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U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

UNIT AGREEMENT

FOR THE DEVELOPMENT AND OPERATION OF
THE FOUR MILE UNIT AREA

COUNTY OF CHAVES, STATE OF NEW MEXICO

~~NO.~~ NO. 14-08-001-322

THIS AGREEMENT, entered into, as of the 15th
day of MARCH, 1951, by and between the parti-
es subscribing, ratifying, or consenting hereto, and here-
in referred to as the "parties hereto",

W I T N E S S E T H:

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

WHEREAS, the Act of February 25, 1920, 41 Stat.
437, as amended by the Act of August 8, 1946, 60 Stat.
950, 30 U. S. C. Secs. 181 et seq., authorizes Federal
lessees and their representatives to unite with each
other, or jointly or separately with others, in collect-
ively 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 Legisla-
ture (Chap. 88, Laws 1943) to consent to or approve this

agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

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

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

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

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

1. ENABLING ACT AND REGULATIONS. The Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement, as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to non-Federal lands,

the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State of New Mexico, 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:

New Mexico Principal Meridian, New Mexico

T. 18 S., R. 18 E.
Sec. 1, Lots 7,8,9 and 10 and S/2;
Sec. 11, SE/4;
Secs. 12, 13 and 14, all;
Sec. 15, SE/4;
Sec. 21, SE/4;
Secs. 22 and 23, all;
Sec. 24, N/2, SW/4;
Sec. 25, W/2;
Secs. 26 and 27, all;
Sec. 28, E/2;
Secs. 34 and 35, all;
Sec. 36, W/2.

T. 19 S., R. 18 E.
Sec. 1, lots 3 and 4, S/2 NW/4, SW/4;
Secs. 2 and 3, all;
Secs. 10 and 11, all;
Sec. 12, W/2, S/2 SE/4;
Secs. 13 and 14, all;
Sec. 15, N/2 NE/4;
Sec. 23, NE/4;
Secs. 24 and 25, all,

in Chaves County, New Mexico, and containing 14,238.96 acres, more or less.

Exhibit "A", attached hereto, is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B", attached hereto, is a schedule showing to the extent known to the Unit Operator the acreage, percentage and kind of ownership of oil and gas interests in all land in the unit area. However, nothing here-

in or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", or when requested by the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as "Commission", and not less than six copies of the revised exhibits shall be filed with the Supervisor, and such number of copies as shall be required shall be filed with the Commissioner and the Commission.

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", or on demand of the "Commissioner" or on demand of the "Commission" 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.

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

(c) Upon expiration of the 30 day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the Commissioner and the Commission evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit operator.

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

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement".

3. UNITIZED SUBSTANCES. 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. Kewanee Oil Company, a Corporation, with an office at Tulsa, Oklahoma, is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations

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

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR.

Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six months after notice of intention to resign has been served by Unit Operator on all working interest owners, the Director, and Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment, which ever is required by the Supervisor as to wells on Federal land and whichever is required by the Commission as to wells on State or patented land, 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 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 becomes effective, appoint a common agent to represent them in any action to be taken hereunder.

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

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

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

ment and appurtenances needed for the preservation of any wells.

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

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

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

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 delegat-

ed 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 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 such location is upon lands of the United States, and if upon State lands or patented lands, such location shall be approved by the Commission, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Ellenburger formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor, the Commissioner and the Commission 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 5500 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 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, the Commissioner and the Commission, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and Commissioner and the Commission may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION.

Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the Commissioner and the Commission, an acceptable plan of

development and operation for the unitized land which, when approved by the Supervisor, the Commissioner and the Commission 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 Commissioner and the Commission, 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 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 Commissioner and the Commission 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 Commissioner and the Commission. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approv-

ed plan of development. The Supervisor, the Commissioner and the Commission 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 or such as may be specifically approved by the Supervisor, the Commissioner and the Commission, 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 Commissioner and the Commission, the Unit Operator shall submit for approval by the Director a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director, the Commissioner and the Commission, to constitute a participating area, effective as of the date of first production. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes

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

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

In the absence of agreement at any time between

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

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

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established

under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, the Commissioner and the Commission, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling

the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor, if such location be on lands of the United States and with the approval of the Commission if such well be located on State or patented lands, at such party's sole risk, cost, and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT. The United States and the State of New Mexico, and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, the Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws, and regulations, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessee of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor, the Commissioner and the Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to

dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by the Supervisor, the Commissioner and the Commission, as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

Royalty due the State of New Mexico shall be paid in value or delivered in kind to the State of New Mexico, as to all unitized substances, on the basis of the amounts thereof allocated to unitized State land, as provided herein, at the rate specified in the respective State leases.

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

of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under the 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. Rental or minimum royalty for lands of the State of New Mexico and patented land, subject to this agreement, shall be paid at the rate specified in the respective leases from the State of New Mexico and the lessors of patented land.

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 the laws of the State of New Mexico and applicable regulations, or Federal law or regulation.

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

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED.

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

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

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted

and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

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

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

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

(f) Each sublease or contract relating to the

operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediate 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) Any lease having only a portion of its land 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. In the event any such lease provides for a lump sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

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

20. EFFECTIVE DATE AND TERM. This agreement shall become effective on the first day of the calendar month next following the approval by the Secretary, or his duly authorized representatives, and the Commissioner, provided, however, nothing herein shall be construed to waive or limit the right of the Commission to approve this agreement pursuant to applicable State law, and shall terminate on March 1, 1956, unless (a) such date of expiration is extended by the Director and the Commissioner, or (b) it is reasonably determined prior to the expiration of the fixed term or any 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 Director and the Commissioner, or (c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in paying quantities, i. e., in this particular instance in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or (d)

it is terminated as heretofore provided in this agreement.

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

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

Powers in this section vested in the Director

shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen days from notice.

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

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

24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalid-

ity of any law of the State of New Mexico or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

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

26. FAIR EMPLOYMENT. The Unit Operator shall not discriminate against any employee or applicant for employment because of race, creed, color or national origin, and an identical provision shall be incorporated in all sub-contracts.

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, work-

ing 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 land or leases, or 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 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 to the Director and the Commissioner and the Unit Operator prior to the approval of this agreement by the Director and the Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is

subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Prior to final approval hereof, joinder by any owner of a non-working interest must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Except as may otherwise herein be provided subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the Commissioner and the Commission, of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, the Commissioner and the Commission.

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 inter-

est 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 in any lease, sub-lease, or operating agreement as to all or any part of the lands covered thereby, provided that each party who will or might acquire such working interest by such surrender or by forfeiture as hereafter set forth, is bound by the terms of this agreement.

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

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

- (1) Execute this agreement and the unit operating

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

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

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

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

For any period the working interest in any lands are not expressly committed to the unit operating agreement as the result of any such surrender or forfeiture, the benefits and obligations of operations accruing to such lands

under this agreement and the unit operating agreement shall be shared by the remaining owners of unitized working interests in accordance with their respective participating working interest ownerships in any such participating area or areas, and such owners of working interests shall compensate the fee owner of unitized substances in such lands by paying sums equal to the rentals, minimum royalties and royalties applicable to such lands under the lease in effect when the lands were unitized, as to such participating area or areas.

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

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

WORKING INTEREST OWNERS

Date: February 18, 1952

Artesia New Mexico

Address:

R. A. Broomfield, Jr.
R. A. Broomfield, Jr.

Geraldine R. Broomfield
Geraldine R. Broomfield

Date: May 30, 1952

Address:

Roswell New Mexico

Patricia Gaylord Anderson
Patricia Gaylord Anderson

Donald B. Anderson
Donald B. Anderson

Date: June 2, 1952

Address:

Roswell, N. M.

Joe W. Lackey
Joe W. Lackey

Naydeen C. Lackey
Naydeen C. Lackey

Date: March 26, 1952

Artesia, New Mexico

Address:

John E. Cochran, Jr.
John E. Cochran, Jr.

Harrist Justice Cochran
Harrist Justice Cochran

Date:

Address:

Wm. J. Mahon
Wm. J. Mahon

Mahon
Mahon

Date: MAR 15 1951

KEWANEE OIL COMPANY

ATTEST: *Sam Pauland*
Secretary

By *[Signature]* President ^{2/24}

Address:
2317 Fidelity-Phila. Trust Bldg.
Philadelphia 9, Pennsylvania

Date: 8-5-52

MAGNOLIA PETROLEUM COMPANY

ATTEST: *[Signature]*
Asst.-Secretary

By *E. L. Seymour*
Vice-President

Address:
P.O. Box 900
Dallas, Texas

APPROVED	
Legal	<i>[Signature]</i>
Title R	<i>[Signature]</i>
Engr.	
Gas	
Land	<i>[Signature]</i>
Proc.	<i>[Signature]</i>

Date: June 2, 1952

MALCO REFINERIES, INC.

ATTEST: *Joe W. Ladd*
Secretary

By *[Signature]* President

Address:
Box 660
Roswell, New Mexico

Date:

F. W. Zielke

Address:

Zielke

Date: _____ THE TEXAS COMPANY

ATTEST:

By *C. M. Williams*
~~President~~

Secretary

Address:

WWS

W. W. Smith

UNIT OPERATOR

Date: MAR 15 1951 KEWANEE OIL COMPANY

ATTEST:

By *W. W. Smith*
President

Robert Rowland
Secretary

Address:

2317 Fidelity-Phila. Trust Bldg.
Philadelphia 9, Pennsylvania

*WWS
SAH*

This Unit Agreement re-executed by KEWANEE OIL COMPANY, as working interest owner, for the purpose of committing to the Four Mile Unit Agreement any leases described in Exhibit "B" assigned to it subsequent to March 15, 1951.

DATE: FEB 15 1952

KEWANEE OIL COMPANY

By

[Handwritten Signature]
President

*WHP
E 12 5*

ATTEST:

[Handwritten Signature]
Secretary

Address:

2317 Fidelity-Phila. Trust Bldg.
Philadelphia 9, Pennsylvania

Page 36 on bottom

STATE OF NEW MEXICO)
) : ss.
COUNTY OF EDDY)

On this 18 day of February, 1952, before me personally appeared R. A. BROOMFIELD, JR, and GERALDINE R. BROOMFIELD, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

James Street
Notary Public

My commission expires: May 31 1953

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

On this 2 day of June, 1952, before me personally appeared PATRICIA GAYLORD ANDERSON and DONALD B. ANDERSON, her husband, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

Hubb. Lacey
Notary Public

My commission expires: Feb. 21, 1956

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

On this 2 day of June, 1952, before me personally appeared JOE W. LACKEY and NAYDEEN C. LACKEY, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

Hubb. Lacey
Notary Public

My commission expires: Feb. 21, 1956

STATE OF NEW MEXICO)
) : ss.
COUNTY OF EDDY)

On this 26 day of March, 1952, before me personally appeared JOHN E. COCHRAN, JR. and HARRIETT JUSTICE COCHRAN, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

James Street
Notary Public

My commission expires: May 31 1953

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

On this 2 day of June, 1952, before me personally appeared Robert O. Anderson to me personally known, who being by me duly sworn did say that he is President of MALCO REFINERIES, INC., a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said

Robert O. Anderson acknowledged said instrument to be the free act and deed of said corporation.

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

W. C. Gray
Notary Public

My commission expires: Feb. 21, 1956

STATE OF _____)
) : ss.
COUNTY OF _____)

On this _____ day of _____, 195__, before me personally appeared F. W. ZIELKE and _____ ZIELKE, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

Notary Public

My commission expires: _____

STATE OF TEXAS
COUNTY OF TARRANT

On this 4th day of August, 1952, before me personally appeared C. B. Williams, to me personally known, who being by me duly sworn did say that he is Attorney-in-Fact of THE TEXAS COMPANY, a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said C. B. Williams acknowledged said instrument to be the free act and deed of said corporation.

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

Erma Q. Willey
Notary Public

My commission expires: 6/1/53

CONSENT AND RATIFICATION OF
FOUR MILE UNIT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Four Mile Unit Area dated the 15th day of March, 1951, embracing lands situated in Chaves County, New Mexico, 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 as indicated on the Schedule attached to said Unit Agreement as Exhibit "B" do hereby commit all of their said interests to the Four Mile 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 acknowledgements.

R. A. Broomfield John E. Cochran, Jr.
Geraldine R. Broomfield Harriett Justice Cochran

STATE OF NEW MEXICO)
COUNTY OF EDDY) SS.

On this 21st day of July, 1952, before me personally appeared JOHN E. COCHRAN, JR. and HARRIETT JUSTICE COCHRAN, his wife, to me known to be the person • described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

WITNESS MY HAND and official seal this 21st day of July, 1952.

My commission expires:
April 15, 1954

Leola Marshall
Notary Public
Artesia, New Mexico
Post Office

STATE OF NEW MEXICO)
COUNTY OF EDDY) SS.

On this 21st day of July, 1952, before me personally appeared R. A. BROOMFIELD, JR. and GERALDINE R. BROOMFIELD, his wife, to me known to be the person • described in and who executed the foregoing instrument and acknowledged that they executed the same as their free act and deed.

WITNESS MY HAND and official seal this 21st day of July, 1952.

My commission expires:
April 15, 1954

Leola Marshall
Notary Public
Artesia, New Mexico
Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person _____ described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

CONSENT AND RATIFICATION OF
FOUR MILE UNIT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Four Mile Unit Area dated the 15th day of March, 1951, embracing lands situated in Chaves County, New Mexico, 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 as indicated on the Schedule attached to said Unit Agreement as Exhibit "B" do hereby commit all of their said interests to the Four Mile 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 acknowledgements.

Donald D. Angle Gussie Lee Petty
Glady M. Kyle Ralph Petty

STATE OF New Mexico)
COUNTY OF Eddy) SS.

On this 26th day of August, 1952, before me personally appeared Gussie Lee Petty, and Ralph Petty to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

WITNESS MY HAND and official seal this 26th day of August, 1952.

My commission expires:
December 14, 1955

Georgia Crawford
Notary Public
Artesia, New Mexico
Post Office

STATE OF New Mexico)
COUNTY OF Eddy) SS.

On this 26th day of August, 1952, before me personally appeared Donald D. Angle and Gladys Angle to me known to be the persons described in and who executed the foregoing instrument and acknowledged that They executed the same as their free act and deed.

WITNESS MY HAND and official seal this ____ day of _____, 1952.

My commission expires:
December 14, 1955

Georgia Crawford
Notary Public
Artesia, New Mexico
Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this ____ day of _____, 1952, before me personally appeared _____ to me known to be the persons described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this ____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

**CONSENT AND RATIFICATION
OF
FOUR MILE UNIT AGREEMENT**

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, **MARGARET M. WILKER**, a widow, hereby acknowledges receipt of an identical copy of the Unit Agreement for the Four Mile Unit Area, dated March 15, 1951, embracing land situated in Chaves County, New Mexico, and acknowledges that she has read the same and is familiar with the terms and conditions thereof.

The undersigned, also being the owner of the leasehold, royalty or other interests in the lands or minerals, as indicated on the Schedule attached to said Unit Agreement as Exhibit "B", does hereby consent all of her said interests to the Four Mile Unit Agreement and does 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 this 24th day of June, 1952.

Margaret M. Wilker
Margaret M. Wilker

STATE OF Texas)
COUNTY OF El Paso) ss.

On this 24th day of June, 1952, before me personally appeared **MARGARET M. WILKER**, a widow, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed.

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

Eva Bauer
Notary Public

My commission expires:

EVA BAUER, Notary Public, in and for El Paso County, Texas, My Commission Expires June 1, 1953

CONSENT AND RATIFICATION OF
FOUR MILE UNIT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Four Mile Unit Area dated the 15th day of March, 1951, embracing lands situated in Chaves County, New Mexico, 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 as indicated on the Schedule attached to said Unit Agreement as Exhibit "B" do hereby commit all of their said interests to the Four Mile 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 acknowledgements.

Mrs. Kathryn E. Barker La Harpe Ill.

J. S. Barker La Harpe Ill.

STATE OF Illinois)
COUNTY OF Henderson) SS.

On this 31 day of July, 1952, before me personally appeared Mrs. Kathryn E. Barker and J. S. Barker, her husband to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

WITNESS MY HAND and official seal this 31 day of July, 1952.

My commission expires:
October 4, 1953

Samuel B. Ferguson

Notary Public
Lomax, Illinois

Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

CONSENT AND RATIFICATION OF
FOUR MILE UNIT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Four Mile Unit Area dated the 15th day of March, 1951, embracing lands situated in Chaves County, New Mexico, 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 as indicated on the Schedule attached to said Unit Agreement as Exhibit "B" do hereby commit all of their said interests to the Four Mile 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 acknowledgements.

_____ Alant Reynolds (single)

STATE OF Tennessee)
COUNTY OF Duphen) SS.

On this 29 day of July, 1952, before me personally appeared Alant D. Reynolds to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

WITNESS MY HAND and official seal this 29 day of July, 1952.

My commission expires:
Jan. 15, 1955

J. B. [Signature]
Notary Public
Harrisburg, Tenn.
Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

CONSENT AND RATIFICATION OF
FOUR MILE UNIT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Four Mile Unit Area dated the 15th day of March, 1951, embracing lands situated in Chaves County, New Mexico, 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 as indicated on the Schedule attached to said Unit Agreement as Exhibit "B" do hereby commit all of their said interests to the Four Mile 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 acknowledgements.

_____ Ruric N. Sampson
_____ Marion L. Sampson

STATE OF Tennessee)
COUNTY OF Carter) SS.

On this 28th day of July, 1952, before me personally appeared Ruric N. Sampson to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

WITNESS MY HAND and official seal this 28th day of July, 1952.

My commission expires:
4-11-54

Bernice E. Bowers
Notary Public
Elizabethton, Tennessee
Post Office

STATE OF Tennessee)
COUNTY OF Carter) SS.

On this 28th day of July, 1952, before me personally appeared Marion L. Sampson to me known to be the person described in and who executed the foregoing instrument and acknowledged that she executed the same as her free act and deed.

WITNESS MY HAND and official seal this 28th day of July, 1952.

My commission expires:
4-11-54

Bernice E. Bowers
Notary Public
Elizabethton, Tennessee
Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

CONSENT AND RATIFICATION OF
FOUR MILE UNIT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Four Mile Unit Area dated the 15th day of March, 1951, embracing lands situated in Chaves County, New Mexico, 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 as indicated on the Schedule attached to said Unit Agreement as Exhibit "B" do hereby commit all of their said interests to the Four Mile 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 acknowledgements.

R. A. Broomfield, Jr.
Geraldine R. Broomfield

STATE OF NEW MEXICO)
COUNTY OF EDDY) SS.

On this 26th day of August, 1952, before me personally appeared R. A. BROOMFIELD, JR. and GERALDINE R. BROOMFIELD, his wife, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

WITNESS MY HAND and official seal this 26th day of August, 1952.

My commission expires:
April 15, 1954

Lucy Marshall
Notary Public
Artesia, New Mexico
Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

CONSENT AND RATIFICATION OF
FOUR MILE UNIT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Four Mile Unit Area dated the 15th day of March, 1951, embracing lands situated in Chaves County, New Mexico, 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 as indicated on the Schedule attached to said Unit Agreement as Exhibit "B" do hereby commit all of their said interests to the Four Mile 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 acknowledgements.

Dominik Fuchs

STATE OF Washington)
COUNTY OF Blaine) SS.

On this 29th day of JULY, 1952, before me personally appeared DOMINIK FUCHS (Single) to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as a free act and deed.

WITNESS MY HAND and official seal this 29th day of JULY, 1952.

My commission expires: July 4 1953

John J. Mulligan
Notary Public
Blaine Wash.
Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires: _____

Notary Public

Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires: _____

Notary Public

Post Office

CONSENT AND RATIFICATION OF
FOUR MILE UNIT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Four Mile Unit Area dated the 15th day of March, 1951, embracing lands situated in Chaves County, New Mexico, and acknowledges that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interests in the lands or minerals as indicated on the Schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of its said interest to the Four Mile Unit Agreement and does 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 the acknowledgment.

ATTEST:

ROBERT E. MCKEE,
GENERAL CONTRACTOR, INC.

[Signature]
Secretary

By [Signature]
President

STATE OF TEXAS)
COUNTY OF EL PASO) SS.

On this 4 day of AUGUST, 1952, before me personally appeared ROBERT E. MCKEE to me personally known, who being by me duly sworn did say that he is _____ President of ROBERT E. MCKEE, GENERAL CONTRACTOR, INC., a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said ROBERT E. MCKEE acknowledged said instrument to be the free act and deed of said corporation.

WITNESS my hand and official seal this 4 day of AUGUST, 1952.

My commission expires:
R. L. HAZELTON, Notary Public
My commission expires June 1, 1953

[Signature]
Notary Public
EL PASO, TEXAS
Post Office

CONSENT AND RATIFICATION OF
FOUR MILE UNIT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Four Mile Unit Area dated the 15th day of March, 1951, embracing lands situated in Chaves County, New Mexico, 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 as indicated on the Schedule attached to said Unit Agreement as Exhibit "B" do hereby commit all of their said interests to the Four Mile 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 acknowledgements.

Frank H. Tolle
Mary B. Tolle

STATE OF California)
COUNTY OF Los Angeles) SS.

On this 1st day of August, 1952, before me personally appeared Frank H. Tolle and Mary B. Tolle (husband & wife), to me known to be the person s described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

WITNESS MY HAND and official seal this 1st day of August, 1952.

My commission expires:
March 11, 1953

William C. [Signature]
Notary Public
San Diego, Calif.
Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person _____ described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person _____ described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

CONSENT AND RATIFICATION OF
FOUR MILE UNIT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Four Mile Unit Area dated the 15th day of March, 1951, embracing lands situated in Chaves County, New Mexico, 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 as indicated on the Schedule attached to said Unit Agreement as Exhibit "B" do hereby commit all of their said interests to the Four Mile 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 acknowledgements.

Ray J. Watkins

Helma Sue Watkins

STATE OF New Mexico)
COUNTY OF Eddy) SS.

On this 5 day of Sept., 1952, before me personally appeared Ray J. Watkins to me known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

WITNESS MY HAND and official seal this 5 day of Sept., 1952.

My commission expires:

5/3/54

Alvin L. Howard
Notary Public
Carlsbad, N.M.
Post Office

STATE OF New Mexico)
COUNTY OF Eddy) SS.

On this 5 day of Sept., 1952, before me personally appeared Helma Sue Watkins to me known to be the person described in and who executed the foregoing instrument and acknowledged that she executed the same as her free act and deed.

WITNESS MY HAND and official seal this 5 day of Sept., 1952.

My commission expires:

5/3/54

Alvin L. Howard
Notary Public
Carlsbad, N.M.
Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

CONSENT AND RATIFICATION OF
FOUR MILE UNIT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Four Mile Unit Area dated the 15th day of March, 1951, embracing lands situated in Chaves County, New Mexico, 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 as indicated on the Schedule attached to said Unit Agreement as Exhibit "B" do hereby commit all of their said interests to the Four Mile 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 acknowledgements.

_____ Minnie M. Larson

STATE OF ILLINOIS)
COUNTY OF KNOX) SS.

On this 15th day of September, 1952, before me personally appeared MINNIE M. LARSON to me known to be the person described in and who executed the foregoing instrument, and acknowledged that she executed the same as her free act and deed.

WITNESS MY HAND and official seal this 15th day of September, 1952.

My commission expires:
March 10, 1955

Edna Keener
Notary Public
Galesburg, Illinois
Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

CONSENT AND RATIFICATION OF
FOUR MILE UNIT AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Four Mile Unit Area dated the 15th day of March, 1951, embracing lands situated in Chaves County, New Mexico, 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 as indicated on the Schedule attached to said Unit Agreement as Exhibit "B" do hereby commit all of their said interests to the Four Mile 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 acknowledgements.

_____ A. C. Scott
_____ Lena M. Scott

STATE OF California)
COUNTY OF Los Angeles) SS.

On this 17th day of September, 1952, before me personally appeared A. C. Scott and Lena M. Scott to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

WITNESS MY HAND and official seal this 17th day of September, 1952.

My commission expires:
February 7, 1954

Notary Public
Whittier, California
Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person _____ described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

STATE OF _____)
COUNTY OF _____) SS.

On this _____ day of _____, 1952, before me personally appeared _____ to me known to be the person _____ described in and who executed the foregoing instrument and acknowledged that _____ executed the same as _____ free act and deed.

WITNESS MY HAND and official seal this _____ day of _____, 1952.

My commission expires:

Notary Public

Post Office

**CONSENT AND RATIFICATION OF
THE FOUR MILE UNIT AGREEMENT**

KNOW ALL MEN BY THESE PRESENTS:

The undersigned, **Kewanee Oil Company**, does hereby consent to and ratify all the terms and provisions of the Unit Agreement for the Development and Operation of the Four Mile Unit Area in Chaves County, New Mexico, dated March 15, 1951, as fully and to the same extent as if the undersigned had re-executed, on the date hereof, the original of said Unit Agreement or a counterpart thereof.

This Consent and Ratification of the Unit Agreement dated March 15, 1951, for the Development and Operation of the Four Mile Unit Area in Chaves County, New Mexico is executed for the purpose of committing thereto and to all of the terms and provisions of said Unit Agreement, that certain Oil and Gas Lease, made and entered into on June 18, 1942, by and between the State of New Mexico, acting by and through its Commissioner of Public Lands and Harry S. Wright, bearing State of New Mexico Oil and Gas Lease No. B-9702, insofar as said lease covers the following described land, situated in Chaves County, New Mexico, to-wit:

NE/4 NW/4 Section 25, Township 18 South, Range 18 East, N.M.P.M., and containing 40 acres, more or less,

and which Oil and Gas Lease, covering the above described lands, Kewanee Oil Company acquired by Assignment of Oil and Gas Lease executed by E. A. Brownfield, Sr. and Geraldine E. Brownfield, his wife, on April 18, 1951, and which said Assignment of Oil and Gas Lease was approved by Guy Sheppard, Commissioner of Public Lands on the 23rd day of May, 1952.

IN WITNESS WHEREOF, this instrument is executed on

OPERATING AGREEMENT
FOUR MILE UNIT AREA
CHAVES COUNTY, NEW MEXICO

THIS AGREEMENT, Made and entered into this 25th day of JULY, 195 2, by and between KEWANEE OIL COMPANY, a Delaware Corporation, with an office at Tulsa, Oklahoma, party of the first part, and MALCO REFINERIES, INC., a New Mexico Corporation, with its principal office at Roswell, New Mexico, MAGNOLIA PETROLEUM COMPANY, a Corporation, with an office at Dallas, Texas, and THE TEXAS COMPANY, a Corporation, with an office at Fort Worth, Texas, parties of the second part,

W I T N E S S E T H:

WHEREAS, party of the first part is the owner and holder of certain oil and gas leases embracing lands of the State of New Mexico, certain oil and gas leases covering patented or privately owned lands, oil and gas leases and option agreements covering oil and gas leases embracing lands of the United States, situated in Chaves County, New Mexico, the same being more particularly described as follows:

- (a) Oil and Gas Leases issued by the State of New Mexico acting by and through its Commissioner of Public Lands, covering the following:

E/2, SW/4 NW/4 and SW/4 Section 13, All Section 23, N/2 and SW/4 Section 24, NE/4 NW/4, S/2 NW/4, NW/4 NW/4, SW/4 Section 25, NW/4, NW/4 SW/4, E/2 Section 26, All Section 34, NE/4, S/2 NW/4, SW/4 Section 35, W/2 Section 36, all in Township 18 South, Range 18 East, N.M.P.M.; All of Section 2, N/2 NE/4, W/2 SE/4 Section 24, W/2 E/2 Section 25, Township 19 South, Range 18 East, N.M.P.M., and containing 4,800.36 acres, more or less.

- (b) Leases on patented or privately owned lands, covering the following:

W/2 SE/4 Section 21, SW/4 NE/4, SE/4 NW/4, N/2 SE/4, NE/4 SW/4 Section 27, Township 18 South, Range 18 East, N.M.P.M.; SW/4 SE/4, SE/4 SW/4 Section 12, N/2 NW/4, SE/4 SE/4 Section 13, Township 19 South, Range 18 East, N.M.P.M., and containing 480 acres, more or less

- (c) Leases or option agreements covering Oil and Gas Leases, embracing lands of the United States, as follows:

Geraldine R. Broomfield, Las Cruces 061593 covering Lots 7, 8, 9, 10, S/2 Section 1, All Section 12, NW/4 NW/4 Section 13, N/2 N/2, SW/4 NW/4, SE/4 NE/4, S/2 S/2 Section 27, Township 18 South, Range 18 East, N.M.P.M., and containing 1560 acres, more or less;

R. A. Broomfield, Jr., Las Cruces 064791, covering SE/4 Section 15, E/2, SW/4 Section 22, Township 18 South, Range 18 East, N.M.P.M., and containing 640 acres, more or less;

Gussie Lee Petty, Las Cruces 064794, covering SE/4 Section 11, Township 18 South, Range 18 East, N.M.P.M., and containing 160 acres, more or less;

Donald Angle, Las Cruces 064803, covering E/2 SE/4 Section 21, E/2 Section 28, Township 18 South, Range 18 East, N.M.P.M., and containing 400 acres, more or less;

Patricia Gaylord Anderson, Las Cruces 064853, covering NW/4, SE/4 Section 14, Township 19 South, Range 18 East, N.M.P.M., and containing 320.00 acres, more or less;

John E. Cochran, Jr., Las Cruces 066079, covering E/2 NW/4 Section 13, N/2 NE/4 Section 14, Township 18 South, Range 18 East, N.M.P.M., and containing 160 acres, more or less;

Margaret M. Wilder, Las Cruces 067805, covering SE/4 NE/4, E/2 SE/4 Section 24, W/2, E/2 E/2 Section 25, Township 19 South, Range 18 East, N.M.P.M., and containing 600 acres, more or less;

R. A. Broomfield, Jr., New Mexico 02902, covering NW/4 SW/4 Section 27, Township 18 South, Range 18 East, N.M.P.M., All Section 3, Township 19 South, Range 18 East, N.M.P.M., and containing 678.48 acres, more or less;

R. A. Broomfield, Jr., New Mexico 02904, covering S/2 NW/4, NE/4, SW/4, SW/4 SE/4, N/2 SE/4 Section 13, Township 19 South, Range 18 East, N.M.P.M., and containing 520 acres, more or less;

R. A. Broomfield, Jr., New Mexico 02923, covering E/2 Section 10, All Section 11, SE/4 SE/4 Section 12, Township 19 South, Range 18 East, N.M.P.M., and containing 1,000 acres, more or less;

R. A. Broomfield, Jr., New Mexico 02950, covering W/2 Section 10, Township 19 South, Range 18 East, N.M.P.M., and containing 320 acres, more or less;

WHEREAS, Malco Refineries, Inc., one of the parties of the second part, is the owner and holder of certain Oil and Gas Leases embracing lands of the State of New Mexico, and Option Agreements covering Oil and Gas Leases embracing lands of the United States, situated in Chaves County, New Mexico, the same being more particularly described as follows:

- (a) Oil and Gas Lease issued by the State of New Mexico acting by and through its Commissioner of Public Lands, covering the following:

SE/4, N/2 NW/4 Section 35, Township 18 South, Range 18 East, N.M.P.M., and containing 240 acres, more or less;

- (b) Option Agreements covering the following Oil and Gas Leases, embracing lands of the United States, as follows:

Patricia Gaylord Anderson, Las Cruces 064853, covering SW/4 SW/4 Section 12, NE/4, SW/4 Section 14, N/2 NE/4 Section 15, NE/4 Section 23, W/2 Section 24, Township 19 South, Range 18 East, N.M.P.M., and containing 920 acres, more or less;

Joe W. Lackey, Las Cruces 065205, covering NW/4 Section 22, Township 18 South, Range 18 East, N.M.P.M., and containing 160 acres, more or less;

and

WHEREAS, Magnolia Petroleum Company, one of the parties of the second part, is the owner and holder of a certain Oil and Gas Lease issued by the State of New Mexico, acting by and through its Commissioner of Public Lands, embracing the following described land, to-wit:

S/2 SW/4, NE/4 SW/4 Section 26, Township 18 South, Range 18 East, N.M.P.M., and containing 120 acres, more or less;

and

WHEREAS, The Texas Company, one of the parties of the second part, is the owner and holder of a certain Oil and Gas Lease issued by the State of New Mexico, acting by and through its Commissioner of Public Lands, embracing the following described land, to-wit:

S/2, NW/4, S/2 NE/4 Section 14, Township 18 South,
Range 18 East, N.M.P.M., and containing 560 acres, more
or less;

and

WHEREAS, the parties hereto have entered into a unit plan of
operation for the exploration and development of the Four Mile Unit Area,
embracing the following described lands, situated in Chaves County, New
Mexico, to-wit:

Lots 7, 8, 9 and 10 and S/2 Section 1, SE/4 Section 11,
All Section 12, All Section 13, All Section 14, SE/4
Section 15, SE/4 Section 21, All Section 22, All Section
23, N/2, SW/4 Section 24, W/2 Section 25, All Section 26,
All Section 27, E/2 Section 28, All Section 34, All Section
35, W/2 Section 36, Township 18 South, Range 18 East, N.M.P.M.,
and Lots 3 and 4, S/2 NW/4, SW/4 Section 1, All Section 2,
All Section 3, All Section 10, All Section 11, W/2, S/2 SE/4
Section 12, All Section 13, All Section 14, N/2 NE/4 Section
15, NE/4 Section 23, All Section 24, All Section 25, Township
19 South, Range 18 East, N.M.P.M., and containing 14,238.96
acres, more or less,

and all of the above described oil and gas leasehold interests have been, or
are being committed to said Unit Agreement, reference to which Agreement is
hereby made and thereby made a part hereof; and

WHEREAS, the party of the first part is designated as the Unit
Operator in said Unit Agreement, and the same is to be submitted for the
approval of the Secretary of the Interior of the United States, and has here-
tofore been submitted to, and approved by the Commissioner of Public Lands of
the State of New Mexico and the New Mexico Oil Conservation Commission, as
provided by law; and

WHEREAS, upon approval of said Unit Agreement by the Secretary of
the Interior, the party of the first part as Unit Operator, is to have the
exclusive right, privilege and duty of exercising any and all rights of all
parties signatory thereto which are necessary or convenient for prospecting
for, producing, storing and disposing of unitized substances, in accordance
with the terms of said Unit Agreement, however, under the provisions of
Section 7 of said Unit Agreement, the matter of allocation and handling of all

costs and expenses of operation on the unitized lands and drilling exploratory wells, as provided by the terms of said Agreement, is to be left to private arrangement between the Unit Operator and the other working interest owners, and the parties hereto are desirous of entering into a memorandum agreement covering the rights and obligations of the parties hereto with respect to oil and gas leases hereinabove described, which have been or are being committed to said Unit Agreement, and the unitized substances produced pursuant to the provisions thereof.

NOW, THEREFORE, IT IS MUTUALLY AGREED BETWEEN THE PARTIES HERETO, AS FOLLOWS:

1. The party of the first part shall make a diligent effort to have said Unit Agreement approved by the Secretary of the Interior, said Unit Agreement having already been approved by the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission.

2. Upon the approval of said Unit Agreement by the Secretary of the Interior, and upon approval and acceptance of title by the parties hereto, the parties hereto, by cross-assignments made, or caused to be made, each to the other, shall provide for the ownership of said oil and gas leasehold interests as between the parties hereto, to be owned in the following proportions:

Kewanee Oil Company	85.3360%
Magnolia Petroleum Company	.8798%
Malco Refineries, Inc.	9.6783%
The Texas Company	<u>4.1059%</u>
TOTAL	100.0000%

Such cross-assignments shall not, however, be made between the parties hereto until after unitized substances are discovered which can be produced in paying quantities

3. In consideration of the assignments herein provided to be made by parties of the second part to party of the first part, party of the first part shall, within six months from the effective date of the Unit

Agreement, begin operations for the drilling of a test well for oil and gas upon some part of the lands embraced in the Unit Area, at a location duly selected by the party of the first part and approved by the Supervisor of the United States Geological Survey, if said location is upon lands of the United States, or by the New Mexico Oil Conservation Commission if said location is upon lands of the State of New Mexico or privately owned lands, and shall cause said well to be drilled with due diligence and without unnecessary delay to a depth sufficient to test the Ellenburger Formation, or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities, or the Unit Operator shall at any time establish to the satisfaction of the Supervisor or the Commissioner and the Commission that further drilling of said well would be unwarranted or impracticable, provided, however, party of the first part shall not, in any event, be required to drill said well to a depth in excess of 5,500 feet.

Should party of the first part fail to comply with the drilling requirements of this paragraph, then this Agreement shall terminate, and thereupon all parties shall be relieved from all claims and liabilities under this Agreement.

4. The test well provided for in the preceding paragraph shall be drilled in accordance with the terms and conditions of said Unit Agreement and any applicable regulations of the Secretary of the Interior or New Mexico Oil Conservation Commission, and the same shall be drilled at the sole cost, risk and expense of party of the first part and free of cost and liability to the parties of the second part. In the event said well proves to be a dry hole or non-commercial well, said well shall be plugged and abandoned in accordance with applicable rules and regulations, free of any cost or expense to parties of the second part, and in such event, party of the first part shall have the right to salvage all casing, equipment and other materials used in the drilling of said well and the same shall be and remain the property of the party of the first part.

5. In the event oil and gas in paying quantities should be discovered in said test well, it shall be cased and equipped with well head connections, at the sole cost and expense of party of the first part. All other material and equipment necessary to place the well on production shall be charged to the joint account, in accordance with the accounting procedure hereinafter provided.

6. Upon completion of said test well as a well capable of producing oil and gas in paying quantities, the party of the first part shall proceed with further exploration and development of said Unit Area as provided in said Unit Agreement.

The party of the first part, as Unit Operator, shall pay all costs and expenses of operation with respect to the unitized land and shall charge such costs and expenses to a joint account to be kept by party of the first part, and each of the parties hereto shall be charged for such costs and expenses in proportion to their respective interests in and to said oil and gas leases.

7. In the event said first well proves to be a dry hole or non-commercial well, there shall be no obligation on the part of party of the first part to drill a second, or additional wells, and no additional wells shall be drilled without the unanimous consent of the parties hereto, and in the absence of some other agreement between the parties hereto, said Unit Agreement shall be terminated as provided by the terms thereof within six (6) months after completion of the first well, and in connection therewith, party of the first part shall have the right to resign and relinquish its rights as Unit Operator.

8. The party of the first part, as Unit Operator, shall render to the respective parties hereto an account of all operations on unitized lands during the previous calendar month, and shall account for all costs and benefits of operations in conformity to said Unit Agreement, oil and gas leases committed thereto and this Operating Agreement. Attached hereto, made a part hereof, and for purposes of identification, marked Exhibit "A", is an accounting

procedure to govern said joint account, and the same shall be kept in conformity therewith and all charges shall be made, bills and statements rendered, and payments made, materials, supplies and equipment purchased and disposed of in accordance with said accounting procedure. Unless and until otherwise directed by the parties hereto, the Unit Operator shall, during its development and operation of the unitized properties, purchase, if available, the following insurance for the benefit of the parties hereto:

- A. Workmen's Compensation Insurance as required by the laws of the State of New Mexico.
- B. Employer's Liability and Occupational Disease Insurance with a minimum limit of \$100,000 per person.
- C. Public Liability Insurance with limits of \$100,000 as to any one person and \$300,000 as to any one accident and Property Damage Insurance with limits of \$50,000 and \$100,000.
- D. Automobile Public Liability and Property Damage Insurance with limits of \$100,000 as to any one person and \$300,000 as to any one accident and Automobile Property Damage Insurance with a minimum limit of \$50,000 on such automotive units, if any, as owned by the joint account.

The unit shall be self-insured for Fire and Extended Coverage. Paragraph 10 Insurance, of Accounting Procedure hereto attached and marked Exhibit "A", shall apply with reference to premiums paid for insurance carried and for losses sustained for which no insurance is required to be carried as outlined in this Section 8.

8A. It is mutually understood between Unit Operator and Non-operators (or parties of the second part) that certain classes of materials and equipment are in short supply and cannot be obtained except in limited quantities from supply companies at out-of-stock, mill shipment or carload price. Therefore, regardless of any provisions herein contained to the contrary on all materials and equipment furnished in connection with drilling, equipping and operating the lease, Unit Operator shall charge the same at the current prices then prevailing in the open market plus freight and hauling charges and shall not be limited to supply company prices then prevailing. Whenever practical, Nonoperator may furnish and deliver his share of such materials and equipment

in kind provided the same are of such quality as is required and acceptable to Operator.

9. The party of the first part, as Unit Operator, in the event the working interest owners fail to take their proportionate shares of the unitized substances in kind as hereinafter provided, and in the event they fail to individually market their individual shares of the unitized substances, shall, in addition to the powers granted to said operator by the Unit Agreement, have the right to sell on a day-to-day basis all marketable oil produced from the Unit Area provided that said oil shall not be sold by the party of the first part for less than the market value thereof prevailing in the field or area at the time such oil was produced, or if there be no prevailing market price in said area at such time, for not less than the average posted price being paid for oil of like kind and quality in Eddy County, New Mexico.

It is understood and agreed, however, that parties of the second part may each have the right to take its proportionate part of all marketable oil and gas produced from the Unit Area in kind, from time to time, by providing, at its own expense, the necessary equipment for such purpose and paying to the party of the first part any extra expense incurred in the delivery of the same.

In the event any of the parties of the second part should desire to take said oil and gas in kind, such party shall give notice thereof to party of the first part at least ninety (90) days prior to the time said oil and gas is to be taken, and in the event the running or taking of said oil and gas is to be discontinued by any of the parties of the second part the latter shall likewise give ninety (90) days notice thereof to party of the first part. Subject to said notices, the right and option of parties of the second part to take such oil and gas in kind, shall be considered as a continuing right and option during the life of this Agreement.

10. Subject to the provisions of the preceding paragraph (9), party of the first part, as Unit Operator, shall have the right to market on a day-to-day basis all gas produced in the Unit Area and accruing to the parties hereto,

and upon the sale of same, the purchaser thereof shall pay to each respective party hereto its proportionate part of the proceeds from such sales.

11. Upon the sale of any oil or gas produced from the Unit Area, the purchaser thereof shall pay to the respective parties hereto the proceeds of sales in proportion to each party's interest in and to said oil and gas leases, as set forth hereinabove, provided, however, should any working interest owner be in arrears in payments to the Unit Operator as provided by said accounting procedure, the Unit Operator shall have the right upon demand to receive from the purchaser of the production such owner's portion of the proceeds and apply the same on amounts in arrears. In the event any of the parties hereto should fail or refuse to pay their proportionate part of the amounts charged to said joint account in accordance with said accounting procedure within the time and manner therein provided, the party of the first part shall have a lien upon the leasehold interest of any such party to secure the payment of said account and said Operator may at any time after the expiration of sixty (60) days after said account becomes delinquent, foreclose said lien as provided by law for foreclosure of mortgage deeds and cause said interest or so much thereof as may be necessary to be sold to satisfy said account.

12. All rentals which may become due and payable under the terms of any of the oil and gas leases owned by the parties hereto, after cross-assignments are made, shall be paid as they accrue by the party of the first part as Unit Operator, and the amount thereof charged to the joint account and billed to the respective parties hereto as provided by said accounting procedure.

13. The party of the first part, as Unit Operator, subject to the provisions of paragraph 6 hereof, is hereby authorized to drill any and all wells required under the provisions of said Unit Agreement or any plan or modification thereof adopted as provided by Section 10 of the Unit Agreement. Whenever any well is to be drilled, party of the first part shall first obtain bids from at least two responsible independent drilling contractors for the drilling of such wells. After obtaining such bids, party of the first part

shall let the drilling of such well on contract to the lowest responsible bidder.

14. Each of the parties of the second part shall have, but not by way of limitation, the following specific rights and privileges:

- (a) Access to the Unit Area at all reasonable times to inspect the operations hereunder.
- (b) The right to inspect the logs, samples and cuttings from any and all wells drilled hereunder, and to receive copies of the logs.
- (c) The right to inspect and audit at all reasonable times the Unit Operator's books, records and invoices pertaining to any matter of accounting arising hereunder.

15. The Unit Area shall not be operated hereunder as a partnership venture, and the liability of the parties hereto shall be several and not joint or collective. Each party shall be responsible only for its obligations as set out herein and shall be liable only for its proportionate share of the cost of operation hereunder.

16. Any of the parties hereto shall have the right at any time while not in default of any provisions hereof, or indebted to the joint account, to be relieved of all further obligations, except the obligation to pay such party's proportionate part of the cost of any well then drilling under this Agreement, by assigning, subject to the approval of the Secretary of the Interior and/or the Commissioner of Public Lands, to the other parties hereto in proportion to the interests then severally held by them in the Unit Area, all of the committed working interests in the Unit Area of the party desiring to be relieved of such obligations, such interest to be assigned free and clear of all liens and encumbrances. In such event the party of the first part, as Unit Operator, shall pay to the party desiring to be relieved of such further obligations, the fair secondhand value, less the cost of salvaging same, of such party's proportionate interest in all casing, material, equipment, fixtures and personal property belonging to the joint account.

17. Should any of the parties hereto desire at any time to sell all or any of their interests in and to said oil and gas leases, the other parties

hereto shall be given the refusal thereof upon the same terms and conditions offered in good faith by any third party, and shall have the preferred right to purchase upon the same terms and conditions said interest, which right shall be exercised within thirty (30) days after receipt of written notice of the offer made by such third party. Should more than one party hereto exercise the preferred right to purchase the interest offered for sale, they shall purchase such interest in the proportion that their several interests in the oil and gas leases hereinabove described, committed to said Unit Agreement, bear to the whole. The provisions hereof shall not apply in the event of a sale to a subsidiary, affiliated or successor company of any party hereto, nor to any sale or transfer by reason of a merger or consolidation, or the sale of the entire assets or stock of any corporation having an interest herein.

18. This Operating Agreement shall become effective as of the effective date of the Four Mile Unit Agreement hereinabove referred to, and shall remain in full force and effect during the life of such Unit Agreement, and the provisions shall be considered as covenants running with the ownership of said oil and gas leases and binding upon the successors and assigns of the parties hereto.

IN WITNESS WHEREOF, This Agreement is executed on the day and year first hereinabove written.

ATTEST:

Thos Pauland
Secretary

KEWANEE OIL COMPANY

By *W. W. Indigo*
President

PARTY OF THE FIRST PART

ATTEST:

Joe W. Lasky
Secretary

MALCO REFINERIES, INC.

By *Donald B. Anderson*
Vice President

ATTEST:

[Signature]
Asst. Secretary

MAGNOLIA PETROLEUM COMPANY

By *E. G. Seymour*
Vice-President

ATTEST:

Secretary

THE TEXAS COMPANY

By *[Signature]*
~~President~~

APPROVED	
Legal	<i>[Signature]</i>
Title R.	<i>[Signature]</i>
Engr.	
Ces.	
Land	<i>[Signature]</i>
Prod.	<i>[Signature]</i>

PARTIES OF THE SECOND PART

was

[Signature]

COMMONWEALTH OF PENNSYLVANIA)
)
) SS.
COUNTY OF PHILADELPHIA)

On this 25th day of JULY, 1952, before me personally appeared WM. WIKOFF SMITH to me personally known, who being by me duly sworn did say that he is _____ President of KEWANEE OIL COMPANY, a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said WM. WIKOFF SMITH acknowledged said instrument to be the free act and deed of said corporation.

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

PAUL UETZ, NOTARY PUBLIC
2315 FIDELITY-PHILA. TRUST BLDG. PHILA. 9, PA.
COMMISSION EXPIRES FEB. 23, 1955

Paul Uetz
Notary Public

My commission expires: _____

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

On this 8th day of August, 1952, before me personally appeared Donald B. Anderson to me personally known, who being by me duly sworn did say that he is Vice President of MALCO REFINERIES, INC., a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Donald B. Anderson acknowledged said instrument to be the free act and deed of said corporation.

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

H. E. Hamington
Notary Public

My commission expires: June 30, 1956

STATE OF TEXAS)
 : SS.
COUNTY OF DALLAS)

On this 5th day of August, 1952, before me personally appeared E. C. Seymour to me personally known, who being by me duly sworn did say that he is Vice President of MAGNOLIA PETROLEUM COMPANY, a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said E. C. Seymour acknowledged said instrument to be the free act and deed of said corporation.

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

Walter D. Walters
Notary Public

My commission expires: 6-1-53

STATE OF TEXAS
COUNTY OF TARRANT

On this 4th day of August, 1952, before me personally appeared C. B. Williams, to me personally known, who being by me duly sworn did say that he is Attorney-in-Fact of THE TEXAS COMPANY, a corporation, and that the seal affixed to said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said C. B. Williams acknowledged said instrument to be the free act and deed of said corporation.

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

Erna R. Welby
Notary Public

My commission expires: 6/1/53

Notary Public

My commission expires: _____

Attached to and made a part of OPERATING AGREEMENT
FOUR MILE UNIT AREA, CHAVES COUNTY, NEW MEXICO

ACCOUNTING PROCEDURE (UNIT AND JOINT LEASE OPERATIONS)

I. GENERAL PROVISIONS

1. Definitions

The term "joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.

The term "Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the leased premises for the joint account.

The term "Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

2. Statements and Billings

Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Sub-Paragraph A below:

A. Statement in detail of all charges and credits to the joint account.

B. Statement of all charges and credits to the joint account, summarized by appropriate classifications indicative of the nature thereof.

C. Statements, as follows:

- (1) Detailed statement of material ordinarily considered controllable by Operators of oil and gas properties;
- (2) Statement of all other charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and
- (3) Statement of any other receipts and credits.

3. Payments by Non-Operator

Each party shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

4. Audits

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. All statements rendered to Non-Operator by Operator during any calendar year shall be conclusively presumed to be true and correct after eighteen months following the close of any such calendar year, unless within said eighteen months period Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or the making of claims for adjustment thereon. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder, within eighteen months next following the close of any calendar year. Non-Operator shall have six months next following the examination of the Operator's records within which to take written exception to and make any and all claims on Operator. The provisions of this paragraph shall not prevent adjustments resulting from the physical inventory of property as provided for in Section VI, Inventories, hereof.

II. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

1. Rentals and Royalties

Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid direct to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.

2. Labor, Transportation, and Services

Labor, transportation, and other services necessary for the development, maintenance, and operation of the joint property. Labor shall include (A) Operator's cost of vacation, sickness and disability benefits of employees, and expenditures or contributions imposed or assessed by governmental authority applicable to such labor, and (B) Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of like nature, applicable to Operator's field payroll; provided that the charges under Part (B) of this paragraph shall not exceed five per cent (5%) of the total of such labor charged to the joint account.

3. Material

Material, equipment, and supplies purchased or furnished by Operator, for use of the joint property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the joint property as required for immediate use, and the accumulation of surplus stocks shall be avoided.

4. Moving Material to Joint Property

Moving material to the joint property from Vendor's or from Operator's warehouse in the district or from the other properties of Operator, but in either of the last two events no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available, except by special agreement with Non-Operator.

- F. The above overhead schedule on producing wells shall be applied to individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project in the interest of economic development, the schedule shall be applied to the total number of wells, irrespective of individual leases.
- G. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. Warehouse Handling Charges

NONE

14. Other Expenditures

Any other expenditure incurred by Operator for the necessary and proper development, maintenance, and operation of the joint property.

III. BASIS OF CHARGES TO JOINT ACCOUNT

1. Purchases

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

2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

A. New Material (Condition "A")

- (1) New material transferred from Operator's warehouse or other properties shall be priced f. o. b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, rigs, pumps, sucker rods, boilers, and engines. Tubular goods (2" and over), shall be priced on carload basis effective at date of transfer and f. o. b. railway receiving point nearest the joint account operation, regardless of quantity transferred.
- (2) Other material shall be priced on basis of a reputable supply company's Preferential Price List effective at date of transfer and f. o. b. the store or railway receiving point nearest the joint account operation where such material is available.
- (3) Cash discount shall not be allowed.

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

- (1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at 75% of new price.
- (2) Material which cannot be classified as Condition "B" but which,
 - (a) After reconditioning will be further serviceable for original function as good second hand material (Condition "B"), or
 - (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classed as Condition "C" and priced at 50% of new price.
- (3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.
- (4) Tanks, derricks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

3. Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and, in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

4. Operator's Exclusively Owned Facilities

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

- A. Water service, fuel gas, power, and compressor service: At rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.
- B. Automotive Equipment: Rates commensurate with cost of ownership and operation. Such rates should generally be in line with schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck, tractor, and pulling unit rates shall include wages and expenses of driver.
- C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located.
- D. Whenever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.
- E. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

5. Please see the Attached Rider.

Paragraph 5. to Section III.

At such times as tubular goods and equipment can be purchased only at prices in excess of the limitations herein set out or such tubular goods and equipment are not available at the nearest customary supply point, Operator, notwithstanding such limitations, shall be permitted to charge the joint account with such costs and expenses as may be reasonably incurred in purchasing, shopping, and moving the required tubular goods and equipment to said jointly owned premises; provided, however, that each Non-Operator shall be first given the opportunity of furnishing in kind his or its share of such tubular goods and equipment required. This exception to said limitations shall be effective and shall apply only during such periods as the prices for such tubular goods and equipment are in excess of said limitations.

3-2191
SUPPLEMENT TO UNIT OPERATING AGREEMENT
FOUR MILE UNIT AREA
CHAVES COUNTY, NEW MEXICO

THIS SUPPLEMENTAL AGREEMENT, Made and entered into this 21st day of August, 1952, by and between KEWANEE OIL COMPANY, a Delaware Corporation, with an office at Tulsa, Oklahoma, party of the first part, hereinafter referred to as Unit Operator, and MALCO REFINERIES, INC., a New Mexico Corporation with its principal office at Roswell, New Mexico, MAGNOLIA PETROLEUM COMPANY, a Corporation with an office at Dallas, Texas, and THE TEXAS COMPANY, a Corporation with an office at Fort Worth, Texas, parties of the second part, hereinafter referred to as Non-operators,

W I T N E S S E T H:

WHEREAS, the parties hereto have entered into a Unit Agreement for the development and operation of the Four Mile Unit Area, hereinafter referred to as "Unit Agreement", embracing the following described land situated in Chaves County, New Mexico, to-wit:

New Mexico Principal Meridian, New Mexico

T. 18 S., R. 18 E.
Sec. 1, Lots 7, 8, 9 and 10 and S/2;
Sec. 11, SE/4;
Secs. 12, 13 and 14, All;
Sec. 15, SE/4;
Sec. 21, SE/4;
Secs. 22 and 23, All;
Sec. 24, N/2, SW/4;
Sec. 25, W/2;
Secs. 26 and 27, All;
Sec. 28, E/2;
Secs. 34 and 35, All;
Sec. 36, W/2.

T. 19 S., R. 18 E.

Sec. 1, Lots 3 and 4, S/2 NW/4, SW/4;

Secs. 2 and 3, All;
Secs. 10 and 11, All;
Sec. 12, W/2, S/2 SE/4;
Secs. 13 and 14, All;
Sec. 15, N/2 NE/4;
Sec. 23, NE/4;
Secs. 24 and 25, All,

and containing 14,238.96 acres, more or less;

and

WHEREAS, the parties hereto have also entered into an Operating Agreement for the Four Mile Unit Area, in accordance with Section 7 of said Unit Agreement, providing for the manner of apportionment of the cost, expenses and benefits on account of operations under said Unit Agreement; and

WHEREAS, the parties hereto are desirous of supplementing said Operating Agreement for the Four Mile Unit Area, insofar as the leasehold interests of the parties hereto committed to said Unit Agreement are concerned.

NOW, THEREFORE, IT IS MUTUALLY AGREED BETWEEN THE PARTIES HERETO, as follows:

1. With the exception of the test well provided for in paragraph 3 of the Operating Agreement, notwithstanding any of the provisions of the Operating Agreement to the contrary, Unit Operator shall submit to each Non-operator an A.F.E. (authority for expenditure) form, in duplicate, for approval by Non-operators of any well to be drilled under the terms of said Agreement and, upon request, shall furnish each Non-operator two copies of any drilling contract entered into with independent well contractors.

2. With the exception of the test well provided for in paragraph 3 of the Operating Agreement, no well shall be drilled for the joint account unless and until mutually agreed upon by all the parties hereto. in writing. and no

expenditure shall be made by Unit Operator for the joint account in excess of Five Thousand (\$5,000.00) Dollars without the consent of Non-operators; provided, however, that when a well has been authorized, Operator shall have full and complete authority to incur any costs and expenses necessary or advisable in connection with the drilling, completing and equipping of such well without securing the consent of Non-operators.

3. Should any party hereto desire to drill any well on said land, said party so desiring to drill (Drilling Party) shall give the other parties (Non-drilling Parties) written notice of its desire to drill, stating the location and projected depth of the proposed well, the objective producing zone or horizon to be tested, manner of drilling, casing program, and the estimated cost of drilling such well. Non-drilling Parties shall have thirty (30) days after receipt of such notice within which to notify Drilling Party whether they elect to participate in the drilling of said well. If Non-drilling Parties elect to participate, the well shall be drilled for the joint account of the parties hereto by the Unit Operator, in accordance with the terms of this Agreement, as a well drilled by mutual agreement. If Non-drilling Parties, or any of them, elect not to participate by so advising Drilling Party, or failing to advise Drilling Party of its desire within the thirty (30) day period, then Drilling Party may, within thirty (30) days, but not thereafter, without further notice to Non-drilling Parties, proceed by commencing operations for the drilling of the well at its own cost and expense, in accordance with the terms of this Agreement, as a well not drilled by mutual agreement. The cost of drilling and completing

any well when not drilled by mutual agreement shall be at the sole cost of Drilling Party and Drilling Party shall advance all moneys therefor. It is provided, however, that if any such well is so commenced and is completed with due diligence as a producing well, then Drilling Party shall be entitled to receive all of the production applicable to the entire working interest and proceeds from the sale thereof and any and all other income or revenue derived from the operation of said well, including proceeds from sale of equipment and material salvaged from said well, until such time as Drilling Party has thus received, after deducting all expenses of operating and maintaining said well, including ad valorem, production, severance, conservation and school taxes, a sum equal to 150% of the cost of drilling and completing said well, whereupon said well and the production therefrom shall be owned jointly by the parties hereto the same as other jointly owned wells under this Agreement.

A complete itemized statement of all costs and expenses incurred in the drilling and completing of such well shall be furnished Non-drilling Parties within ninety (90) days after the completion of such well and thereafter Drilling Party shall furnish Non-Drilling Parties with a complete itemized monthly statement of all costs and expenses of operating and maintaining said well, including taxes and the income or revenue from said well.

4. The provisions hereof shall be considered as supplemental to the above mentioned Unit Operating Agreement insofar as the parties hereto are concerned and said Unit Operating Agreement and this Supplemental Agreement

shall constitute the entire agreement as between the parties hereto with respect to determining their rights and interests in connection with the operation and development of said Unit Area.

5. The provisions hereof shall be binding upon the parties hereto, their successors and assigns, and shall be considered as covenants running with the ownership of the oil and gas leases of the parties hereto committed to said Unit Agreement.

IN WITNESS WHEREOF, This Agreement is executed on the day and year first hereinabove written.

ATTEST:

Frederick C. Guelber
ASSISTANT Secretary

Kewanee Oil Company

By *M. W. [Signature]*
President

PARTY OF THE FIRST PART
UNIT OPERATOR

ATTEST:

E. W. Dietz
Asst. Secretary

MALCO REFINERIES, INC.

By *R. B. [Signature]*
President

ATTEST:

[Signature]
Asst. Secretary
E. P. [Signature]

MAGNOLIA PETROLEUM COMPANY

By *[Signature]*
Vice-President

THE TEXAS COMPANY

By *[Signature]*
Attorney-in-Fact

APPROVED	
Legal	<i>[Signature]</i>
Title R	
Engr.	
Gas	<i>[Signature]</i>
Land	<i>[Signature]</i>
Prod.	<i>[Signature]</i>

W. N. Sands.

[Signature]

COMMONWEALTH OF PENNSYLVANIA)
)
COUNTY OF PHILADELPHIA) ss.

On this 21 day of August, 1952, before me personally appeared WM. WIKOFF SMITH to me personally known, who being by me duly sworn did say that he is _____ President of KEWANEE OIL COMPANY, a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said WM. WIKOFF SMITH acknowledged said instrument to be the free act and deed of said corporation.

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

Paul Uetz
Notary Public

My commission expires: 2315 FIDELITY-PHILA. TRUST BLDG. PHILA. 9, PA.
COMMISSION EXPIRES FEB. 28, 1955

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

On this 7th day of August, 1952, before me personally appeared Robert O. Anderson to me personally known, who being by me duly sworn did say that he is _____ President of MALCO REFINERIES, INC., a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said Robert O. Anderson acknowledged said instrument to be the free act and deed of said corporation.

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

Jesse Lusk, Jr.
Notary Public

My commission expires: March 8, 1956

STATE OF TEXAS)
 : ss.
COUNTY OF DALLAS)

On this 28th day of August, 1952, before me personally appeared *R. M. Chan* to me personally known, who being by me duly sworn did say that he is *Vice* President of MAGNOLIA PETROLEUM COMPANY, a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said *R. M. Chan* acknowledged said instrument to be the free act and deed of said corporation.

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

W. A. Hester
Notary Public

My commission expires: *4-1-53*

STATE OF TEXAS)
 : ss.
COUNTY OF TARRANT)

On this 29 day of August, 1952, before me personally appeared *C. B. Williams* to me personally known, who being by me duly sworn did say that he is Attorney-in-Fact of THE TEXAS COMPANY, a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said *C. B. Williams* acknowledged said instrument to be the free act and deed of said corporation.

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

Ernest P. Wiley
Notary Public

My commission expires: *10/1/53*