

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

McKITTERICK CANTON UNIT AREA

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated October 1, 1960, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 27th day of December 1960.


Commissioner of Public Lands
of the State of New Mexico

ILLEGIBLE

RATIFICATION AND JOINDER
of
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
of the
MCKITTERICK CANYON UNIT AREA
EDDY COUNTY, NEW MEXICO

In consideration of the execution of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MCKITTERICK CANYON UNIT AREA, COUNTY OF EDDY, STATE OF NEW MEXICO, by the working interest owners named therein (a copy of which has been delivered to the undersigned), in form approved on behalf of the Secretary of the Interior, the undersigned owner or owners of lands or leases, or interests therein or royalties presently held or which may arise under existing option agreements, or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, join, approve, ratify and adopt the terms and provisions of said Unit Agreement to the same extent as if he had signed the original agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative as applicable to said several lands and interest, agree that the term of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agree that the drilling, development and producing requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests do or shall apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

This Ratification and Joinder of Unit Agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document and shall become effective and be binding upon all those who execute a counterpart hereof, regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands affected hereby upon the approval of said Unit Agreement by the Secretary of the Interior, or his duly authorized representative, or otherwise as provided in the Unit Agreement for subsequent joinder, and when so executed shall be binding upon the undersigned, his heirs, devisees, assigns or successors in interest.

Date: 12-20-61

C. M. McElhannon
C. M. McElhannon
Reine McElhannon

Gertrude Bennett
Gertrude Bennett

Mae Smith
Mae Smith

Rose Salzman
Rose Salzman

Albert Salzman
Albert Salzman

STATE OF TEXAS)
COUNTY OF TARRANT)

ss.

On this 20th day of December, 1960, before me personally appeared C. M. McElhannon & Reine McElhannon, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ~~he~~^{they} executed the same as ~~his~~^{their} free act and deed.

Given under my hand and seal of office this 20th day of December, 1960.

Jacqueline R. Leggett
Notary Public in and for said
County and State

My commission expires: January, 1961.

STATE OF TEXAS)
COUNTY OF HARRIS)

ss.

On this 21st day of January, 1960, before me personally appeared Albert Salzman and Rose Salzman, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that ~~he~~^{they} executed the same as ~~his~~^{their} free act and deed.

1961
1960. Given under my hand and seal of office this 21st day of January,

Wm M Nathan
Notary Public in and for said
County and State

My commission expires: June 1, 1961

STATE OF _____)
COUNTY OF _____)

ss.

On this _____ day of _____, 1960, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

Notary Public in and for said
County and State

My commission expires:

STATE OF TEXAS)
COUNTY OF TARRANT HARRIS) ss.

On this 19th day of January 1961, ~~1960~~, before me personally appeared Gertrude Bennett, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that she executed the same as ~~his~~ free act and deed.

her
Given under my hand and seal of office this 19th day of January, 1961, ~~1960~~.

Wm. M. Nathan
Notary Public in and for said
County and State

My commission expires: June 1 1961

STATE OF TEXAS)
COUNTY OF TARRANT HARRIS) ss.

On this 19th day of January 1961, ~~1960~~, before me personally appeared Mae Smith, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that she executed the same as ~~his~~ free act and deed.

her
Given under my hand and seal of office this 19th day of January 1961, ~~1960~~.

Wm. M. Nathan
Notary Public in and for said
County and State

My commission expires: June 1 1961

STATE OF _____)
COUNTY OF _____) ss.

On this _____ day of _____, 1960, before me appeared _____, to me personally known, who, being by me duly sworn, did say that he is the _____ President of _____, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

Notary Public in and for said
County and State

My commission expires:

RATIFICATION AND JOINDER
of
UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION
of the
McKITTRICK CANYON UNIT AREA
EDDY COUNTY, NEW MEXICO

In consideration of the execution of the UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE MCKITTRICK CANYON UNIT AREA, COUNTY OF EDDY, STATE OF NEW MEXICO, by the working interest owners named therein (a copy of which has been delivered to the undersigned), in form approved on behalf of the Secretary of the Interior, the undersigned owner or owners of lands or leases, or interests therein or royalties presently held or which may arise under existing option agreements, or other interests in production covered by said Unit Agreement hereby severally, each to the extent of his ownership or interest, consent to the inclusion of said lands within the Unit Area therein defined, join, approve, ratify and adopt the terms and provisions of said Unit Agreement to the same extent as if he had signed the original agreement and any modifications thereof approved by the Secretary of the Interior or his duly authorized representative as applicable to said several lands and interest, agree that the term of any lease given by the undersigned or under which the undersigned claims an interest herein is extended and modified to the extent necessary to make the same conform to the term of said Unit Agreement, agree that the drilling, development and producing requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement, and agree that payment for or delivery of (whichever may be required under prior agreements) oil and gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests do or shall apply, regardless of actual production therefrom, shall constitute full performance of all such obligations to the undersigned existing under such leases or other contracts.

This Ratification and Joinder of Unit Agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document and shall become effective and be binding upon all those who execute a counterpart hereof, regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands affected hereby upon the approval of said Unit Agreement by the Secretary of the Interior, or his duly authorized representative, or otherwise as provided in the Unit Agreement for subsequent joinder, and when so executed shall be binding upon the undersigned, his heirs, devisees, assigns or successors in interest.

Date: January 3, 1961

Johney Cockburn
Thelma Cockburn

INDIVIDUAL ACKNOWLEDGMENT

STATE OF ~~NEW MEXICO~~, TEXAS }
County of ECTOR } ss.

The foregoing instrument was acknowledged before me this 3rd day of January, 19 61 by Johney Cockburn and Thelma Cockburn

My commission expires June 1, 19 61 Joe E Johnston Notary Public JOE. E. JOHNSTON

NOV 23 1960 1 54

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
McKITTRICK CANYON UNIT AREA
EDDY COUNTY, NEW MEXICO

No. 2141

THIS AGREEMENT, entered into as of the 1st day of October, 1960, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto",

WITNESSETH:

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

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

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

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chapter 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949) to approve this agreement, and the conservation provisions hereof; and

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

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

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

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

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

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 6708.20 acres, more or less.

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

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

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

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

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

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

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

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

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

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

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

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

interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

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

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

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

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

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

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

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

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

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

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

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

Commissioner if on State Land, or the Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 12,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal Land, the Commissioner if on State Land, or the Commission if on privately owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. If unitized substances in paying quantities shall have been discovered in any test well completed or in the process of completion upon the unit area prior to the effective date hereof, such well shall comply with the provisions of this Section and all further development operations shall be conducted in accordance with an approved plan of development and operation in accordance with Section 10 hereof. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and the Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease or in the event actual drilling operations are commenced upon unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two (2) years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(j) of the Act, as amended by the Act of September 2, 1960 (74 Stat. 781, 784);

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

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

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

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

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

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

- (a) Such date of expiration is extended by the Director and the Commissioner; or
- (b) It is reasonably determined prior to the expiration of the fixed term or any extensions thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and the Commissioner; or
- (c) A valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in paying quantities, i.e., in this particular instance in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances can be produced as aforesaid; or
- (d) It is terminated as heretofore provided in this agreement.

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

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

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

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

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

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

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

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

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

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

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

nondiscrimination clause.

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

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

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

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

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

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

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

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

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

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

- (1) Execute this agreement and the unit operating agreement as a working interest owner, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.
- (2) Again lease such lands but only under the condition that the holder of such lease shall within thirty (30) days after such lands are so leased execute this agreement and the unit operating agreement as to each participating area theretofore established hereunder, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.
- (3) Operate or provide for the operation of such land independently of this agreement as to any part thereof or any oil or gas deposits therein not then included within a participating area.

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

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

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

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

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

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

HONOLULU OIL CORPORATION

Date: _____

By _____
President

ATTEST:

Secretary

Address: P.O. Drawer 1391
Midland, Texas

UNIT OPERATOR AND WORKING INTEREST
OWNER

Date: _____

Olen F. Featherstone

ATTEST:

FEATHERSTONE CORPORATION

By _____

Date: _____

ATTEST:

GULF OIL CORPORATION

By _____

Date: _____

Date: _____

Ernest Hanson

ATTEST:

LEONARD OIL COMPANY

By _____

Date: _____

ATTEST:

PHILLIPS PETROLEUM COMPANY

By _____

Date: _____

ATTEST:

SKELLY OIL COMPANY

By _____

Date: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

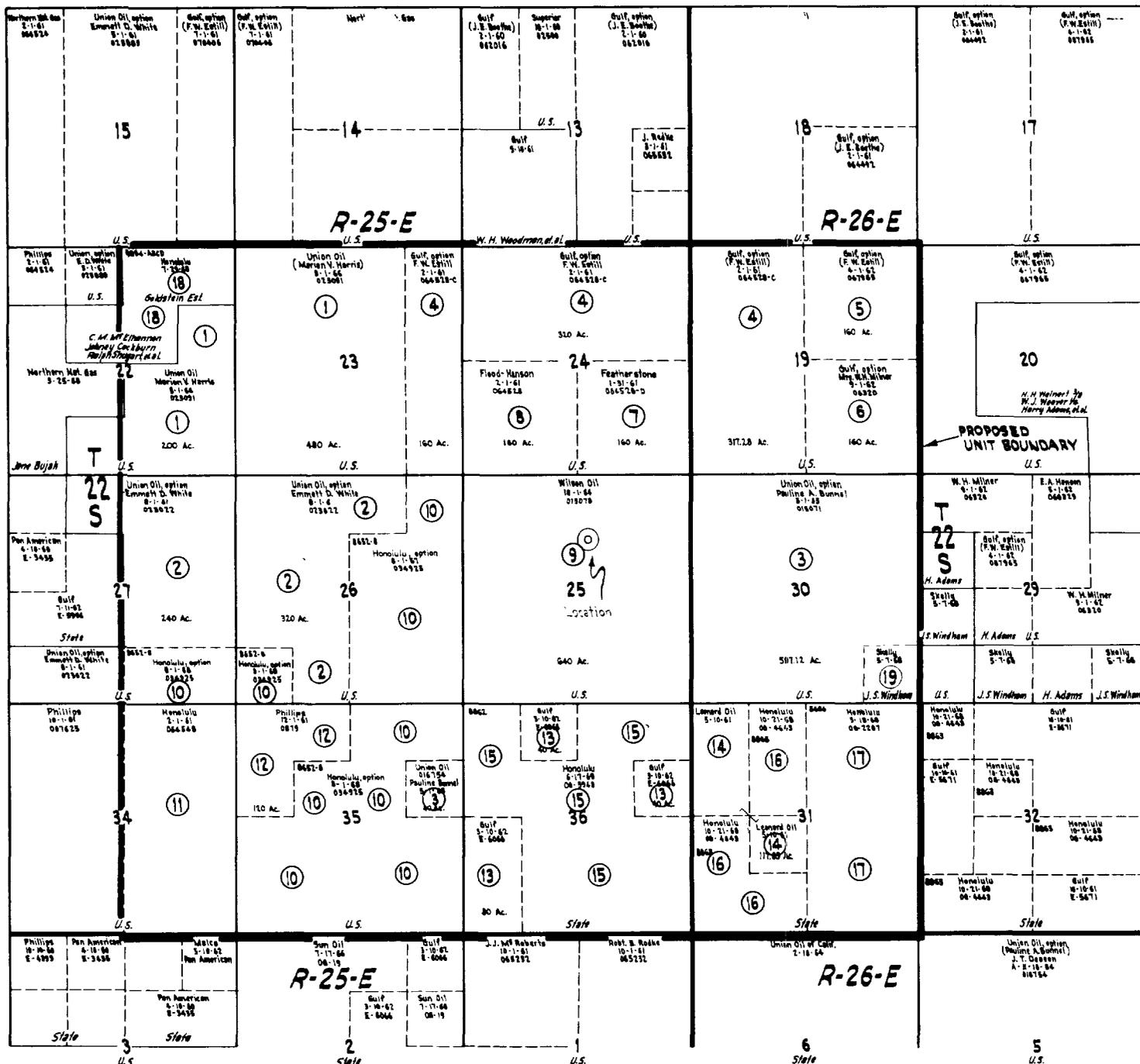
Date: _____

ATTEST:

WILSON OIL COMPANY

By _____

Date: _____



FEDERAL LANDS

TRACT	SERIAL NO.	WORKING INTEREST OWNER	ACRES IN UNIT
1.	N. M. 023091	Union Oil Co. of California	680.00
2.	N. M. 023022	Union Oil Co. of California	560.00
3.	N. M. 016754	Union Oil Co. of California	637.12
4.	L. C. 064528-C	F. W. Estill (Optioned to Gulf Oil Corporation)	797.28
5.	L. C. 067965	F. W. Estill (Optioned to Gulf Oil Corporation)	160.00
6.	N. M. 06320	Mrs. W. H. Miller (Optioned to Gulf Oil Corporation)	160.00
7.	L. C. 064528-D	Olen F. Featherstone	160.00
8.	L. C. 064528	Ernest A. Hanson	160.00
9.	N. M. 015078	Wilson Oil Company	640.00
10.	N. M. 034925	Fred M. Cassidy (Optioned to Honolulu Oil Corporation)	880.00
11.	L. C. 064548	Honolulu Oil Corporation	320.00
12.	N. M. 0879	Mrs. Zela D. McBride (Optioned to Phillips Petroleum Company)	120.00

Total Federal 5,274.40

STATE LANDS

TRACT	LEASE NO.	WORKING INTEREST OWNER	ACRES IN UNIT
13.	E-6066	Gulf Oil Corporation	160.00
14.	E-5225	Leonard Oil Company	117.85
15.	OG-3943	Honolulu Oil Corporation	480.00
16.	OG-4643	Honolulu Oil Corporation	195.95
17.	OG-2287	Honolulu Oil Corporation	320.00

Total State 1,273.80

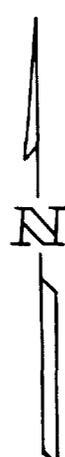
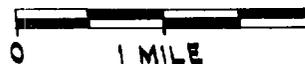
FEE LANDS

TRACT	LEASE NAME	WORKING INTEREST OWNER	ACRES IN UNIT
18.	Ralph A. Shugart et al	Honolulu Oil Corporation	120.00
19.	J. S. Windham	Skelly Oil Company	40.00
		Total Fee	160.00

TOTAL ACREAGE IN UNIT AREA 6,708.20

EXHIBIT A
McKITTRICK CANYON UNIT AREA
T-22-S - R-25 & 26-E
EDDY COUNTY, NEW MEXICO

SCALE



Handwritten notes:
 00 to 100
 100 to 200
 200 to 300

EXHIBIT "B"
MCKENZIE CANYON UNIT
EDDY COUNTY, NEW MEXICO

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Effective Date of Lease</u>	<u>Basic Royalty % Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty & Percentage</u>	<u>Committed Working Interest & Percentage</u>
<u>FEDERAL LANDS:</u>							
1.	Township 22 South, Range 25 East Section 22: SR $\frac{1}{4}$ NR $\frac{1}{4}$, SR $\frac{1}{4}$ Section 23: W $\frac{1}{2}$, W $\frac{1}{2}$ R $\frac{1}{2}$	680.00	NM 023091 August 1, 1956	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	Marion V. Harris & Lawrence G. Harris, Box 6657, Roswell, N.M. - \$500.00 per acre to be paid out of 3%.	Union - 100%
2.	Township 22 South, Range 25 East Section 26: NW $\frac{1}{4}$, NW $\frac{1}{4}$ NR $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 27: NR $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	560.00	NM 023022 August 1, 1956	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	Emmett D. White & wife Union Blanche V. White, Box 146, Roswell, N.M. - \$750.00 per acre out of 3%.	Union - 100%
3.	Township 22 South, Range 26 East Section 30: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, W $\frac{1}{2}$ R $\frac{1}{2}$, R $\frac{1}{2}$ NE $\frac{1}{4}$, NR $\frac{1}{4}$ SR $\frac{1}{4}$ Township 22 South, Range 25 East Section 35: SR $\frac{1}{4}$ NR $\frac{1}{4}$	637.12	NM 016754 May 1, 1955	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	T. J. Deason, Jr. & wife, June O. Deason, 1804 W. 4th St., Roswell, N.M. \$500.00 per acre out of 3%.	Union - 100%
4.	Township 22 South, Range 25 East Section 23: R $\frac{1}{2}$ E $\frac{1}{2}$ Section 24: W $\frac{1}{2}$ Township 22 South, Range 26 East Section 19: Lots 1, 2, 3, 4 E $\frac{1}{2}$ W $\frac{1}{2}$	797.28	LC 064528-0 February 1, 1951	USA - 12 $\frac{1}{2}$ %	F.W. Estill, Box 1023, Kermit, Texas (Optioned to Gulf Oil Corp.)	Roy L. Flood & wife, F.W. Estill Dixie D. Flood, 712 N. Main St., Roswell, N.M. \$750.00 per acre out of 3%.	
5.	Township 22 South, Range 26 East Section 19: NR $\frac{1}{4}$	160.00	LC 067965 April 1, 1952	USA - 12 $\frac{1}{2}$ %	F.W. Estill, Box 1023, Kermit, Texas (Optioned to Gulf Oil Corp.)	Mrs. Mary Didlake & husband, Tom Didlake, Rt. 2, Box 79-A, Roswell, N.M. - \$500.00 per acre out of 3%	

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Committed Working Interest & Percentage
6.	Township 22 South, Range 26 East Section 19: SE $\frac{1}{4}$	160.00	NM 06320 September 1, 1952	USA - 12 $\frac{1}{2}$ %	Mrs. W. H. Milner, 609 S. Lea, Roswell, N.M. (Optioned to Gulf Oil Corp.)	Mrs. W. H. Milner & husband, W. H. Milner, 609 S. Lea, Roswell, N.M. \$750.00 per acre out of 3%.	Mrs. W. H. Milner 100%
7.	Township 22 South, Range 25 East Section 24: N $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	LC 064528-D February 1, 1951	USA - 12 $\frac{1}{2}$ %	Olen F. Featherstone Roswell Pet. Bldg. Roswell, N.M.	Roy L. Flood, 611 S. Missouri, Roswell, N.M. - $\frac{1}{2}$ of 1% ORR	Olen F. Featherstone - 100%
8.	Township 22 South, Range 25 East Section 24: SW $\frac{1}{4}$	160.00	LC 064528 February 1, 1951	USA - 12 $\frac{1}{2}$ %	Ernest Hanson	Roy L. Flood, 611 S. Missouri, Roswell, N.M. - $\frac{1}{2}$ of 1% ORR	Ernest Hanson - 100%
9.	Township 22 South, Range 25 East Section 25: All	640.00	NM 015078 October 1, 1954	USA - 12 $\frac{1}{2}$ %	Wilson Oil Company, Box 627, Santa Fe, N.M.	None	Wilson Oil Co. - 100%
10.	Township 22 South, Range 25 East Section 26: SE $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 27: S $\frac{1}{2}$ SE $\frac{1}{4}$ Section 35: N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$	880.00	NM 034925 August 1, 1958	USA - 12 $\frac{1}{2}$ %	Fred M. Cassidy (Optioned to Hono- lulu Oil Corp.)	Irma M. Hanson & husband, I. A. Hanson, 512 Garst St., Artesia, N.M. - 3%; Fred M. Cassidy - $\frac{1}{2}$ of 1%	Fred M. Cassidy - 100%
11.	Township 22 South, Range 25 East Section 34: E $\frac{1}{2}$	320.00	LC 064548 February 1, 1951	USA - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	Grady Southworth & wife, Ethel Marie Southworth, 108 W. Albuquerque, Roswell, N.M. - 3%.	Honolulu-100%
12.	Township 22 South, Range 25 East Section 35: N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$	120.00	NM 0879 December 1, 1951	USA - 12 $\frac{1}{2}$ %	Mrs. Zela D. McBride (Optioned to Phillips Petroleum Co.)	Zela D. Wood (former- ly Zela D. McBride) 220 S. Eudora, Denver, Colo. $\frac{1}{2}$ %; Eleanor L. Rettig, Box 1597, Midland, Texas - 1 $\frac{1}{2}$ %; Ora R. Hall, Jr., Box 1681, Santa Fe, N.M. - 1 $\frac{1}{2}$ %.	Mrs. Zela D. Wood (formerly McBride) - 100%

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Committed Working Interest & Percentage
13.	Township 22 South, Range 25 East Section 24: S $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	LC 064528-E February 1, 1951	USA - 12 $\frac{1}{2}$ %	Featherstone Corp. Roswell Pet. Bldg. Roswell, N.M.	Roy L. Flood, 611 S. Missouri, Roswell, N.M. - $\frac{1}{2}$ of 1% ORR	Featherstone Corp. 100%
TOTAL 13 FEDERAL TRACTS		5,274.40 Acres					

STATE LANDS:

14.	Township 22 South, Range 25 East Section 36: SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$	160.00	E-6066 March 10, 1952	State of N.M. - 12 $\frac{1}{2}$ %	Gulf Oil Corporation	None	Gulf Oil Corporation - 100%
15.	Township 22 South, Range 26 East Section 31: Lots 1 & 2 (W $\frac{1}{2}$ NW $\frac{1}{4}$) NE $\frac{1}{4}$ SW $\frac{1}{4}$	117.85	E-5225 May 10, 1951	State of N.M. - 12 $\frac{1}{2}$ %	Leonard Oil Co., Box 708, Roswell, N.M.	None	Leonard Oil Co. - 100%
16.	Township 22 South, Range 25 East Section 36: N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$	480.00	OG-3943 June 17, 1958	State of N.M. - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	None	Honolulu - 100%
17.	Township 22 South, Range 26 East Section 31: Lots 3 & 4, E $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$	195.95	OG-4643 October 21, 1958	State of N.M. - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	None	Honolulu - 100%
18.	Township 22 South, Range 26 East Section 31: E $\frac{1}{2}$	320.00	OG-2287 March 18, 1958	State of N.M. - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	None	Honolulu - 100%
TOTAL 5 STATE TRACTS		1,273.80 Acres					

FREE LANDS:

19.	Undivided $\frac{1}{2}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 22, Township 22 South, Range 25 East	60.00 net	Ralph A. Shugart & wife, Rena Shugart, Artesia, N.M., Lease dated 7-29-58, expires 7-29-68	Lessors - All	Honolulu Oil Corp.	None	Honolulu - 100%
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<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Effective Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty & Percentage</u>	<u>Committed Working Interest & Percentage</u>
19.	Undivided $\frac{1}{4}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 22, Township 22 South, Range 25 East	30.00 net	Johney Cockburn & wife, Thelma Cockburn, 711 Fair Bldg., Ft. Worth, Texas, lease dated 7-29-58, expires 7-29-68	- All	Honolulu Oil Corp.	None	Honolulu - 100%
19.	Undivided $\frac{1}{8}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 22, Township 22 South, Range 25 East	15.00 net	C.M. McElhannon & wife, Reine McElhannon, Box 1657, Ft. Worth, Texas, lease dated 7-29-58, expires 7-29-68	- All	Honolulu Oil Corp.	None	Honolulu - 100%
19.	Undivided $\frac{1}{8}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 22, Township 22 South, Range 25 East	15.00 net	Gertrude Bennett & Mae Smith, Ft. Worth, Texas, & Rose Salzman & husband, Albert Salzman, Houston, Texas. Lease dated 7-29-58, expires 7-29-68	- All	Honolulu Oil Corp.	None	Honolulu - 100%
20.	SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 30, Township 22 South, Range 26 East	40.00	J.S. Windham & wife, Alma Gray Windham, Carlspad, New Mexico. Lease dated 5-7-58, expires 5-7-68.	- All	Skelly Oil Company	None	Skelly - 100%

Two Fee Tracts - 160 Acres

TOTAL 20 TRACTS IN ENTIRE UNIT AREA 6,708.20 Acres

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
Honorable EXHIBIT NO. 1
CASE NO. 2141

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
McKITTRICK CANYON UNIT AREA
EDDY COUNTY, NEW MEXICO

No. _____

THIS AGREEMENT, entered into as of the 1st day of October, 1960, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto",

WITNESSETH:

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

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

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

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chapter 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949) to approve this agreement, and the conservation provisions hereof; and

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

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

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

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

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

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and recognized as constituting the unit area, containing 6708.20 acres, more or less.

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

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

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

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

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

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

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

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

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

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

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

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

interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

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

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

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

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

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

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

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

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

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

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

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

Commissioner if on State Land, or the Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 12,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if on Federal Land, the Commissioner if on State Land, or the Commission if on privately owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. If unitized substances in paying quantities shall have been discovered in any test well completed or in the process of completion upon the unit area prior to the effective date hereof, such well shall comply with the provisions of this Section and all further development operations shall be conducted in accordance with an approved plan of development and operation in accordance with Section 10 hereof. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and the Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease or in the event actual drilling operations are commenced upon unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two (2) years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

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

(g) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17(j) of the Act, as amended by the Act of September 2, 1960 (74 Stat. 781, 784);

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

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

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

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

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

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

- (a) Such date of expiration is extended by the Director and the Commissioner;
or
- (b) It is reasonably determined prior to the expiration of the fixed term or any extensions thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and the Commissioner; or
- (c) A valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in paying quantities, i.e., in this particular instance in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances can be produced as aforesaid; or
- (d) It is terminated as heretofore provided in this agreement.

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

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

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

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

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

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

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

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

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

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

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

nondiscrimination clause.

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

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

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

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

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

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

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

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

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

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

- (1) Execute this agreement and the unit operating agreement as a working interest owner, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.
- (2) Again lease such lands but only under the condition that the holder of such lease shall within thirty (30) days after such lands are so leased execute this agreement and the unit operating agreement as to each participating area theretofore established hereunder, effective as though such land had remained continuously subject to this agreement and the unit operating agreement.
- (3) Operate or provide for the operation of such land independently of this agreement as to any part thereof or any oil or gas deposits therein not then included within a participating area.

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

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

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

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

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

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

Date: _____

HONOLULU OIL CORPORATION

By _____
President

ATTEST:

Secretary
Address: P.O. Drawer 1391
Midland, Texas

UNIT OPERATOR AND WORKING INTEREST
OWNER

Date: _____

Olen F. Featherstone

ATTEST:

FEATHERSTONE CORPORATION

By _____

Date: _____

ATTEST:

GULF OIL CORPORATION

By _____

Date: _____

Date: _____

Ernest Hanson

ATTEST:

LEONARD OIL COMPANY

By _____

Date: _____

ATTEST:

PHILLIPS PETROLEUM COMPANY

By _____

Date: _____

ATTEST:

SKELLY OIL COMPANY

By _____

Date: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

Date: _____

ATTEST:

WILSON OIL COMPANY

By _____

Date: _____



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SECTION 4
 MEXICAN CANYON UNIT AREA
 T12N R2E S36E
 BENTON COUNTY, NEW MEXICO



EXHIBIT "B"
McKENRICK CANYON UNIT
RIDGELY COUNTY, NEW MEXICO

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Effective Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty & Percentage</u>	<u>Committed Working Interest & Percentage</u>
<u>FEDERAL LANDS:</u>							
1.	Township 22 South, Range 25 East Section 22: SW $\frac{1}{4}$ NR $\frac{1}{4}$, SE $\frac{1}{4}$ Section 23: W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$	680.00	NM 023091 August 1, 1956	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	Marion V. Harris & Lawrence O. Harris, Box 6657, Roswell, N.M. - \$500.00 per acre to be paid out of 3%.	Union - 100%
2.	Township 22 South, Range 25 East Section 26: NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 27: NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	560.00	NM 023022 August 1, 1956	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	Emmett D. White & wife Union - 100% Blanche V. White, Box 146, Roswell, N.M. - \$750.00 per acre out of 3%.	
3.	Township 22 South, Range 26 East Section 30: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$, E $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ Township 22 South, Range 25 East Section 35: SE $\frac{1}{4}$ NE $\frac{1}{4}$	637.12	NM 016754 May 1, 1955	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	F. J. Deason, Jr. & Union - 100% wife, June C. Deason, 1804 W. 4th St., Roswell, N.M. \$500.00 per acre out of 3%.	
4.	Township 22 South, Range 25 East Section 23: E $\frac{1}{2}$ E $\frac{1}{2}$ Section 24: W $\frac{1}{2}$ Township 22 South, Range 26 East Section 19: Lots 1, 2, 3, 4 E $\frac{1}{2}$ W $\frac{1}{2}$	797.28	LC 064528-C February 1, 1951	USA - 12 $\frac{1}{2}$ %	F.W. Estill, Box 1023, Kermit, Texas (Optioned to Gulf Oil Corp.)	Roy L. Flood & wife, F.W. Estill - Dixie D. Flood, 712 N. Main St., Roswell, N.M. \$750.00 per acre out of 3%.	
5.	Township 22 South, Range 26 East Section 19: NR $\frac{1}{4}$	160.00	LC 067965 April 1, 1952	USA - 12 $\frac{1}{2}$ %	F.W. Estill, Box 1023, Kermit, Texas (Optioned to Gulf Oil Corp.)	Mrs. Mary Didlake & F.W. Estill - husband, Tom Didlake, Rt. 2, Box 79-A, Roswell, N.M. - \$500.00 per acre out of 3%	

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6.	Township 22 South, Range 26 East Section 19: SE $\frac{1}{4}$	160.00	NM 06320 September 1, 1952	USA - 12 $\frac{1}{2}$ %	Mrs. W.H. Milner, 609 S. Lea, Roswell, N.M. (Optioned to Gulf Oil Corp.)	Mrs. W.H. Milner & husband, W.H. Milner, 609 S. Lea, Roswell, N.M. \$750.00 per acre out of 3%.	Mrs. W.H. Miln 100%
7.	Township 22 South, Range 25 East Section 24: N $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	LC 064528-D February 1, 1951	USA - 12 $\frac{1}{2}$ %	Olen F. Featherstone Roswell Pet. Bldg. Roswell, N.M.	Roy L. Flood, 611 S. Missouri, Roswell, N.M. - $\frac{1}{2}$ of 1% ORR	Olen F. Feather stone - 100%
8.	Township 22 South, Range 25 East Section 24: SW $\frac{1}{4}$	160.00	LC 064528 February 1, 1951	USA - 12 $\frac{1}{2}$ %	Ernest Hanson	Roy L. Flood, 611 S. Missouri, Roswell, N.M. - $\frac{1}{2}$ of 1% ORR	Ernest Hanson - 100%
9.	Township 22 South, Range 25 East Section 25: All	640.00	NM 015078 October 1, 1954	USA - 12 $\frac{1}{2}$ %	Wilson Oil Company, Box 627, Santa Fe, N.M.	None	Wilson Oil Co. - 100%
10.	Township 22 South, Range 25 East Section 26: SE $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 27: S $\frac{1}{2}$ SE $\frac{1}{4}$ Section 35: N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ S $\frac{1}{2}$	880.00	NM 034925 August 1, 1958	USA - 12 $\frac{1}{2}$ %	Fred M. Cassidy (Optioned to Hono- lulu Oil Corp.)	Irma M. Hanson & husband, I.A. Hanson, 512 Garst St., Artesia, N.M. - 3%; Fred M. Cassidy - $\frac{1}{2}$ of 1%	Fred M. Cassidy 100%
11.	Township 22 South, Range 25 East Section 34: E $\frac{1}{2}$	320.00	LC 064548 February 1, 1951	USA - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	Grady Southworth & wife, Ethel Marie Southworth, 108 W. Albuquerque, Roswell, N.M. - 3%.	Honolulu - 100%
12.	Township 22 South, Range 25 East Section 35: N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$	120.00	NM 0879 December 1, 1951	USA - 12 $\frac{1}{2}$ %	Mrs. Zela D. McBride (Optioned to Phillips Petroleum Co.)	Zela D. Wood (former- ly Zela D. McBride) 220 S. Eudora, Denver, Colo. $\frac{1}{2}$ %; Eleanor L. Retting, Box 1597, Midland, Texas - 1 $\frac{1}{2}$ %; Ora R. Hall, Jr., Box 1681, Santa Fe, N.M. - 1 $\frac{1}{2}$ %.	Mrs. Zela D. Wood (formerly McBride) - 100%

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Committed Working Interest & Percentage
13.	Township 22 South, Range 25 East Section 24: S $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	LC 064528-E February 1, 1951	USA - 12 $\frac{1}{2}$ %	Featherstone Corp. Roswell Pet. Bldg. Roswell, N.M.	Roy L. Flood, 611 S. Missouri, Roswell, N.M. - $\frac{1}{2}$ of 1% ORR	Featherstone Co 100%
TOTAL 13 FEDERAL TRACTS		5,274.40 Acres					

STATE LANDS:

14.	Township 22 South, Range 25 East Section 36: SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$	160.00	E-6066 March 10, 1952	State of N.M. - 12 $\frac{1}{2}$ %	Gulf Oil Corporation	None	Gulf Oil Corporo- ration - 100%
15.	Township 22 South, Range 26 East Section 31: Lots 1 & 2 (W $\frac{1}{2}$ NW $\frac{1}{4}$) NE $\frac{1}{4}$ SW $\frac{1}{4}$	117.85	E-5225 May 10, 1951	State of N.M. - 12 $\frac{1}{2}$ %	Leonard Oil Co., Box 708, Roswell, N.M.	None	Leonard Oil Co. 100%
16.	Township 22 South, Range 25 East Section 36: N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$	480.00	OG-3943 June 17, 1958	State of N.M. - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	None	Honolulu - 100%
17.	Township 22 South, Range 26 East Section 31: Lots 3 & 4, E $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$	195.95	OG-4643 October 21, 1958	State of N.M. - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	None	Honolulu - 100%
18.	Township 22 South, Range 26 East Section 31: E $\frac{1}{2}$	320.00	OG-2287 March 18, 1958	State of N.M. - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	None	Honolulu - 100%
TOTAL 5 STATE TRACTS		1,273.80 Acres					

FREE LANDS:

19.	Undivided $\frac{1}{2}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 22, Township 22 South, Range 25 East	60.00 net	Ralph A. Shugart & wife, Rena Shugart, Artesia, N.M., lease dated 7-29-58, expires 7-29-68	Lessors - All	Honolulu Oil Corp.	None	Honolulu - 100%
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19.	Undivided $\frac{1}{4}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 22, Township 22 South, Range 25 East	30.00 net	Johney Cockburn & Lessors - All wife, Thelma Cockburn, 711 Fair Bldg., Ft. Worth, Texas, lease dated 7-29-58, expires 7-29-68		Honolulu Oil Corp.	None	Honolulu - 100%
19.	Undivided $\frac{1}{8}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 22, Township 22 South, Range 25 East	15.00 net	C.M. McElhannon & wife, Reine McElhannon, Box 1657, Ft. Worth, Texas, lease dated 7-29-58, expires 7-29-68		Honolulu Oil Corp.	None	Honolulu - 100%
19.	Undivided $\frac{1}{8}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 22, Township 22 South, Range 25 East	15.00 net	Gertrude Bennett & Mae Smith, Ft. Worth, Texas, & Rose Salzman & husband, Albert Salzman, Houston, Texas. Lease dated 7-29-58, expires 7-29-68		Honolulu Oil Corp.	None	Honolulu - 100%
20.	SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 30, Township 22 South, Range 26 East	40.00	J.S. Windham & wife, Alma Gray Windham, Carlsbad, New Mexico. Lease dated 5-7-58, expires 5-7-68.		Skelly Oil Company	None	Skelly - 100%

Two Fee Tracts - 160 Acres

TOTAL 20 TRACTS IN ENTIRE UNIT AREA 6,708.20 Acres

AMENDMENT

THIS AGREEMENT, made and entered into the 1st day of October, 1960, by and between HONOLULU OIL CORPORATION, hereinafter referred to as "Operator", and OLEN F. FEATHERSTONE, FEATHERSTONE CORPORATION, GULF OIL CORPORATION, ERNEST HANSON, LEONARD OIL COMPANY, PHILLIPS PETROLEUM COMPANY, UNION OIL COMPANY OF CALIFORNIA, AND WILSON OIL COMPANY, hereinafter being sometimes collectively referred to as "Non-Operators",

W I T N E S S E T H:

WHEREAS, the parties hereto or their respective predecessors-in-interest made and entered into that certain Joint Operating Agreement dated August 17, 1960 covering certain tracts of land located in Eddy County, State of New Mexico; and

WHEREAS, the parties hereto or their respective predecessors-in-interest amended said Joint Operating Agreement by letter agreement dated September 16, 1960; and

WHEREAS, the parties hereto are parties to and have executed that certain Unit Agreement for the McKittrick Canyon Unit Area dated as of October 1, 1960, which Unit Agreement shall by this reference be incorporated herein and made a part hereof, and without limitation Exhibits "A" and "B" to said Unit Agreement shall be deemed to supersede Exhibits "A" and "B" to said Joint Operating Agreement; and

WHEREAS, the parties hereto desire to amend said Joint Operating Agreement in the respects hereinafter set forth so as to conform the same to the provisions of said Unit Agreement and to amend the same to cover any and all unit operations conducted pursuant to said Unit Agreement.

NOW, THEREFORE, the parties hereto do mutually agree as follows:

1. Said Joint Operating Agreement dated August 17, 1960 shall be entitled "Unit Operating Agreement, McKittrick Canyon Unit Area, County of Eddy, State of New Mexico."

2. There shall be added to Paragraph 1 the following sentence:

"Notwithstanding the formation of one (1) or more participating areas under and pursuant to the provisions of said Unit Agreement,

all costs and investments incurred in unit operations shall be borne by the parties hereto or any one (1) or more thereof, and production from the subject lands shall be distributed among the parties hereto or any one (1) or more thereof in accordance with the provisions of this Agreement."

3. The list in Paragraph 2 of said Joint Operating Agreement of the parties and their respective percentage shares of the costs and expenses incurred in drilling and completing or abandoning the test well shall be amended to read as follows:

Olen F. Featherstone	1.35405%
Featherstone Corporation	1.35405%
Gulf Oil Corporation	21.61877%
Ernest Hanson	2.70810%
Honolulu Oil Corporation	39.19891%
Leonard Oil Company	1.99468%
Phillips Petroleum Company	---
Union Oil Company	31.77144%
Wilson Oil Company	---
Total	<u>100.00000%</u>

4. The fourth paragraph of Paragraph 8 of said Joint Operating Agreement shall be amended to read as follows:

"During the term of this Agreement, Operator shall pay and charge to the joint account of the parties hereto all ad valorem taxes payable with respect to the subject lands and the improvements placed thereon for the joint account pursuant to this Agreement; and Operator shall pay and charge to the joint account or cause to be paid, with respect to the subject lands, all landowners' royalties, overriding royalties, production payments and other Lease Burdens set forth in Exhibit 'C' or 'D', as the case may be, which said royalties, overriding royalties, production payments and other Lease Burdens shall be borne by the parties hereto in accordance with their respective Beneficial Interests. On demand, Operator shall make available to each party hereto proof of payments made in accordance herewith."

5. The second sentence of the first paragraph of Paragraph 12 of said Joint Operating Agreement shall be amended to read as follows:

"If such well is completed as a producer, the Participating Party shall own and be entitled to receive all of the oil, gas and other hydrocarbon substances produced from such well, subject to the

payment of lessor's royalty, overriding royalties, production payments and other Lease Burdens as set forth in said Exhibit 'C' or 'D', as the case may be, which said royalties, overriding royalties, production payments and other Lease Burdens shall be paid or borne by the Participating Party in proportion that their respective Beneficial Interests bear to the total of their Beneficial Interests, until the Participating Party shall have received oil and gas produced, saved and sold from such well of the total value at the time and place of production of two (2) times the actual cost of drilling or deepening, completing and equipping such well into the tanks, and one hundred per cent (100%) of the cost and expense of operating such well during such period of recovery."

6. The first sentence of the second paragraph of Paragraph 12 of said Joint Operating Agreement shall be amended to read as follows:

"Notwithstanding the provisions of Paragraphs 2 and 3 and the foregoing provisions of this Paragraph 12, consent to the drilling of a well hereunder other than a required well provided for in Paragraph 29 hereof shall not be deemed as consent to the running and cementing of a production string of casing and a completion attempt therein."

7. There shall be added to Paragraph 26 of said Joint Operating Agreement the following sentence:

"Operator shall comply with the provisions of said Unit Agreement and all applicable valid laws and regulations of governmental bodies or agencies asserting jurisdiction over unit operations and shall comply with the determinations of the parties hereto made in accordance with the provisions of Paragraph 3 hereof."

8. There shall be inserted in said Joint Operating Agreement a new Paragraph 28 reading as follows:

"28. Operator shall prepare and submit to the parties hereto each proposal required by said Unit Agreement for the establishment, revision or consolidation of a participating area at least thirty (30) days prior to the proposed date of filing the same with the Director. Such proposal shall be determined by the parties pursuant

to Paragraph 3 hereof. Operator shall file the approved proposal with the Director and take such action as may be necessary to obtain the Director's approval thereof."

9. There shall be inserted in said Joint Operating Agreement a new Paragraph 29 reading as follows:

"29. If the drilling of a well is required by the final order of an authorized representative of the Department of Interior of the United States, Operator shall advise the parties hereto thereof and if the parties hereto or any one (1) or more thereof do not elect to drill such required well under any of the provisions of this Agreement including, without limitation, the provisions of Paragraph 12 hereof, and if any of the following alternatives is available, the first such alternative which is available shall be followed:

- (a) If compensatory royalties may be paid in lieu of drilling the well and if payment thereof is authorized by the parties, Operator shall pay such compensatory royalties; or
- (b) If the drilling of the well may be avoided without other penalty by contraction of the Unit Area through exclusion of lands not then within a participating area, Operators shall endeavor to effect such contraction with the approval of the Director; or
- (c) If production has not theretofore been discovered in paying quantities within the Unit Area, the parties hereto shall terminate said Unit Agreement in accordance with its provisions.

If none of the foregoing alternatives is available, Operator shall drill and complete or abandon such required well for the account of all of the parties hereto and all of the costs and expenses of drilling and completing or abandoning such required well shall be charged to the joint account."

10. There shall be inserted in said Joint Operating Agreement a new Paragraph 30 reading as follows:

"30. Operator shall prepare and submit to the parties hereto, at least thirty (30) days prior to the proposed date of filing the same with the Supervisor, each plan for development and operation of the Unit Area

required by the said Unit Agreement to be submitted to the Supervisor. Each such plan shall provide only for such drilling operations as Operator has been authorized to conduct or any one (1) or more of the parties have undertaken to conduct pursuant to the provisions of this Agreement. Such plan shall be approved by the parties pursuant to Paragraph 3 hereof. Operator shall advise each party hereto of the approval or disapproval by the Supervisor of any such plan submitted pursuant to a determination by the parties. If any operations are subsequently approved by the parties or undertaken by any one (1) or more thereof which were not included in a plan approved by the Supervisor, Operator shall file an amendment of such plan and endeavor to obtain the approval of such amendment by the Supervisor."

11. There shall be inserted in said Joint Operating Agreement a new Paragraph 31 reading as follows:

"31. Notwithstanding any contraction of the Unit Area pursuant to the provisions of said Unit Agreement and the resultant exclusion of lands from this Agreement, the Participating Interests and the Beneficial Interests of the parties hereto shall remain unchanged. In the event of expansion of the Unit Area, Operator shall, with the approval of the parties, revise Exhibits 'C' and 'D' to reflect the facts thereof. Operator shall initiate any contraction or expansion of the Unit Area only with the approval of the parties hereto."

12. There shall be inserted in said Joint Operating Agreement a new Paragraph 32 reading as follows:

"32. Prior to the commencement of operations under said Unit Agreement, all owners of Working Interests in the Unit Area who have joined in said Unit Agreement shall be privileged to execute or ratify this Agreement. After commencement of operations under said Unit Agreement, subsequent joinder in said Unit Agreement and in this Agreement by the owner of a Working Interest in the Unit Area shall be permitted only upon compliance with such reasonable terms and conditions as may be approved by the parties hereto."

13. There shall be inserted in said Joint Operating Agreement a new Paragraph 33 reading as follows:

"33. No party hereto shall withdraw a tract from said Unit Agreement except with the approval of the parties hereto. The parties hereto may direct that a tract as to which the owner of any substantial Lease Burden therein has not executed said Unit Agreement be withdrawn from said Unit Agreement in accordance with the provisions of Section 29 of said Unit Agreement; provided, however, that if the party hereto committing such tract to said Unit Agreement furnishes indemnity satisfactory to the parties hereto, such party shall not be required to withdraw such tract from said Unit Agreement."

14. Paragraph 28 of said Joint Operating Agreement shall be renumbered as Paragraph 34 and there shall be added to the list of parties the following:

"Featherstone Corporation, Roswell Petroleum Building,
Roswell, New Mexico."

15. Paragraph 29 of said Joint Operating Agreement shall be renumbered as Paragraph 35 and shall be amended to read as follows:

"This Agreement shall remain in full force and effect for and during the term of said Unit Agreement and thereafter until all property jointly owned hereunder shall have been disposed of and the accounts among the parties shall have been settled; provided, however, that the termination of this Agreement shall not relieve any party hereto from any liability which accrued or attached prior to the date of such termination."

Paragraphs 30 and 31 of said Joint Operating Agreement shall be renumbered as Paragraphs 36 and 37, respectively.

16. Exhibits "C" and "D" to said Joint Operating Agreement shall be amended in the manner set forth in revised Exhibits "C" and "D" attached hereto and made a part hereof.

17. Said Joint Operating Agreement, as amended by letter agreement dated September 16, 1960 and as amended hereby, shall continue in full force and effect.

This Agreement shall be binding upon and inure to the benefit thereof the respective heirs, successors and assigns of the parties hereto.

IN WITNESS WHEREOF, the parties hereto have executed these presents as of the day and year first above written.

ATTEST:


Secretary

HONOLULU OIL CORPORATION
By 
Vice President

Date December 22, 1960

Date _____

Olen F. Featherstone
Olen F. Featherstone

ATTEST:

Carroll W. Duenkel
Asst Sec

FEATHERSTONE CORPORATION

By Olen F. Featherstone

Date 12/27/60

ATTEST:

J. C. Tavian
Assistant Secretary

GULF OIL CORPORATION

By W. A. Shellshear
Attorney In Fact

Date DEC 22 1960

Date Dec. 28, 1960

Ernest A. Hanson
Ernest Hanson

ATTEST:

Marion Koenig
ASST SECY-TREAS.

LEONARD OIL COMPANY

By Robert J. Leonard
PRESIDENT

Date 12/29/60

ATTEST:

PHILLIPS PETROLEUM COMPANY

By _____

Date _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

Date _____

ATTEST:

WILSON OIL COMPANY

By _____

Date _____

Date _____

Olen F. Featherstone

ATTEST:

FEATHERSTONE CORPORATION

By _____

Date _____

ATTEST:

GULF OIL CORPORATION

By _____

Date _____

Date _____

Ernest Hanson

ATTEST:

LEONARD OIL COMPANY

By _____

Date _____

ATTEST:

[Signature]
ASSISTANT SECRETARY

PHILLIPS PETROLEUM COMPANY

By *[Signature]*

VICE PRESIDENT

[Handwritten initials]
RKT

Date 10-12-61

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By *[Signature]*

[Handwritten initials]
RJD
EAS

Date _____

ATTEST:

WILSON OIL COMPANY

By _____

Date _____

Date _____

Olen F. Featherstone

ATTEST:

FEATHERSTONE CORPORATION

By _____

Date _____

ATTEST:

GULF OIL CORPORATION

By _____

Date _____

Date _____

Ernest Hanson

ATTEST:

LEONARD OIL COMPANY

By _____

Date _____

ATTEST:

PHILLIPS PETROLEUM COMPANY

By _____

Date _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

Date _____

ATTEST:

WILSON OIL COMPANY

By _____

Ernest Hanson
Janet Tracy

[Signature]

President

Date _____

December 28, 1960

EXHIBIT "C"

McKITTRICK CANYON UNIT
DESCRIPTION OF COMMITTED LANDS
STATEMENT OF PARTICIPATING AND BENEFICIAL INTERESTS

Description of Committed Lands

Working Interests in the following lands situated in the County of Eddy, State of New Mexico, have been committed to the Unit and Unit Operating Agreements:

<u>Township 22 South, Range 25 East</u>	<u>Township 22 South, Range 26 East</u>
Section 22: East Half (E $\frac{1}{2}$)	Section 19: All
Section 23: All	Section 30: All except the
Section 24: All	Southeast Quarter of
Section 25: All	the Southeast Quarter
Section 26: All	(SE $\frac{1}{4}$ SE $\frac{1}{4}$)
Section 27: East Half (E $\frac{1}{2}$)	Section 31: All
Section 34: East Half (E $\frac{1}{2}$)	
Section 35: All	
Section 36: All	

Statement of Participating and Beneficial Interests
Participation in 50% of Phillips and 100% of Wilson Acreages

<u>Party</u>	<u>Tract No.</u>	<u>Lease Burdens</u>	<u>Acres</u>		<u>Percentage</u>	
			<u>Participating</u>	<u>Beneficial</u>	<u>Participating</u>	<u>Beneficial</u>
Union Oil Company of California	1	15.50%	680.00	574.60	10.19766	10.22520
	2	15.50%	560.00	473.20	8.39807	8.42075
	3	15.50%	637.12	538.37	9.55460	9.58048
	9	25.00%	203.34	152.50	3.04940	2.71379
	12	16.00%	19.06	16.01	.28583	.28490
	Total			2099.52	1754.68	31.48556
Gulf Oil Corporation	4	15.50%	797.28	673.70	11.95645	11.98872
	5	15.50%	160.00	135.20	2.39945	2.40593
	6	15.50%	160.00	135.20	2.39945	2.40593
	13	12.50%	160.00	140.00	2.39945	2.49135
	9	25.00%	138.36	103.77	2.07492	1.84662
	12	16.00%	12.97	10.89	.19451	.19379
Total			1428.61	1198.76	21.42423	21.33234
Olen F. Featherstone	7	13.00%	80.00	69.60	1.19973	1.23856
	9	25.00%	8.66	6.50	.12994	.11567
	12	16.00%	.82	.69	.01222	.01219
	Total		89.48	76.79	1.34189	1.36642
Featherstone Corporation	7	13.00%	80.00	69.60	1.19972	1.23855
	9	25.00%	8.67	6.50	.12995	.11567
	12	16.00%	.81	.68	.01222	.01219
	Total		89.48	76.78	1.34189	1.36641
Ernest Hanson	8	13.00%	160.00	139.20	2.39945	2.47711
	9	25.00%	17.33	13.00	.25989	.23134
	12	16.00%	1.63	1.37	.02444	.02438
	Total		178.96	153.57	2.68378	2.73283
Wilson Oil Company	9	- 0 -	- 0 -	- 0 -	- 0 -	- 0 -
Phillips Petroleum Company	12	16.00%	60.00	50.40	.89979	.89688
	Total		60.00	50.40	.89979	.89688

Party	Tract No.	Lease Burden	Acres		Percentage	
			Participating	Beneficial	Participating	Beneficial
Honolulu Oil Corporation	10	16.00%	880.00	739.20	13.19696	13.15431
	11	15.50%	320.00	270.40	4.79890	4.81186
	15	12.50%	480.00	420.00	7.19834	7.47404
	16	12.50%	195.95	171.46	2.93857	3.05119
	17	12.50%	320.00	280.00	4.79890	4.98269
	18	12.50%	120.00	105.00	1.79959	1.86851
	9	25.00%	250.87	188.15	3.76218	3.34819
	12	16.00%	<u>23.51</u>	<u>19.75</u>	<u>.35257</u>	<u>.35146</u>
	Total			<u>2590.33</u>	<u>2193.96</u>	<u>38.84601</u>
Leonard Oil Company	14	12.50%	117.85	103.12	1.76734	1.83506
	9	25.00%	12.77	9.58	.19151	.17048
	12	16.00%	<u>1.20</u>	<u>1.01</u>	<u>.01800</u>	<u>.01797</u>
	Total		<u>131.82</u>	<u>113.71</u>	<u>1.97685</u>	<u>2.02351</u>
Total (Unit)			<u>6668.20</u>	<u>5619.45</u>	<u>100.00000</u>	<u>100.00000</u>

Recapitulation of Participating and Beneficial Percentages

Party	Percentage	
	Participating	Beneficial
Union Oil Company of California	31.48556	31.22512
Gulf Oil Corporation	21.42423	21.33234
Olen F. Featherstone	1.34189	1.36642
Featherstone Corporation	1.34189	1.36641
Ernest Hanson	2.68378	2.73283
Wilson Oil Company	- 0 -	- 0 -
Phillips Petroleum Company	.89979	.89688
Honolulu Oil Corporation	38.84601	39.04225
Leonard Oil Company	<u>1.97685</u>	<u>2.02351</u>
Total	<u>100.00000</u>	<u>100.00000</u>

EXHIBIT "D"

McKITTRICK CANYON UNIT
DESCRIPTION OF COMMITTED LANDS
STATEMENT OF PARTICIPATING AND BENEFICIAL INTERESTS

Description of Committed Lands

Working Interests in the following lands situated in the County of Eddy, State of New Mexico, have been committed to the Unit and Unit Operating Agreements:

<u>Township 22 South, Range 25 East</u>	<u>Township 22 South, Range 26 East</u>
Section 22: East Half (E $\frac{1}{2}$)	Section 19: All
Section 23: All	Section 30: All except the
Section 24: All	Southeast Quarter
Section 25: All	of the Southeast
Section 26: All	Quarter (SE $\frac{1}{4}$ SE $\frac{1}{4}$)
Section 27: East Half (E $\frac{1}{2}$)	Section 31: All
Section 34: East Half (E $\frac{1}{2}$)	
Section 35: All	
Section 36: All	

Statement of Participating and Beneficial Interests
Participating in 50% of Phillips and 50% of Wilson Acreages

<u>Party</u>	<u>Tract No.</u>	<u>Lease Burdens</u>	<u>Acres</u>		<u>Percentage</u>	
			<u>Participating</u>	<u>Beneficial</u>	<u>Participating</u>	<u>Beneficial</u>
Union Oil Company of California	1	15.50%	680.00	574.60	10.19766	10.08167
	2	15.50%	560.00	473.20	8.39807	8.30256
	3	15.50%	637.12	538.37	9.55460	9.44600
	9	12.50%	101.67	88.96	1.52470	1.56085
	12	16.00%	19.06	16.01	.28583	.28090
	Total			1997.85	1691.14	29.96086
Gulf Oil Corporation	4	15.50%	797.28	673.70	11.95645	11.82044
	5	15.50%	160.00	135.20	2.39945	2.37216
	6	15.50%	160.00	135.20	2.39945	2.37216
	13	12.50%	160.00	140.00	2.39945	2.45638
	9	12.50%	69.18	60.53	1.03746	1.06203
	12	16.00%	12.97	10.89	.19450	.19107
Total			1359.43	1155.52	20.38676	20.27424
Olen F. Featherstone	7	13.00%	80.00	69.60	1.19973	1.22117
	9	12.50%	4.34	3.80	.06501	.06659
	12	16.00%	.81	.68	.01222	.01202
	Total		85.15	74.08	1.27696	1.29978
Featherstone Corporation	7	13.00%	80.00	69.60	1.19972	1.22117
	9	12.50%	4.33	3.79	.06501	.06658
	12	16.00%	.82	.69	.01222	.01202
	Total		85.15	74.08	1.27695	1.29977
Ernest Hanson	8	13.00%	160.00	139.20	2.39945	2.44234
	9	12.50%	8.67	7.59	.13002	.13317
	12	16.00%	1.63	1.37	.02444	.02404
	Total		170.30	148.16	2.55391	2.59955
Wilson Oil Company	9	12.50%	320.00	280.00	4.79890	4.91275
	Total		320.00	280.00	4.79890	4.91275
Phillips Petroleum Company	12	16.00%	60.00	50.40	.89979	.88430
	Total		60.00	50.40	.89979	.88430

<u>Party</u>	<u>Tract No.</u>	<u>Lease Burdens</u>	<u>Acres</u>		<u>Percentage</u>	
			<u>Participating</u>	<u>Beneficial</u>	<u>Participating</u>	<u>Beneficial</u>
Honolulu Oil Corporation	10	16.00%	880.00	739.20	13.19696	12.96967
	11	15.50%	320.00	270.40	4.79890	4.74432
	15	12.50%	480.00	420.00	7.19834	7.36913
	16	12.50%	195.95	171.46	2.93857	3.00836
	17	12.50%	320.00	280.00	4.79890	4.91276
	18	12.50%	120.00	105.00	1.79959	1.84228
	9	12.50%	125.43	109.75	1.88102	1.92562
	12	16.00%	<u>23.51</u>	<u>19.75</u>	<u>.35257</u>	<u>.34652</u>
	Total			2464.89	2115.56	36.96485
Leonard Oil Company	14	12.50%	117.85	103.12	1.76734	1.80930
	9	12.50%	6.38	5.58	.09568	.09790
	12	16.00%	<u>1.20</u>	<u>1.01</u>	<u>.01800</u>	<u>.01772</u>
	Total		<u>125.43</u>	<u>109.71</u>	<u>1.88102</u>	<u>1.92492</u>
Total (Unit)			<u>6668.20</u>	<u>5699.45</u>	<u>100.00000</u>	<u>100.00000</u>

Recapitulation of Participating and Beneficial Percentages

<u>Party</u>	<u>Percentage</u>	
	<u>Participating</u>	<u>Beneficial</u>
Union Oil Company of California	29.96086	29.67198
Gulf Oil Corporation	20.38676	20.27424
Olen F. Featherstone	1.27696	1.29978
Featherstone Corporation	1.27695	1.29977
Ernest Hanson	2.55391	2.59955
Wilson Oil Company	4.79890	4.91275
Phillips Petroleum Company	.89979	.88430
Honolulu Oil Corporation	36.96485	37.11867
Leonard Oil Company	<u>1.88102</u>	<u>1.92492</u>
Total	<u>100.00000</u>	<u>100.00000</u>

December 12, 1960

Case 2141

EXHIBIT "B"
 McKITTRICK CANYON UNIT
 EDDY COUNTY, NEW MEXICO

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Committed Working Interest & Percentage
<u>FEDERAL LANDS:</u>							
1.	Township 22 South, Range 25 East Section 22: SE $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ Section 23: W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$	680.00	NM 023091 August 1, 1956	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	\$500.00 per acre out of 3%, which royalty is owned as follows: Marion V. Harris & Lawrence C. Harris, Box 6657, Roswell, N.M. -1.50%. The Blanco Company, Box 146, Roswell, N.M. - 1.50%.	Union - 100%
2.	Township 22 South, Range 25 East Section 26: NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 27: NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	560.00	NM 023022 August 1, 1956	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	\$750.00 per acre out of 3%, which royalty is owned by Emmett D. White & wife Blanche V. White, Box 146, Roswell, N.M.	Union - 100%
3.	Township 22 South, Range 26 East Section 30: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$, E $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ Township 22 South, Range 25 East Section 35: SE $\frac{1}{4}$ NE $\frac{1}{4}$	637.12	NM 016754 May 1, 1955	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	\$500.00 per acre out of 3%, which royalty is owned by T.J. Deason, Jr. & wife, June C. Deason, 1804 W. 4th St., Roswell, N.M.	Union - 100%
4. (1)	Township 22 South, Range 25 East Section 23: E $\frac{1}{2}$ E $\frac{1}{2}$ Section 24: N $\frac{1}{2}$ Township 22 South, Range 26 East Section 19: Lots 1, 2, 3, 4 E $\frac{1}{2}$ W $\frac{1}{2}$	797.28	LC 064528-C February 1, 1951	USA - 12 $\frac{1}{2}$ %	F.W. Estill, Box 1023, Kermit, Texas (Optioned to Gulf Oil Corp.)	\$750.00 per acre out of 3%, which royalty is owned as follows: Roy L. Flood & wife, Dixie D. Flood, 712 N. Main St., Roswell, N.M. -1.65%. Ernest A. Hanson, Box 852, Roswell, N.M. -1.35%.	F.W. Estill - 100%

(1) Gulf Oil Corporation is acquiring Tract No. 4 by assignment subject to approval of the Director, Bureau of Land Management.

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Effective Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty & Percentage</u>	<u>Committed Working Interest & Percentage</u>
5.	Township 22 South, Range 26 East Section 19: NE $\frac{1}{4}$	160.00	LC 067965 April 1, 1952	USA - 12 $\frac{1}{2}$ %	F.W. Estill, Box 1023, Kermit, Texas (Optioned to Gulf Oil Corp.)	\$500.00 per acre out of 3%, which royalty is owned as follows: Mrs. Mary Didlake & husband, Tom Didlake, Rt. 2, Box 79-A, Roswell, N.M.-1.65%. Ernest A. Hanson, Box 852, Roswell, N.M.-1.35%.	F.W. Estill - 100%
6.	Township 22 South, Range 26 East Section 19: SE $\frac{1}{4}$	160.00	NM 06320 September 1, 1952	USA - 12 $\frac{1}{2}$ %	Gulf Oil Corp.	\$750.00 per acre out of 3%, which royalty is owned as follows: Mrs. W.H. Milner & husband, W.H. Milner, 609 S. Lea, Roswell, N.M.-1.65%. Ernest A. Hanson, Box 852, Roswell, N.M.-1.35%.	Mrs. W.H. Milner - 100%
7.	Township 22 South, Range 25 East Section 24: N $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	LC 064528-D February 1, 1951 Expires 4-30-62	USA - 12 $\frac{1}{2}$ %	Olen F. Featherstone Roswell Pet. Bldg. Roswell, N.M.	Roy L. Flood, 611 S. Missouri, Roswell, N.M. - $\frac{1}{2}$ of 1% ORR	Olen F. Featherstone - 100%
8.	Township 22 South, Range 25 East Section 24: SW $\frac{1}{4}$	160.00	LC 064528 February 1, 1951	USA - 12 $\frac{1}{2}$ %	Ernest Hanson	Roy L. Flood, 611 S. Missouri, Roswell, N.M. - $\frac{1}{2}$ of 1% ORR	Ernest Hanson - 100%
9.	Township 22 South, Range 25 East Section 25: All	640.00	NM 015078 October 1, 1954	USA - 12 $\frac{1}{2}$ %	Wilson Oil Company Box 627, Santa Fe, N.M.	None	Wilson Oil Co. - 100%
10. (2)	Township 22 South, Range 25 East Section 26: SE $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 27: S $\frac{1}{2}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$ Section 35: N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$	880.00	NM 034925 August 1, 1958	USA - 12 $\frac{1}{2}$ %	Fred M. Cassidy (Optioned to Honolulu Oil Corp.)	Irma M. Hanson & husband, L.A. Hanson, 512 Garst St., Artesia, N.M.-3%; Fred M. Cassidy - $\frac{1}{2}$ of 1%	Fred M. Cassidy - 100%

(2) Honolulu Oil Corporation is acquiring Tract No. 10 by assignment subject to approval of the Director, Bureau of Land Management.

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Committed Working Interest & Percentage
11.	Township 22 South, Range 25 East Section 34: E $\frac{1}{2}$	320.00	LC 064548 February 1, 1951	USA - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	Grady Southworth & wife, Ethel Marie Southworth, 108 W. Albuquerque, Roswell, N.M. - 3%	Honolulu - 100%
12.	Township 22 South, Range 25 East Section 35: N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$	120.00	NM 0879 December 1, 1951	USA - 12 $\frac{1}{2}$ %	Mrs. Zela D. McBride (Optioned to Phillips Petroleum Co.)	Zela D. Wood (former- Ly Zela D. McBride) (formerly McBride) 220 S. Eudora, Denver, 100% Colo. $\frac{1}{2}$ %; Eleanor L. Rettig, Box 1597, Midland, Texas - 1 $\frac{1}{2}$ %; Ora R. Hall, Jr., Box 1681, Santa Fe, N.M. - 1 $\frac{1}{2}$ %.	Mrs. Zela D. Wood (formerly McBride) 100%
13.	Township 22 South, Range 25 East Section 24: S $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	LC 064528-E February 1, 1951 Expires 4-30-62	USA - 12 $\frac{1}{2}$ %	Featherstone Corp. Roswell Pet. Bldg. Roswell, N.M.	Roy L. Flood, 611 S. Missouri, Roswell, N.M. - $\frac{1}{2}$ of 1% ORR; Olen F. Featherstone, Roswell Pet. Bldg., Roswell, N.M. - 5%.	Featherstone Corp 100%
TOTAL 13 FEDERAL TRACTS		5,274.40 Acres					

STATE LANDS:

14.	Township 22 South, Range 25 East Section 36: SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$	160.00	E-6066 March 10, 1952	State of N.M. - 12 $\frac{1}{2}$ %	Gulf Oil Corporation	None	Gulf Oil Corporation - 100%
15.	Township 22 South, Range 26 East Section 31: Lots 1 & 2 (W $\frac{1}{2}$ NW $\frac{1}{4}$) NE $\frac{1}{4}$ SW $\frac{1}{4}$	117.85	E-5225 May 10, 1951	State of N.M. - 12 $\frac{1}{2}$ %	Leonard Oil Co., Box 708, Roswell, N.M.	None	Leonard Oil Co. - 100%
16.	Township 22 South, Range 25 East Section 36: N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$	480.00	OG-3943 June 17, 1958	State of N.M. - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	None	Honolulu - 100%
17.	Township 22 South, Range 26 East Section 31: Lots 3 & 4, E $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$	195.95	OG-4643 October 21, 1958	State of N.M. - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	None	Honolulu - 100%

Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Committed Working Interest & Percentage
18.	Township 22 South, Range 26 East Section 31: E $\frac{1}{2}$	320.00	OG-2287 March 18, 1958	State of N.M. - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	None	Honolulu - 100%
TOTAL 5 STATE TRACTS		1,273.80 Acres					

FFF LANDS:

19.	Undivided $\frac{1}{2}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 22, Township 22 South, Range 25 East	60.00 net	Ralph A. Shugart & wife, Rena Shugart, Artesia, N.M., Lease dated 7-29-58, expires 7-29-68	- All	Honolulu Oil Corp.	None	Honolulu - 100%
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19.	Undivided $\frac{1}{4}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 22, Township 22 South, Range 25 East	30.00 net	Johney Cockburn & wife, Thelma Cockburn, 711 Fair Bldg., Ft. Worth, Texas, lease dated 7-29-58, expires 7-29-68	- All	Honolulu Oil Corp.	None	Honolulu - 100%
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19.	Undivided $\frac{1}{8}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 22, Township 22 South, Range 25 East	15.00 net	C.M. McElhannon & wife, Reine McElhannon, Box 1657, Ft. Worth, Texas, lease dated 7-29-58, expires 7-29-68	- All	Honolulu Oil Corp.	None	Honolulu - 100%
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19.	Undivided $\frac{1}{8}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 22, Township 22 South, Range 25 East	15.00 net	Gertrude Bennett & Mae Smith, Ft. Worth, Texas, & Rose Salzman & husband, Albert Salzman, Houston, Texas. Lease dated 7-29-58, expires 7-29-68	- All	Honolulu Oil Corp.	None	Honolulu - 100%
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<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Effective Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty & Percentage</u>	<u>Committed Working Interest & Percentage</u>
20.	SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 30, Township 22 South, Range 26 East	40.00	J.S. Windham & wife, Alma Gray, Windham, Carlisbad, New Mexico. Lease dated 5-7-58, expires 5-7-68.	Lessors - All	Skelly Oil Company	None	Skelly - 100%
Two Fee Tracts - 160 Acres							
TOTAL 20 TRACTS IN ENTIRE UNIT AREA 6,708.20 Acres							

EXHIBIT "B"
McKITTRICK CANYON UNIT
EDDY COUNTY, NEW MEXICO

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Effective Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty & Percentage</u>	<u>Committed Working Interest & Percentage</u>
<u>FEDERAL LANDS:</u>							
1.	Township 22 South, Range 25 East Section 22: SE $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ Section 23: W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$	680.00	NM 023091 August 1, 1956	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	\$500.00 per acre out of 3%, which royalty is owned as follows: Marion V. Harris & Lawrence C. Harris, Box 6657, Roswell, N.M. -1.50%. The Blanco Company, Box 146, Roswell, N.M. - 1.50%.	Union - 100%
2.	Township 22 South, Range 25 East Section 26: NW $\frac{1}{4}$, NW $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 27: NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	560.00	NM 023022 August 1, 1956	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	\$750.00 per acre out of 3%, which royalty is owned by Emmett D. White & wife Blanche V. White, Box 146, Roswell, N.M.	Union - 100%
3.	Township 22 South, Range 26 East Section 30: Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, W $\frac{1}{2}$ E $\frac{1}{2}$, E $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ Township 22 South, Range 25 East Section 35: SE $\frac{1}{4}$ NE $\frac{1}{4}$	637.12	NM 016754 May 1, 1955	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	\$500.00 per acre out of 3%, which royalty is owned by T.J. Deason, Jr. & wife, June C. Deason, 1804 W. 4th St., Roswell, N.M.	Union - 100%
4.	(1) Township 22 South, Range 25 East Section 23: E $\frac{1}{4}$ E $\frac{1}{2}$ Section 24: N $\frac{1}{2}$ Township 22 South, Range 26 East Section 19: Lots 1, 2, 3, 4 E $\frac{1}{2}$ W $\frac{1}{2}$	797.28	LC 064528-C February 1, 1951	USA - 12 $\frac{1}{2}$ %	F.W. Estill, Box 1023, Kermit, Texas (Optioned to Gulf Oil Corp.)	\$750.00 per acre out of 3%, which royalty is owned as follows: Roy I. Flood & wife, Dixie D. Flood, 712 N. Main St., Roswell, N.M. -1.65%. Ernest A. Hanson, Box 852, Roswell, N.M. -1.35%.	F.W. Estill-100%

(1) Gulf Oil Corporation is acquiring Tract No. 4 by assignment subject to approval of the Director, Bureau of Land Management.

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Effective Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty & Percentage</u>	<u>Committed Working Interest & Percentage</u>
5.	Township 22 South, Range 26 East Section 19: NE $\frac{1}{4}$	160.00	LC 067965 April 1, 1952	USA - 12 $\frac{1}{2}$ %	F.W. Estill, Box 1023, Kermit, Texas (Optioned to Gulf Oil Corp.)	\$500.00 per acre out of 3%, which royalty is owned as follows: Mrs. Mary Didlake & husband, Tom Didlake, Rt. 2, Box 79-A, Roswell, N.M. -1.65%. Ernest A. Hanson, Box 852, Roswell, N.M. -1.35%.	Mrs. W.H. Milner - 100%
6.	Township 22 South, Range 26 East Section 19: SE $\frac{1}{4}$	160.00	NM 06320 September 1, 1952	USA - 12 $\frac{1}{2}$ %	Gulf Oil Corp.	\$750.00 per acre out of 3%, which royalty is owned as follows: Mrs. W.H. Milner & husband, W.H. Milner, 609 S. Lea, Roswell, N.M. -1.65%. Ernest A. Hanson, Box 852, Roswell, N.M. -1.35%.	Mrs. W.H. Milner - 100%
7.	Township 22 South, Range 25 East Section 24: N $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	LC 064528-D February 1, 1951 Expires 4-30-62	USA - 12 $\frac{1}{2}$ %	Olen F. Featherstone Roswell Pet. Bldg. Roswell, N.M.	Roy L. Flood, 611 S. Missouri, Roswell, N.M. - $\frac{1}{2}$ of 1% ORR	Olen F. Featherstone - 100%
8.	Township 22 South, Range 25 East Section 24: SW $\frac{1}{4}$	160.00	LC 064528 February 1, 1951	USA - 12 $\frac{1}{2}$ %	Ernest Hanson	Roy L. Flood, 611 S. Missouri, Roswell, N.M. - $\frac{1}{2}$ of 1% ORR	Ernest Hanson - 100%
9.	Township 22 South, Range 25 East Section 25: All	640.00	NM 015078 October 1, 1954	USA - 12 $\frac{1}{2}$ %	Wilson Oil Company Box 627, Santa Fe, N.M.	None	Wilson Oil Co. 100%
10. (2)	Township 22 South, Range 25 East Section 26: SE $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ Section 27: S $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ Section 35: N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ S $\frac{1}{2}$	880.00	NM 034925 August 1, 1958	USA - 12 $\frac{1}{2}$ %	Fred M. Cassidy (Optioned to Honolulu Oil Corp.)	Irma M. Hanson & husband, L.A. Hanson, 512 Garst St., Artesia, N.M. - 3%; Fred M. Cassidy - $\frac{1}{2}$ of 1%	Fred M. Cassidy 100%

(2) Honolulu Oil Corporation is acquiring Tract No. 10 by assignment subject to approval of the Director, Bureau of Land Management.

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Effective Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty & Percentage</u>	<u>Committed Working Interest & Percentage</u>
11.	Township 22 South, Range 25 East Section 34: E $\frac{1}{2}$	320.00	LC 064548 February 1, 1951	USA - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	Grady Southworth & wife, Ethel Marie Southworth, 108 W. Albuquerque, Roswell, N.M. - 3%.	Honolulu - 100%
12.	Township 22 South, Range 25 East Section 35: N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$	120.00	NM 0879 December 1, 1951	USA - 12 $\frac{1}{2}$ %	Mrs. Zela D. McBride (Optioned to Phillips Petroleum Co.)	Zela D. Wood (former- Mrs. Zela D. Wood ly Zela D. McBride) (formerly McBride) 220 S. Eudora, Denver, 100% Colo. $\frac{1}{2}$ %; Eleanor L. Rettig, Box 1597, Midland, Texas - 1 $\frac{1}{2}$ %; Ora R. Hall, Jr., Box 1681, Santa Fe, N.M. - 1 $\frac{1}{2}$ %.	
13.	Township 22 South, Range 25 East Section 24: S $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	LC 064528-E February 1, 1951 Expires 4-30-62	USA - 12 $\frac{1}{2}$ %	Featherstone Corp. Roswell Pet. Bldg. Roswell, N.M.	Roy L. Flood, 611 S. Missouri, Roswell, N.M. - $\frac{1}{2}$ of 1% ORR; Olen F. Featherstone, Roswell Pet. Bldg., Roswell, N.M. - 5%.	Featherstone Corp 100%
TOTAL 13 FEDERAL TRACTS		5,274.40 Acres					

STATE LANDS:

14.	Township 22 South, Range 25 East Section 36: SE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$	160.00	E-6066 March 10, 1952	State of N.M. - 12 $\frac{1}{2}$ %	Gulf Oil Corporation	None	Gulf Oil Corporation - 100%
15.	Township 22 South, Range 26 East Section 31: Lots 1 & 2 (W $\frac{1}{2}$ NW $\frac{1}{4}$) NE $\frac{1}{4}$ SW $\frac{1}{4}$	117.85	E-5225 May 10, 1951	State of N.M. - 12 $\frac{1}{2}$ %	Leonard Oil Co., Box 708, Roswell, N.M.	None	Leonard Oil Co. - 100%
16.	Township 22 South, Range 25 East Section 36: N $\frac{1}{2}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ NW $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$	480.00	OG-3943 June 17, 1958	State of N.M. - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	None	Honolulu - 100%
17.	Township 22 South, Range 26 East Section 31: Lots 3 & 4, E $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$	195.95	OG-4643 October 21, 1958	State of N.M. - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	None	Honolulu - 100%

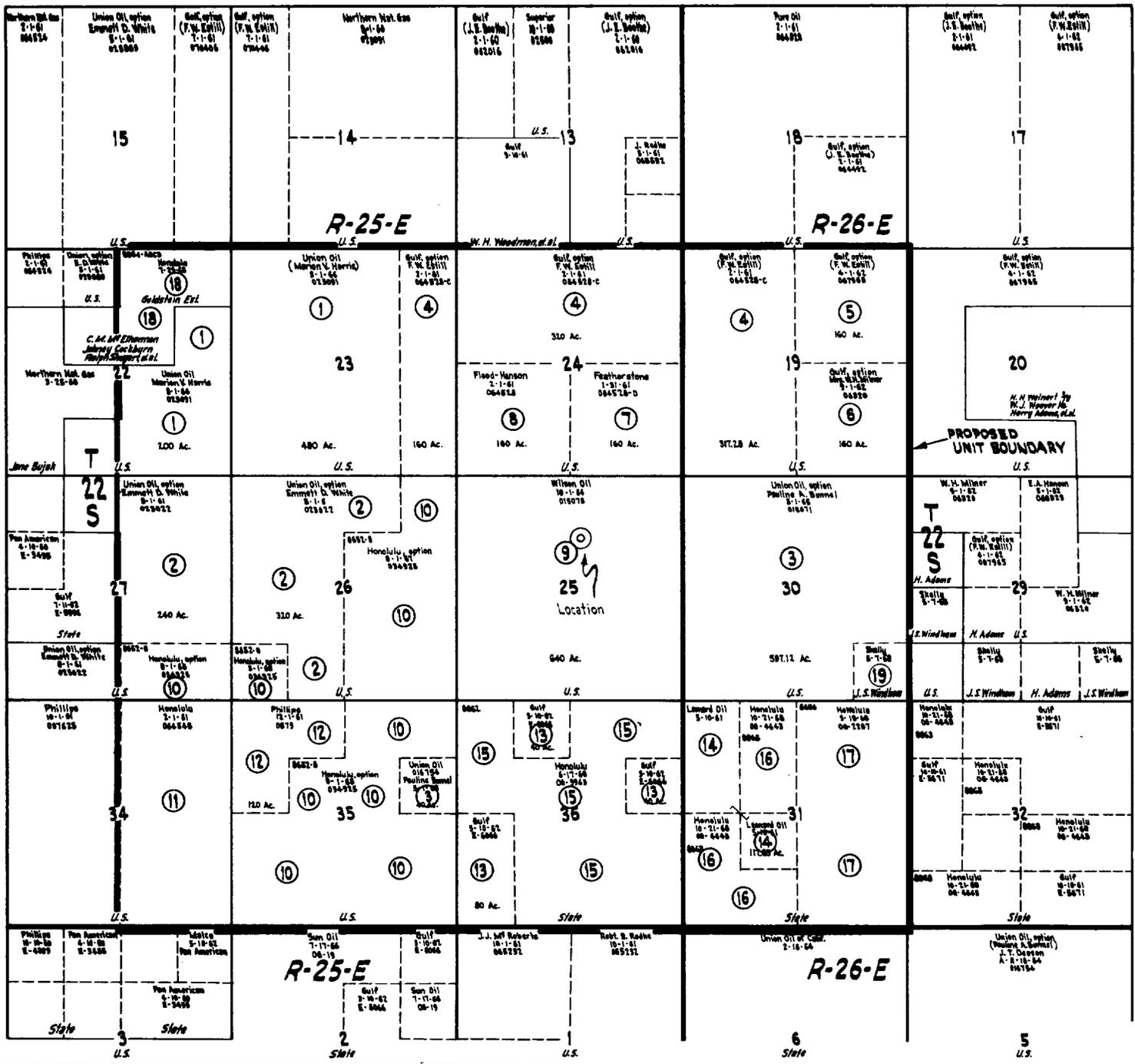
Tract No.	Description of Land	No. of Acres	Serial No. & Effective Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty & Percentage	Committed Working Interest & Percentage
18.	Township 22 South, Range 26 East Section 31: E $\frac{1}{2}$	320.00	OG-2287 March 18, 1958	State of N.M. - 12 $\frac{1}{2}$ %	Honolulu Oil Corp.	None	Honolulu - 100%
TOTAL 5 STATE TRACTS		1,273.80 Acres					
<u>FEE LANDS:</u>							
19.	Undivided $\frac{1}{2}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ of Section 22, Township 22 South, Range 25 East	60.00 net	Ralph A. Shugart & wife, Rena Shugart, Artesia, N.M., Lease dated 7-29-58, expires 7-29-68	Lessors - All	Honolulu Oil Corp.	None	Honolulu - 100%
19.	Undivided $\frac{1}{4}$ interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 22, Township 22 South, Range 25 East	30.00 net	Johney Cockburn & wife, Thelma Cockburn, 711 Fair Bldg., Ft. Worth, Texas, lease dated 7-29-58, expires 7-29-68	Lessors - All	Honolulu Oil Corp.	None	Honolulu - 100%
19.	Undivided 1/8 interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 22, Township 22 South, Range 25 East	15.00 net	C.M. McElhannon & wife, Reine McElhannon, Box 1657, Ft. Worth, Texas, Lease dated 7-29-58, expires 7-29-68	Lessors - All	Honolulu Oil Corp.	None	Honolulu - 100%
19.	Undivided 1/8 interest in N $\frac{1}{2}$ NE $\frac{1}{4}$ & SW $\frac{1}{4}$ NE $\frac{1}{4}$ Section 22, Township 22 South, Range 25 East	15.00 net	Gertrude Bennett & Mae Smith, Ft. Worth, Texas, & Rose Salzman & husband, Albert Salzman, Houston, Texas. Lease dated 7-29-58, expires 7-29-68	Lessors - All	Honolulu Oil Corp.	None	Honolulu - 100%

<u>Tract No.</u>	<u>Description of Land</u>	<u>No. of Acres</u>	<u>Serial No. & Effective Date of Lease</u>	<u>Basic Royalty & Percentage</u>	<u>Lessee of Record</u>	<u>Overriding Royalty & Percentage</u>	<u>Committee Working Int & Percent</u>
20.	SE $\frac{1}{4}$ SE $\frac{1}{4}$ Section 30, Township 22 South, Range 26 East	40.00	J.S. Windham & wife, Alma Gray, Windham, Carlisbad, New Mexico. Lease dated 5-7-58, expires 5-7-68.	Lessors - All	Skelly Oil Company	None	Skelly - 10
Two Fee Tracts - 160 Acres							
TOTAL 20 TRACTS IN ENTIRE UNIT AREA 6,708.20 Acres							

Case No.

2141

Land - Exhibits



FEDERAL LANDS

TRACT	SERIAL NO.	WORKING INTEREST OWNER	ACRES IN UNIT
1.	N. M. 023091	Union Oil Co. of California	680.00
2.	N. M. 023022	Union Oil Co. of California	560.00
3.	N. M. 016754	Union Oil Co. of California	637.12
4.	L. C. 064528-C	F. W. Estill (Optioned to Gulf Oil Corporation)	797.28
5.	L. C. 067965	F. W. Estill (Optioned to Gulf Oil Corporation)	160.00
6.	N. M. 06320	Mrs. W. H. Miller (Optioned to Gulf Oil Corporation)	160.00
7.	L. C. 064528-D	Olen F. Featherstone	160.00
8.	L. C. 064528	Ernest A. Hanson	160.00
9.	N. M. 015078	Wilson Oil Company	640.00
10.	N. M. 034925	Fred M. Cassidy (Optioned to Honolulu Oil Corporation)	880.00
11.	L. C. 064548	Honolulu Oil Corporation	320.00
12.	N. M. 0879	Mrs. Zela D. McBride (Optioned to Phillips Petroleum Company)	120.00
Total Federal			5,274.40

STATE LANDS

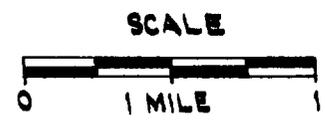
TRACT	LEASE NO.	WORKING INTEREST OWNER	ACRES IN UNIT
13.	E-6066	Gulf Oil Corporation	160.00
14.	E-5225	Leonard Oil Company	117.85
15.	OG-3943	Honolulu Oil Corporation	480.00
16.	OG-4643	Honolulu Oil Corporation	195.95
17.	OG-2287	Honolulu Oil Corporation	320.00
Total State			1,273.80

FEE LANDS

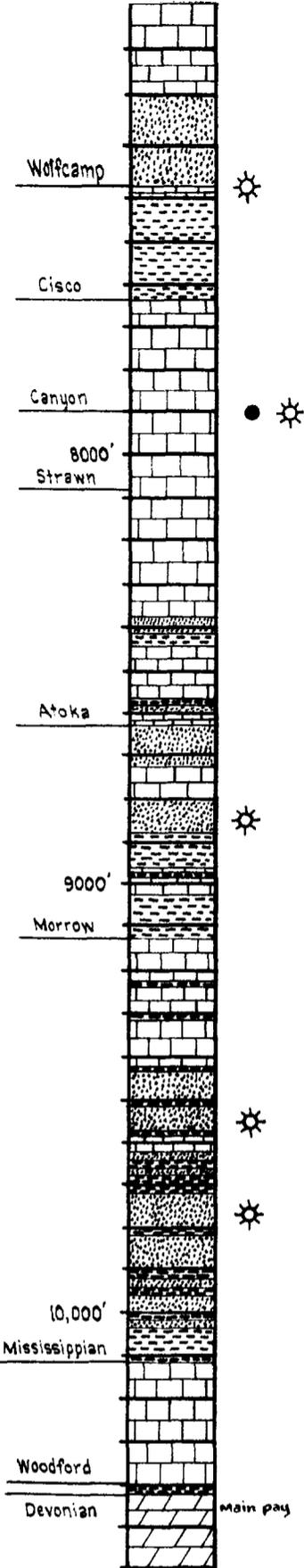
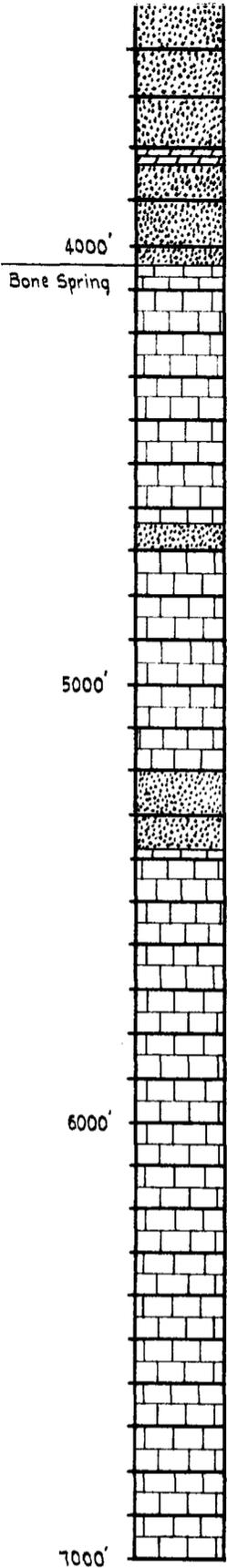
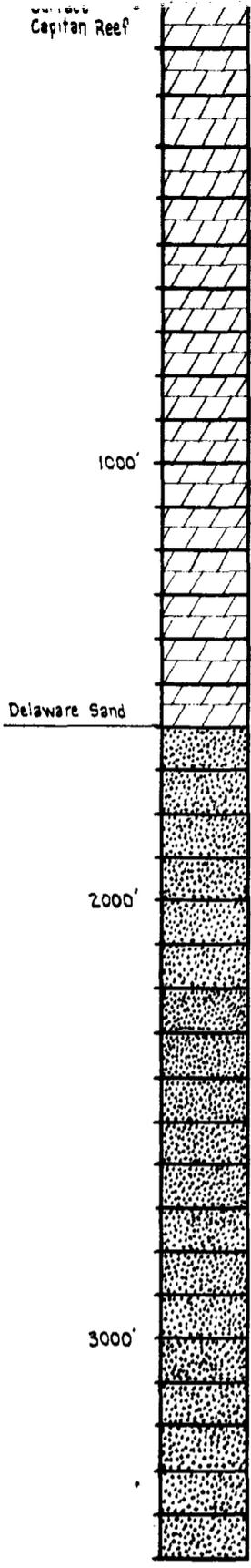
TRACT	LEASE NAME	WORKING INTEREST OWNER	ACRES IN UNIT
18.	Ralph A. Shugart et al	Honolulu Oil Corporation	120.00
19.	J.S. Windham	Skelly Oil Company	40.00

TOTAL ACREAGE IN UNIT AREA 6,708.20

EXHIBIT A
MCKITTRICK CANYON UNIT AREA
T-22-S - R-25 & 26-E
EDDY COUNTY, NEW MEXICO



LARGE FORMAT
EXHIBIT HAS
BEEN REMOVED
AND IS LOCATED
IN THE NEXT FILE

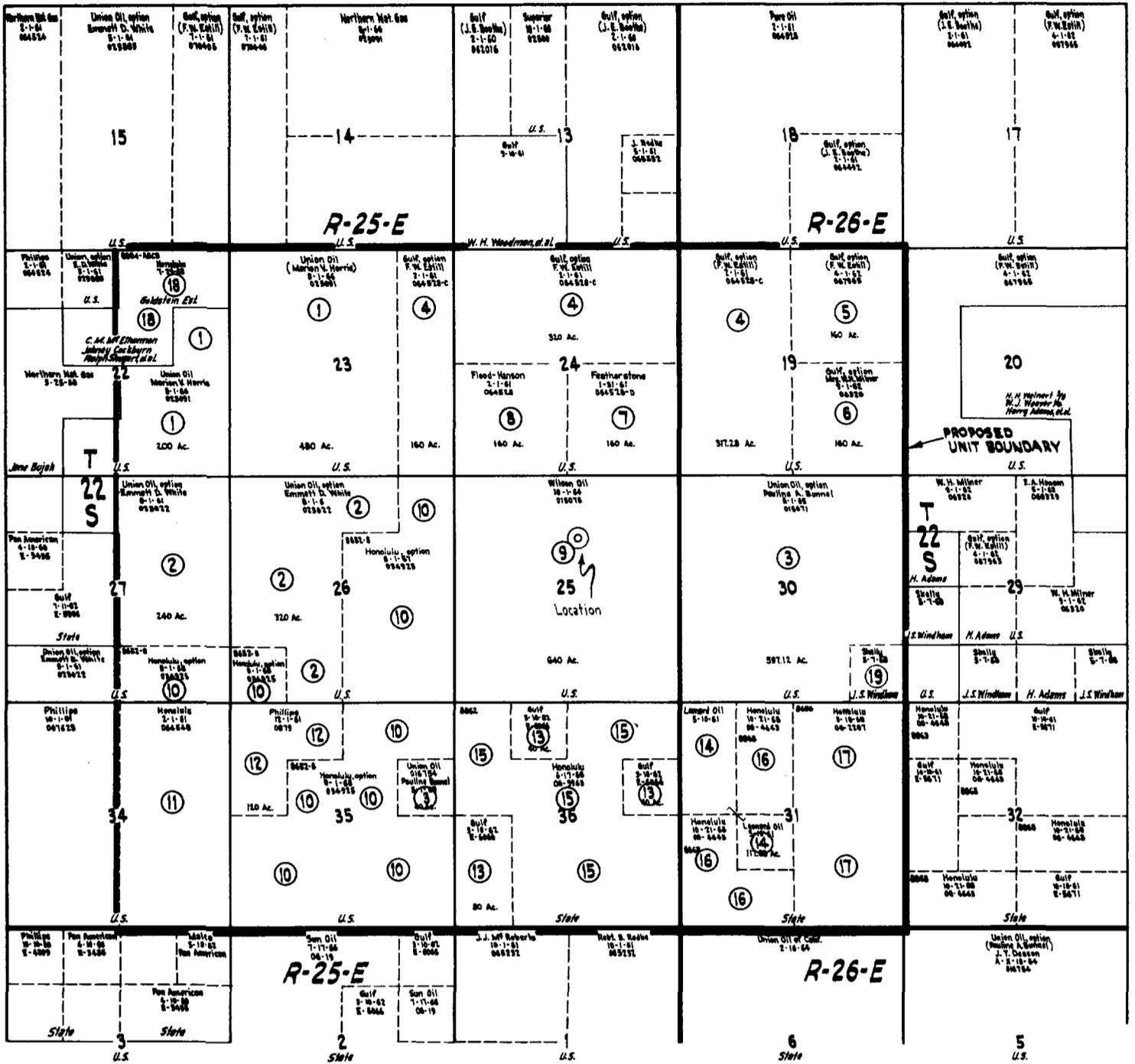


- SAND
- LIME
- DOLOMITE
- SHALE

STRATIGRAPHIC SECTION
MSKITTRICK CANYON UNIT AREA
 EDDY COUNTY, NEW MEXICO
 T-22-S, R-25 & 26-E

VERTICAL SCALE: 1" = 200'

Exhibit No 6
 Chart 4



FEDERAL LANDS

TRACT	SERIAL NO.	WORKING INTEREST OWNER	ACRES IN UNIT
1.	N. M. 023091	Union Oil Co. of California	680.00
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3.	N. M. 016754	Union Oil Co. of California	637.12
4.	L. C. 064528-C	F. W. Estill (Optioned to Gulf Oil Corporation)	797.28
5.	L. C. 067965	F. W. Estill (Optioned to Gulf Oil Corporation)	160.00
6.	N. M. 06320	Mrs. W. H. Miller (Optioned to Gulf Oil Corporation)	160.00
7.	L. C. 064528-D	Olen F. Featherstone	160.00
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		Total Federal	5,274.40

STATE LANDS

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FEE LANDS

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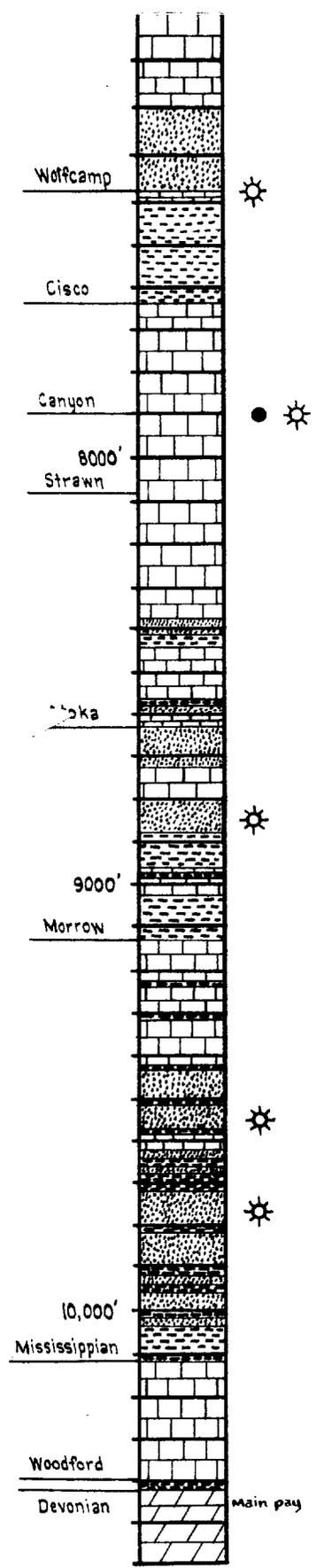
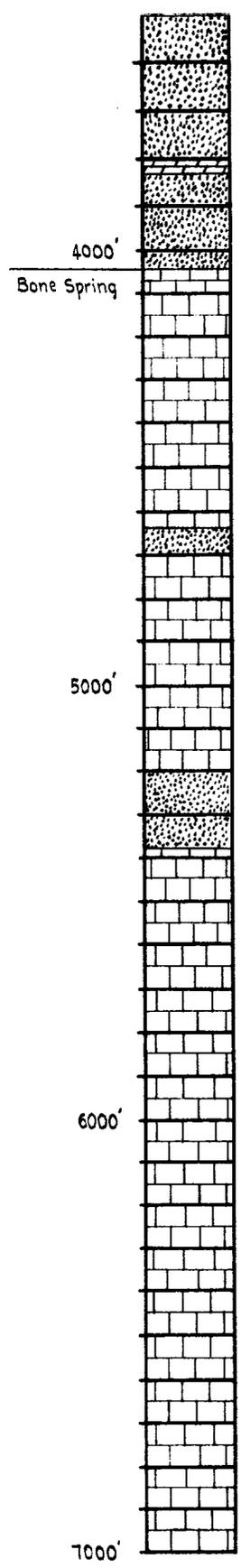
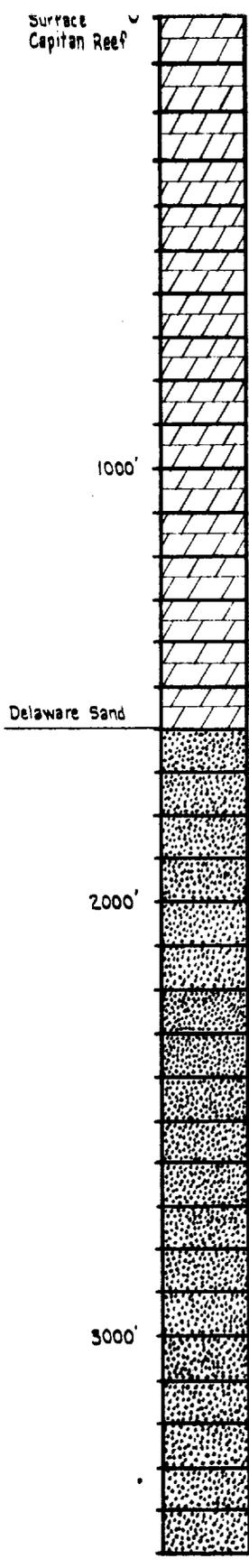
TOTAL ACREAGE IN UNIT AREA **6,708.20**

EXHIBIT A

**MCKITTRICK CANYON UNIT AREA
T-22-S - R-25 & 26-E
EDDY COUNTY, NEW MEXICO**

SCALE





- SAND
- LIME
- DOLOMITE
- SHALE

STRATIGRAPHIC SECTION
MKITTRICK CANYON UNIT AREA
 EDDY COUNTY, NEW MEXICO
 T-22-S, R-25 & 26-E

VERTICAL SCALE: 1" = 200'

Exhibit No 6
 Chart 4