment, is not paid or is erroneously paid, and as a result a lease or interest therein terminates, there shall be no monetary liability against the party who failed to make such payment. Unless the party who failed to make the required payment secures a new lease covering the same interest within ninety (90) days from the discovery of the failure to make proper payment, which acquisition will not be subject to Article VIII.B., the interests of the parties shall be revised on an acreage basis, effective as of the date of termination of the lease involved, and the party who failed to make proper payment will no longer be credited with an interest in the Contract Area on account of ownership of the lease or interest which has terminated. In the event the party who failed to make the required payment shall not have been fully reimbursed, at the time of the loss, from the proceeds of the sale of oil and gas attributable to the lost interest, calculated on an acreage basis, for the development and operating costs theretofore paid on account of such interest, it shall be reimbursed for unrecovered actual costs theretofore paid by it (but not for its share of the cost of any dry hole previously drilled or wells previously abandoned) from so much of the following as is necessary to effect reimbursement:

(a) Proceeds of oil and gas, less operating expenses, theretofore accrued to the credit of the lost interest, on an acreage basis, up to the amount of unrecovered costs;

(b) Proceeds, less operating expenses, thereafter accrued attributable to the lost interest on an acreage basis, of that portion of oil and gas thereafter produced and marketed (excluding production from any wells thereafter drilled) which, in the absence of such lease termination, would be attributable to the lost interest on an acreage basis, up to the amount of unrecovered costs, the proceeds of said portion of the oil and gas to be contributed by the other parties in proportion to their respective interests; and

(c) Any monies, up to the amount of unrecovered costs, that may be paid by any party who is, or becomes, the owner of the interest lost, for the privilege of participating in the Contract Area or becoming a party to this agreement.

3. Other Losses: All losses incurred, other than those set forth in Articles IV.B.1. and IV.B.2. above, shall not be considered failure of title but shall be joint losses and shall be borne by all parties in proportion to their interests. There shall be no readjustment of interests in the remaining portion of the Contract Area.

ARTICLE V.
OPERATOR

A. DESIGNATION AND RESPONSIBILITIES OF OPERATOR:

MONSANTO COMPANY shall be the Operator of the Contract Area, and shall conduct and direct and have full control of all operations on the Contract Area as permitted and required by, and within the limits of, this agreement. It shall conduct all such operations in a good and workmanlike manner, but it shall have no liability as Operator to the other parties for losses sustained or liabilities incurred, except such as may result from gross negligence or willful misconduct.

B. Resignation or Removal of Operator and Selection of Successor:

1. Resignation or Removal of Operator: Operator may resign at any time by giving written notice thereof to Non-Operators. If Operator terminates its legal existence, no longer owns an interest in the Contract Area, or is no longer capable of serving as Operator, it shall cease to be Operator without any action by Non-Operator, except the selection of a successor. Operator may be removed if it fails or refuses to carry out its duties hereunder, or becomes insolvent, bankrupt or is placed in receivership, by the affirmative vote of two (2) or more Non-Operators owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of Operator. Such resignation or removal shall not become effective until 7:00 o'clock A.M. on the first day of the calendar month following the expiration of ninety (90) days after the giving of notice of resignation by Operator or action by the Non-Operators to remove Operator, unless a successor Operator has been selected and assumes the duties of Operator at an earlier date. Operator, after effective date of resignation or removal, shall be bound by the terms hereof as a Non-Operator. A change of a corporate name or structure of Operator or transfer of Operator's interest to any single subsidiary, parent or successor corporation shall not be the basis for removal of Operator.

2. Selection of Successor Operator: Upon the resignation or removal of Operator, a successor Operator shall be selected by the Parties. The successor Operator shall be selected from the parties owning an interest in the Contract Area at the time such successor Operator is selected. If the Operator that is removed fails to vote or votes only to succeed itself, the successor Operator shall be selected by the affirmative vote of two (2) or more parties owning a majority interest based on ownership as shown on Exhibit "A", and not on the number of parties remaining after excluding the voting interest of the Operator that was removed.

C. Employees:

The number of employees used by Operator in conducting operations hereunder, their selection, and the hours of lab and the compensation for services performed, shall be determined by Operator, and all such employees shall be the employees of Operator.

D. Drilling Contracts:

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

ARTICLE VI.
DRILLING AND DEVELOPMENT

A. Initial Well:

On or before the 1 day of November, 1980, Operator shall commence the drilling of a well for oil and gas at ~~the following location~~ a legal location in

Section 20, T-23-S, R-34-E,
Lea County, New Mexico

and shall thereafter continue the drilling of the well with due diligence to

test the Morrow formation at an approximate
depth of 13,800 feet

unless granite or other practically impenetrable substance or condition in the hole, which renders further drilling impractical, is encountered at a lesser depth, or unless all parties agree to complete or abandon the well at a lesser depth.

Operator shall make reasonable tests of all formations encountered during drilling which give indication of containing oil and gas in quantities sufficient to test, unless this agreement shall be limited in its application to a specific formation or formations, in which event Operator shall be required to test only the formation or formations to which this agreement may apply.

If, in Operator's judgment, the well will not produce oil or gas in paying quantities, and it wishes to plug and abandon the well as a dry hole, it shall first secure the consent of all parties and shall plug and abandon same as provided in Article VI.E.1. hereof.

B. Subsequent Operations:

1. Proposed Operations: [illegible] other than the well provided for in Article VI.A., or to rework, deepen or plug back a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities, the party desiring to drill, rework, deepen or plug back such a well shall give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. If a drilling rig is on location, notice of proposal to rework, plug back or drill deeper may be given by telephone and the response period shall be limited to forty-eight (48) hours, exclusive of Saturday, Sunday or legal holidays. Failure of a party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation. Any notice or response given by telephone shall be promptly confirmed in writing.

2. Operations by Less than All Parties: If any party receiving such notice as provided in Article VI.B.1. or VII.D.1. elects not to participate in the proposed operation, then, in order to be entitled to the benefits of this Article, the party or parties giving the notice and such other parties as shall elect to participate in the operation shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period when the drilling rig is on location, as the case may be) actually commence work on the proposed operation and complete it with due diligence. Operator shall perform all work for the account of the Consenting Parties; provided, however, if no drilling rig or other equipment is on location, and if Operator is a Non-Consenting Party, the Consenting Parties shall either: (a) request Operator to perform the work required by such proposed operation for the account of the Consenting Parties, or (b) designate one (1) of the Consenting Parties as Operator to perform such work. Consenting Parties, when conducting operations on the Contract Area pursuant to this Article VI.B.2., shall comply with all terms and conditions of this agreement.

If less than all parties approve any proposed operation, the proposing party, immediately after the expiration of the applicable notice period, shall advise the Consenting Parties of (a) the total interest of the parties approving such operation, and (b) its recommendation as to whether the Consenting Parties should proceed with the operation as proposed. Each Consenting Party, within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of such notice, shall advise the proposing party of its desire to (a) limit participation to such party's interest as shown on Exhibit "A", or (b) carry its proportionate part of Non-Consenting Parties' interest. The proposing party, at its election, may withdraw such proposal if there is insufficient participation, and shall promptly notify all parties of such decision.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions they have elected to bear same under the terms of the preceding paragraph. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, reworked, deepened or plugged back under the provisions of this Article results in a producer of oil and/or gas in paying quantities, the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold (after deducting production taxes, royalty, overriding royalty and other interests existing on the effective date hereof, payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

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

(b) 300% of that portion of the costs and expenses of drilling, reworking, deepening, or plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and

300% of that portion of the cost of newly acquired equipment in the well (to and including the well-head connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

Gas production attributable to any Non - Consenting Party's relinquished interest upon such Party's election, shall be sold to its purchaser, if available, under the terms of its existing gas sales contract. Such Non - Consenting Party shall direct its purchaser to remit the proceeds receivable from such sale direct to the Consenting Parties until the amounts provided for in this Article are recovered from the Non - Consenting Party's relinquished interest. If such Non - Consenting Party has not contracted for sale of its gas at the time such gas is available for delivery, or has not made the election as provided above, the Consenting Parties shall own and be entitled to receive and sell such Non-Consenting Party's share of gas as hereinabove provided during the recoupment period.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production.

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

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it, and, from and after such reversion, such Non-Consenting Party shall own the same interest in such well, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have been entitled to had it participated in the drilling, reworking, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further costs of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure, attached hereto.

Notwithstanding the provisions of this Article VI.B.2., it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Contract Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Article shall have no application whatsoever to the drilling of the initial well described in Article VI.A. except (a) when Option 2, Article VII.D.1., has been selected, or (b) to the reworking, deepening and plugging back of such initial well, if such well is or thereafter shall prove to be a dry hole or non-commercial well, after having been drilled to the depth specified in Article VI.A.

C. Right to Take Production in Kind:

Each party shall have the right to take in kind or separately dispose of its proportionate share of all oil and gas produced from the Contract Area, exclusive of production which may be used in development and producing operations and in preparing and treating oil for marketing purposes and production unavoidably lost. Any extra expenditure incurred in the taking in kind or separate disposition by any party of its proportionate share of the production shall be borne by such party. Any

party taking its share of production in kind shall be required to pay for only its proportionate share of such part of Operator's surface facilities which it uses.

Each party shall execute such division orders and contracts as may be necessary for the sale of its interest in production from the Contract Area, and, except as provided in Article VII.B., shall be entitled to receive payment direct from the purchaser thereof for its share of all production.

In the event any party shall fail to make the arrangements necessary to take in kind or separately dispose of its proportionate share of the oil and gas produced from the Contract Area, Operator shall have the right, subject to the revocation at will by the party owning it, but not the obligation, to purchase such oil and gas or sell it to others at any time and from time to time, for the account of the non-taking party at the best price obtainable in the area for such production. Any such purchase or sale by Operator shall be subject always to the right of the owner of the production to exercise at any time its right to take in kind, or separately dispose of, its share of all oil and gas not previously delivered to a purchaser. Any purchase or sale by Operator of any other party's share of oil and gas shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the particular circumstances, but in no event for a period in excess of one (1) year. Notwithstanding the foregoing, Operator shall not make a sale, including one into interstate commerce, of any other party's share of gas production without first giving such other party thirty (30) days notice of such intended sale.

In the event one or more parties' separate disposition of its share of the gas causes split-stream deliveries to separate pipelines and/or deliveries which on a day-to-day basis for any reason are not exactly equal to a party's respective proportionate share of total gas sales to be allocated to it, the balancing or accounting between the respective accounts of the parties shall be in accordance with any Gas Balancing Agreement between the parties hereto, whether such Agreement is attached as Exhibit "E", or is a separate Agreement.

D. Access to Contract Area and Information:

Each party shall have access to the Contract Area at all reasonable times, at its sole risk to inspect or observe operations, and shall have access at reasonable times to information pertaining to the development or operation thereof, including Operator's books and records relating thereto. Operator, upon request, shall furnish each of the other parties with copies of all forms or reports filed with governmental agencies, daily drilling reports, well logs, tank tables, daily gauge and run tickets and reports of stock on hand at the first of each month, and shall make available samples of any cores or cuttings taken from any well drilled on the Contract Area. The cost of gathering and furnishing information to Non-Operator, other than that specified above, shall be charged to the Non-Operator that requests the information.

E. Abandonment of Wells:

1. Abandonment of Dry Holes: Except for any well drilled pursuant to Article VI.B.2., any well which has been drilled under the terms of this agreement and is proposed to be completed as a dry hole shall not be plugged and abandoned without the consent of all parties. Should Operator, after diligent effort, be unable to contact any party, or should any party fail to reply within forty-eight (48) hours (exclusive of Saturday, Sunday or legal holidays) after receipt of notice of the proposal to plug and abandon such well, such party shall be deemed to have consented to the proposed abandonment. All such wells shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of the parties who participated in the cost of drilling of such well. Any party who objects to the plugging and abandoning such well shall have the right to take over the well and conduct further operations in search of oil and/or gas subject to the provisions of Article VI.B.

2. Abandonment of Wells that have Produced: Except for any well which has been drilled or reworked pursuant to Article VI.B.2. hereof for which the Consenting Parties have not been fully reimbursed as therein provided, any well which has been completed as a producer shall not be plugged and abandoned without the consent of all parties. If all parties consent to such abandonment, the well shall be plugged and abandoned in accordance with applicable regulations and at the cost, risk and expense of all the parties hereto. If, within thirty (30) days after receipt of notice of the proposed abandonment of such well, all parties do not agree to the abandonment of any well, those wishing to continue its operation shall tender to each of the other parties its proportionate share of the value of the well's salvable material and equipment, determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. Each abandoning party shall assign to the non-abandoning parties, without warranty, express or implied, as to title or as to quantity, quality, or fitness for use of the equipment and material, all of its interest in the well and related equipment, together with its interest in the leasehold estate as to, but only as to, the interval or intervals of the formation or formations then open to production. If the interest of the abandoning party is or includes an oil and gas interest, such party shall execute and deliver to the non-abandoning party or parties an oil and gas lease, limited to the interval or intervals of the formation or formations then open to production, for a term of one year and so long thereafter as oil and/or gas is produced from the interval or inter-

vals of the formation or formations covered thereby, such lease to be on the form attached as Exhibit "B". The assignments or leases so limited shall encompass the "drilling unit" upon which the well is located. The payments by, and the assignments or leases to, the assignees shall be in a ratio based upon the relationship of their respective percentages of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all assignees. There shall be no readjustment of interest in the remaining portion of the Contract Area.

Thereafter, abandoning parties shall have no further responsibility, liability, or interest in the operation of or production from the well in the interval or intervals then open other than the royalties retained in any lease made under the terms of this Article. Upon request, Operator shall continue to operate the assigned well for the account of the non-abandoning parties at the rates and charges contemplated by this agreement, plus any additional cost and charges which may arise as the result of the separate ownership of the assigned well.

ARTICLE VII.
EXPENDITURES AND LIABILITY OF PARTIES

A. Liability of Parties:

The liability of the parties shall be several, not joint or collective. Each party shall be responsible only for its obligations, and shall be liable only for its proportionate share of the costs of developing and operating the Contract Area. Accordingly, the liens granted among the parties in Article VII.B. are given to secure only the debts of each severally. It is not the intention of the parties to create, nor shall this agreement be construed as creating, a mining or other partnership or association, or to render the parties liable as partners.

B. Liens and Payment Defaults:

Each Non-Operator grants to Operator a lien upon its oil and gas rights in the Contract Area, and a security interest in its share of oil and/or gas when extracted and its interest in all equipment, to secure payment of its share of expense, together with interest thereon at the rate provided in the Accounting Procedure attached hereto as Exhibit "C". To the extent that Operator has a security interest under the Uniform Commercial Code of the State, Operator shall be entitled to exercise the rights and remedies of a secured party under the Code. The bringing of a suit and the obtaining of judgment by Operator for the secured indebtedness shall not be deemed an election of remedies or otherwise affect the lien rights or security interest as security for the payment thereof. In addition, upon default by any Non-Operator in the payment of its share of expense, Operator shall have the right, without prejudice to other rights or remedies, to collect from the purchaser the proceeds from the sale of such Non-Operator's share of oil and/or gas until the amount owed by such Non-Operator, plus interest has been paid. Each purchaser shall be entitled to rely upon Operator's written statement concerning the amount of any default. Operator grants a like lien and security interest to the Non-Operators to secure payment of Operator's proportionate share of expense.

If any party fails or is unable to pay its share of expense within sixty (60) days after rendition of a statement therefor by Operator, the non-defaulting parties, including Operator, shall, upon request by Operator, pay the unpaid amount in the proportion that the interest of each such party bears to the interest of all such parties. Each party so paying its share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the security rights described in the foregoing paragraph.

C. Payments and Accounting:

Except as herein otherwise specifically provided, Operator shall promptly pay and discharge expenses incurred in the development and operation of the Contract Area pursuant to this agreement and shall charge each of the parties hereto with their respective proportionate shares upon the expense basis provided in the Accounting Procedure attached hereto as Exhibit "C". Operator shall keep an accurate record of the joint account hereunder, showing expenses incurred and charges and credits made and received.

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 expense to be incurred in operations hereunder during the next succeeding month, which right may be exercised only by submission to each such party of an itemized statement of such estimated expense, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated expense shall be submitted on or before the 20th day of the next preceding month. Each party shall pay to Operator its proportionate share of such estimate within fifteen (15) days after such estimate and invoice is received. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest as provided in Exhibit "C" until paid. Proper adjustment shall be made monthly between advances and actual expense to the end that each party shall bear and pay its proportionate share of actual expenses incurred, and no more.

D. Limitation of Expenditures:

1. Drill or Deepen: Without the consent of all parties, no well shall be drilled or deepened, except any well drilled or deepened pursuant to the provisions of Article VI.B.2. of this Agreement, it being understood that the consent to the drilling or deepening shall include:

☐ Option No. 1: All necessary expenditures for the drilling or deepening, testing, completing and equipping of the well, including necessary tankage and/or surface facilities.

☒ Option No. 2: All necessary expenditures for the drilling or deepening and testing of the well. When such well has reached its authorized depth, and all tests have been completed, Operator shall give immediate notice to the Non-Operators who have the right to participate in the completion costs. The parties receiving such notice shall have forty-eight (48) hours (exclusive of Saturday, Sunday and legal holidays) in which to elect to participate in the setting of casing and the completion attempt. Such election, when made, shall include consent to all necessary expenditures for the completing and equipping of such well, including necessary tankage and/or surface facilities. Failure of any party receiving such notice to reply within the period above fixed shall constitute an election by that party not to participate in the cost of the completion attempt. If one or more, but less than all of the parties, elect to set pipe and to attempt a completion, the provisions of Article VI.B.2. hereof (the phrase "reworking, deepening or plugging back" as contained in Article VI.B.2. shall be deemed to include "completing") shall apply to the operations thereafter conducted by less than all parties.

2. Rework or Plug Back: Without the consent of all parties, no well shall be reworked or plugged back except a well reworked or plugged back pursuant to the provisions of Article VI.B.2. of this agreement, it being understood that the consent to the reworking or plugging back of a well shall include consent to all necessary expenditures in conducting such operations and completing and equipping of said well, including necessary tankage and/or surface facilities.

3. Other Operations: Operator shall not undertake any single project reasonably estimated to require an expenditure in excess of Twenty Thousand Dollars ($ 20,000.00) except in connection with a well, the drilling, reworking, deepening, completing, recompleting, or plugging back of which has been previously authorized by or pursuant to this agreement; provided, however, that, in case of explosion, fire, flood or other sudden emergency, whether of the same or different nature, Operator may take such steps and incur such expenses as in its opinion are required to deal with the emergency to safeguard life and property but Operator, as promptly as possible, shall report the emergency to the other parties. If Operator prepares "Authority for Expenditures" for its own use, Operator, upon request, shall furnish copies of its "Authority for Expenditures" for any single project costing in excess of Ten Thousand Dollars ($ 10,000.00).

E. Royalties, Overriding Royalties and Other Payments:

Each party shall pay or deliver, or cause to be paid or delivered, all royalties or other burdens out of production to the extent of one-fourth (1/4) ** due on its share of production and shall hold the other parties free from any liability therefor. If the interest of any party in any oil and gas lease covered by this agreement is subject to any royalty, overriding royalty, production payment, or other charge over and above the aforesaid royalty, such party shall assume and alone bear all such obligations and shall account for or cause to be accounted for, such interest to the owners thereof.

No party shall ever be responsible, on any price basis higher than the price received by such party, to any other party's lessor or royalty owner; and if any such other party's lessor or royalty owner should demand and receive settlements on a higher price basis, the party contributing such lease shall bear the royalty burden insofar as such higher price is concerned.

F. Rentals, Shut-in Well Payments and Minimum Royalties:

Rentals, shut-in well payments and minimum royalties which may be required under the terms of any lease shall be paid by the party or parties who subjected such lease to this agreement at its or their expense. In the event two or more parties own and have contributed interests in the same lease to this agreement, such parties may designate one of such parties to make said payments for and on behalf of all such parties. Any party may request, and shall be entitled to receive, proper evidence of all such payments. In the event of failure to make proper payment of any rental, shut-in well payment or minimum royalty through mistake or oversight where such payment is required to continue the lease in force, any loss which results from such non-payment shall be borne in accordance with the provisions of Article IV.B.2.

Operator shall notify Non-Operator of the anticipated completion of a shut-in gas well, or the shutting in or return to production of a producing gas well, at least five (5) days (excluding Saturday, Sunday and holidays), or at the earliest opportunity permitted by circumstances, prior to taking such action, but assumes no liability for failure to do so. In the event of failure by Operator to so notify Non-Operator, the loss of any lease contributed hereto by Non-Operator for failure to make timely payments

** See Article XV-P

of any shut-in well payment shall be borne jointly by the parties hereto under the provisions of Article IV.B.3.

G. Taxes:

Beginning with the first calendar year after the effective date hereof, Operator shall render for ad valorem taxation all property subject to this agreement which by law should be rendered for such taxes, and it shall pay all such taxes assessed thereon before they become delinquent. Prior to the rendition date, each Non-Operator shall furnish Operator information as to burdens (to include, but not be limited to, royalties, overriding royalties and production payments) on leases and oil and gas interests contributed by such Non-Operator. If the assessed valuation of any leasehold estate is reduced by reason of its being subject to outstanding excess royalties, overriding royalties or production payments, the reduction in ad valorem taxes resulting therefrom shall inure to the benefit of the owner or owners of such leasehold estate, and Operator shall adjust the charge to such owner or owners so as to reflect the benefit of such reduction. Operator shall bill other parties for their proportionate share of all tax payments in the manner provided in Exhibit "C".

If Operator considers any tax assessment improper, Operator may, at its discretion, protest within the time and manner prescribed by law, and prosecute the protest to a final determination, unless all parties agree to abandon the protest prior to final determination. During the pendency of administrative or judicial proceedings, Operator may elect to pay, under protest, all such taxes and any interest and penalty. When any such protested assessment shall have been finally determined, Operator shall pay the tax for the joint account, together with any interest and penalty accrued, and the total cost shall then be assessed against the parties, and be paid by them, as provided in Exhibit "C".

Each party shall pay or cause to be paid all production, severance, gathering and other taxes imposed upon or with respect to the production or handling of such party's share of oil and/or gas produced under the terms of this agreement.

H. Insurance:

At all times while operations are conducted hereunder, Operator shall comply with the Workmen's Compensation Law of the State where the operations are being conducted; provided, however, that Operator may be a self-insurer for liability under said compensation laws in which event the only charge that shall be made to the joint account shall be an amount equivalent to the premium which would have been paid had such insurance been obtained. Operator shall also carry or provide insurance for the benefit of the joint account of the parties as outlined in Exhibit "D", attached to and made a part hereof. Operator shall require all contractors engaged in work on or for the Contract Area to comply with the Workmen's Compensation Law of the State where the operations are being conducted and to maintain such other insurance as Operator may require.

In the event Automobile Public Liability Insurance is specified in said Exhibit "D", or subsequently receives the approval of the parties, no direct charge shall be made by Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

ARTICLE VIII.
ACQUISITION, MAINTENANCE OR TRANSFER OF INTEREST

A. Surrender of Leases:

The leases covered by this agreement, insofar as they embrace acreage in the Contract Area, shall not be surrendered in whole or in part unless all parties consent thereto.

However, should any party desire to surrender its interest in any lease or in any portion thereof, and other parties do not agree or consent thereto, the party desiring to surrender shall assign, without express or implied warranty of title, all of its interest in such lease, or portion thereof, and any well, material and equipment which may be located thereon and any rights in production thereafter secured, to the parties not desiring to surrender it. If the interest of the assigning party includes an oil and gas interest, the assigning party shall execute and deliver to the party or parties not desiring to surrender an oil and gas lease covering such oil and gas interest for a term of one year and so long thereafter as oil and/or gas is produced from the land covered thereby, such lease to be on the form attached hereto as Exhibit "B". Upon such assignment, the assigning party shall be relieved from all obligations thereafter accruing, but not theretofore accrued, with respect to the acreage assigned and the operation of any well thereon, and the assigning party shall have no further interest in the lease assigned and its equipment and production other than the royalties retained in any lease made under the terms of this Article. The parties assignee shall pay to the party assignor the reasonable salvage value of the latter's interest in any wells and equipment on the assigned acreage. The value of all material shall be determined in accordance with the provisions of Exhibit "C", less the estimated cost of salvaging and the estimated cost of plugging and abandoning. If the assignment is in favor of more than one party, the assigned interest shall

be shared by the parties assignee in the proportions that the interest of each bears to the interest of all parties assignee.

Any assignment or surrender made under this provision shall not reduce or change the assignor's or surrendering parties' interest, as it was immediately before the assignment, in the balance of the Contract Area; and the acreage assigned or surrendered, and subsequent operations thereon, shall not thereafter be subject to the terms and provisions of this agreement.

B. Renewal or Extension of Leases:

If any party secures a renewal of any oil and gas lease subject to this Agreement, all other parties shall be notified promptly, and shall have the right for a period of thirty (30) days following receipt of such notice in which to elect to participate in the ownership of the renewal lease, insofar as such lease affects lands within the Contract Area, by paying to the party who acquired it their several proper proportionate shares of the acquisition cost allocated to that part of such lease within the Contract Area, which shall be in proportion to the interests held at that time by the parties in the Contract Area.

If some, but less than all, of the parties elect to participate in the purchase of a renewal lease, it shall be owned by the parties who elect to participate therein, in a ratio based upon the relationship of their respective percentage of participation in the Contract Area to the aggregate of the percentages of participation in the Contract Area of all parties participating in the purchase of such renewal lease. Any renewal lease in which less than all parties elect to participate shall not be subject to this agreement.

Each party who participates in the purchase of a renewal lease shall be given an assignment of its proportionate interest therein by the acquiring party.

The provisions of this Article shall apply to renewal leases whether they are for the entire interest covered by the expiring lease or cover only a portion of its area or an interest therein. Any renewal lease taken before the expiration of its predecessor lease, or taken or contracted for within six (6) months after the expiration of the existing lease shall be subject to this provision; but any lease taken or contracted for more than six (6) months after the expiration of an existing lease shall not be deemed a renewal lease and shall not be subject to the provisions of this agreement.

The provisions in this Article shall apply also and in like manner to extensions of oil and gas leases.

C. Acreage or Cash Contributions:

While this agreement is in force, if any party contracts for a contribution of cash toward the drilling of a well or any other operation on the Contract Area, such contribution shall be paid to the party who conducted the drilling or other operation and shall be applied by it against the cost of such drilling or other operation. If the contribution be in the form of acreage, the party to whom the contribution is made shall promptly tender an assignment of the acreage, without warranty of title, to the Drilling Parties in the proportions said Drilling Parties shared the cost of drilling the well. If all parties hereto are Drilling Parties and accept such tender, such acreage shall become a part of the Contract Area and be governed by the provisions of this agreement. If less than all parties hereto are Drilling Parties and accept such tender, such acreage shall not become a part of the Contract Area. Each party shall promptly notify all other parties of all acreage or money contributions it may obtain in support of any well or any other operation on the Contract Area.

If any party contracts for any consideration relating to disposition of such party's share of substances produced hereunder, such consideration shall not be deemed a contribution as contemplated in this Article VIII.C.

D. Subsequently Created Interest:

Notwithstanding the provisions of Article VIII.E. and VIII.G., if any party hereto shall, subsequent to execution of this agreement, create an overriding royalty, production payment, or net proceeds interest, which such interests are hereinafter referred to as "subsequently created interest", such subsequently created interest shall be specifically made subject to all of the terms and provisions of this agreement, as follows:

1. If non-consent operations are conducted pursuant to any provision of this agreement, and the party conducting such operations becomes entitled to receive the production attributable to the interest out of which the subsequently created interest is derived, such party shall receive same free and clear of such subsequently created interest. The party creating same shall bear and pay all such subsequently created interests and shall indemnify and hold the other parties hereto free and harmless from any and all liability resulting therefrom.

2. If the owner of the interest from which the subsequently created interest is derived (1) fails to pay, when due, its share of expenses chargeable hereunder, or (2) elects to abandon a well under provisions of Article VI.E. hereof, or (3) elects to surrender a lease under provisions of Article VIII.A. hereof, the subsequently created interest shall be chargeable with the pro rata portion of all expenses hereunder in the same manner as if such interest were a working interest. For purposes of collecting such chargeable expenses, the party or parties who receive assignments as a result of (2) or (3) above shall have the right to enforce all provisions of Article VII.B. hereof against such subsequently created interest.

E. Maintenance of Uniform Interest:

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 Contract 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 Contract Area.

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

If, at any time the interest of any party is divided among and owned by four or more co-owners, Operator, at its discretion, may 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 agreement; however, all such co-owners shall have the right to enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Contract Area and they shall have the right to receive, separately, payment of the sale proceeds hereof.

F. Waiver of Right to Partition:

If permitted by the laws of the state or states in which the property covered hereby is located, each party hereto owning an undivided interest in the Contract Area waives any and all rights it may have to partition and have set aside to it in severalty its undivided interest therein.

~~G. Preferential Right to Purchase:~~

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

ARTICLE IX.
INTERNAL REVENUE CODE ELECTION
SEE ARTICLE XV.O.

~~This agreement is not intended to create, and shall not be construed to create, a relationship of part~~nership or an association for profit between or among the parties hereto. Notwithstanding any provisions herein that the rights and liabilities hereunder are several and not joint or collective, or that this agreement and operations hereunder shall not constitute a partnership, if, for Federal income tax purposes, this agreement and the operations hereunder are regarded as a partnership, each party hereby affected elects to be excluded from the application of all of the provisions of Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, as permitted and authorized by Section 761 of the Code and the regulations promulgated thereunder. Operator is authorized and directed to execute on behalf of each party hereby affected such evidence of this election as may be required by the Secretary of the Treasury of the United States or the Federal Internal Revenue Service, including specifically, but not by way of limitation, all of the returns, statements, and the data required by Federal Regulations 1.761. Should there be any requirement that each party hereby affected give further evidence of this election, each such party shall execute such documents and furnish such other evidence as may be required by the Federal Internal Revenue Service or as may be necessary to evidence this election. No

~~such party shall give any notices or take any other action inconsistent with the election made hereby.~~ If any present or future income tax laws of the state or states in which the Contract Area is located or any future income tax laws of the United States contain provisions similar to those in Subchapter "K", Chapter 1, Subtitle "A", of the Internal Revenue Code of 1954, under which an election similar to that provided by Section 761 of the Code is permitted, each party hereby affected shall make such election as may be permitted or required by such laws. In making the foregoing election, each such party states that the income derived by such party from Operations hereunder can be adequately determined without the ~~computation of partnership taxable income.~~

ARTICLE X.
CLAIMS AND LAWSUITS

Operator may settle any single damage claim or suit arising from operations hereunder if the expenditure does not exceed Three Thousand Dollars ($3,000.00) and if the payment is in complete settlement of such claim or suit. If the amount required for settlement exceeds the above amount, the parties hereto shall assume and take over the further handling of the claim or suit, unless such authority is delegated to Operator. All costs and expense of handling, settling, or otherwise discharging such claim or suit shall be at the joint expense of the parties. If a claim is made against any party or if any party is sued on account of any matter arising from operations hereunder over which such individual has no control because of the rights given Operator by this agreement, the party shall immediately notify Operator, and the claim or suit shall be treated as any other claim or suit involving operations hereunder.

ARTICLE XI.
FORCE MAJEURE

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

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

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

ARTICLE XII.
NOTICES

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

ARTICLE XIII.
TERM OF AGREEMENT

This agreement shall remain in full force and effect as to the oil and gas leases and/or oil and gas interests subjected hereto for the period of time selected below; provided, however, no party hereto shall ever be construed as having any right, title or interest in or to any lease, or oil and gas interest contributed by any other party beyond the term of this agreement.

☐ Option No. 1: So long as any of the oil and gas leases subject to this agreement remain or are continued in force as to any part of the Contract Area, whether by production, extension, renewal or otherwise, and/or so long as oil and/or gas production continues from any lease or oil and gas interest.

[X] Option No. 2: In the event the well described in Article VI.A., or any subsequent well drilled under any provision of this agreement, results in production of oil and/or gas in paying quantities, this agreement shall continue in force so long as any such well or wells produce, or are capable of production, and for an additional period of 90 days from cessation of all production; provided, however, if, prior to the expiration of such additional period, one or more of the parties hereto are engaged in drilling or reworking a well or wells hereunder, this agreement shall continue in force until such operations have been completed and if production results therefrom, this agreement shall continue in force as provided herein. In the event the well described in Article VI.A., or any subsequent well drilled hereunder, results in a dry hole, and no other well is producing, or capable of producing oil and/or gas from the Contract Area, this agreement shall terminate unless drilling or reworking operations are commenced within 90 days from the date of abandonment of said well.

It is agreed, however, that the termination of this agreement shall not relieve any party hereto from any liability which has accrued or attached prior to the date of such termination.

ARTICLE XIV.
COMPLIANCE WITH LAWS AND REGULATIONS

A. Laws, Regulations and Orders:

This agreement shall be subject to the conservation laws of the state in which the committed acreage is located, to the valid rules, regulations, and orders of any duly constituted regulatory body of said state; and to all other applicable federal, state, and local laws, ordinances, rules, regulations, and orders.

B. Governing Law:

The essential validity of this agreement and all matters pertaining thereto, including, but not limited to, matters of performance, non-performance, breach, remedies, procedures, rights, duties and interpretation or construction, shall be governed and determined by the law of the state in which the Contract Area is located. If the Contract Area is in two or more states, the law of the state where most of the land in the Contract Area is located shall govern.

ARTICLE XV.
OTHER PROVISIONS

A. Articles VI.B., Subsequent Operations, and VII.D., Limitations of Expenditures, are amended to include "sidetracking" in those operations listed on page 5 in lines 4,6,11,50 and 70; on page 6 in lines 19,22,29,49 and 60; and on page 9 in lines 3,4,7,10, 19 and 31, and to include "reworking" in line 29 on page 6.

B. The use of the word "all" twice in line 5 of Article VI.B.1. on page 5 shall not be interpreted to preclude completion pursuant to Article VII.D.1., deepening, plugging back, sidetracking, recompleting or any other operation of a well drilled by less than all of the parties in accordance with Article VI.B. upon a proposal from one of the Drilling Parties to the other Drilling Parties to do so. Notices shall be given and each party shall respond within the same period and under the same conditions as established for completion attempts in Article VII.D.1., and, in similar manner, the operation may be conducted under the non-consent provisions of Article VI.B.2. if less than all of the parties who have the right to participate elect to join in such operation.

C. The use of the alternative "or VI.E.1." in Article VI.B.2. in line 18 on page 5 is in reference to the last sentence of Article VI.E.1. and does not imply that a party may be a Non-Consenting Party as to the costs of abandoning a well.

D. The following sentence is added as a new paragraph on line 28 of page 7 at the conclusion of Article VI.C.:

"Unless required by governmental or judicial process, no party hereto shall be forced to share an available market with any nontaking party."

E. A new Article VI.F. is added on line 14 of page 8 reading as follows:

"F. Save the Lease Clause:

"Notwithstanding the foregoing provisions, if, during the term of this agreement, a well is required to be drilled, deepened, reworked, plugged back, sidetracked, or recompleted, or any other operation may be required in order to (1) continue a lease or leases in force and effect, or (2) maintain a unitized area or any portion thereof in force and effect, or (3) earn or preserve an interest in and to oil and/or gas and other minerals which may be owned by a third party or which, failing in such operation, may revert to a third party, or, (4) comply with an order issued by a regulatory body having jurisdiction in the premises, failing in which certain rights would terminate, the following shall apply. Should less than all of the parties hereto elect to participate and pay their proportionate part of the costs to be incurred in such operation, those parties desiring to participate shall have the right to do so at their sole cost, risk, and expense. Promptly following the conclusion of such operation, each of those parties not participating agree to execute and deliver to an assignment the participating parties in the proportion that the interest of each bears to the total interest of each such party in and to the lease, leases, or rights which would have terminated or which otherwise may have been preserved by virtue of such operation and in the drilling unit upon which the well was drilled excepting, however, wells theretofore completed and capable of producing in paying quantities."

F. The word "only" is inserted after the word "encompass" in line 2 on page 8.

G. The words and numerals "fifteen (15)" in line 65 on page 8 are deleted and replaced by "thirty (30)".

H. The second paragraph of Article VII.E. (lines 49, 50, 51 and 52) on page 9 shall likewise be applicable to overriding royalties, production payments and similar burdens against leases in the Contract Area.

I. Article VIII.G., Preferential Right to Purchase, is deleted.

J. The words "as amended" are added after "1954" in line 63 on page 12.

K. As regards Article XII, Notices, it is agreed that telecopy and telex notices are also authorized hereunder. The period within which the receiving party of a notice must respond shall be reduced from forty-eight (48) hours to twenty-four (24) hours (exclusive of Saturday, Sunday and legal holidays) whenever a drilling or completing rig is on location.

L. The following language is added after the word "party" in line 65 on page 13: ", except pursuant to Articles VI.F. and VIII.B.,".

M. The encumberances to which references are made on page 5 at line 56 and page 11 at line 58 are only to those of record or to which reference is made on Exhibit "A".

N. At the request of the Operator, the parties hereto agree to make every effort, but with no obligation to do so, to furnish on a tonnage basis as to their respective interests the tubular goods necessary for the drilling and completing of all wells hereunder. Such tubular goods so furnished by each shall be either new material (Condition "A") or used material (Condition "B"). If used material (Condition "B") is furnished, it shall be the responsibility of the Operator and the Operator agrees before using that material to cause same to be tested at the well by a method or methods normally used in the industry. If the result of such testing indicates the tubular goods meet acceptable casing string design specifications, it shall be used; otherwise, it shall be rejected.

O. The parties hereto recognize that this Agreement creates a partnership for United States (and applicable state) income tax purposes and each of the Parties hereto agrees not to elect to be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954, as amended, (and any similar state statute).

Each of the Parties agrees that United States (and applicable state) partnership income tax returns, shall be filed on behalf of the arrangements between the Parties and their joint operations under this Agreement and Operator is hereby authorized and directed to prepare and file such partnership income tax returns.

(a) Operator agrees to use its best efforts in the preparation and filing of such partnership income tax returns and in making appropriate elections on such returns, acting on behalf of itself and each other party hereto, but in so doing, Operator shall incur no liability to any other party hereto with regard to such returns or elections.

(b) Operator shall submit copies of such returns to each other party to this Agreement in sufficient time prior to the due date, plus any extensions thereof to permit review and approval.

(c) Each other party hereto agrees to furnish Operator such information relating to the operations conducted under this Agreement as shall be required by law for tax reporting purposes.

The Parties hereto hereby authorize and direct Operator to make the following elections under United States (and applicable state) Internal Revenue laws and regulations in the first and subsequent years' tax returns to be filed under this Agreement:

(a) To elect, in accordance with Section 263 (c) of said Code and applicable regulations, to expense all intangible drilling and development costs with respect to both productive and non-productive wells and the preparation of wells for production of oil and/or gas.

(b) To elect to compute allowance for depreciation in respect of all property subject to depreciation that is acquired for the joint account of the parties or otherwise owned by them as co-owners according to the unit of production method under Section 167 of the Code.

(c) The accrual method of accounting shall be adopted by the tax partnership and such accounting shall be maintained on a calendar year basis.

The Parties hereto agree that for purposes of the federal and state partnership income tax returns to be filed under this Agreement, the gains and losses from sales, abandonments, or other dispositions of property and all classes of costs, expenses and credits, including depreciation and depletion, shall be shared and accounted for by each party in any applicable federal and state income tax return as follows:

(a) The production costs shall be allocated as deductions to each party in accordance with their respective contributions to such costs.

(b) The exploration costs and intangible drilling and development costs shall be allocated as deductions to each party in accordance with their respective contributions to such costs.

(c) The depreciation on tangible equipment shall be allocated to each party in accordance with their respective contributions to the adjusted basis on such equipment, as adjusted basis is defined in Section 1011 of the Internal Revenue Code of 1954, as amended, and any similar state statute.

(d) The deduction for depletion shall be computed separately by the parties hereto.

(e) Gains and losses from each sale, abandonment or other disposition of property (other than oil, gas or other hydrocarbon substances) will be allocated to the parties in such manner as will refelct the gains and losses that would have been includable in their respective income tax returns if such property were held by the parties outside this Agreement. The computations shall take into account each party's share of the proceeds derived from each sale or other disposition of such property during the year, selling expenses and the parties' respective contributions to the unadjusted cost basis of such property, less an allowed or allowable depreciation, depletion, amortization or other deductions which have been allocated to each party with respect to such property as provided in this Agreement.

(f) The investment credit allowed by Section 38 of the Internal Revenue Code of 1954 shall be allocated among the parties in accordance with their respective contributions to qualified investments as provided in said Section 38.

(g) All other items or classes of costs and expenses not specifically allocated under the provisions of this Section shall be allocated to and accounted for by each party in accordance with their respective contributions to such costs, expenses and credits.

The Parties agree that income from the production of all minerals, including oil, gas or other hydrocarbon substances, shall be allocated to each party in accordance with their respective shares under this Agreement.

It is the intent of the Parties that these provisions be limited in their application to matters relating to United States taxes based on income and shall not in any way change, amend, or affect the substantive rights of the Parties otherwise contained herein.

It is not the purpose or intention of the Parties hereto to create any partnership, mining partnership or association other than as above provided, and neither this Agreement nor the authorizations hereunder shall be construed as providing, directly or indirectly, for any joint or cooperative refining or marketing or sale of any party's interest in oil and gas or the products thereof.

P. Should any party to this agreement contribute or include in the Unit Area an oil and gas lease with royalties or other burdens against production less than a total one-fourth of eight/eight (1/4 of 8/8), the party contributing same will be credited with the difference between the royalty and production burdens and 1/4 of 8/8, subject to proportionate reduction on an acreage basis to the proration unit to which the lease is subject.

ARTICLE XVI.
MISCELLANEOUS

This agreement shall be binding upon and shall inure to the benefit of the parties hereto and to their respective heirs, devisees, legal representatives, successors and assigns.

This instrument may be executed in any number of counterparts, each of which shall be considered an original for all purposes.

IN WITNESS WHEREOF, this agreement shall be effective as of _____ day of _____, 19 80 .

OPERATOR

MONSANTO COMPANY

By: _____
Attorney-in-Fact

NON-OPERATORS

FLORIDA EXPLORATION COMPANY

By: _____

Asst Secretary

COLA PETROLEUM, INC.

By: _____

LANDIS DRILLING COMPANY

By: _____

J. C. WILLIAMSON

By: _____

MAX E. CURRY

By: _____

CONOCO, INC.

By: _____

EXHIBIT "A"

Attached to and made a part of that certain Unit Operating Agreement
dated July 17, 1980, between
MONSANTO COMPANY, as Operator, and FLORIDA EXPLORATION COMPANY, ET AL,
Non-Operators

I. Lands Subject to Unit Operating Agreement

Sections 17, 20, and 29, Township 23 South, Range 34 East,
N.M.P.M. Lea County, New Mexico (S/2 Section 17 is owned 100% by Conoco, Inc.
This acreage is uncommitted to the Unit Area and Unit Operating Agreement.)

II. Working Interest of the Parties Under This Unit Operating Agreement

A. Initial Morrow Well in Section 20, Reentry of Great Basins #2 Antebellum Unit Well in NE/4 Section 29, and Optional Second Morrow well on Unit.

	BPO (%)	APO (%)
Monsanto Company	50.000	37.500
Florida Exploration Co.	25.000	18.750
Cola Petroleum, Inc.	20.000	15.000
Landis Drilling Co.	5.000	3.750
J. C. Williamson	0.000	12.500
Max Curry	0.000	12.500
	100.000	100.000

B. Any wells drilled in addition to those enumerated in II.A. above

Monsanto Company	37.50
Florida Exploration Co.	18.75
Cola Petroleum, Inc.	15.00
Landis Drilling Co.	3.75
J. C. Williamson	12.50
Max Curry	12.50
	100.00

III. The term "payout" as used in this Operating Agreement shall mean the date of which Monsanto Company, Florida Exploration Company, Cola Petroleum, Inc. and Landis Drilling Company (hereinafter referred to as Monsanto, et al) shall have recovered out of the total proceeds of production from the wells provided for in II.A. of Exhibit "A" hereof that have been completed as a producer(s) of oil or gas, provided however, if the proration unit(s) of any of said wells include lands other than lands covered by the Exhibit "A" lease(s), then the total proceeds of production attributable to payout from any such well shall be proportionately reduced by a fraction the numerator of which is the total net acres of land covered by the Exhibit "A" lease(s) included in the proration unit and the denominator of which is the gross acres in the proration unit for the particular well (after deducting the lease royalty, the overriding royalties and other interest in production burdening the working interest of Monsanto, et al at the time of J. C. Williamson and Max Curry's assignment to Monsanto, et al hereunder, and applicable gross production taxes), 100% of the cost of drilling, completing, testing and equipping all wells provided for in

II.A. of Exhibit "A" above (including, but not by way of limitation, any such wells that may have been completed as dry holes) to produce into the tanks (in the case of an oil well) or into the pipeline to which such well is connected (in the event of a gas well) or plugging and abandoning (in the event of a dry hole), together with 100% of the operating costs (including the direct cost only of treating, dehydrating and/or compressing gas to make it marketable) thereof up to such time. The Accounting Procedure attached to the hereinabove described Operating Agreement shall govern the extent to which costs may be charged to a well (as well as the basis of all such charges and credits thereto) for the purpose of determining payout.

IV. Addresses of Parties To Which Notice Should Be Sent

Monsanto Company
1330 Midland National Bank Tower
500 West Texas
Midland, Texas 79701
Telephone: (915) 683-3306

Florida Exploration Company
930 Vaughn Building
Midland, Texas 79701
Telephone: (915) 683-3306

Cola Petroleum, Inc.
619 West Texas
Midland, Texas 79701
Telephone: (915) 683-3221

J. C. Williamson
P. O. Box 16
Midland, Texas 79701
Telephone: (915) 682-1797

Max Curry
P. O. Box 5596
Midland, Texas 79701

Landis Drilling Company
One Marienfeld Place
Midland, Texas 79701
Telephone: (915) 683-4151

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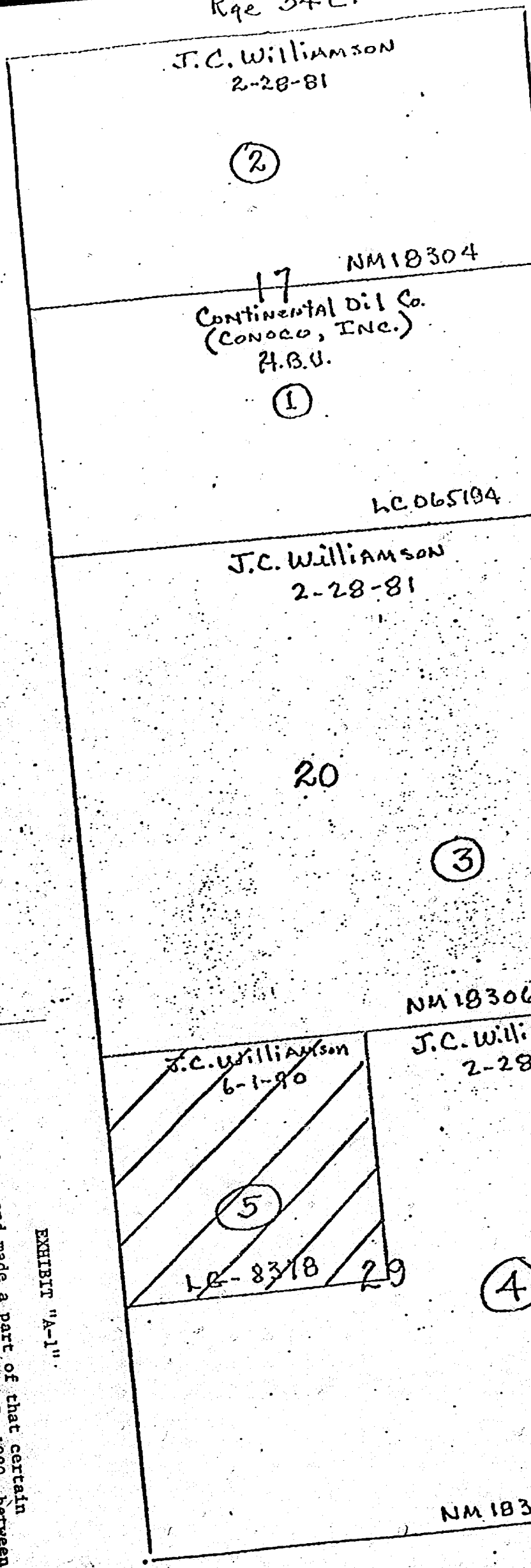

Twp. 23 S.

FEDERAL
STATE
TOTAL

	Acreage	Percentage
	1760.00	91.67%
	160.00	8.33%
	1920.00	

(3) TRACT No.

EXHIBIT "A-1"

Attached to and made a part of that certain Operating Agreement dated July 17, 1980, between MONSANTO COMPANY, as Operator, and FLORIDA EXPLORATION COMPANY, ET AL, Non-Operators

EXHIBIT "A-2"

Attached to and made a part of that certain Unit Operating Agreement dated July 17, 1980, between MONSANTO COMPANY, as Operator and FLORIDA EXPLORATION COMPANY, ET AL, as Non-Operators

SCHEDULE OF LEASES FOR BACK BASIN UNIT

1.
Lessor: U.S.A.-N.M. 18304
Original Lessee: Hoover H. Wright
Current Lessee: J. C. Williamson (assignment pending approval by BLM)
Date: May 1, 1973
Description: N/2 Section 17, T-23-S, R-34-E, N.M.P.M., Lea County, New Mexico

2.
Lessor: U.S.A. - LC 065194
Original Lessee: Continental
Date: May 1, 1951
Description: S/2 Section 17, T-23-S, R-34-E, N.M.P.M., Lea County, New Mexico

3.
Lessor: U.S.A. - N.M. 18306
Original Lessee: Hoover H. Wright
Current Lessee: J. C. Williamson (assigument pending approval by BLM)
Date: May 1, 1973
Description: Section 20, T-23-S, R-34-E, N.M.P.M., Lea County, New Mexico

4.
Lessor: U.S.A. - N.M. 18307
Original Lessee: Hoover H. Wright
Current Lessee: J. C. Williamson (assignment pending approval by BLM)
Date: May 1, 1973
Description: E/2 & SW/4 Section 29, T-23-S, R-34-E, N.M.P.M., Lea County, New Mexico

5.
Lessor: State of New Mexico LG 8378
Lessee: J. C. Williamson
Date: June 1, 1980
Description: NW/4 Section 29, T-23-S, R-34-E, Lea County, New Mexico

Recommended by the Council of Petroleum Accountants Societies of North America

COPAS

EXHIBIT "C"

Attached to and made a part of that certain Operating Agreement dated July 17, 1980, between MONSANTO COMPANY and FLORIDA EXPLORATION COMPANY, ET AL

ACCOUNTING PROCEDURE
JOINT OPERATIONS

I. GENERAL PROVISIONS

1. Definitions

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

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

"Joint Account" shall mean the account showing the charges paid and credits received in the conduct of the Joint Operations and which are to be shared by the Parties.

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

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

"Parties" shall mean Operator and Non-Operators.

"First Level Supervisors" shall mean those employees whose primary function in Joint Operations is the direct supervision of other employees and/or contract labor directly employed on the Joint Property in a field operating capacity.

"Technical Employees" shall mean those employees having special and specific engineering, geological or other professional skills, and whose primary function in Joint Operations is the handling of specific operating conditions and problems for the benefit of the Joint Property.

"Personal Expenses" shall mean travel and other reasonable reimbursable expenses of Operator's employees.

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

"Controllable Material" shall mean Material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

2. Statement and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of the Joint Account for the preceding month. Such bills will be accompanied by statements which identify the authority for expenditure, lease or facility, and all charges and credits, summarized by appropriate classifications of investment and expense except that items of Controllable Material and unusual charges and credits shall be separately identified and fully described in detail.

3. Advances and Payments by Non-Operators

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

Each Non-Operator shall pay its proportion of all bills within ~~fifteen (15)~~ thirty (30) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of twelve percent (12%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser, plus attorney's fees, court costs, and other costs in connection with the collection of unpaid amounts.

4. Adjustments

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

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

6. Approval by Non-Operators

Where an approval or other agreement of the Parties or Non-Operators is expressly required under other sections of this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, Operator shall notify all Non-Operators of the Operator's proposal, and the agreement or approval of a majority in interest of the Non-Operators shall be controlling on all Non-Opera-

II. DIRECT CHARGES

Operator shall charge the Joint Account with the following items:

1. Rentals and Royalties

Lease rentals and royalties paid by Operator for the Joint Operations.

2. Labor

A. (1) Salaries and wages of Operator's field employees directly employed on the Joint Property in the conduct of Joint Operations.

(2) Salaries of First Level Supervisors in the field.

(3) Salaries and wages of Technical Employees directly employed on the Joint Property if such charges are excluded from the Overhead rates.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II. Such costs under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II.

D. Personal Expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II.

3. Employee Benefits

Operator's current costs of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II shall be Operator's actual cost not to exceed twenty per cent (20%).

4. Material

Material purchased or furnished by Operator for use on the Joint Property as provided under Section IV. Only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use and is reasonably practical and consistent with efficient and economical operations. The accumulation of surplus stocks shall be avoided.

5. Transportation

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store, recognized barge terminal, or railway receiving point where like material is normally available, unless agreed to by the Parties.

B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store, recognized barge terminal, or railway receiving point unless agreed to by the Parties. No charge shall be made to the Joint Account for moving Material to other properties belonging to Operator, unless agreed to by the Parties.

C. In the application of Subparagraphs A and B above, there shall be no equalization of actual gross trucking cost of $200 or less excluding accessorial charges.

6. Services

The cost of contract services, equipment and utilities provided by outside sources, except services excluded by Paragraph 9 of Section II and Paragraph 1. ii of Section III. The cost of professional consultant services and contract services of technical personnel directly engaged on the Joint Property if such charges are excluded from the Overhead rates. The cost of professional consultant services or contract services of technical personnel not directly engaged on the Joint Property shall not be charged to the Joint Account unless previously agreed to by the Parties.

7. Equipment and Facilities Furnished by Operator

A. Operator shall charge the Joint Account for use of Operator owned equipment and facilities at rates commensurate with costs of ownership and operation. Such rates shall include costs of maintenance, repairs, other operating expense, insurance, taxes, depreciation, and interest on investment not to exceed eight per cent (8%) per annum. Such rates shall not exceed average commercial rates currently prevailing in the immediate area of the Joint Property.

B. In lieu of charges in Paragraph 7A above, Operator may elect to use average commercial rates prevailing in the immediate area of the Joint Property less 20%. For automotive equipment, Operator may elect to use rates published by the Petroleum Motor Transport Association.

8. Damages and Losses to Joint Property

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or other cause, except those resulting from Operator's gross negligence or willful misconduct. Operator shall furnish Non-Operator written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

9. Legal Expense

Expense of handling, investigating and settling litigation or claims, discharging of liens, payment of judgments and amounts paid for settlement of claims incurred in or resulting from operations under the agreement or necessary to protect or recover the Joint Property, except that no charge for services of Operator's legal staff or fees or expense of outside attorneys shall be made unless previously agreed to by the Parties. All other legal expense is considered to be covered by the overhead provisions of Section III unless otherwise agreed to by the Parties, except as provided in Section I, Paragraph 3.

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10. Taxes

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

11. Insurance

Net premiums paid for insurance required to be carried for the Joint Operations for the protection of the Parties. In the event Joint Operations are conducted in a state in which Operator may act as self-insurer for Workmen's Compensation and/or Employers Liability under the respective state's laws, Operator may, at its election, include the risk under its self-insurance program and in that event, Operator shall include a charge at Operator's cost not to exceed manual rates.

12. Other Expenditures

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

III. OVERHEAD

1. Overhead - Drilling and Producing Operations

i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

(X) Fixed Rate Basis, Paragraph 1A, or
( ) Percentage Basis, Paragraph 1B.

Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 2A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the Overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property shall ( ) shall not (X) be covered by the Overhead rates.

A. Overhead - Fixed Rate Basis

(1) Operator shall charge the Joint Account at the following rates per well per month:

Drilling Well Rate $3,144.00
Producing Well Rate $449.00

(2) Application of Overhead - Fixed Rate Basis shall be as follows:

(a) Drilling Well Rate

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

[2] Charges for offshore drilling wells shall begin on the date when drilling or completion equipment arrives on location and terminate on the date the drilling or completion equipment moves off location or rig is released, whichever occurs first, except that no charge shall be made during suspension of drilling operations for fifteen (15) or more consecutive days

[3] Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig, commence through date of rig release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive days.

(b) Producing Well Rates

[1] An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

[2] Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

[3] An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

[4] A one-well charge may be made for the month in which plugging and abandonment operations are completed on any well.

[5] All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

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

B. Overhead - Percentage Basis

(1) Operator shall charge the Joint Account at the following rates:

(a) Development

_____ Percent (%) of the cost of Development of the Joint Property exclusive of costs provided under Paragraph 9 of Section II and all salvage credits.

(b) Operating

_____ Percent (%) of the cost of Operating the Joint Property exclusive of costs provided under Paragraphs 1 and 9 of Section II, all salvage credits, the value of injected substances purchased for secondary recovery and all taxes and assessments which are levied, assessed and paid upon the mineral interest in and to the Joint Property.

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

2. Overhead - Major Construction

To compensate Operator for overhead costs incurred in the construction and installation of fixed assets, the expansion of fixed assets, and any other project clearly discernible as a fixed asset required for the development and operation of the Joint Property, Operator shall either negotiate a rate prior to the beginning of construction, or shall charge the Joint Account for Overhead based on the following rates for any Major Construction project in excess of $25,000.00 :

A. 5 % of total costs if such costs are more than $25,000.00 but less than $100,000.00 ; plus

B. 3 % of total costs in excess of $100,000.00 but less than $1,000,000; plus

C. 2 % of total costs in excess of $1,000,000.

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

3. Amendment of Rates

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

IV. PRICING OF JOINT ACCOUNT MATERIAL PURCHASES, TRANSFERS AND DISPOSITIONS

Operator is responsible for Joint Account Material and shall make proper and timely charges and credits for all material movements affecting the Joint Property. Operator shall provide all Material for use on the Joint Property; however, at Operator's option, such Material may be supplied by the Non-Operator. Operator shall make timely disposition of idle and/or surplus Material, such disposal being made either through sale to Operator or Non-Operator, division in kind, or sale to outsiders. Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus condition A or B Material. The disposal of surplus Controllable Material not purchased by the Operator shall be agreed to by the Parties.

1. Purchases

Material purchased shall be charged at the price paid by Operator after deduction of all discounts received. In case of Material found to be defective or returned to vendor for any other reason, credit shall be passed to the Joint Account when adjustment has been received by the Operator.

2. Transfers and Dispositions

Material furnished to the Joint Property and Material transferred from the Joint Property or disposed of by the Operator, unless otherwise agreed to by the Parties, shall be priced on the following bases exclusive of cash discounts:

A. New Material (Condition A)

(1) Tubular goods, except line pipe, shall be priced at the current new price in effect on date of movement on a maximum carload or barge load weight basis, regardless of quantity transferred, equalized to the lowest published price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available.

(2) Line Pipe

(a) Movement of less than 30,000 pounds shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store nearest the Joint Property where such Material is normally available.

(b) Movement of 30,000 pounds or more shall be priced under provisions of tubular goods pricing in Paragraph 2A (1) of this Section IV.

(3) Other Material shall be priced at the current new price, in effect at date of movement, as listed by a reliable supply store or f.o.b. railway receiving point nearest the Joint Property where such Material is normally available.

B. Good Used Material (Condition B)

Material in sound and serviceable condition and suitable for reuse without reconditioning:

(1) Material moved to the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV.

(2) Material moved from the Joint Property

(a) At seventy-five percent (75%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as new Material, or

(b) at sixty-five percent (65%) of current new price, as determined by Paragraph 2A of this Section IV, if Material was originally charged to the Joint Account as good used Material at seventy-five percent (75%) of current new price.

The cost of reconditioning, if any, shall be absorbed by the transferring property.

C. Other Used Material (Condition C and D)

(1) Condition C

Material which is not in sound and serviceable condition and not suitable for its original function until after reconditioning shall be priced at fifty percent (50%) of current new price as determined by Paragraph 2A of this Section IV. The cost of reconditioning shall be charged to the receiving property, provided Condition C value plus cost of reconditioning does not exceed Condition B value.

(2) Condition D

All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose. Operator may dispose of Condition D Material under procedures normally utilized by the Operator without prior approval of Non-Operators.

D. Obsolete Material

Material which is serviceable and usable for its original function but condition and/or value of such Material is not equivalent to that which would justify a price as provided above may be specially priced as agreed to by the Parties. Such price should result in the Joint Account being charged with the value of the service rendered by such Material.

E. Pricing Conditions

(1) Loading and unloading costs may be charged to the Joint Account at the rate of fifteen cents (15¢) per hundred weight on all tubular goods movements, in lieu of loading and unloading costs sustained, when actual hauling cost of such tubular goods are equalized under provisions of Paragraph 5 of Section II.

(2) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

3. Premium Prices

Operator will make every effort to obtain equipment and supplies at normal prices and in accordance with the terms hereof. However, when it is necessary to use premium priced equipment and supplies for the joint account, Operator shall charge the joint accounts for such actual costs including freight and transportation, unless Non-Operators give notification when approving AFE's that it or they desire to furnish in kind its or their proportionate part. Any such items to be furnished in kind by a Non-Operator must be in line with the requirements for the drilling operation or any other project under consideration and acceptable to Operator.

4. Warranty of Material Furnished by Operator

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

V. INVENTORIES

The Operator shall maintain detailed records of Controllable Material.

1. Periodic Inventories, Notice and Representation

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

2. Reconciliation and Adjustment of Inventories

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

3. Special Inventories

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

4. Expense of Conducting Periodic Inventories

The expense of conducting periodic Inventories shall not be charged to the Joint Account unless agreed to by the Parties.

EXHIBIT "D"

Attached to and made a part of that certain Operating Agreement dated July 17, 1980, between MONSANTO COMPANY and FLORIDA EXPLORATION COMPANY, ET AL

INSURANCE

Operator shall, at the joint expense of the parties hereto, at all times while operations are conducted hereunder, provide with responsible insurance companies, insurance as follows:

a. Workmen's Compensation Insurance in accordance with the laws of the state in which the operating area is located, and Employers' Liability Insurance with limits of not less than $300,000.00;

b. Public Liability Insurance with respect to bodily injuries with limits of not less than $200,000.00 as to any one person and $500,000.00 as to any one accident; and Property Damage Liability Insurance with limits of not less than $100,000.00 as to any one accident, and

c. Automobile Public Liability Insurance with respect to bodily injuries with limits of not less than $100,000.00 as to any one person and $500,000.00 as to any one accident; also, Automobile Public Liability Insurance with respect to Property Damage with limits of not less than $100,000.00 as to any one accident.

Operator shall not provide for the joint account of the parties hereto, insurance against the hazards of fire, windstorm, explosion, blowout, cratering, reservoir damage, or insurance other than that specified above.

EXHIBIT "E"

Attached to and made a part of that certain Operating Agreement dated July 17, 1980, between MONSANTO COMPANY and FLORIDA EXPLORATION COMPANY, ET AL

GAS BALANCING AGREEMENT

THIS AGREEMENT entered into this _____ day of _____, _____, by and between the parties referred to below. Subject to and under the terms of that certain Operating Agreement dated _____, _____, the parties hereto own and are entitled to share in the following percentages:

As shown in Exhibit "A" to the Operating Agreement

in the production of oil and/or gas from the below described lands:

As shown in Exhibit "A" to the Operating Agreement.

Each party has made (or will make) arrangements to sell or utilize its share of the gas well gas produced from said lands. It appears, however, that the respective gas markets of the parties may be limited from time to time; therefore, to permit the parties as much flexibility as possible in meeting the demands of their respective markets, the parties hereto agree to the storage arrangement herein set forth.

1.

From and after the date of initial delivery of gas well gas from the above mentioned lands, during any period when the market of a party is not sufficient to take that party's full share of the gas well gas produced, any other party may produce (and take or deliver to purchaser), each month, all or a part of that portion of the allowable gas production assigned thereto by the appropriate regulatory authority having jurisdiction in the premises or at the maximum efficient rate, if no such allowable gas production is so assigned, except, however, that no party shall be entitled to take or deliver to a purchaser gas production in excess of three hundred percent (300%) of its share of allowable gas production or maximum efficient rate unless that party has gas in storage. The parties hereto shall share in and own the lease condensate (i.e., liquid hydrocarbons recovered from such gas by lease equipment) in accordance with their respective interests, as set forth hereinabove, and upon and subject to the terms of the above described Operating Agreement.

2.

A party taking less than its full share of the gas well gas produced shall be credited with gas in storage on a BTU basis equal to its full share of the total gas well gas produced, less such party's share of such gas used in lease operations or vented or lost, and less that portion of such gas such party took or delivered to the purchaser. Operator will maintain a running account of the gas balance as between the parties hereto and will furnish each party monthly statements showing the total quantity of gas well gas produced, the portion thereof used in lease operations, vented or lost, the total quantity of gas well gas delivered to market, and the monthly and cumulative total over and under delivery of each party on an MCF and on a BTU basis.

3.

After notice, any party may at any time begin taking or delivering to a purchaser its full share of the gas well gas produced (less such party's share of such gas used in lease operations, vented or lost). To allow the recovery of gas in storage and to balance the gas account of the parties in accordance with their respective interests, as set forth hereinabove, a party with gas well gas in storage shall be entitled to take or deliver to a purchaser its full share of the gas well gas produced (less such party's share of such gas used in lease operations, vented or lost), plus a share of gas not exceeding its gas in storage determined by multiplying (1) fifty percent (50%) by (2) the interest in the land's current production (less such party's share of such gas used in lease operations, vented or lost) of the party or parties without gas in storage, by (3) a fraction, the numerator of which is the interest in the lease of such party with gas in storage and the denominator of which is the total percentage interest in the lease of all parties with gas in storage.

4.

Nothing herein shall be construed to deny any party the right, from time to time, provided said party is not overproduced at such time, to produce and take or deliver to its purchaser its full share of the allowable gas production to meet the deliverability tests required by its purchaser. Each party shall at all times use its best efforts to regulate its takes and deliveries from said lands so that wells will not be shut in for over-producing the allowable, if any, assigned thereto by the regulatory authority having jurisdiction.

5.

Each party producing or taking or delivering gas well gas to its purchaser shall pay any and all royalties and production taxes due on such gas.

6.

Should production of gas well gas from said lands be permanently discontinued before the gas account is balanced, settlement will be made between the parties for gas which has not been recovered by any party from storage. In making such settlement, if there is any party whose gas has not been recovered from storage, or a party who has sold more than its share of gas well gas, then the amount owed (as hereinafter defined) by each of the latter shall be forwarded to the operator who shall allocate the sum of such amounts and pay the former in proportion to the respective ownerships in gas not recovered from storage. The amount owed by each party who has sold more than its share of gas well gas shall be the weighted average of the amounts received by such party upon sale of such gas during the period or periods overproduction is accrued by such party, less base lease royalty and taxes paid thereon; provided, however, that as to gas sold in interstate commerce by such party, such amounts shall be based upon that portion of the rate or rates not subject to refund applicable to and collected for the volumes sold during such period or periods by such party under orders of the Federal Power Commission which are final at the time of such settlement, plus any additional collected amounts which are not ultimately required by said commission to be refunded, such additional collected amounts to be accounted for at such time as final determination is made with respect thereto. For the purposes of the preceding sentence, the weighted average of the amounts received by such party shall be determined by weighting the respective amounts received for such gas on the basis of volumes of overproduction that accrue hereunder to the account of such party during the period for which such amount was received.

7.

This Agreement shall be and remain in force and effect for a term concurrent with the terms of the Operating Agreement between the parties mentioned above.

8.

Nothing herein shall change or affect each party's obligations to pay its proportionate share of all costs and liabilities incurred in lease operations, as its share thereof is set forth in the above described Operating Agreement.

IN WITNESS WHEREOF, this Agreement is executed this _____ day of _____, 1980.

EXHIBIT " F "

I. EQUAL OPPORTUNITY PROVISION.

(A) During the performance of this contract, the undersigned agrees as follows:

(1) The undersigned will not discriminate against any employee or applicant for employment because of race, color, religion, sex, or national origin. The undersigned will take affirmative action to ensure that applicants are employed, and that employees are treated during employment, without regard to their race, color, religion, sex, or national origin. Such action 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 undersigned agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

(2) The undersigned will, in all solicitations of advertisements for employees placed by or on behalf of the undersigned, state that all qualified applicants will receive consideration for employment without regard to race, color, religion, sex, or national origin.

(3) The undersigned will send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice, to be provided by the agency contracting officer, advising the labor union or workers' representative of the undersigned's commitments under Section 202 of the Executive Order 11246 of September 24, 1965, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.

(4) The undersigned will comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations, and relevant orders of the Secretary of Labor.

(5) The undersigned will furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations, and orders of the Secretary of Labor, or pursuant thereto, and will permit access to his books, records, and accounts by the contracting agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.

(6) In the event of the undersigned's noncompliance with the nondiscrimination clauses of this contract or with any rules, regulations, or orders, this contract may be canceled, terminated or suspended in whole or in part and the undersigned may be declared ineligible for further Government contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in Executive Order 11246 of September 24, 1965, or by rules, regulations, or order of the Secretary of Labor, or as otherwise provided by law.

(7) The undersigned will include the provisions of paragraphs (1) through (7) in every subcontract or purchase order unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to Section 204 of Executive Order 11246 of September 24, 1965, so that such provisions will be binding upon each subcontractor or vendor. The undersigned will take such action with respect to any subcontract or purchase order as the contracting agency may direct as a means of enforcing such provisions including sanctions for noncompliance: Provided, however, that in the event the undersigned becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the contracting agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

(B) The undersigned further agrees and certifies that, if the value of the contract or purchase order is $50,000 or more and the undersigned has 50 or more employees, undersigned will:

(1) File a complete and accurate report on Standard Form 100 (EEO-1) with the Joint Reporting Committee, at the appropriate address per the current instructions, within thirty (30) days of the date of contract award, unless such report has been filed within the twelve (12) months' period preceding the date of the contract award and otherwise comply with and file such other compliance reports as may be required under Executive Order 11246, as amended, and Rules and Regulations adopted thereunder.

(2) Develop a written affirmative action compliance program for each of its establishments as required by Title 41, Code of Federal Regulations, Section 60-1.40.

II. CERTIFICATE OF NONSEGREGATED FACILITIES. The undersigned certifies that it does not maintain or provide for its employees any segregated facilities at any of its establishments and that it does not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The undersigned certifies further that it will not maintain or provide for its employees any segregated facilities at any of its establishments and that it will not permit its employees to perform their services at any location, under its control, where segregated facilities are maintained. The undersigned agrees that a breach of this certification is a violation of the Equal Opportunity Clause in any Government contract between the undersigned and Monsanto Co. As used in this certification, the term "segregated facilities" means any waiting rooms, work areas, rest rooms and wash rooms, restaurants and other eating areas, time clocks, locker rooms and other storage or dressing areas, parking lots, drinking fountains, recreation or entertainment areas, transportation, housing facilities provided for employees which are segregated by explicit directive or are in fact segregated on the basis of race, color, religion, or national origin, because of habit, local custom or otherwise. The undersigned further agrees that (except where it has obtained identical certifications from proposed subcontractors for specific time periods) it will obtain identical certifications from proposed subcontractors prior to the award of subcontracts exceeding $10,000 which are not exempt from the provisions of the Equal Opportunity Clause; that it will retain such certifications in its files; and that it will forward the following notice to such proposed subcontractors (except where the proposed subcontracts have submitted identical certifications for specific time periods):

NOTICE OF PROSPECTIVE SUBCONTRACTORS OF REQUIREMENTS FOR CERTIFICATION OF NONSEGREGATED FACILITIES. A Certification of Nonsegregated Facilities, as required by the May 9, 1967, order on Elimination of Segregated Facilities, by the Secretary of Labor (32 Fed. Reg. 7439, May 19, 1967), must be submitted prior to the award of a subcontract exceeding $10,000 which is not exempt from the provisions of the Equal Opportunity Clause. The certification may be submitted either for each subcontract or for all subcontracts during a period (i.e., quarterly, semi-annually or annually). (1968 MAR.). (Note: The penalty for making false statements in offers is prescribed in 18 U.S.C. 1001).

III. AFFIRMATIVE ACTION FOR DISABLED VETERANS AND VETERANS OF THE VIETNAM ERA

(a) The contractor will not discriminate against any employee or applicant for employment because he or she is a disabled veteran or veteran of the Vietnam Era in regard to any position for which the employee or applicant for employment is qualified. The contractor agrees to take affirmative action to employ, advance in employment and otherwise treat qualified disabled veterans and veterans of the Vietnam era without discrimination based upon their disability or veterans status in all employment practices such as the following: employment upgrading, demotion or transfer, recruitment, advertising layoff or termination, rates of pay or other forms of compensation; and selection for training, including apprenticeship.

(b) The contractor agrees that all suitable employment openings of the contractor which exist at the time of the execution of this contract and those which occur during the performance of this contract, including those not generated by this contract and including those occurring at an establishment of the contractor other than the one wherein the contract is being performed but excluding those of independently operated corporate affiliates, shall be listed at an appropriate local office of the State employment service system wherein the opening occurs. The contractor further agrees to provide such reports to such local office regarding employment openings and hires as may be required.

State and local government agencies holding Federal contracts of $10,000 or more shall also list all their suitable openings with the appropriate office of the State employment service, but are not required to provide those reports set forth in paragraphs (d) and (e).

(c) Listing of employment openings with the employment service system pursuant to this clause shall be made at least concurrently with the use of any other recruitment source or effort and shall involve the normal obligations which attach to the placing of a bona fide job order, including the acceptance of referrals of veterans and nonveterans. The listing of employment openings does not require the hiring of any particular job applicant or from any particular group of job applicants, and nothing herein is intended to relieve the contractor from any requirements in Executive Orders or regulations regarding nondiscrimination in employment.

(d) The reports required by paragraph (b) of this clause shall include, but not be limited to, periodic reports which shall be filed at least quarterly with the appropriate local office or, where the contractor has more than one hiring location in a State, with the central office of that State employment service. Such reports shall indicate for each hiring location (1) the number of individuals hired during the reported period, (2) the number of nondisabled veterans of the Vietnam era hired, (3) the number of disabled veterans of the Vietnam era hired, and (4) the total number of disabled veterans hired. The reports should include covered veterans hired for on-the-job training under 38 USC 1787. The contractor shall submit a report within 30 days after the end of each reporting period wherein any performance is made on this contract identifying data for each hiring location. The contractor shall maintain at each hiring location copies of the reports submitted until the expiration of one year after final payment under the contract, during which time these reports and related documentation shall be made available, upon request, for examination by any authorized representative of the contracting officer or of the Secretary of Labor. Documentation would include personnel records respecting job openings, recruitment and placement.

(e) Whenever the contractor becomes contractually bound to the listing provisions of this clause, it shall advise the employment service system in each State where it has establishments of the name and location of each hiring location in the State. As long as the contractor is contractually bound to these provisions and has so advised the State system, there is no need to advise the State system of subsequent contracts. The contractor may advise the State system when it is no longer bound by this contract clause.

(f) This clause does not apply to the listing of employment openings which occur and are filled outside of the 50 States, the District of Columbia, Puerto Rico, Guam, and the Virgin Islands.

(g) The provisions of paragraphs (b), (c), (d) and (e) of this clause do not apply to openings which the contractor proposes to fill from within his own organization or to fill pursuant to a customary and traditional employer-union hiring arrangement. This exclusion does not apply to a particular opening once an employer decides to consider applicants outside of his own organization or employer-union arrangement for that openi

(h) As used in this clause: (1) "All suitable employment openings" includes, but is not limited to, openings which occur in the following job categories: production and non-production; plant and office; laborers and mechanics; supervisory and nonsupervisory; technical; and executive, administrative, and professional openings as are compensated on a salary basis of less than $25,000 per year. This term includes full-time employment, temporary employment of more than 3 days' duration, and part-time employment. It does not include openings which the contractor proposes to fill from within his own organization or to fill pursuant to a customary and traditional employer-union hiring arrangement nor openings in an educational institution which are restricted to students of that institution. Under the most compelling circumstances an opening may not be suitable for listing, including such situations where the needs of the Government cannot reasonably be otherwise supplied, where listing would be contrary to national security, or where the requirement of listing would otherwise not be for the best interest of the Government.

(2) "Appropriate office of the State employment service system" means the local office of the Federal-State national system of public employment offices with assigned responsibility for serving the area where the employment opening is to be filled, including the District of Columbia, Guam, Puerto Rico, and the Virgin Islands.

(3) "Openings which the contractor proposes to fill from within his own organization" means employment openings for which no consideration will be given to persons outside the contractor's organization (including any affiliates, subsidiaries, and the parent companies) and include any openings which the contractor proposes to fill from regular established "recall" lists.

(4) "Openings which the contractor proposes to fill pursuant to a customary and traditional employer-union hiring arrangement" means employment openings which the contractor proposes to fill from union halls, which is part of the customary and traditional hiring relationship which exists between the contractor and representatives of his employees.

(i) The contractor agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the Act.

(j) In the event of the contractor's non-compliance with the requirements of this clause, actions for noncompliance may be taken in accordance with the rules, regulations relevant orders of the Secretary of Labor issued pursuant to the Act.

(k) The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Director, provided by or through the contracting officer. Such notice shall state the contractor's obligation under the law to take affirmative action to employ and advance in employment qualified disabled veterans and veterans of the Vietnam era for employment, and the rights of applicants and employees.

(l) The contractor will notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the contractor is bound by the terms of the Vietnam Era Veterans Readjustment Assistance Act, and is committed to take affirmative action to employ and advance in employment qualified disabled veterans and veterans of the Vietnam Era.

(m) The contractor will include the provisions of this clause in every subcontract or purchase order of $10,000 or more unless exempted by rules, regulations, or orders of the Secretary of Labor issued pursuant to the Act, so that such provisions will be binding upon each subcontractor or vendor. The contractor will take such action with respect to any subcontract or purchase order as the Director of the Office of Federal Contract Compliance Programs may direct to enforce such provisions, including action for non-compliance.

IV. OCCUPATIONAL SAFETY AND HEALTH. Undersigned shall observe and comply with all safety and health standards promulgated by the Secretary of Labor under Section 107 of the Contract Work Hours and Standard Act, published in 29CFR, Chapter XVII, Part 1926, and adopted by the Secretary of Labor as occupational safety and health standards under the Williams-Steiger Occupational Safety and Health Act of 1970. Such safety and health standards shall apply to all subcontractors and their employees as well as to the prime contractor and its employees.

For Contractors other than drilling and well servicing:

TEXAS OCCUPATIONAL SAFETY ACT: To the extent applicable, Contractor shall observe and comply with all safety and health standards promulgated by the Texas Occupational Safety Board under authority of Section 8 of the Texas Occupational Safety Act. Such safety and health standards shall apply to all subcontractors and their employees as well as to Contractor and its employees. Contractor further agrees to bring to the attention of Monsanto Co. any known condition in the custody and control of Monsanto Co. which adversely affects the safety of the Contractor's employees.

For drilling and well servicing Contractors:

TEXAS OCCUPATIONAL SAFETY ACT: To the extent applicable, Contractor shall observe and comply with all safety and health standards promulgated by the Texas Occupational Safety Board under authority of Section 8 of the Texas Occupational Safety Act. Such safety and health standards shall apply to all subcontractors and their employees as well as to Contractor and its employees. As part of this obligation, Contractor performing drilling and well servicing shall comply with provisions of the "Occupational Safety Standards for FOUNDATIONS AND GUYING OF DRILLING AND WELL SERVICING STRUCTURES FOR THE OIL AND GAS INDUSTRIES," shall determine that soil and foundation conditions comply with the provisions of Section 3 thereof, and shall make and record the results of representative pull tests of any permanent anchors used as required by Section 4.3 thereof. Contractor further agrees to bring to the attention of Monsanto Co. any known condition in the custody and control of Monsanto Co. which adversely affects the safety of the Contractor's employees.

V. AFFIRMATIVE ACTION FOR HANDICAPPED WORKERS.

(a) The undersigned will not discriminate against any employee or applicant for employment because of physical or mental handicap in regard to any position for which the employee or applicant for employment is qualified. The undersigned agrees to take affirmative action to employ, advance in employment and otherwise treat qualified handicapped individuals without discrimination based upon their physical or mental handicap in all employment practices such as the following: employment, upgrading, demotion or transfer, recruitment, advertising, layoff or termination, rates of pay or other forms of compensation, and selection for training, including apprenticeship.

(b) The undersigned agrees to comply with the rules, regulations, and relevant orders of the Secretary of Labor issued pursuant to the Act.

(c) In the event of the undersigned's noncompliance with the requirements of this clause, actions for noncompliance may be taken in accordance with the rules, regulations and relevant orders of the Secretary of Labor issued pursuant to the Act;

(d) The undersigned agrees to post in conspicuous places, available to employees and applicants for employment, notices in a form to be prescribed by the Director, provided by and through the contracting officer. Such notices shall state the undersigned's obligation under the law to take affirmative action to employ and advance in employment qualified handicapped employees and applicants for employment, and the rights of applicants and employees.

(e) The undersigned will notify each labor union or representative of workers with which it has a collective bargaining agreement or other contract understanding, that the undersigned is bound by the terms of Section 503 of the Rehabilitation Act of 1973, and is committed to take affirmative action to employ and advance in employment physically and mentally handicapped individuals.

(f) The undersigned will include the provisions of this clause in every subcontract or purchase order of $2,500 or more unless exempted by rules, regulations, or orders of the Secretary issued pursuant to Section 503 of the Act, so that such provisions will be binding upon each subcontractor or vendor. The undersigned will take such action with respect to any subcontract or purchase order as the Director of the Office of Federal Contract Compliance Programs may direct to enforce such provisions, including action for noncompliance.

Dockets Nos. 27-80 and 28-80 are tentatively set for September 3 and 17, 1980. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 20, 1980

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

The following cases will be heard before Richard L. Stamets, Examiner, or Daniel S. Nutter, Alternate Examiner:

ALLOWABLE: (1) Consideration of the allowable production of gas for September, 1980, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.

(2) Consideration of the allowable production of gas for September, 1980, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 6998: Application of Monsanto Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Back Basin Unit Area, comprising 1,920 acres, more or less, of State and Federal lands in Township 23 South, Range 34 East.

CASE 6999: Application of Gulf Oil Corporation for an unorthodox location and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the simultaneous dedication of a previously approved 320-acre non-standard proration unit comprising the N/2 of Section 36, Township 21 South, Range 36 East, Eumont Gas Pool, to its Harry Leonard NCT-C Well No. 9 located in Unit B, and its No. 8, at an unorthodox location 1980 feet from the North line and 660 feet from the East line of Section 36.

CASE 7000: Application of Cavalcade Oil Corporation for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its McClay Well No. 11 2385 feet from the South line and 1834 feet from the West line of Section 33, Township 18 South, Range 30 East, the NE/4 SW/4 of said Section 33 to be dedicated to the well.

CASE 7001: Application of McClellan Oil Corporation for three unorthodox oil well locations, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for three following unorthodox locations for wells to be drilled in Section 24, Township 14 South, Range 29 East, Double L Queen Associated Pool: 1155 feet from the North line and 2145 feet from the East line; 1155 feet from the North and East lines; and 1650 feet from the North line and 1155 feet from the East line; the respective 40-acre tract would be dedicated to each well.

CASE 7002: Application of Orville Slaughter for the amendment of Order No. R-5947, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Order No. R-5947 to provide for the commingling of Oswell-Farmington production from his Sangre de Cristo Well No. 1 with undesignated Fruitland production from Wells Nos. 2 and 2S, all in Section 34, Township 30 North, Range 11 West.

CASE 7003: Application of El Paso Natural Gas Company for directional drilling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill a well, the surface location of which is 590 feet from the South line and 2400 feet from the East line of Section 1, Township 29 North, Range 13 West, in such a manner as to bottom it within 175 feet of a point 990 feet from the South line and 1650 feet from the West line of said Section 1.

CASE 7004: Application of Anadarko Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Morrow formations underlying the N/2 of Section 12, Township 19 South, Range 25 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6938: (Continued from June 25, 1980, Examiner Hearing)

Application of Anadarko Production Company for an unorthodox gas well location, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Dalport Federal Well No. 1 660 feet from the South and West lines of Section 20, Township 13 South, Range 31 East, Southeast Chaves Queen Gas Area, the W/2 of said Section 20 to be dedicated to the well.

CASE 6939: (Continued from June 25, 1980, Examiner Hearing)

Application of Anadarko Production Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests at a depth from 2400 feet to 5000 feet below the surface, Turkey Track Field, underlying the NE/4 SE/4 of Section 10, Township 19 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6940: (Continued from July 23, 1980, Examiner Hearing)

Application of Adobe Oil Company for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests down through the Wolfcamp formation underlying the NW/4 SE/4 for oil and the SE/4 for gas, Section 23, Township 20 South, Range 38 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6961: (Continued from July 23, 1980, Examiner Hearing) (This case will be continued to September 17.)

Application of Conoco Inc. for a dual completion and unorthodox well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Meyer A-29 Well No. 11 to be drilled at an unorthodox location 990 feet from the North line and 660 feet from the East line of Section 29, Township 22 South, Range 36 East, to produce gas from the Langley-Devonian and -Ellenburger Pools thru parallel strings of tubing, the E/2 of said Section 29 to be dedicated to the well.

CASE 7005: Application of Sol West III for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Morrow formation for his Turkey Track-Morrow Sand Well No. 1 in Unit I of Section 26, Township 18 South, Range 28 East.

CASE 7006: Application of Harvey E. Yates Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the Northwest Gladiola Unit Area, comprising 1,280 acres, more or less, of State and fee lands in Townships 11 and 12 South, Range 37 East.

CASE 7007: Application of Harvey E. Yates Company for downhole commingling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Morrow and Atoka production in the wellbore of its North Travis 12 Deep Well No. 1 located in Unit O of Section 12, Township 18 South, Range 28 East.

CASE 7008: Application of Coronado Exploration Corp. for eight compulsory poolings, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the San Andres formation underlying eight 40-acre proration units, being the NE/4 NE/4 of Section 4 and the NW/4 NE/4 of Section 5, both in Township 12 South, Range 28 East, and the NW/4 SE/4 of Section 6, the NE/4 NW/4 of Section 23, the NE/4 SE/4 of Section 28, the SE/4 SE/4 of Section 29, the NE/4 NW/4 of Section 32, and the SE/4 NW/4 of Section 33, all in Township 11 South, Range 28 East, each to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said wells and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the wells, and a charge for risk involved in drilling said wells.

CASE 6994: (Continued from August 6, 1980, Examiner Hearing)

Application of Enserch Exploration, Inc. for compulsory pooling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp thru Siluro-Devonian formations underlying the N/2 of Section 14, Township 25 South, Range 34 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 6996: (Continued from August 6, 1980, Examiner Hearing)

Application of John E. Schalk for compulsory pooling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Blanco Mesaverde Pool underlying the NE/4 of Section 8, Township 25 North, Range 3 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7009: Application of Amoco Production Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Abo formation in the interval from 8330 feet to 9000 feet in its State "E" Tract 18 Well No. 22 in Unit G of Section 2, Township 17 South, Range 36 East, Lovington-Abo Pool.

CASE 7010: Application of Amoco Production Company for a dual completion, unorthodox well location, and simultaneous dedication, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the dual completion of its Myers "B" Federal Well No. 28 at an unorthodox location 330 feet from the South line and 420 feet from the West line of Section 9, Township 24 South, Range 37 East, to produce gas from the Jalmat Gas Pool and oil from the Langlie Mattix Pool, to be simultaneously dedicated in the gas zone with its No. 13 located in Unit L of Section 9.

CASE 7011: (This case will be continued to the September 17, 1980, hearing.)

Application of Amoco Production Company for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Fruitland and Blanco-Pictured Cliffs production in the wellbores of the following six wells: Elliott "C" No. 1, SE/4 of Section 9, Township 30 North, Range 9 West; Elliott "B" No. 8, NE/4 of Section 10; "A" Nos. 3 and 2, NE/4 and NW/4, Section 11; "D" No. 7, SW/4 of Section 11; and "E" No. 1, NW/4 of Section 14, all in Township 29 North, Range 9 West.

CASE 6981: (Continued from July 23, 1980, Examiner Hearing)

Application of Bass Enterprises Production Company for a special gas-oil ratio limitation, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a special gas-oil ratio limitation of 8000 to one for the Palmillo-Bone Springs Pool.

CASE 7012: Application of Amoco Production Company for an NGPA determination, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks a new onshore reservoir determination in the Atoka formation for its Pardue Farms Gas Com Well No. 1 in Unit C of Section 26, Township 23 South, Range 28 East.

CASE 7013: In the matter of the hearing called by the Oil Conservation Division on its own motion for an order creating, abolishing, contracting vertical limits, and extending certain pools in Chaves, Lea, and Roosevelt Counties, New Mexico:

(a) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Yates production and designated as the Byers-Yates Gas Pool. The discovery well is Exxon Corporation Bowers A Federal Well No. 37 located in Unit P of Section 30, Township 18 South, Range 38 East, NMPM. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 38 EAST, NMPM
Section 30: SE/4

(b) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Atoka production and designated as the West Jal-Atoka Gas Pool. The discovery well is Getty Oil Company West Jal B Deep Well No. 1 located in Unit H of Section 17, Township 25 South, Range 36 East, NMPM. Said pool would comprise:

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM
Section 17: E/2

(c) CREATE a new pool in Lea County, New Mexico, classified as a gas pool for Morrow production and designated as the Saunders-Morrow Gas Pool with special vertical limits defined as being from the top of the Morrow formation at 12,150 feet to the top of the Mississippian at 12,445 feet, as found on the log of the discovery well, the Adobe Oil and Gas Corporation Gray 35 Well No. 1 located in Unit N of Section 35, Township 14 South, Range 33 East, NMPM. Said pool would comprise:

TOWNSHIP 14 SOUTH, RANGE 33 EAST, NMPM
Section 35: All

(d) ABOLISH the North Baum-Upper Pennsylvanian Pool in Lea County, New Mexico, described as:

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM
Section 13: SE/4
Section 23: SE/4
Section 24: S/2 and NE/4
Section 25: N/2 and SE/4
Section 26: N/2

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
Section 18: S/2
Section 19: N/2 and SE/4
Section 20: All

(e) EXTEND the Baum-Upper Pennsylvanian Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 13 SOUTH, RANGE 32 EAST, NMPM
Section 12: SE/4
Section 23: SE/4
Section 24: S/2 and NE/4
Section 25: All
Section 26: N/2

TOWNSHIP 13 SOUTH, RANGE 33 EAST, NMPM
Section 18: S/2
Section 19: N/2 and SE/4
Section 20: All

(f) ABOLISH the Callina-San Andres Pool in Chaves County, New Mexico, described as:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 6: NW/4

(g) EXTEND the Tomahawk-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 6: NW/4

(h) ABOLISH the West Tonto-Pennsylvanian Gas Pool in Lea County, New Mexico, described as:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 12: S/2

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 7: All
Section 8: W/2
Section 18: N/2

(i) EXTEND the Buffalo-Pennsylvanian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 1: S/2
Section 12: S/2

TOWNSHIP 19 SOUTH, RANGE 33 EAST, NMPM
Section 6: SW/4
Section 7: All
Section 8: W/2
Section 18: N/2

(j) CONTRACT the vertical limits of the Saunders-Permo Pennsylvanian Pool with special vertical limits defined as being from the top of the Wolfcamp formation at 9,195 feet to 10,705 feet into Pennsylvanian formation, as found on log of Adobe Oil and Gas Corporation Gray 35 Well No. 1 located in Unit N of Section 35, Township 14 South, Range 33 East, NMPM, and redesignate said Saunders-Permo Pennsylvanian Pool to Saunders Permo-Upper Pennsylvanian Pool.

(k) EXTEND the Airstrip-Upper Bone Springs Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 34 EAST, NMPM
Section 25: NE/4

(l) EXTEND the South Bell Lake-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 34 EAST, NMPM
Section 18: S/2

(m) EXTEND the Chaveroo-San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 8 SOUTH, RANGE 32 EAST, NMPM
Section 13: SW/4

(n) EXTEND the Custer-Devonian Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
Section 36: S/2

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM
Section 1: E/2

(o) EXTEND the Custer-Ellenburger Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 24 SOUTH, RANGE 36 EAST, NMPM
Section 36: S/2

TOWNSHIP 25 SOUTH, RANGE 36 EAST, NMPM
Section 1: E/2

(p) EXTEND the Flying "H"-San Andres Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 9 SOUTH, RANGE 33 EAST, NMPM
Section 19: NE/4

(q) EXTEND the Hardy-Blinebry Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 12: NW/4

(r) EXTEND the Hardy-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 36 EAST, NMPM
Section 12: NW/4

(s) EXTEND the Hobbs-Drinkard Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 19 SOUTH, RANGE 38 EAST, NMPM
Section 3: SW/4

(t) EXTEND the South Kemnitz-Cisco Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 16 SOUTH, RANGE 33 EAST, NMPM
Section 22: SE/4
Section 27: NE/4

(u) EXTEND the North Lusk-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 32: N/2
Section 33: W/2

TOWNSHIP 19 SOUTH, RANGE 32 EAST, NMPM
Section 4: W/2

(v) EXTEND the Querecho Plains-Yates Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 18 SOUTH, RANGE 32 EAST, NMPM
Section 35: NW/4

(w) EXTEND the South Salt Lake-Morrow Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 21 SOUTH, RANGE 32 EAST, NMPM
Section 6: Lots 9, 10, 15, 16, and SE/4

(x) EXTEND the Northwest Todd-San Andres Gas Pool in Roosevelt County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 35 EAST, NMPM
Section 7: NE/4

(y) EXTEND the Tom-Tom San Andres Pool in Chaves County, New Mexico, to include therein:

TOWNSHIP 7 SOUTH, RANGE 31 EAST, NMPM
Section 32: SE/4 SW/4

(z) EXTEND the Warren-Tubb Gas Pool in Lea County, New Mexico, to include therein:

TOWNSHIP 20 SOUTH, RANGE 38 EAST, NMPM
Section 35: NW/4

LAW OFFICES OF
HUNKER-FEDRIC, P.A.
210 HINKLE BUILDING
POST OFFICE BOX 1837
ROSWELL, NEW MEXICO 88201

GEORGE H. HUNKER, JR.
DON M. FEDRIC

TELEPHONE 622-2700
AREA CODE 505

July 22, 1980

Mr. Joe D. Ramey, Secretary-Director
New Mexico Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87501

Re: Back Basin Unit
Lea County, New Mexico
Case 6998

Dear Mr. Ramey:

We hand you herewith in triplicate, Monsanto Company's Application for approval of the above-described unit embracing 1,920 acres, more or less, in Lea County, New Mexico. We would appreciate your placing this matter on the Examiner docket at as early a date as possible.

Respectfully submitted,

HUNKER-FEDRIC, P.A.

George H. Hunker, Jr.

George H. Hunker, Jr.

GHH:dd
Enc.

xc: Mr. Cecil B. Ellis
Monsanto Company
1330 Midland National Bank Tower
Midland, Texas 79701

xc: Mr. J.C. Williamson
P.O. Box 16
Midland, Texas 79701

BEFORE THE OIL CONSERVATION DIVISION
STATE DEPARTMENT OF ENERGY AND MINERALS
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

New Mexico Oil Conservation Division
State Department of Energy and Minerals
P.O. Box 2088
Santa Fe, New Mexico 87501

Case 6998

COMES NOW Monsanto Company, 1330 Midland National Bank Tower, 500 West Texas Street, Midland, Texas 79701, and files herewith one copy of the proposed form of Unit Agreement for the Development and Operation of the Back Basin Unit, Lea County, New Mexico, and hereby makes application for approval of said unit as provided by law, and in support thereof states:

1. That the proposed Back Basin Unit Area covered by said Agreement embraces 1,920 acres of land, more or less, more particularly described as follows:

Township 23 South, Range 34 East, N.M.P.M.
Section 17: All
Section 20: All
Section 29: All

2. That the lands embraced within the proposed unit area are embraced in United States and State of New Mexico oil and gas leases and the mineral rights thereunder are owned respectively by the United States of America and the State of New Mexico. There are no fee lands within the unit area.

3. That an application was made for the designation of said unit area to the United States Geological Survey, and an informal application is being made with the Commissioner of Public Lands, State of New Mexico, Santa Fe, New Mexico. That the U.S.G.S. has designated said area as being logical for unitization, and a copy of the designation letter is attached hereto and made a part of this application.

4. That Applicant is informed and believes, and upon information and belief states that the proposed unit area contains all or substantially all of the geological feature involved, and in the event the Unit Agreement is approved the area will be developed and operated in the interest of conservation and the prevention of waste of unitized substances.

5. That Monsanto Company is designated as Unit Operator of said Unit Agreement, and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations. The purpose of the Unit Agreement is for unitization of the area in question and the drilling of an exploratory test well to a depth sufficient to test the Morrow formation, provided, however, Operator shall not be required to drill said well to a depth in excess of 13,600 feet.

6. That upon an order being entered by the New Mexico Oil Conservation Division approving said agreement and upon approval thereof by the Commissioner of Public Lands and the United States Geological Survey, an approved copy of the Unit Agreement and all documents approving the same will be filed with the New Mexico Oil Conservation Division, together with a copy of the Unit Operating Agreement.

WHEREFORE, Applicant respectfully requests that a hearing be held before an Examiner on the matter of the approval of said Unit Agreement, and that upon said hearing said Unit Agreement be approved by the New Mexico Oil Conservation Division as being in the interest of conservation and the prevention of waste.

DATED this 22nd day of July, 1980.

Respectfully submitted,

MONSANTO COMPANY

By George H. Hunker, Jr.

George H. Hunker, Jr.
Attorney for Applicant
P.O. Box 1837
Roswell, New Mexico 88201

GHH:dd
Enc.

United States Department of the Interior

GEOLOGICAL SURVEY
South Central Region
P. O. Box 26124
Albuquerque, New Mexico 87125

JUL 02 1980

Hunker-Fedric, P.A.
Attention: George H. Hunker, Jr.
P. O. Box 1837
Roswell, New Mexico 88201

Gentlemen:

Your application of June 6, 1980, filed with the District Supervisor, Roswell, New Mexico, requests the designation of the Back Basin unit area, embracing 1,920.00 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

Pursuant to unit plan regulations 30 CFR 226, the land requested as outlined on your plat marked "Exhibit 'A' Black Basin Unit, Lea County, New Mexico" is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for a well to test the Morrow formation, or to a depth of 13,600 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application.

If conditions are such that further modification of said standard form is deemed necessary, three copies of the proposed modifications with appropriate justification must be submitted to this office through the Deputy Conservation Manager, Oil and Gas, for preliminary approval.

In the absence of any other type of land requiring special provisions or of any objections not now apparent, a duly executed agreement identical with said form, modified as outlined above, will be approved if submitted in approvable status within a reasonable period of time. However, notice is hereby given that the right is reserved to deny approval of any executed agreement submitted which, in our opinion, does not have the full commitment of sufficient lands to afford effective control of operations in the unit area.

When the executed agreement is transmitted to the Supervisor, Albuquerque, New Mexico, for approval, include the latest status of all acreage. In preparation of Exhibits "A" and "B", follow closely the format of the sample exhibits attached to the 1968 reprint of the aforementioned form.

Inasmuch as this unit agreement involves State land, we are sending a copy of this letter to the Commissioner of Public Lands in Santa Fe, New Mexico. Please contact the State of New Mexico before soliciting joinders regardless of prior contacts or clearances from the State.

Sincerely yours,

James W. Sutherland

James W. Sutherland
Acting Conservation Manager
for the Director

Hunker-Fedric, P.A.
Attention: George H. Hunker, Jr.
P. O. Box 1837
Roswell, NM 88201

BEFORE THE OIL CONSERVATION DIVISION
STATE DEPARTMENT OF ENERGY AND MINERALS
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

New Mexico Oil Conservation Division
State Department of Energy and Minerals
P.O. Box 2088
Santa Fe, New Mexico 87501

Case 6998

COMES NOW Monsanto Company, 1330 Midland National Bank Tower, 500 West Texas Street, Midland, Texas 79701, and files herewith one copy of the proposed form of Unit Agreement for the Development and Operation of the Back Basin Unit, Lea County, New Mexico, and hereby makes application for approval of said unit as provided by law, and in support thereof states:

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Section 17: All
Section 20: All
Section 29: All

2. That the lands embraced within the proposed unit area are embraced in United States and State of New Mexico oil and gas leases and the mineral rights thereunder are owned respectively by the United States of America and the State of New Mexico. There are no fee lands within the unit area.

3. That an application was made for the designation of said unit area to the United States Geological Survey, and an informal application is being made with the Commissioner of Public Lands, State of New Mexico, Santa Fe, New Mexico. That the U.S.G.S. has designated said area as being logical for unitization, and a copy of the designation letter is attached hereto and made a part of this application.

4. That Applicant is informed and believes, and upon information and belief states that the proposed unit area contains all or substantially all of the geological feature involved, and in the event the Unit Agreement is approved the area will be developed and operated in the interest of conservation and the prevention of waste of unitized substances.

5. That Monsanto Company is designated as Unit Operator of said Unit Agreement, and as such is given authority under the terms thereof to carry on all operations necessary for the development and operation of the unit area for oil and gas subject to all applicable laws and regulations. The purpose of the Unit Agreement is for unitization of the area in question and the drilling of an exploratory test well to a depth sufficient to test the Morrow formation, provided, however, Operator shall not be required to drill said well to a depth in excess of 13,600 feet.

6. That upon an order being entered by the New Mexico Oil Conservation Division approving said agreement and upon approval thereof by the Commissioner of Public Lands and the United States Geological Survey, an approved copy of the Unit Agreement and all documents approving the same will be filed with the New Mexico Oil Conservation Division, together with a copy of the Unit Operating Agreement.

WHEREFORE, Applicant respectfully requests that a hearing be held before an Examiner on the matter of the approval of said Unit Agreement, and that upon said hearing said Unit Agreement be approved by the New Mexico Oil Conservation Division as being in the interest of conservation and the prevention of waste.

DATED this 22nd day of July, 1980.

Respectfully submitted,

MONSANTO COMPANY

By George H. Hunker, Jr.

George H. Hunker, Jr.
Attorney for Applicant
P.O. Box 1837
Roswell, New Mexico 88201

CHH:dd
Enc.

United States Department of the Interior

GEOLOGICAL SURVEY
South Central Region
P. O. Box 26124
Albuquerque, New Mexico 87125

JUL 02 1980

Hunker-Fedric, P.A.
Attention: George H. Hunker, Jr.
P. O. Box 1837
Roswell, New Mexico 88201

Gentlemen:

Your application of June 6, 1980, filed with the District Supervisor, Roswell, New Mexico, requests the designation of the Back Basin unit area, embracing 1,920.00 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act as amended.

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The unit agreement submitted for the area designated should provide for a well to test the Morrow formation, or to a depth of 13,600 feet. Your proposed use of the Form of Agreement for Unproved Areas will be accepted with the modifications requested in your application.

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James W. Sutherland
Acting Conservation Manager
for the Director

Hunker-Fedric, P.A.
Attention: George H. Hunker, Jr.
P. O. Box 1837
Roswell, NM 88201

BEFORE THE OIL CONSERVATION DIVISION
STATE DEPARTMENT OF ENERGY AND MINERALS
STATE OF NEW MEXICO

APPLICATION FOR APPROVAL OF
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

New Mexico Oil Conservation Division
State Department of Energy and Minerals
P.O. Box 2088
Santa Fe, New Mexico 87501

Case 6998

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Township 23 South, Range 34 East, N.M.P.M.
Section 17: All
Section 20: All
Section 29: All

2. That the lands embraced within the proposed unit area are embraced in United States and State of New Mexico oil and gas leases and the mineral rights thereunder are owned respectively by the United States of America and the State of New Mexico. There are no fee lands within the unit area.

3. That an application was made for the designation of said unit area to the United States Geological Survey, and an informal application is being made with the Commissioner of Public Lands, State of New Mexico, Santa Fe, New Mexico. That the U.S.G.S. has designated said area as being logical for unitization, and a copy of the designation letter is attached hereto and made a part of this application.

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DATED this 22nd day of July, 1980.

Respectfully submitted,

MONSANTO COMPANY

By George H. Hunker, Jr.

George H. Hunker, Jr.
Attorney for Applicant
P.O. Box 1837
Roswell, New Mexico 88201

GHH:dd
Enc.

United States Department of the Interior

GEOLOGICAL SURVEY
South Central Region
P. O. Box 26124
Albuquerque, New Mexico 87125

JUL 02 1980

Hunker-Fedric, P.A.
Attention: George H. Hunker, Jr.
P. O. Box 1837
Roswell, New Mexico 88201

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Sincerely yours,

James W. Sutherland

James W. Sutherland
Acting Conservation Manager
for the Director

Hunker-Fedric, P.A.
Attention: George H. Hunker, Jr.
P. O. Box 1837
Roswell, NM 88201

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
BACK BASIN UNIT AREA
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 17th day of July, 1980, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

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

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 88, Laws 1943, as amended by Section 1 of Chapter 176, Laws of 1961) (Chapter 19, Article 10, Section 45, New Mexico Statutes 1978 Annotated), to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other lessees where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Section 1, Chapter 88, Laws 1943, as amended by Section 1, Chapter 162, Laws of 1951) (Chapter 19, Article 10, Section 47, New Mexico Statutes 1978 Annotated) to amend with the approval of lessee, evidenced by the lessee's execution of such agreement or otherwise, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Division of the State of New Mexico (hereinafter referred to as the "Division") is authorized by an Act of the Legislature (Chapter 72, Laws of 1935 as amended) (Chapter 70, Article 2, Section 2 et seq., New Mexico Statutes 1978 Annotated) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interest in the 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 interest in the below-defined unit area, and agree severally among themselves as follows:

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of Feburary 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this

agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

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

Township 23 South, Range 34 East, N.M.P.M.
Section 17: All
Section 20: All
Section 29: All,

containing 1,920 acres, more or less,
Lea County, New Mexico.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Land Commissioner", and not less than five (5) copies of the revised Exhibits shall be filed with the Supervisor and one (1) copy thereof shall be filed with the Land Commissioner, and one (1) copy with the New Mexico Oil Conservation Division, hereinafter referred to as "Division".

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

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

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

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

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

(e) Notwithstanding any prior elimination under the Drilling to Discovery Section, all legal subdivision of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid five-year period shall become participating in the same manner as during said five-year period. However, when such diligent drilling operations cease, all nonparticipating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Land Commissioner and promptly notify all parties in interest.

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

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

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All 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. MONSANTO COMPANY of 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 the capacity and not as an owner of interest in unitized substances, and the term "working-interest owner" when used shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit operator shall have the right to resign at any time prior to the establishment of a participating area or area hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights

as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all working-interest owners and the Supervisor, the Land Commissioner, and State Division 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 Land Commissioner as to State lands or the State Division if on Fee 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 interest as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Supervisor and the Land Commissioner.

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

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

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

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

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

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners

of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interest, 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 agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Land Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within six (6) months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Land Commissioner, if on State land, or by the Division, if on Fee lands, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Morrow 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, completing and producing operations, with a reasonable profit) or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor if on Federal land, or the Land Commissioner if on State land, or the Division if on Fee lands, 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 13,600 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than six (6) months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal land or of the Land Commissioner if on State land, or the Division if on Fee lands, 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 Supervisor and Land Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six (6) months after completion of a well capable of producing unitized substances in paying quantitites, the Unit Operator shall submit for the approval of the Supervisor, the Land Commissioner, and State Division an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Land Commisioner, and State Division, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the Land Commissioner and State Division 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, the Land Commissioner, and State Division may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the Land Commissioner, and State Division.

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and the Land Commissioner are authorized to grant a reasonable extension of the six-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor, the Land Commissioner, and State Division, 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, the Land Commissioner, or the State Division, the Unit Operator shall submit for approval by the Supervisor, the Land Commissioner, and State Division a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonable proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor, the Land Commissioner, and State Division to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall

govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, any any two or more participating areas so established may be combined into one, on approval of the Supervisor, the Land Commissioner, and the State Division. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit, said participating areas shall be combined into one, effective as of such appropriate date as may be approved or prescribed by the Supervisor, the Land Commissioner, and State Division. The participating area or areas so established shall be revised from time to time, subject to like approval, to include land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicted, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor, the Land Commissioner, and Division, No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

In the absence of agreement at any time between the Unit Operator and the Supervisor, the Land Commissioner, and State Division, as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interest and the Supervisor and the Land Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands, the Land Commissioner for the State lands, and the Division for the Fee lands, and the amount thereof shall be deposited, as directed by the Supervisor and the Land Commissioner, and the Division 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, the Land Commissioner, and State Division that a well drilled under this agreement is not capable of production in paying quantities and inclusions of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

Determination as to whether a well completed within the Unit Area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as a result of the completion of a well for production in paying quantities in accordance with Section 9 hereof.

Determination as to whether a well completed within the unit area prior to the effective date of this agreement is capable of producing unitized substances in paying quantities shall be deferred until an initial participating area is established as the result of the completion of a well for production in paying quantities in accordance with Section 9 hereof.

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 unitization 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, Land Commissioner, and State Division, or unavoidable loss, 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 royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was defined at the time of such final production.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately

preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

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

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

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

(j) 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, subject to the provisions of subsection (e) of Section 2 and subsection (i) of this Section 18.

(k) 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 respective tracts.

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

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

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

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

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

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

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any statewide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose hereof 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; provided, 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 developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Division.

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

22. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Department of the Interior and the Commissioner of Public Lands and the Division and to appeal from orders issued under the regulations of said Department or Land Commissioner or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior or the Land Commissioner, or the Division, or any other

legally constituted authority; provided however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

interests in accordance with their respective working interest ownerships, and such owners or working interests shall compensate the fee owner of unitized 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.

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

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

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

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

33. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working-interest owners, nor any of them, shall be subject to any forfeiture, termination, or expiration of any right hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the working-interest owners, or any of them, are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Division, agree that all powers and authority vested in the State Division in and by any provisions of this agreement are vested in the State Division and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

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

"Unit Operator"
MONSANTO COMPANY

Attest:

_____ By _____
Secretary Attorney-in-Fact

Date _____

"Working Interest Owners"

Date _____ _____
J.C. WILLIAMSON

Date _____ _____
LOIS G. WILLIAMSON,
Wife of J.C. Williamson

Attest: CONOCO INC.

_____ By _____
Secretary Attorney-in-Fact

Date _____

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by J.C. WILLIAMSON and LOIS G. WILLIAMSON, his wife.

_____
Notary Public

My commission expires:
_____

STATE OF TEXAS)
) ss
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by _____, _____ of MONSANTO COMPANY, a _____ corporation, for and on behalf of said corporation.

_____
Notary Public

My commission expires:
_____

STATE OF _____)
) ss
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1980, by _____, _____ of CONOCO INC., a _____ corporation, for and on behalf of said corporation.

_____
Notary Public

My commission expires:
_____

Exhibit "A"
BACK BASIN Unit
LEA County, New Mexico

	Acreage	Percentage
FEDERAL	1760.00	91.67%
State	160.00	8.33%
TOTAL	1920.00	

Rge 34 E.

Twp. 23 S.

J.C. Williamson
2-28-81
(2)

17

NM 18304

Continental Oil Co.
(Conoco, Inc.)
H.B.U.
(1)

LC 065194

J.C. Williamson
2-28-81

20

(3)

NM 18306

J.C. Williamson
6-1-80
(5)

LG-8318

29

J.C. Williamson
2-28-81

(4)

NM 18307

③ TRACT No.

EXHIBIT "B" TO UNIT AGREEMENT
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

Tract No.	Description of Land and No. Acres	Serial No. & Lease Date	Lessee of Record	Basic Roy. & Percent.	Overriding Royalty Owner & Percentage	W.I. Ownership & Perc
FEDERAL LEASES: ALL IN TOWNSHIP 23 SOUTH, RANGE 34 EAST, N.M.P.M.						
1.	Sec. 17: S½ (320)	LC 065194 5/1/51	Conoco Inc.	USA 12.5%	Helen M. Kolliker (widow of R.S. Magruder) 1% Ft. Worth Nat'l. Bank, Trustee of Estate of R.S. Magruder, Trust 1059 1% Alfred S. Blauw .00125 % Charles F. Montgomery .00125 % Edwin S. Raymond .00125 % J.G. Thornhill .00125 % Tom I. Ingram .0021875% Eugene E. Nearburg .0010937% Anna A. Reischman .0010938%	Conoco Inc. - 100%
2.	Sec. 17: N½ (320)	NM 18304	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas 5% Great Basins Petrol. Co. 5% H & F Investments 1% Mark B. McFeeley, Trustee .5%	J.C. Williamson - 100
3.	Sec. 20: All (640)	NM 18306	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas 5% Great Basins Petrol. Co. 5% H & F Investments 1% Mark B. McFeeley, Trustee .5%	J.C. Williamson - 100
4.	Sec. 29: E½, SW¼ (480)	NM 18307	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas 5% Great Basins Petrol. Co. 5% Ratliff Exploration Co. 2½% PPI	J.C. Williamson - 100
TOTAL FEDERAL ACREAGE (4 Tracts): 1,760 acres						
STATE LEASE:						
5.	Sec. 29: NW¼ (160)	LG 8378 6/1/80	J.C. Williamson	State N.M. 12.5%	None	J.C. Williamson - 100

* Assignment Pending Approval (Great Basins Petroleum Co.-Williamson)

TOTAL STATE ACREAGE: 160 acres - 8.33% of Unit
TOTAL FEDERAL ACREAGE: 1,760 acres - 91.67% of Unit
TOTAL UNIT ACREAGE: 1,920 acres

EXHIBIT "B" TO UNIT AGREEMENT
BACK BASIN UNIT
LEA COUNTY, NEW MEXICO

d	Serial No. & Lease Date	Lessee of Record	Basic Roy. & Percent.	Overriding Royalty Owner & Percentage		W.I. Ownership & Percentage
TOWNSHIP 23 SOUTH, RANGE 34 EAST, N.M.P.M.						
	LC 065194 5/1/51	Conoco Inc.	USA 12.5%	Helen M. Kolliker (widow of R.S. Magruder) Ft. Worth Nat'l. Bank, Trustee of Estate of R.S. Magruder, Trust 1059 Alfred S. Blauw Charles F. Montgomery Edwin S. Raymond J.G. Thornhill Tom I. Ingram Eugene E. Nearburg Anna A. Reischman	1% 1% .00125 % .00125 % .00125 % .00125 % .0021875% .0010937% .0010938%	Conoco Inc. - 100%
	NM 18304	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas Great Basins Petrol. Co. H & F Investments Mark B. McFeeley, Trustee	5% 5% 1% .5%	J.C. Williamson - 100%
	NM 18306	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas Great Basins Petrol. Co. H & F Investments Mark B. McFeeley, Trustee	5% 5% 1% .5%	J.C. Williamson - 100%
	NM 18307	*J.C. Williamson	USA 12.5%	Lunar Oil & Gas Great Basins Petrol. Co. Ratliff Exploration Co.	5% 5% 2½% PPI	J.C. Williamson - 100%
(4 Tracts): 1,760 acres						
	LG 8378 6/1/80	J.C. Williamson	State N.M. 12.5%	None		J.C. Williamson - 100%

pproval (Great Basins Petroleum Co.-Williamson)

160 acres - 8.33% of Unit
1,760 acres - 91.67% of Unit
1,920 acres

ROUGH

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6998

Order No. R-6452

APPLICATION OF MONSANTO COMPANY
FOR APPROVAL OF THE BACK BASIN
UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on Aug 20, 1980, at Santa Fe, New Mexico, before Examiner RLS.

NOW, on this _____ day of _____, 19____, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, Monsanto Company, seeks approval of the Back Basin Unit Agreement covering 1,920 acres, more or less, of State, and Federal ~~and Fee~~ lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 23 SOUTH, RANGE 34 EAST, NMPM
Section 17: All
Section 20: All
Section 29: All

(3) That all plans of development and operation and creations, expansions, or contractions of participating areas or expansions or contractions of the unit area, should be submitted to the Director of the Division for approval.

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

IT IS THEREFORE ORDERED:

(1) That the Back Basin Unit Agreement is hereby approved.

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

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

(4) That all plans of development and operation, all unit participating areas and expansions and contractions thereof, and all expansions or contractions of the unit area, shall be submitted to the Director of the Oil Conservation Division for approval.

(5) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for

State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Division immediately in writing of such termination.

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

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