

C. W. TRAINER

P. O. BOX 2222

PHONE EX 7-1518

205 NORTH LINAM STREET

HOBBS, NEW MEXICO

July 18, 1963

2773

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

Re: NMOCC Case No. 2773 and Order No.  
R-2454, Hume Queen Unit Agreement  
Hume Queen Field  
Lea County, New Mexico

Attention: Mr. A. L. Porter, Secretary

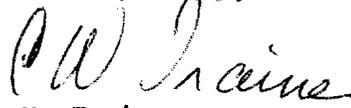
Dear Mr. Porter:

Attached you will find a copy of the Hume Queen Unit Agreement and copies of revised Exhibits A and B for the Agreement. These are being submitted in accordance with the provisions of Order R-2454. We wish to apologize for not submitting this information earlier but we failed to do so through an oversight.

We wish to point out that the Original Exhibit A has now been revised two times and both revisions are so marked. The second revision of Exhibit A was necessitated by a conveyance from Shell Oil Company wherein they transferred part of their interest in Tracts 4, 5, and 7 to several parties. The one revision of Exhibit B was necessitated by Burk Royalty Company refusal to join the Unit on the Effective Date.

All qualifications were met and the Unit became effective on May 1, 1963.

Yours very truly,



C. W. Trainer  
Hume Queen Unit Operator

OKG:vp  
Encls.

UNIT AGREEMENT  
HUME QUEEN UNIT  
LEA COUNTY, NEW MEXICO

TABLE OF CONTENTS

Section		Page
	Preliminary Recitals . . . . .	1
ARTICLE 1		
DEFINITIONS		
1.1 . . . . .	Unit Area . . . . .	1
1.2 . . . . .	Unitized Formation . . . . .	2
1.3 . . . . .	Unitized Substances . . . . .	2
1.4 . . . . .	Working Interest . . . . .	2
1.5 . . . . .	Royalty Interest . . . . .	2
1.6 . . . . .	Royalty Owner . . . . .	2
1.7 . . . . .	Working Interest Owner . . . . .	2
1.8 . . . . .	Tract . . . . .	2
1.9 . . . . .	Unit Operating Agreement . . . . .	3
1.10 . . . . .	Unit Operator . . . . .	3
1.11 . . . . .	Tract Participation . . . . .	3
1.12 . . . . .	Unit Participation . . . . .	3
1.13 . . . . .	Outside Substances . . . . .	3
1.14 . . . . .	Total Tract Production . . . . .	3
1.15 . . . . .	Total Unit Area Production . . . . .	3
1.16 . . . . .	Tract Well Factor . . . . .	3
1.17 . . . . .	Total Unit Area Well Factor . . . . .	3
1.18 . . . . .	Tract Cumulative Production . . . . .	3
1.19 . . . . .	Total Unit Area Cumulative Production . . . . .	4
1.20 . . . . .	Oil and Gas Rights . . . . .	4
1.21 . . . . .	Unit Operations . . . . .	4
1.22 . . . . .	Unit Equipment . . . . .	4
1.23 . . . . .	Unit Expense . . . . .	4
1.24 . . . . .	Singular and Plural Gender . . . . .	4
ARTICLE 2		
EXHIBITS		
2.1 . . . . .	Exhibits . . . . .	4
	2.1.1 Exhibit A - Tract Participation . . . . .	4
	2.1.2 Exhibit B - Map of Unit Area . . . . .	4
2.2 . . . . .	Reference to Exhibits . . . . .	4
2.3 . . . . .	Exhibits Considered Correct . . . . .	4
2.4 . . . . .	Correcting Errors . . . . .	5
2.5 . . . . .	Filing Revised Exhibits . . . . .	5
ARTICLE 3		
CREATION AND EFFECT OF UNIT		
3.1 . . . . .	Oil and Gas Rights Unitized . . . . .	5
3.2 . . . . .	Personal Property Excepted . . . . .	5
3.3 . . . . .	Amendment of Leases and Other Agreements . . . . .	6
3.4 . . . . .	Continuation of Leases and Term Royalties . . . . .	6
	3.4.1 Operations on any Tract Continues Lease in Effect . . . . .	6
	3.4.2 Lease Continuation Until Unit Termination . . . . .	6
	3.4.3 Segregated Leases and Extension of Term . . . . .	6
3.5 . . . . .	Titles Unaffected by Unitization . . . . .	7
3.6 . . . . .	Injection Rights . . . . .	7
3.7 . . . . .	Development Obligation . . . . .	7

Section

Page

ARTICLE 4

PLAN OF OPERATIONS

4.1 . . . . .	.Unit Operator. . . . .	7
4.2 . . . . .	.Operating Methods. . . . .	8
4.3 . . . . .	.Change of Operating Methods. . . . .	8

ARTICLE 5

TRACT PARTICIPATION

5.1 . . . . .	.Tract Participation. . . . .	8
5.2 . . . . .	.Relative Tract Participation . . . . .	8

ARTICLE 6

ALLOCATION OF UNITIZED SUBSTANCES

6.1 . . . . .	.Allocation to Tracts . . . . .	9
6.2 . . . . .	.Distribution Within Tracts . . . . .	9
6.3 . . . . .	.Taking Unitized Substances in Kind . . . . .	9
6.4 . . . . .	.Failure to Take in Kind. . . . .	10
6.5 . . . . .	.Responsibility for Royalty Settlements . . . . .	10

ARTICLE 7

PRODUCTION AS OF THE EFFECTIVE DATE

7.1 . . . . .	.Oil in Lease Tanks . . . . .	11
7.2 . . . . .	.Overproduction . . . . .	11

ARTICLE 8

USE OR LOSS OF UNITIZED SUBSTANCES

8.1 . . . . .	.Use of Unitized Substances . . . . .	11
8.2 . . . . .	.Royalty Payments . . . . .	12

ARTICLE 9

TRACTS TO BE INCLUDED IN UNIT

9.1 . . . . .	.Qualification of Tracts. . . . .	12
	9.1.1 If all Working Interest and More Than 85% Royalty Interest Ratifies . . . . .	12
	9.1.2 If all Working Interest and Less Than 85% Royalty Interest Ratifies . . . . .	12
	9.1.3 If Less than 100% Working Interest Ratifies. . . . .	13
9.2 . . . . .	.Subsequent Commitment of Interest to Unit . . . . .	14
9.3 . . . . .	.Revision of Exhibits . . . . .	14

ARTICLE 10

TITLES

10.1 . . . . .	.Removal of Tract from Unit Area. . . . .	14
10.2 . . . . .	.Revision of Exhibits . . . . .	14
10.3 . . . . .	.Working Interest Titles. . . . .	14
10.4 . . . . .	.Production Where Title is in Dispute . . . . .	15
10.5 . . . . .	.Payment of Taxes to Protect Title. . . . .	15

ARTICLE 11

EASEMENTS OR USE OF SURFACE

11.1 . . . . . Grant of Easements . . . . . 16  
 11.2 . . . . . Use of Water . . . . . 16  
 11.3 . . . . . Surface Damages. . . . . 16

ARTICLE 12

ENLARGEMENT OF UNIT AREA

12.1 . . . . . Enlargement of Unit Area . . . . . 16  
     12.1.1 Acreage Qualification. . . . . 16  
     12.1.2 Participation. . . . . 16  
     12.1.3 No Retroactive Allocation or Adjustment. . . . . 16  
     12.1.4 Royalty Interest Ratification. . . . . 16  
 12.2 . . . . . Determination of Tract Participation . . . . . 17  
 12.3 . . . . . Effective Date . . . . . 17

ARTICLE 13

CHANGE OF TITLE

13.1 . . . . . Covenant Running With the Land . . . . . 17  
 13.2 . . . . . Notice of Transfer . . . . . 17  
 13.3 . . . . . Waiver of Rights to Partition. . . . . 17  
 13.4 . . . . . New Interest . . . . . 17

ARTICLE 14

RELATIONSHIP OF PARTIES

14.1 . . . . . No Partnership . . . . . 18  
 14.2 . . . . . No Sharing of Market . . . . . 18  
 14.3 . . . . . Royalty Owners Free of Costs . . . . . 18  
 14.4 . . . . . Information to Royalty Owners. . . . . 19

ARTICLE 15

LAWS AND REGULATIONS

15.1 . . . . . Laws and Regulations . . . . . 19

ARTICLE 16

FORCE MAJEURE

16.1 . . . . . Force Majeure. . . . . 19

ARTICLE 17

EFFECTIVE DATE

17.1 . . . . . Effective Date . . . . . 19  
     17.1.1 Percentage Qualified . . . . . 20  
     17.1.2 Counterpart to Be Filed. . . . . 20  
     17.1.3 NMOCC Approval . . . . . 20  
     17.1.4 Commissioner of Public Lands to Approve. . . . . 20  
 17.2 . . . . . Ipso Facto Termination . . . . . 20

ARTICLE 18

TERM

18.1 . . . . .Term . . . . . 20  
 18.2 . . . . .Termination by Working Interest Owners . . . . . 21  
 18.3 . . . . .Effect of Termination. . . . . 21  
 18.4 . . . . .Salvaging Equipment Upon Termination . . . . . 21

ARTICLE 19

EXECUTION

19.1 . . . . .Original, Counterpart or Other Instrument. . . . . 21  
 19.2 . . . . .Joinder in Dual Capacity . . . . . 21

ARTICLE 20

GENERAL

20.1 . . . . .Amendments Affecting Working Interest Owners . . . . . 21  
 20.2 . . . . .Action by Working Interest Owners. . . . . 21  
 20.3 . . . . .Lien of Unit Operator. . . . . 22

UNIT AGREEMENT  
HUME QUEEN UNIT  
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 27<sup>th</sup> day of July, 1963, by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof;

WITNESSETH:

WHEREAS, In the interest of the public welfare and to promote conservation and increase the ultimate recovery of oil, gas, and associated minerals from the Hume Queen Field, in Lea County, State of New Mexico, and to protect the rights of the owners of interests therein, it is deemed necessary and desirable to enter into this agreement to unitize the Oil and Gas Rights in and to the Unitized Formation in order to conduct a secondary recovery, pressure maintenance, or other recovery program as herein provided; and

WHEREAS, The Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature, Laws of 1951, Chapter 7, Article 2, Section 41 New Mexico Statutes, 1953, Annotated to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interest of the State of New Mexico; and

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

NOW, THEREFORE, In consideration of the premises and of the mutual agreements herein contained, it is agreed as follows:

ARTICLE 1

DEFINITIONS

As used in this agreement, the terms herein contained shall have the following meaning:

1.1 Unit Area means the lands described by Tracts in Exhibit A and shown on Exhibit B as to which this agreement become effective or to which it may be extended as herein provided.

1.2 Unitized Formation means that subsurface portion of the Unit Area commonly known or described as follows: The Queen Sand Formation encountered in the drilling of the J. Don Hudgens Phillips State No. 3 now known as the C. W. Trainer Phillips State No. 3 well between the depths of Three Thousand Nine Hundred and Twenty Two (3922) feet and Three Thousand Nine Hundred and Forty Four (3944) feet as shown by the Gamma Ray-Neutron Log of said well which is located 1980 feet from South line and 660 feet from East line of Section 8, Township 16 South, Range 34 East, Lea County, New Mexico.

1.3 Unitized Substances means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

1.4 Working Interest means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing, and operating the Unitized Formation. Any interest in Unitized Substances which is a Working Interest as of the date the owner thereof executes or ratifies this Agreement shall thereafter be treated as a Working Interest for all purposes of this Agreement.

1.5 Royalty Interest means a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

1.6 Royalty Owner means a party hereto who owns a Royalty Interest.

1.7 Working Interest Owner means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

1.8 Tract means each parcel of land having a common ownership described as such and given a Tract number in Exhibit A.

1.9 Unit Operating Agreement means that Agreement entitled "Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico" of the same effective date as the effective date of this Agreement and which is entered into by Working Interest Owners.

1.10 Unit Operator means the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to develop and operate the Unitized Formation, acting as operator and not as a Working Interest Owner.

1.11 Tract Participation means the percentage shown on Exhibit A for allocating Unitized Substances to a Tract under this agreement.

1.12 Unit Participation of each Working Interest Owner means the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

1.13 Outside Substances means all substances obtained from any source other than the Unitized Formation and which are injected into the Unitized Formation.

1.14 Total Tract Production means the total oil production from the Unitized Formation under each Tract from January 1, 1962, to November 1, 1962, inclusive as reported to the Oil Conservation Commission of the State of New Mexico by operators of the individual Tracts.

1.15 Total Unit Area Production means the summation of the oil production defined in Section 1.14 of all Tracts in the Unit Area.

1.16 Tract Well Factor means the total well points for all wells on a Tract where a producer equals 3 points, a cased dry hole equals 2 points, and an uncased dry hole equals 1 point.

1.17 Total Unit Area Well Factor means the summation of the Tract Well Factors as defined in Section 1.16 for all Tracts in the Unit Area.

1.18 Tract Cumulative Production means the total cumulative oil production from the Unitized Formation under each Tract to November 1, 1962, as reported to the Oil Conservation Commission of the State of New Mexico by operators of the individual Tracts.

1.19 Total Unit Area Cumulative Production means the summation of the cumulative oil production defined in Section 1.18 of all Tracts in the Unit Area.

1.20 Oil and Gas Rights means the right to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

1.21 Unit Operations means all operations conducted by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of the development and operations of the Unitized Formation for the production of Unitized Substances.

1.22 Unit Equipment means all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

1.23 Unit Expense means all cost, expense, or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of Unit Operations.

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

## ARTICLE 2

### EXHIBITS

2.1 Exhibits. Attached hereto are the following exhibits which are incorporated herein by reference:

2.1.1 Exhibit A, which is a schedule that describes each Tract in the Unit Area and shows its Tract Participation.

2.1.2 Exhibit B, which is a map that shows the boundary lines of the Unit Area and the Tracts therein.

2.2 Reference to Exhibits. When reference herein is made to an exhibit, the reference is to the Exhibit as originally attached or, if revised, to the latest revision.

2.3 Exhibits Considered Correct. An exhibit shall be considered to be correct until revised as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the effective date hereof, should be divided into more than one Tract, or that any mechanical miscalculation has been made, Unit Operator, with the approval of Working Interest Owners, may correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an exhibit shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit.

2.5 Filing Revised Exhibits. If an exhibit is revised pursuant to this agreement, Unit Operator shall certify and file the revised exhibit with the Commissioner of Public Lands of the State of New Mexico and for record with the County Clerk of Lea County, New Mexico.

### ARTICLE 3

#### CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. Subject to the provisions of this agreement, all Oil and Gas Rights of Royalty Owners in and to the lands described in Exhibit A, and all Oil and Gas Rights of Working Interest Owners in and to said lands, are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formation, so that Operations may be conducted as if the Unitized Formation had been included in a single lease executed by all Royalty Owners, as lessors, in favor of all Working Interest Owners, as lessees, and as if the lease had been subject to all of the provisions of this agreement.

3.2 Personal Property Excepted. All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners. The rights and interests therein as among Working

Interest Owners are covered by the Unit Operating Agreement.

3.3 Amendment of Leases and Other Agreements. The provisions of the various leases, agreements, division and transfer orders, or other instruments covering the respective Tracts or the production therefrom are amended to the extent necessary to make them conform to the provisions of this agreement, but otherwise shall remain in effect.

3.4 Continuation of Leases and Term Royalties. Unit Operations conducted on any part of the Unit Area shall be considered with respect to leases and term royalties as follows:

3.4.1 Operations, including drilling operations, conducted with respect to the Unitized Formation on any part of the Unit Area, or production from any part of the Unitized Formation, except for the purpose of determining payments to Royalty Owners, shall be considered as operations upon or production from each Tract, and such operations or production shall continue in effect each lease or term royalty interest as to all lands covered thereby just as if such operations had been conducted and a well had been drilled on and was producing from each Tract.

3.4.2 Any lease embracing lands of the State of New Mexico which is made subject to this Agreement shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

3.4.3 Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to the portion committed and that portion not committed, and the terms of such lease shall apply separately as to such segregated portions commencing as of the effective date hereof. 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 land committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease (whether within or without the Unit Area), (i) if, and for so long as Unitized Substances are

capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement, or (ii) if, and for so long as some part of the lands embraced in such State lease are allocated Unitized Substances; or (iii) 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 therein and for so long as such operations are being diligently prosecuted, and if they result in the production of Unitized Substances, said lease shall continue in full force and effect as to all the lands embraced therein, as provided in (i) and (ii) above.

3.5 Titles Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to the Oil and Gas Rights by any party hereto to any other party or to Unit Operator. The intention is to provide for the cooperative development and operation of the Tracts and for the sharing of Unitized Substances as herein provided.

3.6 Injection Rights. Royalty Owners hereby grant unto Working Interest Owners the right to inject into the Unitized Formation any substances in whatever amounts Working Interest Owners deem expedient for Unit Operations, including the right to drill and maintain injection wells on the Unit Area and to use producing or abandoned oil or gas wells or wells that have never been produced for such purposes.

3.7 Development Obligation. Nothing herein shall relieve Working Interest Owners from the obligation to develop reasonably as a whole the lands and leases committed hereto.

#### ARTICLE 4

##### PLAN OF OPERATIONS

4.1 Unit Operator. Working Interest Owners are as of the effective date of this Agreement entering into the Unit Operating Agreement designating C. W. Trainer as Unit Operator. Unit Operator shall have the exclusive right to conduct Unit Operations. The operations shall conform to the provisions of this Agreement and the Unit Operating Agreement. If there is any conflict between such Agreements this Agreement shall govern.

4.2 Operating Methods. To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, Working Interest Owners shall, with diligence and in accordance with good engineering and production practices, engage in methods of operation of the Unit Area which from time to time will in their judgment be conducive to that end within practicable economic limits, including water flooding operations and such other pressure maintenance, repressuring and secondary recovery operations as may be deemed by them to be necessary or proper to achieve that end.

4.3 Change of Operating Methods. Nothing herein shall prevent Working Interest Owners from discontinuing or changing in whole or in part any method of operations which, in their opinion, is no longer in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by Working Interest Owners from time to time if determined by them to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances.

## ARTICLE 5

### TRACT PARTICIPATION

5.1 Tract Participation. The Tract Participation of each Tract is shown on Exhibit A. The participation percentages shown in Exhibit A were determined in accordance with the following formula:

$$\begin{array}{rcl}
 \frac{\text{Total Tract Production}}{\text{Total Unit Area Production}} & \times & 25 \\
 \text{plus} & & \\
 \frac{\text{Tract Well Factor}}{\text{Total Unit Area Well Factor}} & \times & 25 \\
 \text{plus} & & \\
 \frac{\text{Tract Cumulative Production}}{\text{Total Unit Area Cumulative Production}} & \times & 50 \\
 \text{= Tract Participation Percentage} & & 
 \end{array}$$

5.2 Relative Tract Participations. If the Unit Area is enlarged or reduced, the revised Tract Participations of the Tracts remaining in the Unit Area and which were within the Unit Area prior to the enlargement or reduction shall remain in the same ratio one to another.

## ARTICLE 6

### ALLOCATION OF UNITIZED SUBSTANCES

6.1 Allocation to Tracts. All Unitized Substances produced and saved shall be allocated to the several Tracts in accordance with the respective Tract Participations effective during the period that the Unitized Substances were produced. The amount of Unitized Substances allocated to each Tract, regardless of whether it is more or less than the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such tract.

6.2 Distribution Within Tracts. The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this agreement not been entered into, and with the same legal effect. If any Oil and Gas Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the owners of the divided interest, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract.

6.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided that they are so constructed, maintained, and operated as not to interfere with the Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the receiving party. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of the Unitized

6.4 Failure to Take in Kind. If any party fails to take in kind or separately dispose of its share of Unitized Substances, Unit Operator shall have the right, but not the obligation, for the time being and subject to revocation at will by the party owning the share, to purchase for its own account or sell to others such share at not less than the average market price for all such sales from the Unitized Formation; provided that, all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto. If, under the provisions of this paragraph, Unit Operator contracts to sell in interstate commerce any gas not taken in kind or separately disposed of by the owning party, Unit Operator shall give such owning party ninety (90) days notice of such sale.

6.5 Responsibility for Royalty Settlements. Any party receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract or receiving the proceeds therefrom shall be responsible for the payment thereof to the persons entitled thereto, and shall indemnify all parties hereto, including Unit Operator, against any liability for all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of such Unitized Substances or the proceeds therefrom.

## ARTICLE 7

### PRODUCTION AS OF THE EFFECTIVE DATE

7.1 Oil in Lease Tanks. Unit Operator shall gauge all lease and other tanks within the Unit Area to ascertain the amount of merchantable oil produced from the Unitized Formation in such tanks, above the pipe line connections, as of 7:00 a.m. on the effective date hereof. The oil that is a part of the prior allowable on the wells from which it was produced shall remain the property of the parties entitled thereto the same as if the Unit had not been formed. Any such oil not promptly removed may be sold by the Unit Operator for the account of the parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the provisions of the applicable lease or other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after the effective date hereof.

7.2 Overproduction. If, as of the effective date hereof, any Tract is overproduced with respect to the allowable of the wells on that Tract and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the effective date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

## ARTICLE 8

### USE OR LOSS OF UNITIZED SUBSTANCES

8.1 Use of Unitized Substances. Working Interest Owners may use as much of the Unitized Substances as they deem necessary for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.

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

## ARTICLE 9

### TRACTS TO BE INCLUDED IN UNIT

9.1 Qualification of Tracts. On and after the effective date hereof and until the enlargement or reduction thereof, the Unit Area shall be composed of the Tracts listed in Exhibit A that qualify as follows:

9.1.1 Each tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement and as to which Royalty Owners owning eighty five percent (85%) or more of the Royalty Interest have become parties to this agreement.

9.1.2 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement, and as to which Royalty Owners owning less than eighty five percent (85%) of the Royalty Interest have become parties to this agreement, and as to which (a) all Working Interest Owners in such Tract have joined in a request for the inclusion of such Tract in the Unit Area, and as to which (b) eighty five percent (85%) of the combined voting interests of Working Interest Owners in all Tracts that meet the requirements of Section 9.1.1 have voted in favor of the inclusion of such Tract. For the purpose of this Section 9.1.2, the voting interests of a Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Section 9.1.1 bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Section 9.1.1.

9.1.3 Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have become parties to this agreement, regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (a) the Working Interest Owner who operates the Tract and all of the other Working Interest Owners in such Tract who have become parties to this agreement have joined in a request for inclusion of such Tract in the Unit Area, and have executed and delivered an indemnity agreement agreeing to indemnify and hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns, against all claims and demands that may be made by the owners of Working Interests in such Tract who are not parties to this agreement, and which arise out of the inclusion of the Tract in the Unit Area; and as to which (b) eighty five percent (85%) of the combined voting interest of Working Interest Owners in all Tracts that meet the requirements of Sections 9.1.1 and 9.1.2 have voted in favor of the inclusion of such Tract and to accept the indemnity agreement. For the purpose of this Section 9.1.3, the voting interest of each Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Section 9.1.1 and 9.1.2 bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Sections 9.1.1 and 9.1.2. Upon the inclusion of such a Tract in the Unit Area, the Unit Participation that would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreement, in proportion to their respective Working Interests in the Tract.

9.2 Subsequent Commitment of Interest to Unit. After the effective date hereof, the commitment of any interest in any Tract within the Unit Area shall be upon such terms as may be negotiated by Working Interest Owners and the owner of such interest and upon approval by the Commissioner of Public Lands.

9.3 Revision of Exhibits. If any of the Tracts in Exhibit A fail to qualify for inclusion in the Unit Area on the effective date hereof Unit Operator shall recompute, using the original basis of computation, the Tract Participation of each of the qualifying Tracts and shall revise Exhibits A and B accordingly, to be effective as of the effective date hereof upon approval by the Commissioner of Public Lands of the State of New Mexico.

## ARTICLE 10

### TITLES

10.1 Removal of Tract from Unit Area. If a Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this agreement to meet the conditions of Article 9 because of failure of title of any party hereto, such Tract shall be removed from the Unit Area effective as of the first day of the calendar month in which the failure of title is finally determined; however, the Tract shall not be removed from the Unit Area, if, within ninety (90) days of the date of final determination of the failure of title, the Tract requalifies under a Section of Article 9.

10.2 Revision of Exhibits. If a Tract is removed from the Unit Area because of the failure of title, Unit Operator, subject to Section 5.2, shall recompute the Tract Participation of each of the Tracts remaining in the Unit Area and shall revise Exhibits A and B accordingly. The revised exhibits shall be effective as of the first day of the calendar month in which such failure of title is finally determined.

10.3 Working Interest Titles. If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of the failure of title shall be governed by the Unit Operating Agreement.

10.4 Royalty Owner Titles. If title to a Royalty Interest fails, but the Tract to which it relates is not removed from the Unit Area, the party whose title failed shall not be entitled to share hereunder with respect to such interest.

10.5 Production Where Title is in Dispute. If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the discretion of Working Interest Owners shall either:

(a) require that the party to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid, furnish security for the proper accounting therefor to the rightful owner if the title or right of such party fails in whole or in part, or

(b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the party rightfully entitled thereto.

10.6 Payment of Taxes to Protect Title. The owners of (1) the surface rights to lands within the Unit Area, (2) the several mineral or Royalty Interests in the lands, and (3) the improvements located on the lands not utilized for Unit Operations, shall individually be responsible for the rendition and assessment for ad valorem tax purposes of all such property, and for the payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner. If any ad valorem taxes are not paid by such owner responsible therefor when due, Unit Operator may, with approval of Working Interest Owners, at any time prior to tax sale, or expiration of period of redemption after tax sale, pay the same, redeem such property, and discharge such tax liens as may arise through non-payment. Any such payment shall be treated as an item of Unit Expense. Unit Operator shall, if possible, withhold from any proceeds derived from the sale of Unitized Substances otherwise due to any delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholding to be credited to the joint account. Such withholding shall be without prejudice to any other remedy, either at law or at equity, which may be available for exercise by the Unit Operator or by the Working Interest Owners.

## ARTICLE 11

### EASEMENTS OR USE OF SURFACE

11.1 Grant of Easements. The parties hereto, to the extent of their rights and interest, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may reasonably be necessary for Unit Operations; provided that, nothing herein shall be construed as leasing or otherwise conveying to Working Interest Owners a site for a water, gas injection, processing or other plant, or camp site.

11.2 Use of Water. Working Interest Owners shall have free use of water from the Unit Area for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner.

11.3 Surface Damages. Working Interest Owners shall pay the owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations.

## ARTICLE 12

### ENLARGEMENTS OF UNIT AREA

12.1 Enlargements of Unit Area. The Unit Area may be enlarged to include acreage reasonably proved to be productive, upon such terms as may be determined by Working Interest Owners and upon approval by the Commissioner of Public Lands of the State of New Mexico and the Oil Conservation Commission of the State of New Mexico, including but not limited to, the following:

12.1.1 The acreage shall qualify under a Section of Article 9.

12.1.2 The participation to be allocated to the acreage shall be reasonable, fair, and based on all available information.

12.1.3 There shall be no retroactive allocation or adjustment of Unit Expense or of interests in the Unitized Substances produced, or proceeds thereof; however, this limitation shall not prevent an adjustment of investment by reason of the enlargement.

12.1.4 The execution or ratification of this Agreement, by a person owning a Royalty Interest in any Tract being brought into

the Unit Area by an enlargement, shall have the effect of committing to the Unit his Royalty Interest in each Tract being added to the Unit, as well as in each Tract previously included in the Unit Area.

12.2 Determination of Tract Participation. Unit Operator, subject to Section 5.2, shall determine the Tract Participation of each Tract within the Unit Area as enlarged, and shall revise Exhibits A and B accordingly.

12.3 Effective Date. The effective date of any enlargement of the Unit Area shall be 7:00 a.m. on the first day of the calendar month following approval by the Commissioner of Public Lands and compliance with conditions for enlargement as specified by Working Interest Owners, approval of the enlargement by the appropriate governmental authority, if required, and the filing for record of revised Exhibits A and B in the records of the County or Counties in which this agreement is recorded.

#### ARTICLE 13

##### CHANGE OF TITLE

13.1 Covenant Running With the Land. This agreement shall extend to, be binding upon, and inure to the benefit of, the respective heirs, devisees, legal representatives, successors, and assigns of the parties hereto, and shall constitute a covenant running with the lands, leases, and interest covered hereby.

13.2 Notice of Transfer. Any conveyance of all or any part of any interest owned by any party hereto with respect to any Tract shall be made expressly subject to this agreement. No change of title shall be binding on the Unit Operator, or upon any party hereto other than the party so transferring, until the first day of the calendar month next succeeding the date of receipt by Unit Operator of a photocopy or a certified copy of the recorded instrument evidencing such change of ownership.

13.3 Waiver of Rights to Partition. Each party hereto covenants that, during the existence of this agreement, it will not resort to any action to partition the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

13.4 New Interest. If any Working Interest Owner shall, after executing this agreement, create any overriding royalty, production payment, or

other similar interest, hereafter referred to as "New Interest", out of its interest subject to this agreement, such New Interest shall be subject to all the terms and provisions of this agreement. In the event the Working Interest Owner, owning the interest from which the New Interest was created, withdraws from this agreement under the terms of Section 17.1 of the Unit Operating Agreement, or fails to pay any expenses and costs chargeable to it under this agreement and the production to the credit of such Working Interest Owner is insufficient for that purpose, the owner of the New Interest will be liable for the pro rata portion of all costs and expenses for which the original Working Interest Owner, creating such New Interest, would have been liable by virtue of his ownership of the New Interest had the same not been transferred. In this event, the lien provided in Section 20.3 may be enforced against such New Interest. If the owner of the New Interest bears a portion of the costs and expenses or the same is enforced against such New Interest, the owner of the New Interest will be subrogated to the rights of the Unit Operator with respect to the interest primarily chargeable with such costs and expenses.

#### ARTICLE 14

##### RELATIONSHIP OF PARTIES

14.1 No Partnership. The duties, obligations, and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation, or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

14.2 No Sharing of Market. This agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale, or marketing of Unitized Substances.

14.3 Royalty Owners Free of Costs. This agreement is not intended to impose, and shall not be construed to impose, upon any Royalty Owner any obligation to pay for Unit Expense unless such Royalty Owner is otherwise so obligated.

14.4 Information to Royalty Owners. Each Royalty Owner upon written request therefor shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by an existing agreement with any Working Interest Owner.

#### ARTICLE 15

##### LAWS AND REGULATIONS

15.1 Laws and Regulations. This agreement shall be subject to the conservation laws of the State of New Mexico; to the valid rules, regulations, and orders of the Oil Conservation Commission of New Mexico; and to all other applicable federal, state, and municipal laws, rules, regulations, and orders.

#### ARTICLE 16

##### FORCE MAJEURE

16.1 Force Majeure. All obligations imposed by this agreement on each party, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a strike, fire, war, civil disturbance, act of God; by federal, state, or municipal laws; by any rule, regulation, or order of a governmental agency; by inability to secure materials; or by any other cause or causes beyond reasonable control of the party whether similar or dissimilar to those enumerated. No party shall be required against its will to adjust or settle any labor dispute. Neither this agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of Unit Operations due to any one or more of the causes set forth in this Article.

#### ARTICLE 17

##### EFFECTIVE DATE

17.1 Effective Date. This agreement shall become binding upon each party as of the date such party signs the instrument by which it becomes a party hereto, and, unless sooner terminated as provided in Section 17.2, shall become effective as to qualified Tracts at the time and date as determined by the Working Interest Owners in all the qualified Tracts, and set forth in a certificate filed for record by Unit Operator with the County Clerk in Lea County, New Mexico. The certificate shall also recite the percentage of the Unit Area represented by the Tracts qualified under Article 9.

the book and page in which a counterpart of this agreement has been recorded, and the case number and order number of the order of approval by Governmental authority, if obtained. The certificate shall not be filed until after the following requirements have been met:

17.1.1 Tracts comprising eighty five percent (85%) or more of the Unit Area as shown on the original Exhibit B have qualified under the provisions of Article 9.

17.1.2 At least one counterpart of this agreement has been filed for record by Unit Operator in Lea County, New Mexico.

17.1.3 This agreement has been approved by the Oil Conservation Commission of the State of New Mexico.

17.1.4 This agreement has been approved by the Commissioner of Public Lands of the State of New Mexico.

17.2 Ipsa Facto Termination. If the requirements of Section 17.1 are not accomplished on or before December 31, 1963, this agreement shall ipso facto terminate on that date (hereinafter called "termination date") and thereafter be of no further effect, unless prior thereto Working Interest Owners owning a combined Unit Participation of at least eighty five percent (85%) have become parties to this agreement and such parties owning not less than sixty five percent (65%) Unit Participation have decided to extend the termination date for a period not to exceed six (6) months. If the termination date is so extended and the requirements of Section 17.1 are not accomplished on or before the extended termination date, this agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect. For the purpose of this section, Unit Participation shall be as shown on the original Exhibit C attached to the Unit Operating Agreement.

## ARTICLE 18

### TERM

18.1 Term. The term of this agreement shall be for the time that Unitized Substances are produced in paying quantities and as long thereafter as Unit Operations are conducted without a cessation of more than one hundred eighty (180) consecutive days, unless sooner terminated by Working Interest Owners in the manner herein provided.

18.2 Termination by Working Interest Owners. This agreement may be terminated by Working Interest Owners having a combined Unit Participation of at least eighty five percent (85%) whenever such Working Interest Owners determine that Unit Operations are no longer profitable or feasible.

18.3 Effect of Termination. Upon termination of this agreement, the further development and operation of the Unitized Formation as a unit shall be abandoned, Unit Operations shall cease, and thereafter the parties shall be governed by the provisions of the leases and other instruments affecting the separate Tracts.

18.4 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting each Tract unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after the date of termination of this agreement within which to salvage and remove Unit Equipment.

#### ARTICLE 19

##### EXECUTION

19.1 Original, Counterpart, or Other Instrument. A person may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument.

19.2 Joinder in Dual Capacity. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests that may be owned or controlled by such party.

#### ARTICLE 20

##### GENERAL

20.1 Amendments Affecting Working Interest Owners. Amendments hereto relating wholly to Working Interest Owners may be made if signed by all Working Interest Owners.

20.2 Action by Working Interest Owners. Any action or approval required by Working Interest Owners hereunder shall be in accordance with the provisions of the Unit Operating Agreement.

20.3 Lien of Unit Operator. Unit Operator shall have a lien upon the interests of Working Interest Owners in the Unit Area to the extent provided in the Unit Operating Agreement.

IN WITNESS WHEREOF, The parties hereto have executed this agreement on the date opposite their respective signatures.

Date: March 9, 1963

C. W. Trainer  
C. W. TRAINER

Address: 205 North Linam  
P. O. Box 2222  
Hobbs, New Mexico

UNIT OPERATOR & WORKING INTEREST OWNER

Jackie Trainer  
JACKIE TRAINER, his wife

Date: 3 14 63

ATTEST: R. S. [Signature]  
Asst. Secretary

SINCLAIR OIL & GAS COMPANY

By [Signature]  
Vice President

Address P. O. Box 1470  
Midland, Texas

NEW  
RTI

BY

Date: 3/27/63

SHELL OIL COMPANY  
BY: [Signature]  
Attorney in Fact

P.O. Box 1509  
Midland, Texas

Date: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

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

The foregoing instrument was acknowledged before me this 9th  
day of March, 1963, by C. W. TRAINER and JACKIE TRAINER, his wife.

My Commission expires:  
January 23, 1967.

[Signature]  
NOTARY PUBLIC

STATE OF TEXAS )  
 ) ss.  
COUNTY OF Midland )

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of March, 1963, by [Signature],  
of [Signature] a [Signature] corporation,  
on behalf of said corporation.

My Commission expires:  
June 1, 1963

[Signature]  
NOTARY PUBLIC  
Edna Halford

STATE OF Texas )  
 ) ss.  
COUNTY OF Midland )

The foregoing instrument was acknowledged before me this 27  
day of March, 1963, by J. V. Lindsey, Attorney in  
Fact of Shell Oil Company

My Commission expires:  
June 1, 1963

[Signature]  
NOTARY PUBLIC  
Jean Akins  
Notary Public in and for  
Midland County, Texas

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission expires:  
\_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC

20.3 Lien of Unit Operator. Unit Operator shall have a lien upon the interests of Working Interest Owners in the Unit Area to the extent provided in the Unit Operating Agreement.

IN WITNESS WHEREOF, The parties hereto have executed this agreement on the date opposite their respective signatures.

Date: March 16, 1963

C. W. TRAINER

Address: 205 North Linam  
P. O. Box 2222  
Hobbs, New Mexico

UNIT OPERATOR & WORKING INTEREST  
OWNER

JACKIE TRAINER, his wife

Date: MAR 29 1963

CITIES SERVICE OIL COMPANY

ATTEST:  
Asst. Secretary

By George H. ...  
Vice President

Address \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

The foregoing instrument was acknowledged before me this 9th  
day of March, 1963, by C. W. TRAINER and JACKIE TRAINER, his wife.

My Commission expires:  
January 23, 1967.

*Virginia H. Berry*  
NOTARY PUBLIC

STATE OF Oklahoma )  
 ) ss.  
COUNTY OF Washington )

The foregoing instrument was acknowledged before me this 29  
day of March, 1963, by George T. Bunn, Jr., Vice Pres.  
of Cities Service Oil Co., a Delaware corporation,  
on behalf of said corporation.

My Commission expires:  
10-22-64

*Delora Nelson*  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_

My Commission expires:  
\_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_

My Commission expires:  
\_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC

20.3 Lien of Unit Operator. Unit Operator shall have a lien upon the interests of Working Interest Owners in the Unit Area to the extent provided in the Unit Operating Agreement.

IN WITNESS WHEREOF, The parties hereto have executed this agreement on the date opposite their respective signatures.

Date: March 9, 1963 C. W. TRAINER

Address: 205 North Linam  
P. O. Box 2222  
Hobbs, New Mexico

UNIT OPERATOR & WORKING INTEREST  
OWNER

JACKIE TRAINER, his wife

Date: MAR 19 1963

ATTEST:

Secretary

APPROVED	
TRADE	
FORM	<u>ccr</u>
DESCRIPTION	<u>B</u>

THE PURE OIL COMPANY

By [Signature]  
Division Manager,  
Address Southern Producing Division  
First City National Bank Bldg.  
Houston 2, Texas

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

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

The foregoing instrument was acknowledged before me this 9th  
day of March, 1963, by C. W. TRAINER and JACKIE TRAINER, his wife.

My Commission expires:  
January 23, 1967.

Virginia A. Perry  
NOTARY PUBLIC

STATE OF TEXAS )  
 ) ss.  
COUNTY OF HARRIS )

The foregoing instrument was acknowledged before me this 19th  
day of March, 1963, by C. W. Hancock, Division Manager of the Southern  
Producing Division  
/ of The Pure Oil Company, a n Ohio corporation,  
on behalf of said corporation.

My Commission expires:  
June 1, 1963

Jo Ann Brewer JO ANN BREWER  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_

\_\_\_\_\_

My Commission expires:

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
 ) ss.  
COUNTY OF \_\_\_\_\_ )

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_

\_\_\_\_\_

My Commission expires:

\_\_\_\_\_  
NOTARY PUBLIC

\_\_\_\_\_

EXHIBIT A  
TO  
UNIT AGREEMENT  
JUNE QUEEN UNIT  
LEA COUNTY, NEW MEXICO  
TRACT DESCRIPTION, TRACT OWNERSHIP  
AND TRACT PARTICIPATION PERCENTAGE

<u>Tract No.</u>	<u>Tract Description*</u>	<u>No. Acres</u>	<u>Lessee of Record</u>	<u>State Lease No. and Date</u>	<u>Royalty Interest Ownership &amp; Percentage</u>	<u>Working Interest Ownership and Percentage</u>	<u>Percentage Tract Participation</u>
1	Sec. 8, S/2 SW/4	80.00	Shell Oil Company	E1079 November 12, 1946	State of New Mexico 12.50000 Shell Canadian Oil Exploration Co. 6.25000	Roy G. Barton, 25.00000  Jon Hy Bear Trust 18.75000 C. J. Bolmer, 37.50000 David A. Kimbell Trust 18.75000	7.741044
2	Sec. 8, SW/4 NE/4	40.00	Wm. Yeager and Jim Armstrong	E1386 July 10, 1947	State of New Mexico 12.50000	Mabee Royalties, 75.00000 J. M. Armstrong, 12.50000 W. A. Yeager, 12.50000	4.271479
3	Sec. 7, SE/4 and NE/4	320.00	The Pure Oil Company	OG 265 October 16, 1956	State of New Mexico 12.50000	The Pure Oil Company 100.00000	19.586157
4	Sec. 8, SE/4 NE/4	40.00	Shell Oil Company	E8265 June 15, 1954	State of New Mexico 12.50000	Shell Oil Company 100.00000	9.346487
5	Sec. 8, N/2 SW/4 and N/2 NW/4	160.00	Shell Oil Company	E1079 November 12, 1946	State of New Mexico 12.50000	Shell Oil Company 100.00000	15.326796
6	Sec. 9, W/2 W/2	160.00	Shell Oil Company	OG512 January 15, 1957	State of New Mexico 12.50000	Shell Oil Company 100.00000	1.293103

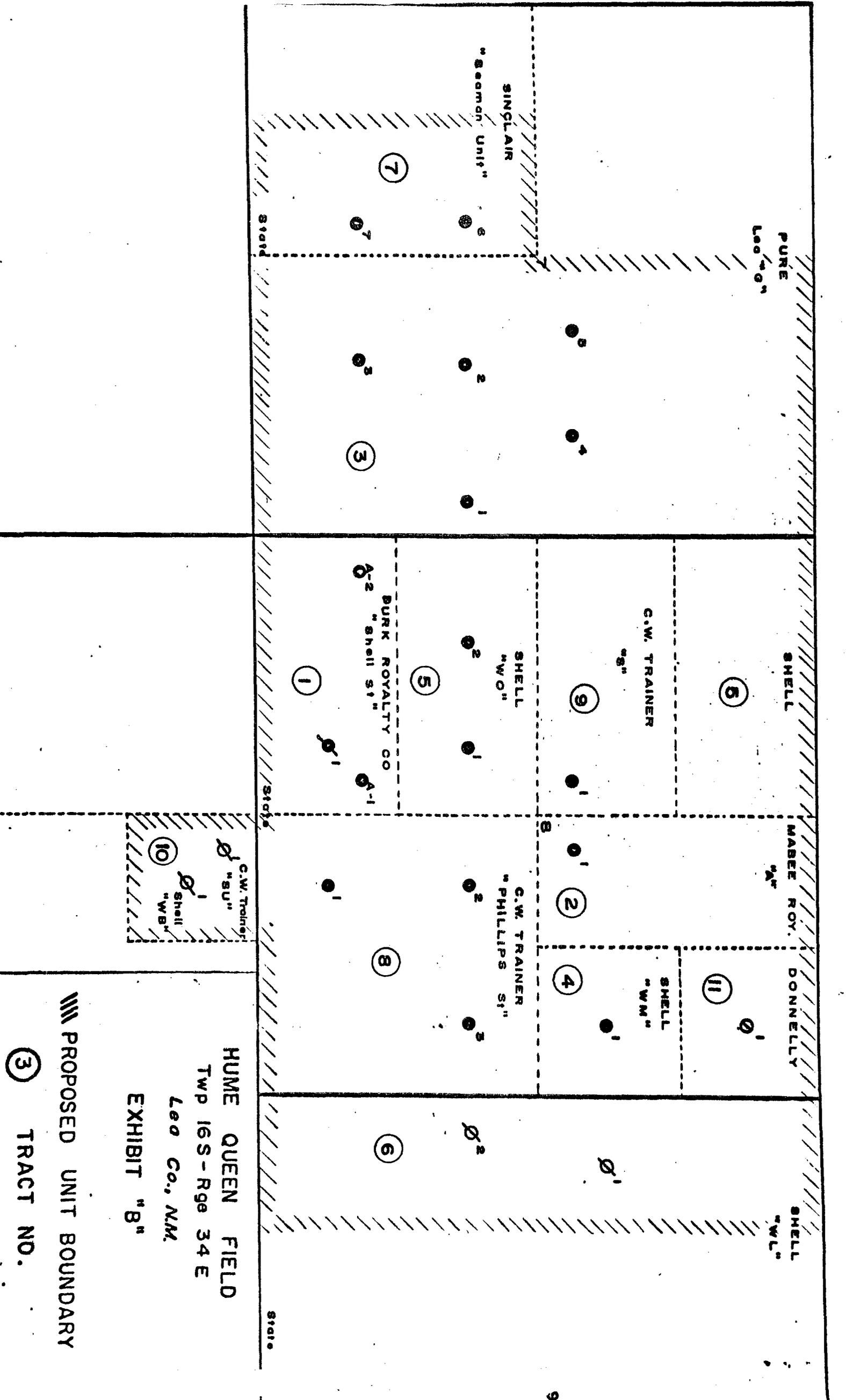
EXHIBIT A  
TO  
UNIT AGREEMENT  
HUME QUEEN UNIT  
LEA COUNTY, NEW MEXICO  
TRACT DESCRIPTION, TRACT OWNERSHIP  
AND TRACT PARTICIPATION PERCENTAGE

<u>Tract No.</u>	<u>Tract Description*</u>	<u>No. Acres</u>	<u>Lessee of Record</u>	<u>State Lease No. and Date</u>	<u>Royalty Interest Ownership &amp; Percentage</u>	<u>Working Interest Ownership and Percentage</u>	<u>Percentage Tract Participati</u>
7**	Sec. 7, E/2 SW/4	80.00	Cities Service Oil Company	E990 September 10, 1946	State of New Mexico 12.50000	Sinclair Oil & Gas Company 35.39378 Cities Service Oil Company 14.21011 Shell Oil Company 37.79705 Skelly Oil Company 12.59906	4.36794
8	Sec. 8, SE/4	160.00	Phillips Petroleum Company	E1186 February 10, 1947	State of New Mexico 12.5000	C. W. Trainer, 35.00000 Roy G. Barton, 50.00000 Carl J. Cahill, 7.50000 George Neill, 7.50000	33.94505
9	Sec. 8, S/2 NW/4	80.00	Shell Oil Company	E1079 November 12, 1946	State of New Mexico 12.50000 Shell Canadian Exploration Co. 6.25000	C. W. Trainer, 25.00000 Roy G. Barton, 50.00000 J. Don Hudgens, Inc. 25.00000***	2.39780
10	Sec. 17, NW/4 NE/4	40.00	Southern Union Gas Company	CG1215 August 20, 1957	State of New Mexico 12.50000 Southern Union Gas Co. 12.50000	C. W. Trainer, 8.33333 Carl J. Cahill, 8.33333**** C. R. McVay and Carmon J. Stafford 75.00000**** George H. Neill, 8.33333****	0.86206

**EXHIBIT A**  
**TO**  
**UNIT AGREEMENT**  
**HINE QUEEN UNIT**  
**LEA COUNTY, NEW MEXICO**  
**TRACT DESCRIPTION, TRACT OWNERSHIP**  
**AND TRACT PARTICIPATION PERCENTAGE**

<u>Tract No.</u>	<u>Tract Description*</u>	<u>No. Acres</u>	<u>Lessee of Record</u>	<u>State Lease No. and Date</u>	<u>Royalty Interest Ownership &amp; Percentage</u>	<u>Working Interest Ownership and Percentage</u>	<u>Percentage Tract Participation</u>
11	Sec. 8, NE/4 NE/4	40.00	Shell Oil Company	E8265 June 15, 1954	State of New Mexico 12.50000 Shell Oil Company 12.50000	Donnelly Drilling Co. 25.00000 L. B. Hodges, 25.00000 J. E. Simmons, 25.00000 W. A. Hudson, 25.00000	0.862069
<b>TOTAL</b>							<b>100.000000</b>

\* All Tracts Located in T16S, R34E.  
 \*\* Tract 7 is a portion of the Seaman Unit and all Tract Participation will be credited to the Seaman Unit.  
 \*\*\* Subject to an Oil Payment out of four fifths (4/5) of Interest to The First National Bank of Hobbs, New Mexico  
 \*\*\*\* Subject to a one-third (1/3) Net Profit Interest.



PURE  
Leo Co.

SINGLAIR  
"Seaman Unit"

(7)

SHELL

(5)

C.W. TRAINER  
"S"

(9)

MABEE ROY.  
"A"

(2)

DONNELLY

(11)

SHELL  
"WM"

(4)

SHELL  
"WL"

SHELL  
"WO"

(5)

BURK ROYALTY CO  
A-2 "Shell St"

(1)

C.W. TRAINER  
"PHILLIPS St"

(8)

C.W. Trainer  
"SU"  
Shell  
"WB"

(10)

HUME QUEEN FIELD

TWP 16S - Rge 34 E

Leo Co., N.M.

EXHIBIT "B"

PROPOSED UNIT BOUNDARY

(3)

TRACT NO.

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

HUME QUEEN UNIT  
LEA COUNTY, NEW MEXICO

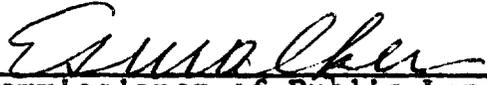
---

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated MARCH 27, 1963, 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 16th day of April 1963.

  
\_\_\_\_\_  
Commissioner of Public Lands  
of the State of New Mexico

**EXHIBIT A**  
**TO**  
**UNIT AGREEMENT**  
**HINE QUEEN UNIT**  
**LEA COUNTY, NEW MEXICO**  
**TRACT DESCRIPTION, TRACT OWNERSHIP**  
**AND TRACT PARTICIPATION PERCENTAGE**

<u>Tract No.</u>	<u>Tract Description*</u>	<u>No. Acres</u>	<u>Lessee of Record</u>	<u>State Lease No. and Date</u>	<u>Royalty Interest Ownership &amp; Percentage</u>	<u>Working Interest Ownership and Percentage</u>	<u>Percentage Tract Participati</u>
1	Sec. 8, NE/4 NE/4	40.00	Shell Oil Company	E8265 June 15, 1954	State of New Mexico 12.50000 Shell Oil Co. 12.50000	Donnelly Drilling Company 100.00000	0.961538
2	Sec. 8, W/2 NE/4	80.00	Wm. Yeager and Jim Armstrong	E1386 July 10, 1947	State of New Mexico 12.50000	Mabee Royalties, 75.00000 J. M. Armstrong, 12.50000 W. A. Yeager, 12.50000	4.623081
3	Sec. 7, SE/4 and NE/4	320.00	The Pure Oil Company	OG265 October 16, 1956	State of New Mexico 12.50000	The Pure Oil Company 100.00000	21.312860
4	Sec. 8, SE/4 NE/4	40.00	Shell Oil Company	E8265 June 15, 1954	State of New Mexico 12.50000	Shell Oil Company 100.00000	10.091034
5	Sec. 8, N/2 SW/4 and N/2 NW/4	160.00	Shell Oil Company	E1079 November 12, 1946	State of New Mexico 12.50000	Shell Oil Company 100.00000	16.541934

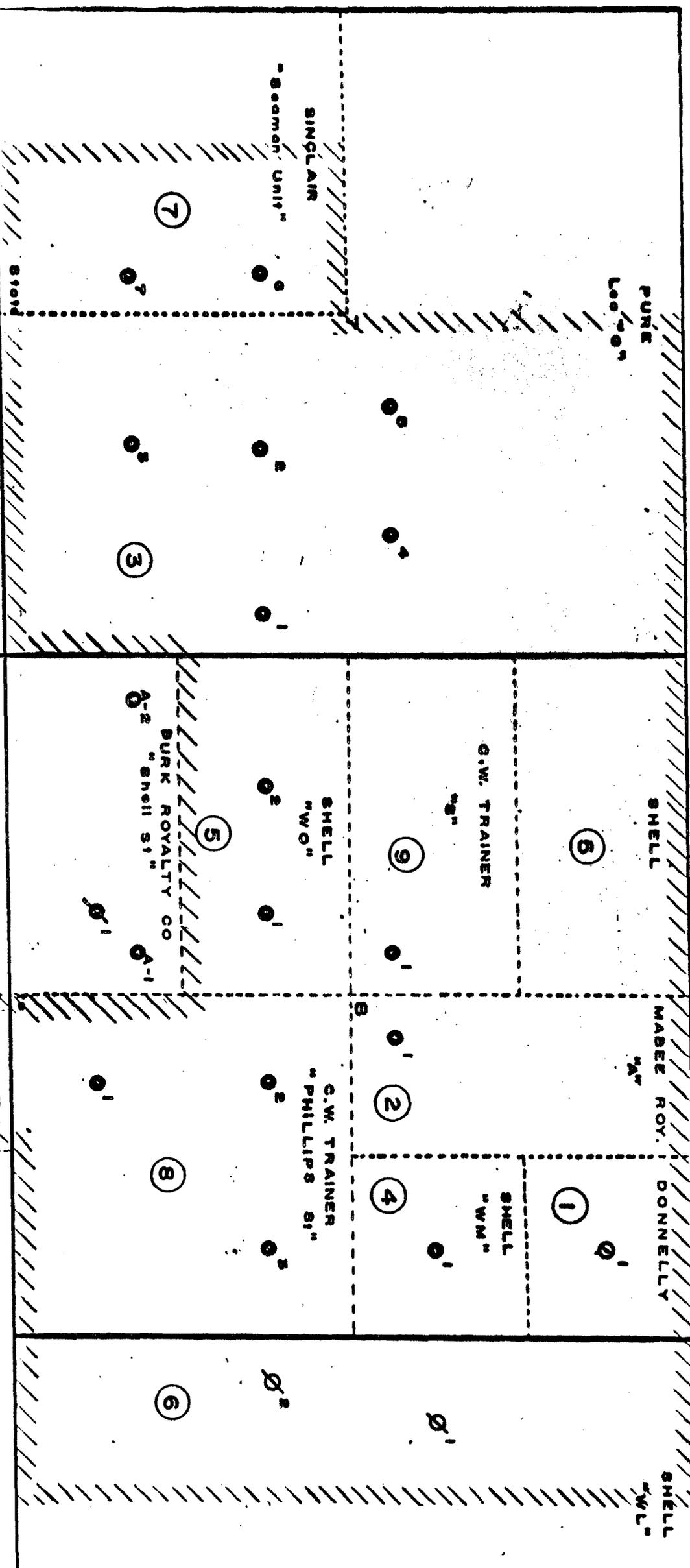
**EXHIBIT A**  
**TO**  
**UNIT AGREEMENT**  
**HME QUEEN UNIT**  
**LEA COUNTY, NEW MEXICO**  
**TRACT DESCRIPTION, TRACT OWNERSHIP**  
**AND TRACT PARTICIPATION PERCENTAGE**

<u>Tract No.</u>	<u>Tract Description*</u>	<u>No. Acres</u>	<u>Lessee of Record</u>	<u>State Lease No. and Date</u>	<u>Royalty Interest Ownership &amp; Percentage</u>	<u>Working Interest Ownership and Percentage</u>	<u>Percentage Tract Participation</u>
6	Sec. 9, W/2 W/2	160.00	Shell Oil Company	OG512 January 15, 1957	State of New Mexico 12.50000	Shell Oil Company 100.00000	1.442308
7**	Sec. 7, E/2 SW/4	80.00	Cities Service Oil Company	E990 September 10, 1946	State of New Mexico 12.50000	Sinclair Oil & Gas Company 35.39378 Cities Service Oil Company 14.21011 Shell Oil Company 37.79705 Skelly Oil Company 12.59906	4.808822
8	Sec. 8, SE/4	160.00	Phillips Pet- roleum Company	E1186 February 10, 1947	State of New Mexico 12.50000	C. W. Trainer, 35.00000 Roy G. Barton, 50.00000 Carl J. Cahill, 7.50000 George Neill, 7.50000	36.632624
9	Sec. 8, S/2 NW/4	80.00	Shell Oil Company	E1079 November 12, 1946	State of New Mexico 12.50000 Shell Oil Company 6.25000	C. W. Trainer, 25.0000 Roy G. Barton, 50.00000 J. Don Hudgens, Inc. 25.00000***	2.624261

EXHIBIT A  
TO  
UNIT AGREEMENT  
HME QUEEN UNIT  
LEA COUNTY, NEW MEXICO  
TRACT DESCRIPTION, TRACT OWNERSHIP  
AND TRACT PARTICIPATION PERCENTAGE

<u>Tract No.</u>	<u>Tract Description*</u>	<u>No. Acres</u>	<u>Lessee of Record</u>	<u>State Lease No. and Date</u>	<u>Royalty Interest Ownership % Percentage</u>	<u>Working Interest Ownership and Percentage</u>	<u>Percentage Tract Participati</u>
10	Sec. 17, NW/4 NE/4	40.00	Southern Union Gas Company	OG1215 August 20, 1957	State of New Mexico 12.50000 Southern Union Gas Company 12.50000	C. W. Trainer, 8.33333 Carl J. Cahill, 8.333333333*** C. R. McVay and Carmon J. Stafford 75.00000**** George H. Neill, 8.333333333****	0.961538
<b>TOTAL</b>							<b>100.000000</b>

\* All Tracts located in T16S, R34E.  
 \*\* Tract 7 is a portion of the Seaman Unit and all Tract Participation will be credited to the Seaman Unit.  
 \*\*\* Subject to an Oil Payment out of four fifths (4/5) of Interest to The First National Bank of Hobbs, New Mexico.  
 \*\*\*\* Subject to a one third (1/3) Net Profit Interest.



Twp 16S - R9E 34E  
 Leo Co., N.M.

HUME QUEEN UNIT  
 EXHIBIT "B"  
 UNIT BOUNDARY  
 TRACT NO. 3

REVISED AS OF MAY 1,

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of the 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 16<sup>th</sup> day of March, 1963.

Date: \_\_\_\_\_

By \_\_\_\_\_

Address \_\_\_\_\_

Date: Mar 16 1963

George H. Hill

Elizabeth H. Hill

Date: Mar 16 1963

\_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_ of \_\_\_\_\_  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

NOTARY PUBLIC

STATE OF Texas )  
COUNTY OF SUTTON ) ss.

The foregoing instrument was acknowledged before me this 18<sup>th</sup>  
day of March, 1963, by George A. Neve

My Commission Expires:

JUNE 1 1963

Aue Lenthicum  
NOTARY PUBLIC

STATE OF Texas )  
COUNTY OF SUTTON ) ss.

The foregoing instrument was acknowledged before me this 18<sup>th</sup>  
day of March, 1963, by Elizabeth A. Neve

My Commission Expires:

June 1 1963

Aue Lenthicum  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_

My Commission Expires:

NOTARY PUBLIC

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of the 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 19<sup>th</sup> day of March, 1963.

Date: \_\_\_\_\_

By \_\_\_\_\_

Address \_\_\_\_\_

Date: March 19 1963

Ray G. Barton  
x [Signature]

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

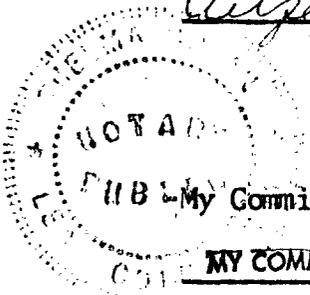
The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

NOTARY PUBLIC

STATE OF New Mexico }  
COUNTY OF Lea } ss.

The foregoing instrument was acknowledged before me this 19th  
day of March, 1963, by Ray G. Boster +  
Luiza Opal Boster.



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

MY COMMISSION EXPIRES DEC. 8, 1963

Thelma Bryan  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_.

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

NOTARY PUBLIC

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_.

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

NOTARY PUBLIC

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of the 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the \_\_\_\_\_ day of \_\_\_\_\_, 1963.

Date: 3/20/63

Carl J. Cahell

By \_\_\_\_\_

Address \_\_\_\_\_

Date: 3/20/63

\_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of the 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 19<sup>th</sup> day of March, 1963.

Date: \_\_\_\_\_

J. L. on [unclear]

Attest  
E. M. [unclear]  
Secy. [unclear]

By J. L. on [unclear], Clerk

Address 1000/898  
[unclear]

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

STATE OF New Mexico )  
COUNTY OF Lea ) ss.

The foregoing instrument was acknowledged before me this 19<sup>th</sup>  
day of March, 1963, by J. Don Hudgens,  
President of J. Don Hudgens, Inc.,  
a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

January 23, 1967

Virginia G. Perry  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of the 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 25<sup>th</sup> day of March, 1963.

Date: \_\_\_\_\_

By \_\_\_\_\_

Address \_\_\_\_\_

Date: 3-21-63

CR Meyer

Date: 3-21-63

Elizabeth Ann Meyer

3-25-63

Carmen J. Stefford

Date: 3-25-63

Hilda S. Stefford

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF NEW MEXICO )  
COUNTY OF LEA ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

NOTARY PUBLIC

STATE OF OKLAHOMA )  
COUNTY OF TULSA ) ss.

The foregoing instrument was acknowledged before me this 21st  
day of March, 1963, by C. R. McVay

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

Florence Taylor  
NOTARY PUBLIC

January 8, 1967

STATE OF OKLAHOMA )  
COUNTY OF TULSA ) ss.

The foregoing instrument was acknowledged before me this 21st  
day of March, 1963, by Elizabeth McVay

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

Florence Taylor  
NOTARY PUBLIC

January 8, 1967

STATE OF NEW MEXICO )  
COUNTY OF LEA ) ss.

The foregoing instrument was acknowledged before me this 26  
day of MARCH, 1963, by CARMEN J STAFFORD and  
HULDA L STAFFORD

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

Lois K. Barron  
NOTARY PUBLIC

9-10-66

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT; LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of the 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 27th day of March, 1963.

Date: March 29, 1963

MABEE ROYALTIES, INC.

Attest

*C. D. J...*  
Secretary

By *[Signature]*  
Vice President

Address \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_

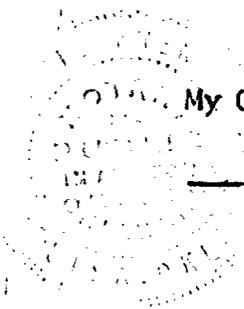
\_\_\_\_\_

STATE OF Arkansas )  
COUNTY OF Sevier ) ss.

The foregoing instrument was acknowledged before me this 1st  
day of April, 1963, by E. S. Subramanian,  
Vice President of Mobile Telephone Inc.,  
a Sevier corporation, on behalf of said corporation.

My Commission Expires:

Marie J. Smith  
NOTARY PUBLIC



STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of 27 day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 29 day of March, 1963.

Date: \_\_\_\_\_

By \_\_\_\_\_

Address \_\_\_\_\_

Date: 3-29-63

W. C. Rogers

3-29-63

Patricia M. Rogers  
J. M. Armstrong

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF TEXAS )  
COUNTY OF MIDLAND ) ss.

The foregoing instrument was acknowledged before me this 29th  
day of March, 1963, by W. A. Yeager and wife, Patsy  
Goss Yeager.

My Commission Expires:

June 1, 1963.

*Lily Carden* (Lily Carden)  
\_\_\_\_\_  
NOTARY PUBLIC

STATE OF TEXAS )  
COUNTY OF MIDLAND ) ss.

The foregoing instrument was acknowledged before me this 29th  
day of March, 1963, by J. M. Armstrong and wife,  
Mary Lee Armstrong.

My Commission Expires:

June 1, 1963.

*Lily Carden* (Lily Carden)  
\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 27TH day of MARCH, 1963.  
~~17TH~~ ~~APRIL~~

Date: APRIL 11, 1963

Donnelly Drilling Co., Inc.

By J. M. Donnelly, PRES.

P.O. Box 433  
Address ARTESIA, N.M.

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

STATE OF NEW MEXICO )  
COUNTY OF EDDY ) ss.

The foregoing instrument was acknowledged before me this 11TH  
day of APRIL, 1963, by T.H. DONNELLY,  
PRESIDENT of DONNELLY TRILLING CO., INC.,  
a NEW MEXICO corporation, on behalf of said corporation.

My Commission Expires:

APRIL 6, 1966

  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
NOTARY PUBLIC

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of 27th day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 29TH day of MARCH, 1963.

*App'd as to form facts*

Date: March 29, 1963

SKELLY OIL COMPANY

ATTEST:

R. Kendall Pherrill  
Assistant Secretary

By C. L. H. [Signature]  
Vice-President

Address P. O. Box 1650, Tulsa, Oklahoma

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

STATE OF Oklahoma )  
COUNTY OF Tulsa ) ss.

The foregoing instrument was acknowledged before me this 29th  
day of March, 1963, by C. L. Blackster,  
Vice President of Steele Oil Company,  
a Delaware corporation, on behalf of said corporation.

My Commission Expires:  
My Commission Expires May 31, 1963

Wesley L. Allen  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

ROYALTY OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, Hume Queen Unit, Lea County, New Mexico, which was executed as of the 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Section 7, 8, 9 and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement provides that any person therein defined as a Royalty Owner may become a party to the Unit Agreement by signing the original Unit Agreement, a counterpart, or other instrument that evidences an intention to be bound by its terms.

Now, therefore, each of the persons who signs this instrument is or claims to be a Royalty Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by the provisions of, the Unit Agreement, as if he had signed the original, and agrees that the parties to the Unit Agreement are those that sign the original, any counterpart, or any instrument that evidences an intention to be so bound.

Executed as of the 20th day of March, 1963.

Date: March 20, 1963

SOUTHERN UNION PRODUCTION COMPANY

ATTEST:

*B*  
Emma Bookout  
Assistant Secretary

By *Q.M. Whitaker* *W.M.*  
Vice President  
Fidelity Union Tower  
Address Dallas 1, Texas

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

STATE OF TEXAS )  
COUNTY OF DALLAS ) SS.

The foregoing instrument was acknowledged before me this 20th  
day of March, 1963, by A. M. Wiederkehr  
of SOUTHERN UNION PRODUCTION COMPANY  
a Delaware corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1963

Betty Joyce Smart  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF NEW MEXICO  
COUNTY OF LEA  
FILED

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

APR 17 1963  
at 3:55 o'clock P M  
and Recorded in Book 198  
Page 56  
JANE RICE, County Clerk  
By [Signature] Deputy

4115

UNIT AGREEMENT  
HUME QUEEN UNIT  
LEA COUNTY, NEW MEXICO

TABLE OF CONTENTS

Section	Page
Preliminary Recitals . . . . .	1
ARTICLE 1	
DEFINITIONS	
1.1 . . . . . Unit Area . . . . .	1
1.2 . . . . . Unitized Formation . . . . .	2
1.3 . . . . . Unitized Substances . . . . .	2
1.4 . . . . . Working Interest . . . . .	2
1.5 . . . . . Royalty Interest . . . . .	2
1.6 . . . . . Royalty Owner . . . . .	2
1.7 . . . . . Working Interest Owner . . . . .	2
1.8 . . . . . Tract . . . . .	2
1.9 . . . . . Unit Operating Agreement . . . . .	3
1.10 . . . . . Unit Operator . . . . .	3
1.11 . . . . . Tract Participation . . . . .	3
1.12 . . . . . Unit Participation . . . . .	3
1.13 . . . . . Outside Substances . . . . .	3
1.14 . . . . . Total Tract Production . . . . .	3
1.15 . . . . . Total Unit Area Production . . . . .	3
1.16 . . . . . Tract Well Factor . . . . .	3
1.17 . . . . . Total Unit Area Well Factor . . . . .	3
1.18 . . . . . Tract Cumulative Production . . . . .	3
1.19 . . . . . Total Unit Area Cumulative Production . . . . .	4
1.20 . . . . . Oil and Gas Rights . . . . .	4
1.21 . . . . . Unit Operations . . . . .	4
1.22 . . . . . Unit Equipment . . . . .	4
1.23 . . . . . Unit Expense . . . . .	4
1.24 . . . . . Singular and Plural Gender . . . . .	4
ARTICLE 2	
EXHIBITS	
2.1 . . . . . Exhibits . . . . .	4
2.1.1 Exhibit A - Tract Participation . . . . .	4
2.1.2 Exhibit B - Map of Unit Area . . . . .	4
2.2 . . . . . Reference to Exhibits . . . . .	4
2.3 . . . . . Exhibits Considered Correct . . . . .	4
2.4 . . . . . Correcting Errors . . . . .	5
2.5 . . . . . Filing Revised Exhibits . . . . .	5
ARTICLE 3	
CREATION AND EFFECT OF UNIT	
3.1 . . . . . Oil and Gas Rights Unitized . . . . .	5
3.2 . . . . . Personal Property Excepted . . . . .	5
3.3 . . . . . Amendment of Leases and Other Agreements . . . . .	6
3.4 . . . . . Continuation of Leases and Term Royalties . . . . .	6
3.4.1 Operations on any Tract Continues Lease in Effect . . . . .	6
3.4.2 Lease Continuation Until Unit Termination . . . . .	6
3.4.3 Segregated Leases and Extension of Term . . . . .	6
3.5 . . . . . Titles Unaffected by Unitization . . . . .	7
3.6 . . . . . Injection Rights . . . . .	7
3.7 . . . . . Development Obligation . . . . .	7

Section Page

ARTICLE 4

PLAN OF OPERATIONS

4.1 . . . . .	.Unit Operator. . . . .	7
4.2 . . . . .	.Operating Methods. . . . .	8
4.3 . . . . .	.Change of Operating Methods: . . . . .	8

ARTICLE 5

TRACT PARTICIPATION

5.1 . . . . .	.Tract Participation. . . . .	8
5.2 . . . . .	.Relative Tract Participation . . . . .	8

ARTICLE 6

ALLOCATION OF UNITIZED SUBSTANCES

6.1 . . . . .	.Allocation to Tracts . . . . .	9
6.2 . . . . .	.Distribution Within Tracts . . . . .	9
6.3 . . . . .	.Taking Unitized Substances in Kind . . . . .	9
6.4 . . . . .	.Failure to Take in Kind. . . . .	10
6.5 . . . . .	.Responsibility for Royalty Settlements . . . . .	10

ARTICLE 7

PRODUCTION AS OF THE EFFECTIVE DATE

7.1 . . . . .	.Oil in Lease Tanks . . . . .	11
7.2 . . . . .	.Overproduction . . . . .	11

ARTICLE 8

USE OR LOSS OF UNITIZED SUBSTANCES

8.1 . . . . .	.Use of Unitized Substances . . . . .	11
8.2 . . . . .	.Royalty Payments . . . . .	12

ARTICLE 9

TRACTS TO BE INCLUDED IN UNIT

9.1 . . . . .	.Qualification of Tracts. . . . .	12
9.1.1	If all Working Interest and More Than 85% Royalty Interest Ratifies . . . . .	12
9.1.2	If all Working Interest and Less Than 85% Royalty Interest Ratifies . . . . .	12
9.1.3	If Less than 100% Working Interest Ratifies. . . . .	13
9.2 . . . . .	.Subsequent Commitment of Interest to Unit . . . . .	14
9.3 . . . . .	.Revision of Exhibits . . . . .	14

ARTICLE 10

TITLES

10.1 . . . . .	.Removal of Tract from Unit Area. . . . .	14
10.2 . . . . .	.Revision of Exhibits . . . . .	14
10.3 . . . . .	.Working Interest Titles. . . . .	14
10.4 . . . . .	.Production Where Title is in Dispute . . . . .	15
10.5 . . . . .	.Payment of Taxes to Protect Title. . . . .	15

ARTICLE 11

EASEMENTS OR USE OF SURFACE

11.1	.Grant of Easements . . . . .	16
11.2	.Use of Water . . . . .	16
11.3	.Surface Damages. . . . .	16

ARTICLE 12

ENLARGEMENT OF UNIT AREA

12.1	.Enlargement of Unit Area . . . . .	16
	12.1.1 Acreage Qualification. . . . .	16
	12.1.2 Participation. . . . .	16
	12.1.3 No Retroactive Allocation or Adjustment. . . . .	16
	12.1.4 Royalty Interest Ratification. . . . .	16
12.2	.Determination of Tract Participation . . . . .	17
12.3	.Effective Date . . . . .	17

ARTICLE 13

CHANGE OF TITLE

13.1	.Covenant Running With the Land . . . . .	17
13.2	.Notice of Transfer . . . . .	17
13.3	.Waiver of Rights to Partition. . . . .	17
13.4	.New Interest . . . . .	17

ARTICLE 14

RELATIONSHIP OF PARTIES

14.1	.No Partnership . . . . .	18
14.2	.No Sharing of Market . . . . .	18
14.3	.Royalty Owners Free of Costs . . . . .	18
14.4	.Information to Royalty Owners. . . . .	19

ARTICLE 15

LAWS AND REGULATIONS

15.1	.Laws and Regulations . . . . .	19
------	---------------------------------	----

ARTICLE 16

FORCE MAJEURE

16.1	.Force Majeure. . . . .	19
------	-------------------------	----

ARTICLE 17

EFFECTIVE DATE

17.1	.Effective Date . . . . .	19
	17.1.1 Percentage Qualified . . . . .	20
	17.1.2 Counterpart to Be Filed. . . . .	20
	17.1.3 NMOCC Approval . . . . .	20
	17.1.4 Commissioner of Public Lands to Approve. . . . .	20
17.2	.Ipso Facto Termination . . . . .	20

Section	Page
ARTICLE 18	
TERM	
18.1 . . . . .	Term . . . . . 20
18.2 . . . . .	Termination by Working Interest Owners . . . . . 21
18.3 . . . . .	Effect of Termination. . . . . 21
18.4 . . . . .	Salvaging Equipment Upon Termination . . . . . 21
ARTICLE 19	
EXECUTION	
19.1 . . . . .	Original, Counterpart or Other Instrument. . . . . 21
19.2 . . . . .	Joinder in Dual Capacity . . . . . 21
ARTICLE 20	
GENERAL	
20.1 . . . . .	Amendments Affecting Working Interest Owners . . . . . 21
20.2 . . . . .	Action by Working Interest Owners. . . . . 21
20.3 . . . . .	Lien of Unit Operator. . . . . 22

UNIT AGREEMENT  
HUME QUEEN UNIT  
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, 1963, by the parties who have signed the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof;

WITNESSETH:

WHEREAS, In the interest of the public welfare and to promote conservation and increase the ultimate recovery of oil, gas, and associated minerals from the Hume Queen Field, in Lea County, State of New Mexico, and to protect the rights of the owners of interests therein, it is deemed necessary and desirable to enter into this agreement to unitize the Oil and Gas Rights in and to the Unitized Formation in order to conduct a secondary recovery, pressure maintenance, or other recovery program as herein provided; and

WHEREAS, The Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature, Laws of 1951, Chapter 7, Article 2, Section 41 New Mexico Statutes, 1953, Annotated to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interest of the State of New Mexico; and

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

NOW, THEREFORE, In consideration of the premises and of the mutual agreements herein contained; it is agreed as follows:

ARTICLE 1

DEFINITIONS

As used in this agreement, the terms herein contained shall have the following meaning:

1.1 Unit Area means the lands described by Tracts in Exhibit A and shown on Exhibit B as to which this agreement become effective or to which it may be extended as herein provided.

1.2 Unitized Formation means that subsurface portion of the Unit Area commonly known or described as follows: The Queen Sand Formation encountered in the drilling of the J. Don Hudgens Phillips State No. 3 now known as the C. W. Trainer Phillips State No. 3 well between the depths of Three Thousand Nine Hundred and Twenty Two (3922) feet and Three Thousand Nine Hundred and Forty Four (3944) feet as shown by the Gamma Ray-Neutron Log of said well which is located 1980 feet from South line and 660 feet from East line of Section 8, Township 16 South, Range 34 East, Lea County, New Mexico.

1.3 Unitized Substances means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate, and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

1.4 Working Interest means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing, and operating the Unitized Formation. Any interest in Unitized Substances which is a Working Interest as of the date the owner thereof executes or ratifies this Agreement shall thereafter be treated as a Working Interest for all purposes of this Agreement.

1.5 Royalty Interest means a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

1.6 Royalty Owner means a party hereto who owns a Royalty Interest.

1.7 Working Interest Owner means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

1.8 Tract means each parcel of land having a common ownership described as such and given a Tract number in Exhibit A.

1.9 Unit Operating Agreement means that Agreement entitled "Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico" of the same effective date as the effective date of this Agreement and which is entered into by Working Interest Owners.

1.10 Unit Operator means the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to develop and operate the Unitized Formation, acting as operator and not as a Working Interest Owner.

1.11 Tract Participation means the percentage shown on Exhibit A for allocating Unitized Substances to a Tract under this agreement.

1.12 Unit Participation of each Working Interest Owner means the sum of the percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

1.13 Outside Substances means all substances obtained from any source other than the Unitized Formation and which are injected into the Unitized Formation.

1.14 Total Tract Production means the total oil production from the Unitized Formation under each Tract from January 1, 1962, to November 1, 1962, inclusive as reported to the Oil Conservation Commission of the State of New Mexico by operators of the individual Tracts.

1.15 Total Unit Area Production means the summation of the oil production defined in Section 1.14 of all Tracts in the Unit Area.

1.16 Tract Well Factor means the total well points for all wells on a Tract where a producer equals 3 points, a cased dry hole equals 2 points, and an uncased dry hole equals 1 point.

1.17 Total Unit Area Well Factor means the summation of the Tract Well Factors as defined in Section 1.16 for all Tracts in the Unit Area.

1.18 Tract Cumulative Production means the total cumulative oil production from the Unitized Formation under each Tract to November 1, 1962, as reported to the Oil Conservation Commission of the State of New Mexico by operators of the individual Tracts.

1.19 Total Unit Area Cumulative Production means the summation of the cumulative oil production defined in Section 1.18 of all Tracts in the Unit Area.

1.20 Oil and Gas Rights means the right to explore, develop, and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

1.21 Unit Operations means all operations conducted by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of the development and operations of the Unitized Formation for the production of Unitized Substances.

1.22 Unit Equipment means all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

1.23 Unit Expense means all cost, expense, or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of Unit Operations.

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

## ARTICLE 2

### EXHIBITS

2.1 Exhibits. Attached hereto are the following exhibits which are incorporated herein by reference:

2.1.1 Exhibit A, which is a schedule that describes each Tract in the Unit Area and shows its Tract Participation.

2.1.2 Exhibit B, which is a map that shows the boundary lines of the Unit Area and the Tracts therein.

2.2 Reference to Exhibits. When reference herein is made to an exhibit, the reference is to the Exhibit as originally attached or, if revised, to the latest revision.

2.3 Exhibits Considered Correct. An exhibit shall be considered to be correct until revised as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Tracts have been established by using the best information available. If it subsequently appears that any Tract, because of diverse royalty or working interest ownership on the effective date hereof, should be divided into more than one Tract, or that any mechanical miscalculation has been made, Unit Operator, with the approval of Working Interest Owners, may correct the mistake by revising the exhibits to conform to the facts. The revision shall not include any re-evaluation of engineering or geological interpretations used in determining Tract Participation. Each such revision of an exhibit shall be effective at 7:00 a.m. on the first day of the calendar month next following the filing for record of the revised exhibit or on such other date as may be determined by Working Interest Owners and set forth in the revised exhibit.

2.5 Filing Revised Exhibits. If an exhibit is revised pursuant to this agreement, Unit Operator shall certify and file the revised exhibit with the Commissioner of Public Lands of the State of New Mexico and for record with the County Clerk of Lea County, New Mexico.

### ARTICLE 3

#### CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. Subject to the provisions of this agreement, all Oil and Gas Rights of Royalty Owners in and to the lands described in Exhibit A, and all Oil and Gas Rights of Working Interest Owners in and to said lands, are hereby unitized insofar as the respective Oil and Gas Rights pertain to the Unitized Formation, so that Operations may be conducted as if the Unitized Formation had been included in a single lease executed by all Royalty Owners, as lessors, in favor of all Working Interest Owners, as lessees, and as if the lease had been subject to all of the provisions of this agreement.

3.2 Personal Property Excepted. All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands covered hereby shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners. The rights and interests therein as among Working

Interest Owners are covered by the Unit Operating Agreement.

3.3 Amendment of Leases and Other Agreements. The provisions of the various leases, agreements, division and transfer orders, or other instruments covering the respective Tracts or the production therefrom are amended to the extent necessary to make them conform to the provisions of this agreement, but otherwise shall remain in effect.

3.4 Continuation of Leases and Term Royalties. Unit Operations conducted on any part of the Unit Area shall be considered with respect to leases and term royalties as follows:

3.4.1 Operations, including drilling operations, conducted with respect to the Unitized Formation on any part of the Unit Area, or production from any part of the Unitized Formation, except for the purpose of determining payments to Royalty Owners, shall be considered as operations upon or production from each Tract, and such operations or production shall continue in effect each lease or term royalty interest as to all lands covered thereby just as if such operations had been conducted and a well had been drilled on and was producing from each Tract.

3.4.2 Any lease embracing lands of the State of New Mexico which is made subject to this Agreement shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

3.4.3 Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to the portion committed and that portion not committed, and the terms of such lease shall apply separately as to such segregated portions commencing as of the effective date hereof. 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 land committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease (whether within or without the Unit Area), (i) if, and for so long as Unitized Substances are

capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement, or (ii) if, and for so long as some part of the lands embraced in such State lease are allocated Unitized Substances; or (iii) 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 therein and for so long as such operations are being diligently prosecuted, and if they result in the production of Unitized Substances, said lease shall continue in full force and effect as to all the lands embraced therein, as provided in (i) and (ii) above.

3.5 Titles Unaffected by Unitization. Nothing herein shall be construed to result in the transfer of title to the Oil and Gas Rights by any party hereto to any other party or to Unit Operator. The intention is to provide for the cooperative development and operation of the Tracts and for the sharing of Unitized Substances as herein provided.

3.6 Injection Rights. Royalty Owners hereby grant unto Working Interest Owners the right to inject into the Unitized Formation any substances in whatever amounts Working Interest Owners deem expedient for Unit Operations, including the right to drill and maintain injection wells on the Unit Area and to use producing or abandoned oil or gas wells or wells that have never been produced for such purposes.

3.7 Development Obligation. Nothing herein shall relieve Working Interest Owners from the obligation to develop reasonably as a whole the lands and leases committed hereto.

#### ARTICLE 4

##### PLAN OF OPERATIONS

4.1 Unit Operator. Working Interest Owners are as of the effective date of this Agreement entering into the Unit Operating Agreement designating C. W. Trainer as Unit Operator. Unit Operator shall have the exclusive right to conduct Unit Operations. The operations shall conform to the provisions of this Agreement and the Unit Operating Agreement. If there is any conflict between such Agreements this Agreement shall govern.

4.2 Operating Methods. To the end that the quantity of Unitized Substances ultimately recoverable may be increased and waste prevented, Working Interest Owners shall, with diligence and in accordance with good engineering and production practices, engage in methods of operation of the Unit Area which from time to time will in their judgment be conducive to that end within practicable economic limits, including water flooding operations and such other pressure maintenance, repressuring and secondary recovery operations as may be deemed by them to be necessary or proper to achieve that end.

4.3 Change of Operating Methods. Nothing herein shall prevent Working Interest Owners from discontinuing or changing in whole or in part any method of operations which, in their opinion, is no longer in accord with good engineering or production practices. Other methods of operation may be conducted or changes may be made by Working Interest Owners from time to time if determined by them to be feasible, necessary, or desirable to increase the ultimate recovery of Unitized Substances.

## ARTICLE 5

### TRACT PARTICIPATION

5.1 Tract Participation. The Tract Participation of each Tract is shown on Exhibit A. The participation percentages shown in Exhibit A were determined in accordance with the following formula:

$$\begin{array}{rcl}
 \frac{\text{Total Tract Production}}{\text{Total Unit Area Production}} & \times & 25 \\
 \text{plus} & & \\
 \frac{\text{Tract Well Factor}}{\text{Total Unit Area Well Factor}} & \times & 25 \\
 \text{plus} & & \\
 \frac{\text{Tract Cumulative Production}}{\text{Total Unit Area Cumulative Production}} & \times & 50 \\
 \text{= Tract Participation Percentage} & & 
 \end{array}$$

5.2 Relative Tract Participations. If the Unit Area is enlarged or reduced, the revised Tract Participations of the Tracts remaining in the Unit Area and which were within the Unit Area prior to the enlargement or reduction shall remain in the same ratio one to another

## ARTICLE 6

### ALLOCATION OF UNITIZED SUBSTANCES

6.1 Allocation to Tracts. All Unitized Substances produced and saved shall be allocated to the several Tracts in accordance with the respective Tract Participations effective during the period that the Unitized Substances were produced. The amount of Unitized Substances allocated to each Tract, regardless of whether it is more or less than the actual production of Unitized Substances from the well or wells, if any, on such Tract, shall be deemed for all purposes to have been produced from such tract.

6.2 Distribution Within Tracts. The Unitized Substances allocated to each Tract shall be distributed among, or accounted for to, the parties entitled to share in the production from such Tract in the same manner, in the same proportions, and upon the same conditions as they would have participated and shared in the production from such Tract, or in the proceeds thereof, had this agreement not been entered into, and with the same legal effect. If any Oil and Gas Rights in a Tract hereafter become divided and owned in severalty as to different parts of the Tract, the owners of the divided interest, in the absence of an agreement providing for a different division, shall share in the Unitized Substances allocated to the Tract, or in the proceeds thereof, in proportion to the surface acreage of their respective parts of the Tract.

6.3 Taking Unitized Substances in Kind. The Unitized Substances allocated to each Tract shall be delivered in kind to the respective parties entitled thereto by virtue of the ownership of Oil and Gas Rights therein or by purchase from such owners. Such parties shall have the right to construct, maintain, and operate within the Unit Area all necessary facilities for that purpose, provided that they are so constructed, maintained, and operated as not to interfere with the Unit Operations. Any extra expenditures incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the receiving party. If a Royalty Owner has the right to take in kind a share of Unitized Substances and fails to do so, the Working Interest Owner whose Working Interest is subject to such Royalty Interest shall be entitled to take in kind such share of the Unitized Substances.

6.4 Failure to Take in Kind. If any party fails to take in kind or separately dispose of its share of Unitized Substances, Unit Operator shall have the right, but not the obligation, for the time being and subject to revocation at will by the party owning the share, to purchase for its own account or sell to others such share at not less than the average market price for all such sales from the Unitized Formation; provided that, all contracts of sale by Unit Operator of any other party's share of Unitized Substances shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such contract be for a period in excess of one year. The proceeds of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto. If, under the provisions of this paragraph, Unit Operator contracts to sell in interstate commerce any gas not taken in kind or separately disposed of by the owning party, Unit Operator shall give such owning party ninety (90) days notice of such sale.

6.5 Responsibility for Royalty Settlements. Any party receiving in kind or separately disposing of all or part of the Unitized Substances allocated to any Tract or receiving the proceeds therefrom shall be responsible for the payment thereof to the persons entitled thereto, and shall indemnify all parties hereto, including Unit Operator, against any liability for all royalties, overriding royalties, production payments, and all other payments chargeable against or payable out of such Unitized Substances or the proceeds therefrom.

## ARTICLE 7

### PRODUCTION AS OF THE EFFECTIVE DATE

7.1 Oil in Lease Tanks. Unit Operator shall gauge all lease and other tanks within the Unit Area to ascertain the amount of merchantable oil produced from the Unitized Formation in such tanks, above the pipe line connections, as of 7:00 a.m. on the effective date hereof. The oil that is a part of the prior allowable on the wells from which it was produced shall remain the property of the parties entitled thereto the same as if the Unit had not been formed. Any such oil not promptly removed may be sold by the Unit Operator for the account of the parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the provisions of the applicable lease or other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded as Unitized Substances produced after the effective date hereof.

7.2 Overproduction. If, as of the effective date hereof, any Tract is overproduced with respect to the allowable of the wells on that Tract and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the effective date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

## ARTICLE 8

### USE OR LOSS OF UNITIZED SUBSTANCES

8.1 Use of Unitized Substances. Working Interest Owners may use as much of the Unitized Substances as they deem necessary for Unit Operations, including but not limited to the injection thereof into the Unitized Formation.

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

#### ARTICLE 9

##### TRACTS TO BE INCLUDED IN UNIT

9.1 Qualification of Tracts. On and after the effective date hereof and until the enlargement or reduction thereof, the Unit Area shall be composed of the Tracts listed in Exhibit A that qualify as follows:

9.1.1 Each tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement and as to which Royalty Owners owning eighty five percent (85%) or more of the Royalty Interest have become parties to this agreement.

9.1.2 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have become parties to this agreement, and as to which Royalty Owners owning less than eighty five percent (85%) of the Royalty Interest have become parties to this agreement, and as to which (a) all Working Interest Owners in such Tract have joined in a request for the inclusion of such Tract in the Unit Area, and as to which (b) eighty five percent (85%) of the combined voting interests of Working Interest Owners in all Tracts that meet the requirements of Section 9.1.1 have voted in favor of the inclusion of such Tract. For the purpose of this Section 9.1.2, the voting interests of a Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Section 9.1.1 bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Section 9.1.1.

9.1.3 Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest have become parties to this agreement, regardless of the percentage of Royalty Interest therein that is committed hereto; and as to which (a) the Working Interest Owner who operates the Tract and all of the other Working Interest Owners in such Tract who have become parties to this agreement have joined in a request for inclusion of such Tract in the Unit Area, and have executed and delivered an indemnity agreement agreeing to indemnify and hold harmless the other Working Interest Owners in the Unit Area, their successors and assigns, against all claims and demands that may be made by the owners of Working Interests in such Tract who are not parties to this agreement, and which arise out of the inclusion of the Tract in the Unit Area; and as to which (b) eighty five percent (85%) of the combined voting interest of Working Interest Owners in all Tracts that meet the requirements of Sections 9.1.1 and 9.1.2 have voted in favor of the inclusion of such Tract and to accept the indemnity agreement. For the purpose of this Section 9.1.3, the voting interest of each Working Interest Owner shall be equal to the ratio that its Unit Participation attributable to Tracts that qualify under Section 9.1.1 and 9.1.2 bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts that qualify under Sections 9.1.1 and 9.1.2. Upon the inclusion of such a Tract in the Unit Area, the Unit Participation that would have been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreement, in proportion to their respective Working Interests in the Tract.

9.2 Subsequent Commitment of Interest to Unit. After the effective date hereof, the commitment of any interest in any Tract within the Unit Area shall be upon such terms as may be negotiated by Working Interest Owners and the owner of such interest and upon approval by the Commissioner of Public Lands.

9.3 Revision of Exhibits. If any of the Tracts in Exhibit A fail to qualify for inclusion in the Unit Area on the effective date hereof Unit Operator shall recompute, using the original basis of computation, the Tract Participation of each of the qualifying Tracts and shall revise Exhibits A and B accordingly, to be effective as of the effective date hereof upon approval by the Commissioner of Public Lands of the State of New Mexico.

## ARTICLE 10

### TITLES

10.1 Removal of Tract from Unit Area. If a Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this agreement to meet the conditions of Article 9 because of failure of title of any party hereto, such Tract shall be removed from the Unit Area effective as of the first day of the calendar month in which the failure of title is finally determined; however, the Tract shall not be removed from the Unit Area, if, within ninety (90) days of the date of final determination of the failure of title, the Tract requalifies under a Section of Article 9.

10.2 Revision of Exhibits. If a Tract is removed from the Unit Area because of the failure of title, Unit Operator, subject to Section 5.2, shall recompute the Tract Participation of each of the Tracts remaining in the Unit Area and shall revise Exhibits A and B accordingly. The revised exhibits shall be effective as of the first day of the calendar month in which such failure of title is finally determined.

10.3 Working Interest Titles. If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of the failure of title shall be governed by the Unit Operating Agreement.

10.4 Royalty Owner Titles. If title to a Royalty Interest fails, but the Tract to which it relates is not removed from the Unit Area, the party whose title failed shall not be entitled to share hereunder with respect to such interest.

10.5 Production Where Title is in Dispute. If the title or right of any party claiming the right to receive in kind all or any portion of the Unitized Substances allocated to a Tract is in dispute, Unit Operator at the discretion of Working Interest Owners shall either:

(a) require that the party to whom such Unitized Substances are delivered or to whom the proceeds thereof are paid, furnish security for the proper accounting therefor to the rightful owner if the title or right of such party fails in whole or in part, or

(b) withhold and market the portion of Unitized Substances with respect to which title or right is in dispute, and impound the proceeds thereof until such time as the title or right thereto is established by a final judgment of a court of competent jurisdiction or otherwise to the satisfaction of Working Interest Owners, whereupon the proceeds so impounded shall be paid to the party rightfully entitled thereto.

10.6 Payment of Taxes to Protect Title. The owners of (1) the surface rights to lands within the Unit Area, (2) the several mineral or Royalty Interests in the lands, and (3) the improvements located on the lands not utilized for Unit Operations, shall individually be responsible for the rendition and assessment for ad valorem tax purposes of all such property, and for the payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner. If any ad valorem taxes are not paid by such owner responsible therefor when due, Unit Operator may, with approval of Working Interest Owners, at any time prior to tax sale, or expiration of period of redemption after tax sale, pay the same, redeem such property, and discharge such tax liens as may arise through non-payment. Any such payment shall be treated as an item of Unit Expense. Unit Operator shall, if possible, withhold from any proceeds derived from the sale of Unitized Substances otherwise due to any delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholding to be credited to the joint account. Such withholding shall be without prejudice to any other remedy, either at law or at equity, which may be available for exercise by the Unit Operator or by the Working Interest Owners.

## ARTICLE 11

### EASEMENTS OR USE OF SURFACE

11.1 Grant of Easements. The parties hereto, to the extent of their rights and interest, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may reasonably be necessary for Unit Operations; provided that, nothing herein shall be construed as leasing or otherwise conveying to Working Interest Owners a site for a water, gas injection, processing or other plant, or camp site.

11.2 Use of Water. Working Interest Owners shall have free use of water from the Unit Area for Unit Operations, except water from any well, lake, pond, or irrigation ditch of a Royalty Owner.

11.3 Surface Damages. Working Interest Owners shall pay the owner for damages to growing crops, timber, fences, improvements, and structures on the Unit Area that result from Unit Operations.

## ARTICLE 12

### ENLARGEMENTS OF UNIT AREA

12.1 Enlargements of Unit Area. The Unit Area may be enlarged to include acreage reasonably proved to be productive, upon such terms as may be determined by Working Interest Owners and upon approval by the Commissioner of Public Lands of the State of New Mexico and the Oil Conservation Commission of the State of New Mexico, including but not limited to, the following:

12.1.1 The acreage shall qualify under a Section of Article 9.

12.1.2 The participation to be allocated to the acreage shall be reasonable, fair, and based on all available information.

12.1.3 There shall be no retroactive allocation or adjustment of Unit Expense or of interests in the Unitized Substances produced, or proceeds thereof; however, this limitation shall not prevent an adjustment of investment by reason of the enlargement.

12.1.4 The execution or ratification of this Agreement, by a person owning a Royalty Interest in any Tract being brought into

the Unit Area by an enlargement, shall have the effect of committing to the Unit his Royalty Interest in each Tract being added to the Unit, as well as in each Tract previously included in the Unit Area.

12.2 Determination of Tract Participation. Unit Operator, subject to Section 5.2, shall determine the Tract Participation of each Tract within the Unit Area as enlarged, and shall revise Exhibits A and B accordingly.

12.3 Effective Date. The effective date of any enlargement of the Unit Area shall be 7:00 a.m. on the first day of the calendar month following approval by the Commissioner of Public Lands and compliance with conditions for enlargement as specified by Working Interest Owners, approval of the enlargement by the appropriate governmental authority, if required, and the filing for record of revised Exhibits A and B in the records of the County or Counties in which this agreement is recorded.

#### ARTICLE 13

##### CHANGE OF TITLE

13.1 Covenant Running With the Land. This agreement shall extend to, be binding upon, and inure to the benefit of, the respective heirs, devisees, legal representatives, successors, and assigns of the parties hereto, and shall constitute a covenant running with the lands, leases, and interest covered hereby.

13.2 Notice of Transfer. Any conveyance of all or any part of any interest owned by any party hereto with respect to any Tract shall be made expressly subject to this agreement. No change of title shall be binding on the Unit Operator, or upon any party hereto other than the party so transferring, until the first day of the calendar month next succeeding the date of receipt by Unit Operator of a photocopy or a certified copy of the recorded instrument evidencing such change of ownership.

13.3 Waiver of Rights to Partition. Each party hereto covenants that, during the existence of this agreement, it will not resort to any action to partition the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

13.4 New Interest. If any Working Interest Owner shall, after executing this agreement, create any overriding royalty, production payment, or

other similar interest, hereafter referred to as "New Interest", out of its interest subject to this agreement, such New Interest shall be subject to all the terms and provisions of this agreement. In the event the Working Interest Owner, owning the interest from which the New Interest was created, withdraws from this agreement under the terms of Section 17.1 of the Unit Operating Agreement, or fails to pay any expenses and costs chargeable to it under this agreement and the production to the credit of such Working Interest Owner is insufficient for that purpose, the owner of the New Interest will be liable for the pro rata portion of all costs and expenses for which the original Working Interest Owner, creating such New Interest, would have been liable by virtue of his ownership of the New Interest had the same not been transferred. In this event, the lien provided in Section 20.3 may be enforced against such New Interest. If the owner of the New Interest bears a portion of the costs and expenses or the same is enforced against such New Interest, the owner of the New Interest will be subrogated to the rights of the Unit Operator with respect to the interest primarily chargeable with such costs and expenses.

#### ARTICLE 14

##### RELATIONSHIP OF PARTIES

14.1 No Partnership. The duties, obligations, and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation, or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

14.2 No Sharing of Market. This agreement is not intended to provide, and shall not be construed to provide, directly or indirectly, for any cooperative refining, joint sale, or marketing of Unitized Substances.

14.3 Royalty Owners Free of Costs. This agreement is not intended to impose, and shall not be construed to impose, upon any Royalty Owner any obligation to pay for Unit Expense unless such Royalty Owner is otherwise so obligated.

14.4 Information to Royalty Owners. Each Royalty Owner upon written request therefor shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by an existing agreement with any Working Interest Owner.

#### ARTICLE 15

##### LAWS AND REGULATIONS

15.1 Laws and Regulations. This agreement shall be subject to the conservation laws of the State of New Mexico; to the valid rules, regulations, and orders of the Oil Conservation Commission of New Mexico; and to all other applicable federal, state, and municipal laws, rules, regulations, and orders.

#### ARTICLE 16

##### FORCE MAJEURE

16.1 Force Majeure. All obligations imposed by this agreement on each party, except for the payment of money, shall be suspended while compliance is prevented, in whole or in part, by a strike, fire, war, civil disturbance, act of God; by federal, state, or municipal laws; by any rule, regulation, or order of a governmental agency; by inability to secure materials; or by any other cause or causes beyond reasonable control of the party whether similar or dissimilar to those enumerated. No party shall be required against its will to adjust or settle any labor dispute. Neither this agreement nor any lease or other instrument subject hereto shall be terminated by reason of suspension of Unit Operations due to any one or more of the causes set forth in this Article.

#### ARTICLE 17

##### EFFECTIVE DATE

17.1 Effective Date. This agreement shall become binding upon each party as of the date such party signs the instrument by which it becomes a party hereto, and, unless sooner terminated as provided in Section 17.2, shall become effective as to qualified Tracts at the time and date as determined by the Working Interest Owners in all the qualified Tracts, and set forth in a certificate filed for record by Unit Operator with the County Clerk in Lea County, New Mexico. The certificate shall also recite the percentage of the Unit Area represented by the Tracts qualified under Article 9.

the book and page in which a counterpart of this agreement has been recorded, and the case number and order number of the order of approval by Governmental authority, if obtained. The certificate shall not be filed until after the following requirements have been met:

17.1.1 Tracts comprising eighty five percent (85%) or more of the Unit Area as shown on the original Exhibit B have qualified under the provisions of Article 9.

17.1.2 At least one counterpart of this agreement has been filed for record by Unit Operator in Lea County, New Mexico.

17.1.3 This agreement has been approved by the Oil Conservation Commission of the State of New Mexico.

17.1.4 This agreement has been approved by the Commissioner of Public Lands of the State of New Mexico.

17.2 Ipsa Facto Termination. If the requirements of Section 17.1 are not accomplished on or before December 31, 1963, this agreement shall ipso facto terminate on that date (hereinafter called "termination date") and thereafter be of no further effect, unless prior thereto Working Interest Owners owning a combined Unit Participation of at least eighty five percent (85%) have become parties to this agreement and such parties owning not less than sixty five percent (65%) Unit Participation have decided to extend the termination date for a period not to exceed six (6) months. If the termination date is so extended and the requirements of Section 17.1 are not accomplished on or before the extended termination date, this agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect. For the purpose of this section, Unit Participation shall be as shown on the original Exhibit C attached to the Unit Operating Agreement.

## ARTICLE 18

### TERM

18.1 Term. The term of this agreement shall be for the time that Unitized Substances are produced in paying quantities and as long thereafter as Unit Operations are conducted without a cessation of more than one hundred eighty (180) consecutive days, unless sooner terminated by Working Interest Owners in the manner herein provided.

18.2 Termination by Working Interest Owners. This agreement may be terminated by Working Interest Owners having a combined Unit Participation of at least eighty five percent (85%) whenever such Working Interest Owners determine that Unit Operations are no longer profitable or feasible.

18.3 Effect of Termination. Upon termination of this agreement, the further development and operation of the Unitized Formation as a unit shall be abandoned, Unit Operations shall cease, and thereafter the parties shall be governed by the provisions of the leases and other instruments affecting the separate Tracts.

18.4 Salvaging Equipment Upon Termination. If not otherwise granted by the leases or other instruments affecting each Tract unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after the date of termination of this agreement within which to salvage and remove Unit Equipment.

#### ARTICLE 19

#### EXECUTION

19.1 Original, Counterpart, or Other Instrument. A person may become a party to this agreement by signing the original of this instrument, a counterpart thereof, or other instrument agreeing to be bound by the provisions hereof. The signing of any such instrument shall have the same effect as if all the parties had signed the same instrument.

19.2 Joinder in Dual Capacity. Execution as herein provided by any party as either a Working Interest Owner or a Royalty Owner shall commit all interests that may be owned or controlled by such party.

#### ARTICLE 20

#### GENERAL

20.1 Amendments Affecting Working Interest Owners. Amendments hereto relating wholly to Working Interest Owners may be made if signed by all Working Interest Owners.

20.2 Action by Working Interest Owners. Any action or approval required by Working Interest Owners hereunder shall be in accordance with the provisions of the Unit Operating Agreement.

20.3 Lien of Unit Operator. Unit Operator shall have a lien upon the interests of Working Interest Owners in the Unit Area to the extent provided in the Unit Operating Agreement.

IN WITNESS WHEREOF, The parties hereto have executed this agreement on the date opposite their respective signatures.

Date: \_\_\_\_\_

\_\_\_\_\_  
C. W. TRAINER

Address: 205 North Linam  
P. O. Box 2222  
Hobbs, New Mexico

UNIT OPERATOR & WORKING INTEREST  
OWNER

\_\_\_\_\_  
JACKIE TRAINER, his wife

Date: \_\_\_\_\_

ATTEST: \_\_\_\_\_

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

Address \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



EXHIBIT A  
TO  
UNIT AGREEMENT  
HOME QUEEN UNIT  
LEA COUNTY, NEW MEXICO  
TRACT DESCRIPTION, TRACT OWNERSHIP  
AND TRACT PARTICIPATION PERCENTAGE

<u>Tract No.</u>	<u>Tract Description*</u>	<u>No. Acres</u>	<u>Lessee of Record</u>	<u>State Lease No. and Date</u>	<u>Royalty Interest Ownership &amp; Percentage</u>	<u>Working Interest Ownership and Percentage</u>	<u>Percentage Tract Participation</u>
1	Sec. 8, S/2 SW/4	80.00	Shell Oil Company	E1079 November 12, 1946	State of New Mexico 12.50000 Shell Cana- dian Oil Ex- ploration Co. 6.25000	Roy G. Barton, 25.00000  Jon Hy Bear Trust 18.75000 C. J. Bohner, 37.50000 David A. Kimbell Trust 18.75000	7.741044
2	Sec. 8, SW/4 NE/4	40.00	Wm. Yeager and Jim Armstrong	E1386 July 10, 1947	State of New Mexico 12.50000	Mabee Royalties, 75.00000 J. M. Armstrong, 12.50000 W. A. Yeager, 12.50000	4.271479
3	Sec. 7, SE/4 and NE/4	320.00	The Pure Oil Company	OG 265 October 16, 1956	State of New Mexico 12.50000	The Pure Oil Company 100.00000	19.586157
4	Sec. 8, SE/4 NE/4	40.00	Shell Oil Company	E8265 June 15, 1954	State of New Mexico 12.50000	Shell Oil Company 100.00000	9.346487
5	Sec. 8, N/2 SW/4 and N/2 NW/4	160.00	Shell Oil Company	E1079 November 12, 1946	State of New Mexico 12.50000	Shell Oil Company 100.00000	15.326796
6	Sec. 9, W/2 W/2	160.00	Shell Oil Company	OG512 January 15, 1957	State of New Mexico 12.50000	Shell Oil Company 100.00000	1.293103

EXHIBIT A  
TO  
UNIT AGREEMENT  
HOME QUEEN UNIT  
LEA COUNTY, NEW MEXICO  
TRACT DESCRIPTION, TRACT OWNERSHIP  
AND TRACT PARTICIPATION PERCENTAGE

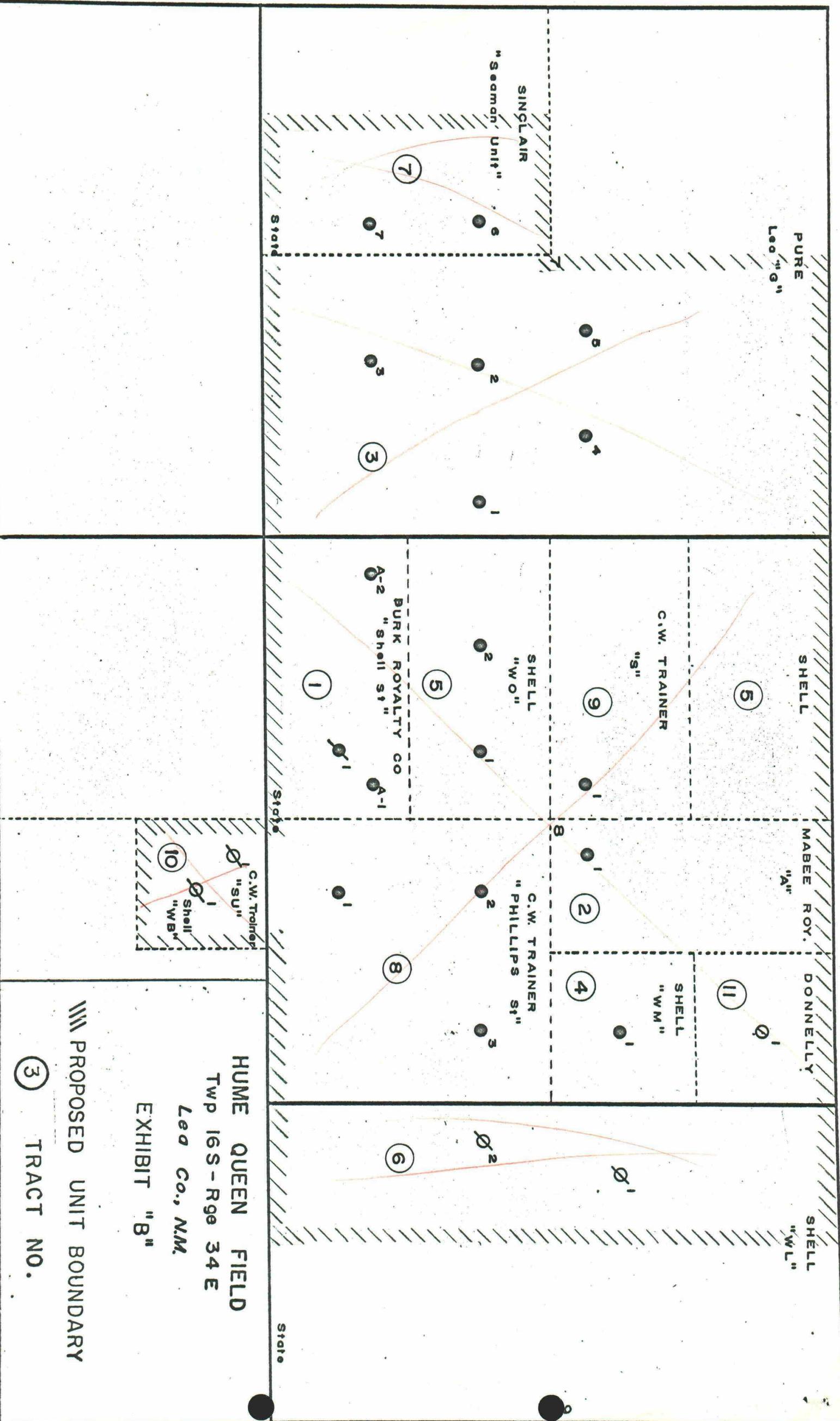
<u>Tract No.</u>	<u>Tract Description*</u>	<u>No. Acres</u>	<u>Lessee of Record</u>	<u>State Lease No. and Date</u>	<u>Royalty Interest Ownership % Percentage</u>	<u>Working Interest Ownership and Percentage</u>	<u>Percentage Tract Participatio</u>
7**	Sec. 7, E/2 SW/4	80.00	Cities Service Oil Company	E990 September 10, 1946	State of New Mexico 12.50000	Sinclair Oil & Gas Company 35.39378 Cities Service Oil Company 14.21011 Shell Oil Company 37.79705 Skelly Oil Company 12.59906	4.367942
8	Sec. 8, SE/4	160.00	Phillips Petroleum Company	E1186 February 10, 1947	State of New Mexico 12.5000	C. W. Trainer, 35.00000 Roy G. Barton, 50.00000 Carl J. Cahill, 7.50000 George Neill, 7.50000	33.945052
9	Sec. 8, S/2 NW/4	80.00	Shell Oil Company	E1079 November 12, 1946	State of New Mexico 12.50000 Shell Canadian Exploration Co. 6.25000	C. W. Trainer, 25.00000 Roy G. Barton, 50.00000 J. Don Hudgens, Inc. 25.00000***	2.397802
10	Sec. 17, NW/4 NE/4	40.00	Southern Union Gas Company	OG1215 August 20, 1957	State of New Mexico 12.50000 Southern Union Gas Co. 12.50000	C. W. Trainer, 8.33333 Carl J. Cahill, 8.33333**** C. R. McVay and Carmon J. Stafford 75.00000**** George H. Neill, 8.33333****	0.862069

EXHIBIT A  
TO  
UNIT AGREEMENT  
HOME QUEEN UNIT  
LEA COUNTY, NEW MEXICO  
TRACT DESCRIPTION, TRACT OWNERSHIP  
AND TRACT PARTICIPATION PERCENTAGE

<u>Tract No.</u>	<u>Tract Description*</u>	<u>No. Acres</u>	<u>Lessee of Record</u>	<u>State Lease No. and Date</u>	<u>Royalty Interest Ownership % Percentage</u>	<u>Working Interest Ownership and Percentage</u>	<u>Percentage Tract Participatio</u>
11	Sec. 8, NE/4 NE/4	40.00	Shell Oil Company	E8265 June 15, 1954	State of New Mexico 12.50000 Shell Oil Company 12.50000	Donnelly Drilling Co. 25.00000 L. B. Hodges, 25.00000 J. E. Simmons, 25.00000 W. A. Hudson, 25.00000	0.862069
TOTAL							100.000000

\* All Tracts Located in T16S, R34E.  
 \*\* Tract 7 is a portion of the Seaman Unit and all Tract Participation will be credited to the Seaman Unit.  
 \*\*\* Subject to an Oil Payment out of four fifths (4/5) of Interest to The First National Bank of Hobbs, New Mexico  
 \*\*\*\* Subject to a one-third (1/3) Net Profit Interest.

*[Handwritten signatures and initials]*



PURE  
Leo "G"

SINCLAIR  
"Seaman Unit"

SHELL

C.W. TRAINER  
"S"

SHELL  
"W.O"

BURK ROYALTY CO  
"Shell St"

MABEE ROY.  
"A"

C.W. TRAINER  
"PHILLIPS St"

SHELL  
"WM"

DONNELLY

SHELL  
"WL"

HUME QUEEN FIELD

Twp 16S - Rge 34 E

Lea Co., N.M.

EXHIBIT "B"

PROPOSED UNIT BOUNDARY

TRACT NO. 3

CERTIFICATE OF APPROVAL  
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO  
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATIONS OF THE  
HUME QUEEN UNIT, COUNTY OF  
LEA, NEW MEXICO

There has been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the Hume Queen Unit Area, Lea County, New Mexico, Dated \_\_\_\_\_, in which C. W. Trainer is designated as Unit Operator, and which has been executed by various parties owning and holding oil and gas leases embracing lands within the Unit Area and upon examination of said agreement, the Commissioner finds:

- (a) That such agreement will tend to promote conservation of oil and gas and the better utilization of reservoir energy in said field;
- (b) That under the operations proposed, the state will receive its fair share of the recoverable oil or gas in place under its land in the area affected;
- (c) That the agreement is in other respects for the best interests of the state;
- (d) That the agreement provides for the unit operation of the field, for allocation of production and sharing of proceeds from the area covered by the agreement in accordance with a formula for participation as specified in the agreement regardless of the particular tract from which production is obtained or proceeds are derived and for repressuring or secondary recovery operations.

NOW THEREFORE, by virtue of the authority conferred upon me by virtue of the Laws of the State of New Mexico, I, the undersigned Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the state, do hereby consent to and approve the above referred to Hume Queen Unit Agreement as to the lands of the State of New Mexico committed thereto, and all oil and gas leases embracing lands of the State of New Mexico committed to said agreement shall be and the same are hereby amended so that the provisions thereof will conform to the provisions of said Unit Agreement and so that the length of the secondary term of each such lease as to the lands within the Unit Area will be extended as provided therein, such extension shall also be effective to extend the term of each oil and gas lease embracing lands of the State of New Mexico committed to said Unit Agreement which would otherwise expire, so as to coincide with the extended term of such Unit Agreement.

IN WITNESS WHEREOF, this Certificate of Approval is executed as of  
this \_\_\_\_\_ day of \_\_\_\_\_.

\_\_\_\_\_  
Commissioner of Public Lands  
of the State of New Mexico

1000-0114-000  
 1000-0114-000  
 1000-0114-000

EXHIBIT A  
 TO  
 UNIT AGREEMENT  
 HUME QUEEN UNIT  
 LEA COUNTY, NEW MEXICO  
 TRACT DESCRIPTION, TRACT OWNERSHIP  
 AND TRACT PARTICIPATION PERCENTAGE

Revised as of May 1, 1963  
 Revision #2  
 Revision Effective May 1, 1963

<u>Tract No.</u>	<u>Tract Description*</u>	<u>No. Acres</u>	<u>Lessee of Record</u>	<u>State Lease No. and Date</u>	<u>Royalty Interest Ownership &amp; Percentage</u>	<u>Working Interest Ownership and Percentage</u>	<u>Percentage Tract Participation</u>
1	Sec. 8, NE/4 NE/4	40.00	Shell Oil Company	E8265 June 15, 1954	State of New Mexico 12.50000 Shell Oil Co. 12.50000	Donnelly Drilling Company 100,00000	0.961538
2	Sec. 3, W/2 NE/4	80.00	Wm. Yeager and Jim Armstrong	E1386 July 10, 1947	State of New Mexico 12.50000	Mabee Royalties, 75.00000 J. M. Armstrong, 12.50000 W. A. Yeager, 12.50000	4.623081
3	Sec. 7, SE/4 and NE/4	320.00	The Pure Oil Company	OG265 October 16, 1956	State of New Mexico 12.50000	The Pure Oil Company 100.00000	21.312860
4	Sec. 8, SE/4 NE/4	40.00	Shell Oil Company	E8265 June 15, 1954	State of New Mexico 12.50000	Shell Oil Co. 25.40918 C. W. Trainer 8.95556 Roy G. Barton 8.95556 Moran Oil Producing & Drlg. Corp. 8.95556 Smith Collins 8.95556 E. F. Howe 4.47778 Gordon E. Herkenhoff 8.95556 W.R.Ferguson & W. W. Shipley 8.95556 J. F. Maddox 4.47776 Grady Thompson 4.47776 M. M. Sweeney 4.47776	10.091034

EXHIBIT A  
TO

UNIT AGREEMENT - HUME QUEEN UNIT  
LEA COUNTY, NEW MEXICO  
TRACT DESCRIPTION, TRACT OWNERSHIP  
AND TRACT PARTICIPATION PERCENTAGE

Revised as  
Revision #2  
Revision EF

Tract No.	Tract Description*	No. Acres	Lessee of Record	State Lease No. and Date	Royalty Interest Ownership & Percentage	Working Interest Ownership and Percentage
5	Sec. 3, N/2 SW/4 and N/2 NW/4	160.00	Shell Oil Company	E1079 November 12, 1946	State of New Mexico 12.50000	Shell Oil Company, 25.40918 C. W. Trainer, 8.95556 Roy G. Barton, 8.95556 Moran Oil Prod. & Drlg. Corp. 8.95556 Smith Collins 8.95556 E. F. Howe 4.47778 Gordon E. Herkenhoff 8.95556 W. R. Ferguson and W. W. Shipley 8.95556 J. F. Maddox 4.47778 Grady Thompson 4.47778 M. M. Sweeney 4.47778 J. E. Simmons 2.94634
6	Sec. 9, W/2 W/2	160.00	Shell Oil Company	OG512 January 15, 1957	State of New Mexico 12.50000	Shell Oil Company, 25.40918 C. W. Trainer, 8.95556 Roy G. Barton, 8.95556 Moran Oil Prod. & Drlg. Corp. 8.95556 Smith Collins 8.95556 E. F. Howe 4.47778 Gordon E. Herkenhoff 8.95556 W. R. Ferguson and W. W. Shipley 8.95556 J. F. Maddox 4.47778 Grady Thompson 4.47778 M. M. Sweeney 4.47778 J. E. Simmons 2.94634

EXHIBIT A  
TO

UNIT AGREEMENT - HUME QUEEN UNIT  
LEA COUNTY, NEW MEXICO  
TRACT DESCRIPTION, TRACT OWNERSHIP  
AND TRACT PARTICIPATION PERCENTAGE

Revised as of May 1, 1963  
Revision #2  
Revision Effective May 1, 1963

Tract No. 7**	Tract Description*	No. Acres	Lessee of Record	State Lease No. and Date	Interest Ownership & Percentage	Working Interest Ownership and Percentage	Royalty	
							Percentage	Participation
			Cities Service Oil Company	E990 September 10, 1946	State of New Mexico 12.50000	Sinclair Oil & Gas 35.39378 Cities Service 14.21011 Shell Oil Co. 9.60392 C. W. Trainer 3.38494 Roy G. Barton 3.38494 Moran Oil Prod. & Drilg. Corp 3.38494 Smith Collins 3.38494 E. F. Howe 1.69247 Gordon Herkenhoff 3.38494 W. R. Ferguson & W. W. Shipley 3.38494 J. F. Maddox 1.69247 Grady Thompson 1.69247 M. M. Sweeney 1.69247 J. E. Simmons 1.11361 Skelly Oil Co. 12.59906	4.808822	
3	Sec. 6, SE/4	160.00	Phillips Petroleum Company	E1186 February 10, 1947	State of New Mexico 12.50000	C. W. Trainer 35.00000 Roy G. Barton 50.00000 Carl J. Cahill 7.50000 George Neill 7.50000	36.632624	
3	Sec. 6, S/2 NW/4	80.00	Shell Oil Company	E1079 November 12, 1946	State of New Mexico 12.50000 Shell Oil Co. 6.250000	C. W. Trainer 25.00000 Roy G. Barton 50.00000 J. Don Hudgens, Inc. 25.00000	2.624261	

EXHIBIT A  
TO

Revised as of May 1, 1963  
Revision #2  
Effective May 1, 1963

UNIT AGREEMENT - HUME QUEEN UNIT  
LEA COUNTY, NEW MEXICO  
TRACT DESCRIPTION, TRACT OWNERSHIP  
AND TRACT PARTICIPATION PERCENTAGE

Tract No.	Tract Description*	No. Acres	Lessee of Record	State Lease No. and Date	Royalty Interest Ownership & Percentage		Working Interest Ownership and Percentage	Percentage Tract Participation	
					State of New Mexico	Union Gas Company			
10	Sec. 17, NW/4NE/4	40.00	Southern Union Gas Company	OG1215 August 20, 1957	State of New Mexico 12.500000	Southern Union Gas Company 12.500000	C. W. Trainer Carl J. Cahill C. R. McVay and Carmon J. Stafford George H. Neill	8.333333 8.333333*** 8.333333*** 75.000000*** 8.333333***	0.961538
TOTAL									
100.000000									

\* All Tracts located in T16S, R34E  
 \*\* Tract 7 is a portion of the Seaman Unit and all Tract Participation will be credited to the Seaman Unit  
 \*\*\* Subject to an Oil Payment out of four fifths (4/5) of Interest to The First National Bank of Hobbs, New Mexico.  
 \*\*\*\* Subject to a one third (1/3) Net Profit Interest.

100-55-10-11-15

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 3<sup>rd</sup> day of July, 1963.

Date: \_\_\_\_\_

Frank Garrison

By Frank Garrison

Address Halls New Mexico

Date: \_\_\_\_\_

Frank Garrison

Halls, N.M.

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by \_\_\_\_\_ of \_\_\_\_\_ a \_\_\_\_\_ corporation, on behalf of said corporation.

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

NOTARY PUBLIC

STATE OF New Mexico )  
COUNTY OF Lea ) ss.

The foregoing instrument was acknowledged before me this 3rd day of July, 1963, by Smith Collins and wife, Lucille Collins.

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

January 23, 1967

Virginia G. Perry  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by \_\_\_\_\_

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

NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1963, by \_\_\_\_\_

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

NOTARY PUBLIC

WORKING INTEREST OWNER

AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT

AND TO UNIT OPERATING AGREEMENT

HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 5th day of July, 1963.

Date: July 5, 1963

MORAN OIL PRODUCING & DRILLING CORP.

By R. M. Moran  
R. M. Moran, President

Address Box 1919, Yellowknife, New Mex

Date: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

STATE OF New Mexico )  
COUNTY OF Leon ) ss.

The foregoing instrument was acknowledged before me this 5  
day of July, 1963, by R. W. Mason,  
President of Mason Oil Prod & Refining Corp  
a New Mexico corporation, on behalf of said corporation.

My Commission Expires:

9-16-63

Edna Huff  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

My Commission Expires:

\_\_\_\_\_  
NOTARY PUBLIC

WORKING INTEREST OWNER

AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 1 day of MAY, 1963.

Date: \_\_\_\_\_

By \_\_\_\_\_

Address \_\_\_\_\_

Date: 5/1/63

F. J. Wilson

James E. Wilson

Date: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF CALIFORNIA )  
COUNTY OF LOS ANGELES ) ss.

The foregoing instrument was acknowledged before me this 12<sup>th</sup>  
day of MAY, 1963, by E. F. HOWE AND  
FRANCES E. HOWE.

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

Claire L. Baker  
NOTARY PUBLIC

CLAIRE L. BAKER, Notary Public  
My Commission Expires Dec. 14, 1963

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

WORKING INTEREST OWNER

AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT

AND TO UNIT OPERATING AGREEMENT

HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the \_\_\_\_\_ day of \_\_\_\_\_, 1963.

Date: \_\_\_\_\_

By \_\_\_\_\_

Address \_\_\_\_\_

Date: 11-30-63

*Edna Hernandez*

*Julia Hernandez*

Date: \_\_\_\_\_

\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this 30  
day of April, 1963, by GORDON HERGENROTHER,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_  
NOTARY PUBLIC

STATE OF New Mexico )  
COUNTY OF Lincoln ) ss.

The foregoing instrument was acknowledged before me this 30  
day of April, 1963, by Gordon Hergenrother  
and Estel Hergenrother.

Joy Hunt  
NOTARY PUBLIC

My Commission Expires:  
None

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_  
NOTARY PUBLIC

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 1<sup>st</sup> day of May, 1963.

Date: \_\_\_\_\_

By \_\_\_\_\_

Address \_\_\_\_\_

Date: May 10<sup>th</sup>, 1963

[Signature]  
[Signature]

Date: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF NEVADA )  
COUNTY OF CLARK ) ss.

The foregoing instrument was acknowledged before me this 13th  
day of May, 1963, by M. M. Sweeney and  
Lucile Sweeney.

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

~~My Commission Expires December 8, 1966~~

*Danna L. Traley*  
\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

1963 JUL 10 AM 11 44

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, N14E1, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 7<sup>th</sup> day of April, 1963.

Date: \_\_\_\_\_

By \_\_\_\_\_

Address \_\_\_\_\_

Date: \_\_\_\_\_

J. E. Simmons  
Beulah Simmons

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF New Mexico )  
COUNTY OF Lea ) ss.

The foregoing instrument was acknowledged before me this 30th  
day of April, 1963, by J. E. Simmons and wife  
Bessie H. Simmons of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF New Mexico )  
COUNTY OF Lea ) ss.

The foregoing instrument was acknowledged before me this 30th  
day of April, 1963, by J. E. Simmons and wife  
Bessie H. Simmons.

MY COMMISSION EXPIRES MARCH 25, 1965

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

Bessie H. Simmons  
\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

WORKING INTEREST OWNER

1963 JUL 20 AM 11 44

AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT

AND TO UNIT OPERATING AGREEMENT

HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, N14M, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the 1<sup>st</sup> day of May, 1963.

Date: May 1, 1963 \_\_\_\_\_

By [Signature]

Address P.O. Box 2317 - Hobbs N.M.

Date: May 1, 1963 \_\_\_\_\_  
\_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF NEW MEXICO )  
COUNTY OF LEA ) ss.

The foregoing instrument was acknowledged before me this 1st  
day of May, 1963, by J. F Maddox and wife,  
Mabel Maddox.

My Commission Expires:

January 8, 1964

*Constantine Pappas*  
\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

RECORDED  
MARCH 27 1963

WORKING INTEREST OWNER  
AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT  
AND TO UNIT OPERATING AGREEMENT  
HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, N14E1, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the \_\_\_\_\_ day of \_\_\_\_\_, 1963.

Date: 5-7-63

Jessie Mae Cole

By J. J. Cole

Address Box 1311 Lumberton, N.C.

Date: \_\_\_\_\_

Jessie Mae Cole

W. R. Ferguson

Date: 5-15-63

Grace E. Ferguson

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_  
NOTARY PUBLIC

STATE OF North Carolina }  
COUNTY OF Lee } ss.

The foregoing instrument was acknowledged before me this 7th  
day of May, 1963, by W. H. Shipley and  
Janet D. Shipley.

Ernest C. Browning  
NOTARY PUBLIC

My Commission Expires:  
June 30, 1966

STATE OF North Carolina }  
COUNTY OF \_\_\_\_\_ } ss.

The foregoing instrument was acknowledged before me this 15th  
day of May, 1963, by W. D. Ferguson and  
Sharon B. Ferguson.

Ruth B. Painter  
NOTARY PUBLIC

My Commission Expires:  
August 15, 1966

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_

My Commission Expires: \_\_\_\_\_  
NOTARY PUBLIC

WORKING INTEREST OWNER

AGREEMENT TO BECOME A PARTY TO UNIT AGREEMENT

AND TO UNIT OPERATING AGREEMENT

HUME QUEEN UNIT, LEA COUNTY, NEW MEXICO

Each of the persons who signs this instrument acknowledges receipt of a counterpart of an instrument entitled, Unit Agreement, and a counterpart of an instrument entitled, Unit Operating Agreement, Hume Queen Unit, Lea County, New Mexico, both of which were executed as of 27<sup>th</sup> day of March, 1963, by various persons, for conducting Unit Operations with respect to the Queen formation of the Hume Queen Field, located in Sections 7, 8, 9, and 17, Township 16 South, Range 34 East, NMPM, Lea County, State of New Mexico.

The Unit Agreement, by Exhibit A, describes each Tract in the Unit Area, and, by Exhibit B, shows on a map the boundary lines of the Unit Area and the Tracts therein.

The Unit Agreement and the Unit Operating Agreement provide that any person defined in the Unit Agreement as a Working Interest Owner may become a party to the agreements by signing the original, counterpart, or other instrument that evidences an intention to be bound by the terms of both agreements.

Now, therefore, each of the persons who signs this instrument is or claims to be a Working Interest Owner in one or more of the Tracts described in Exhibit A of the Unit Agreement, and each agrees to become a party to, and be bound by provisions of, the Unit Agreement and the Unit Operating Agreement as if he had signed the originals and agrees that the parties to the Unit Agreement and the Unit Operating Agreement are those that sign the originals, any counterparts of both instruments, or any instrument that evidences an intention to be so bound.

Executed as of the \_\_\_\_\_ day of \_\_\_\_\_, 1963.

Date: \_\_\_\_\_

By \_\_\_\_\_

Address \_\_\_\_\_

Date: Apr. 24, 1963

Grace Thompson

→ Jana Thompson

Date: \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF NEW MEXICO )  
COUNTY OF LEA ) ss.

The foregoing instrument was acknowledged before me this 29th  
day of APRIL, 1963, by GRADY THOMPSON AND  
JUNA C. THOMPSON.

My Commission Expires:  
February 25, 1965

*F. H. A. Beck*  
\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) ss.

The foregoing instrument was acknowledged before me this \_\_\_\_\_  
day of \_\_\_\_\_, 1963, by \_\_\_\_\_  
\_\_\_\_\_.

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

\_\_\_\_\_  
NOTARY PUBLIC

BEFORE THE OIL CONSERVATION COMMISSION  
OF THE STATE OF NEW MEXICO

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

CASE No. 2773  
Order No. R-2454

APPLICATION OF C. W. TRAINER  
FOR APPROVAL OF THE HUME-QUEEN  
UNIT AGREEMENT, LEA COUNTY,  
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on March 20, 1963, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 27th day of March, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, and being fully advised in the premises,

FINDS:

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

(2) That the applicant, C. W. Trainer, seeks approval of the Hume-Queen Unit Agreement, covering 1,240 acres, more or less, of State land in Township 16 South, Range 34 East, NMPM, Lea County, New Mexico.

(3) That approval of the proposed Hume-Queen Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Hume-Queen Unit Agreement is hereby approved.

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the

-2-

CASE No. 2773

Order No. R-2454

development and operation of the Hume-Queen Unit Area, and such plan shall be known as the Hume-Queen Unit Agreement Plan.

(3) That the Hume-Queen Unit Agreement Plan is hereby approved in principle as a proper conservation measure, provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Hume-Queen Unit, or relative to the production of oil or gas therefrom.

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

NEW MEXICO PRINCIPAL MERIDIAN

LEA COUNTY, NEW MEXICO  
TOWNSHIP 16 SOUTH, RANGE 34 EAST  
Section 7: E/2, E/2 SW/4  
Section 8: All  
Section 9: W/2 W/2  
Section 17: NW/4 NE/4

containing, 1,240 acres, more or less.

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

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Hume-Queen Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(6) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico, and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

-3-

CASE No. 2773

Order No. R-2454

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

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

STATE OF NEW MEXICO  
OIL CONSERVATION COMMISSION

*Jack M Campbell*

JACK M. CAMPBELL, Chairman

*E. S. Walker*

E. S. WALKER, Member

*A. L. Porter, Jr.*

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

