

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF THE  
EASTCAP QUEEN POOL UNIT  
CHAVES COUNTY, NEW MEXICO

NO. \_\_\_\_\_

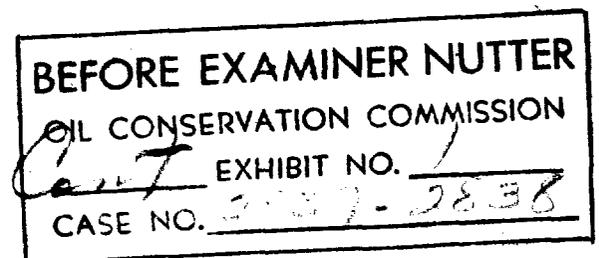
THIS AGREEMENT, entered into as of the 16<sup>th</sup> day of July,  
19 62, by and between the parties subscribing, ratifying or  
consenting hereto, and herein referred to as "parties hereto",

WITNESSETH: That,

WHEREAS, in the interest of the public welfare and to promote  
the conservation and increase the ultimate recovery of oil, gas  
and associated minerals from the unitized formation underlying the  
Unit Area hereinafter defined, to prevent waste and to protect  
the rights of the owners of interests therein, it is deemed  
necessary and desirable to enter into this agreement unitizing  
the oil and gas rights in and under the unitized formation covered  
hereby in order to effect a secondary recovery, pressure maintenance  
or other recovery program as hereinafter provided; and

WHEREAS, The parties hereto are the owners of sufficient oil  
and gas interests within the Unit Area to give reasonably effective  
control of operations therein, and the Commissioner of Public  
Lands of the State of New Mexico is authorized to consent to or  
approve this agreement on behalf of the State of New Mexico insofar  
as it covers and includes lands and mineral interests of the State  
of New Mexico, and the Oil Conservation Commission of the State of  
New Mexico is authorized to approve this agreement and the conserva-  
tion provisions hereof;

NOW, THEREFORE, in consideration of the premises and of the  
mutual covenants and agreements herein contained, the parties  
hereto commit to this agreement their entire respective oil and  
gas rights within the Unit Area hereinafter described insofar as  
the unitized formation covered hereby underlies the same, all  
upon the following terms and conditions.



ARTICLE I  
DEFINITIONS

As used in this agreement, the terms hereinafter set out shall have the following meaning:

1.1 Unit Area, shall mean the lands situated within the Caprock Queen Field, Chaves County, New Mexico, described by Tracts in Exhibit "A" and shown on Exhibit "B", as to which this agreement becomes effective or to which it may be extended as provided herein.

1.2 Unitized Formation, shall mean that subsurface portion or portions of the Unit Area commonly known or described as the Artesia Red Sand member of the Queen formation in the Guadalupian Series. The Artesia Red Sand member is found between the subsurface depths of 3053 and 3105 feet, measured from Kelly bushing, in the Continental Oil Company State "R-34" well No. 4, located 660 feet from the North line and 1980 feet from the East line of Section 34, Township 14 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.

1.3 Unitized Substances, shall mean 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 Owner, shall mean any party hereto, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, 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.

1.5 Royalty Owner, shall mean any party hereto who owns a right to or interest in any portion of the Unitized Substances or proceeds thereof other than that of a Working Interest Owner.

1.6 Commissioner, shall mean the Commissioner of Public Lands of the State of New Mexico.

1.7 Commission, shall mean the Oil Conservation Commission of

the State of New Mexico.

1.8 Tract, shall mean each parcel of land described as such and given a Tract number in Exhibit "A."

1.9 Unit Operating Agreement, shall mean the agreement entitled "Unit Operating Agreement, Eastcap Queen Unit, Chaves County, New Mexico," of the same effective date as the effective date of this agreement, and executed by and between the Working Interest Owners who are parties to this agreement, and any amendment thereof.

1.10 Unit Operator, shall mean the Working Interest Owner designated by the Working Interest Owners pursuant to the Unit Operating Agreement to develop and operate the Unitized Formation.

1.11 Tract Participation shall mean that percentage of Unitized Substances produced from the Unitized Formation which is allocated to a tract under this agreement, whether during the primary phase or the secondary phase.

1.12 Unit Participation of Each Working Interest Owner shall mean the sum of the percentages obtained by multiplying such Working Interest Owner's fractional working interest in each tract by the tract participation of such tract separately for each the primary phase and the secondary phase, and "Primary Phase Unit Participation" shall mean such Unit Participation during the primary phase, and Secondary Phase Unit Participation shall mean such Unit Participation during the secondary phase.

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

1.14 Oil and Gas Rights, shall mean 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.

1.15 Primary Phase shall mean that period from the effective date until 7 a.m. on the first day of the month next following the month during which the cumulative total production from August 1, 1960, has reached 350,000 barrels (the cumulative production used

herein shall be from individual lease operators' reports to the NMOCC from August 1, 1960, until the effective date of unitization and then from the unit operator's report to the NMOCC until a total of 350,000 barrels has been produced).

1.16 Secondary Phase shall mean that period commencing upon termination of the primary phase and continuing throughout the duration hereof.

## ARTICLE 2

### EXHIBITS

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

2.1.1 Exhibit "A," is a schedule describing each Tract in the Unit Area and showing its Tract Participation.

2.1.2 Exhibit "B," is a map of the Caprock Queen Field, showing the boundary lines of the Unit Area and Tracts thereon.

2.2 Reference to Exhibits. Whenever in this agreement reference is made to any of said exhibits, such reference shall mean said exhibits as originally attached hereto; or if the same have been revised, it shall mean the latest revision thereof.

2.3 Exhibits Considered Correct. Said exhibits for all purposes of this agreement shall be considered as true and correct unless and until they are revised or corrected as herein provided.

2.4 Correcting Errors. The shapes and descriptions of the respective Tracts have been established using the best information available. In the event it subsequently appears that any Tract should, because of diverse royalty or working interest ownership on the effective date hereof, 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 such mistake by revising the exhibits to conform to the facts. Such corrections shall not include any re-evaluation of previously established engineering or geological interpretations used in establishing Tract Participation. Each such revision of exhibits, if made after this agreement becomes effective, shall be effective at 7:00 o'clock a.m. on the first day of the calendar month next

following the filing of the exhibit relating thereto or on such other date as is determined by Working Interest Owners. Any such revision made prior to the effective date hereof shall be effective on the effective date.

2.5 Filing Revised Exhibits. If and when the exhibits, or any revision thereof, are revised pursuant to this agreement, Unit Operator shall certify and file the revised exhibits for record in the County or Counties in which this agreement is filed.

### ARTICLE 3

#### CREATION AND EFFECT OF UNIT

3.1 Oil and Gas Rights Unitized. Subject to the terms and conditions of this agreement, all the Oil and Gas Rights of the Royalty Owners in and to the lands described in Exhibit "A", and all of the Oil and Gas Rights of the Working Interest Owners in and to said lands are hereby unitized insofar as said respective Oil and Gas Rights pertain to the Unitized Formation, all to the same extent as if the Unitized Formation had been included in a single lease executed by all the Royalty Owners, as lessors, in favor of all the Working Interest Owners, as lessees, and as if said lease had been subject to all of the terms and conditions of this agreement.

3.2 Personal Property Excepted. Working Interest Owners have each individually heretofore placed in or on their wells and in or on lands affected by this agreement, various items of personal property which are lease and well equipment, as to all of which Working Interest Owners have the right, as provided in their respective leases, to remove such property from the premises and all of which installations were made with the intention and understanding that all of the same would be and remain personal property and that no part thereof would be or become a part of the realty. Working Interest Owners except from the terms and provisions of this agreement, and hereby sever from said lands, for all purposes, all such lease and well equipment which may be or may hereafter become located in or on the lands or in the wells on the lands affected hereby. To conform their respective investments in such equipment, Working Interest Owners have made a separate agreement

with each other with respect thereto.

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, of (ii) if, and for so long as some part of the lands embraced in such State lease are included in the Participating Area; 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 of the lands embraced therein, as provided in (i) or (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 covered hereby between the parties hereto or to Unit Operator, other than the right to exercise such Oil and Gas Rights and to share in the Unitized Substances or the proceeds therefrom to the extent and manner 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 the Working Interest Owners deem expedient, including the right to place and maintain injection wells on the Unit Area and to use producing or abandoned oil or gas wells for said purposes.

#### ARTICLE 4

##### PLAN OF OPERATIONS

4.1 Unit Operator. Working Interest Owners are, as of the effective date of this agreement, entering into a Unit Operating Agreement, designating Continental Oil Company Unit Operator. Unit Operator shall have, subject to the terms, provisions and limitations expressed in the Unit Operating Agreement, the exclusive right to develop and operate the Unit Area for the production of Unitized Substances. Such operations shall be conducted in conformity with the provisions of this agreement and the Unit Operating Agreement. In the event of any conflict between such agreements, this agreement shall govern.

4.2 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.

4.3 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 secondary recovery operations by the injection of water or other substance into the unitized formation.

4.4 Change of Operating Methods. Such other methods of operation as may from time to time be determined by Working Interest Owners to be feasible, necessary or desirable to efficiently and economically increase the ultimate recovery of Unitized Substances may be conducted by Working Interest Owners. Nothing herein contained shall prevent Working Interest Owners from discontinuing or changing in whole or in part any particular method of operation if, in their opinion, such method of operation is no longer in accord with good engineering or production practices.

## ARTICLE 5

### TRACT PARTICIPATION

5.1 Tract Participation. The Tract Participation of each tract for each the primary phase and the secondary phase is shown in Exhibit "A." Tract Participation for the primary phase for each tract is the percentage derived by dividing estimated primary production remaining recoverable by ordinary means underlying that tract by the estimated primary production remaining recoverable by ordinary means underlying the Unit Area, and Tract Participation for the secondary phase for each tract is the percentage derived by dividing the estimated reserves recoverable by secondary recovery operations for that tract by estimated reserves recoverable by secondary operations underlying the Unit Area, all with respect to the Unitized Formation.

5.2 Relative Tract Participations. Whenever the Unit Area is enlarged or reduced, the revised Tract Participations of the respective tracts included within the Unit Area for each the primary phase and the secondary phase, prior to such enlargement

or reduction, shall remain in the same ratio one to the other.

## ARTICLE 6

### ALLOCATION OF UNITIZED SUBSTANCES

6.1 Allocation to Tracts. All Unitized Substances produced and saved shall be apportioned among and allocated to the several Tracts within the Unit Area in accordance with the respective Tract Participations effective hereunder during the respective periods such Unitized Substances were produced, as set forth in Exhibit "A." The amount of Unitized Substances so allocated to each Tract, and only that amount, regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract shall, for all intents, uses and purposes, be deemed 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 force and effect.

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 the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. 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 party receiving the same in kind.

6.4 Failure to Take in Kind. To the extent that any party entitled to take and receive in kind any portion of the Unitized Substances shall fail to take or otherwise adequately dispose of

the same currently as and when produced, then so long as such conditions continue, Unit Operator, as agent and for the account and at the expense of such party shall, in order to avoid curtailing the operation of the Unit Area, dispose of such production on a day-to-day basis in any reasonable manner Unit Operator sees fit, and the account of such party shall be charged therewith as having received the same. The proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto. Notwithstanding the foregoing, Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty days' notice of such intended 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 if the same is sold or purchased by Unit Operator, shall be responsible for the payment of, and shall indemnify all other parties, including Unit Operator, against any liability for any and all royalties, overriding royalties, production payments and any and all other payments chargeable against or payable out of such Unitized Substances or the proceeds therefrom.

6.6 Royalty on Outside Substances. With respect to any outside substance consisting of natural gas, fifty percent (50%) of any like substance contained in Unitized Substances subsequently produced and sold or used for other than operations hereunder shall be deemed to be a recovered outside substance until the aggregate of said recovered outside substance equals the accumulated volume of such outside substance so injected into the Unitized Formation. With respect to any outside substance consisting of those substances commonly classified in the petroleum industry as LPG, ten percent (10%) of all Unitized Substances subsequently produced and sold or used for other than operations hereunder shall be deemed to be a recovered outside substance until the value of the aggregate of said recovered outside substances equals the value of such outside substances so injected into the Unitized Formation.

No payment shall be due or payable to royalty owners on any substance which is classified hereby as a recovered outside substance.

#### ARTICLE 7

##### USE OR LOSS OF UNITIZED SUBSTANCES

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

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

#### ARTICLE 8

##### TRACTS TO BE INCLUDED IN UNIT

8.1 Percentages of Commitment Required. On and after the effective date hereof and until the enlargement or reduction thereof, the Unit Area shall be composed of the following Tracts listed in Exhibit "A" which corner, adjoin or are contiguous to each other:

8.1.1 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the working interest have signed or ratified this agreement and Royalty Owners owning eighty percent (80%) or more of the royalty interest have signed or ratified this agreement; and

8.1.2 Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the working interest have signed or ratified this agreement and Royalty Owners owning less than eighty percent (80%) of the royalty interest have signed or ratified this agreement, and as to which (a) all Working

Interest Owners in such Tract join in a request for the inclusion of such Tract in the Unit Area, and further as to which (b) One hundred percent (100%) of the combined voting interests of Working Interest Owners in all Tracts which meet the requirements of Section 8.1.1 vote in favor of the inclusion of such Tract. For the purpose of this Section 8.1.2 the voting interest of each Working Interest Owner shall be equal to the ratio (expressed in percentage) which the total of such Working Interest Owner's Unit Participation attributable to Tracts which qualify under Section 8.1.1 bears to the total of the Unit Participation of all Working Interest Owners attributable to all Tracts which qualify under said Section 8.1.1; and

8.1.3 Each Tract as to which Working Interest Owners owning less than one hundred percent (100%) of the working interest have signed or ratified 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 subscribing Working Interest Owners in such Tract have joined in a request for inclusion of such Tract in the Unit Area and have executed and delivered an indemnity agreement acceptable to the other Working Interest Owners in the Unit Area indemnifying and agreeing to hold such parties harmless from and against all claims and demands that may be made by the nonsubscribing owners in such Tract on account of the inclusion of the same in the Unit Area, and further as to which (b) one hundred percent (100%) of the combined voting interest of the Working Interest Owners in all Tracts which meet the requirements of Sections 8.1.1 and 8.1.2 above, vote in favor of the inclusion of such Tract. For the purposes of this Section 8.1.3 the voting interest of each Working Interest Owner shall be equal to the ratio (expressed in percentage) which the total of such Working Interest Owner's Unit Participation attributable to Tracts which qualify under Sections 8.1.1 and 8.1.2 bears to the total Unit Participation of all Working Interest Owners attributable to all Tracts which qualify under said Sections 8.1.1 and 8.1.2.

8.2 Subsequent Commitment of Interest to Unit. Any interest in any tract within the Unit Area not committed hereto prior to the effective date of this agreement may thereafter be committed hereto upon compliance with the applicable provisions of this article hereof, at any time for a period to and including six months after the effective date of this agreement on the same basis of participation as provided in this article and in Article 5, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this agreement and, if the interest is a working interest, by the owners of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed however, that from and after six months from the effective date hereof, the commitment hereto of any interest in any tract within the Unit Area shall be upon such terms and conditions as may be negotiated by Working Interest Owners and owners of such interest.

8.3 Revision of Exhibits. In the event any of the Tracts described in Exhibit "A" fail to qualify for inclusion in the Unit Area, 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. Said revised exhibits shall be effective as of the effective date hereof.

## ARTICLE 9

### TITLES

9.1 Removal of Tract from Unit Area. In the event a Tract ceases to have sufficient Working Interest Owners or Royalty Owners committed to this agreement to meet the conditions of Article 8 because of failure of title of any party hereto, such Tract shall be eliminated from the Unit Area as of the first day of the calendar month in which such failure of title is finally determined; provided, however, that a 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, Working Interest Owners and Royalty Owners become parties to this agreement in sufficient numbers to meet the qualifying provisions of Section 8.1.1 or the Tract otherwise qualifies under the provisions of

Section 8.1.2 or 8.1.3.

9.2 Revision of Exhibits. In the event any Tract is eliminated from the Unit Area because of the failure of title pursuant to the provisions of this Article, Unit Operator shall recompute the Tract Participation of each of the Tracts remaining in the Unit Area and shall revise Exhibits "A" and "B" accordingly. Said revised exhibits shall be effective as of the first day of the calendar month in which such failure of title is finally determined.

9.3 Working Interest Titles. If title to a working interest fails, the rights and obligations as between the Working Interest Owners in respect thereto shall be governed by the Unit Operating Agreement.

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

9.5 Production Where Title in Dispute. If the title or right of any person 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:

9.5.1 Require that the person or persons 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 or owners in the event the title or right of such person or persons shall fail in whole or in part, or

9.5.2 Withhold and market the portion of Unitized Substances with respect to which title 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 person or persons rightfully entitled thereto.

## ARTICLE 10

### EASEMENTS OR USE OF SURFACE

10.1 Grant of Easements. The parties hereto, to the extent of their rights and interests, hereby grant to Working Interest

Owners the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for the operation and development of the Unit Area hereunder; 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.

10.2 Use of Water. Working Interest Owners shall have free use of water from the Unit Area for operations hereunder except water from Royalty Owners' wells, private lakes, ponds, or irrigation ditches.

10.3 Surface Damages. Working Interest Owners shall pay the rightful owners for damages to growing crops, timber, fences, improvements and structures on the Unit Area resulting from operations hereunder.

## ARTICLE 11

### ENLARGEMENTS OF UNIT AREA

11.1 Enlargements of Unit Area. The Unit Area may be enlarged to include acreage reasonably proved to be productive under such terms and conditions as determined by the Working Interest Owners, including but not limited to, the following, and if the acreage qualifies as provided in Article 8:

11.1.1 The participation to be allocated to the acreage added to the Unit Area shall be based on all available information to the end that a reasonable and fair participation shall be so allocated.

11.1.2 There shall never be any retroactive allocation or adjustment of operating expenses or of interests in the Unitized Substances produced, or proceeds thereof, by reason of an enlargement of the Unit Area; provided, however, this limitation shall not prevent an adjustment of investment by reason of such enlargement.

11.1.3 In the event of an enlargement of the Unit Area, Unit Operator shall, subject to Section 5.2, recompute the Tract Participation of each Tract within the Unit Area as enlarged and shall revise Exhibits "A" and "B" accordingly.

11.1.4 The effective date of any enlargement of the Unit Area shall be 7:00 o'clock a.m. on the first day of the

calendar month following compliance with conditions for enlargement as specified by Working Interest Owners, approval of the enlargement of the Unit Area by the appropriate governmental authority, if required, and the recording of revised Exhibits "A" and "B" in the records of the County or Counties in which this agreement is recorded.

## ARTICLE 12

### TRANSFER OF INTEREST

12.1 Agreement is a Covenant. All of the terms and provisions of 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 interests covered hereby.

12.2 Effect of Transfers. Any transfer, assignment or 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 such transfer, assignment or conveyance shall be binding for any purpose upon any party hereto other than the party so conveying the same, until the first day of the calendar month next succeeding the date of receipt by Unit Operator of a certified copy of the recorded instrument evidencing such change in ownership.

12.3 Waiver of Rights to Partition. Each party hereto covenants that, during the existence of this agreement, such party shall not resort to any action at law or in equity to partition the Unit Area or the facilities used in the development or operation thereof and to that extent waives the benefits of all laws authorizing such partition.

## ARTICLE 13

### RELATIONSHIP OF PARTIES

13.1 No partnership. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective, and nothing herein contained shall ever be construed to create an association, trust or 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.

13.2 No Sharing of Market. Nothing in this agreement shall be construed as providing, directly or indirectly, for any cooperative refining or joint sale or cooperative marketing of Unitized Substances.

13.3 Royalty Owners Free of Costs. It is understood and agreed that this agreement shall never be construed as imposing upon any Royalty Owner any obligation to pay for any development or operating expense unless such Royalty Owner is obligated to pay for same by the terms of agreements existing before the execution of this agreement.

13.4 Information to Royalty Owners. Each Royalty Owner shall be entitled to all information in possession of Unit Operator to which such Royalty Owner is entitled by his existing agreement with any Working Interest Owner with the express stipulation that if, by reason of this agreement, such information is not available, the nearest approximation or equivalent of such information shall be made available.

#### ARTICLE 14

##### LAWS AND REGULATIONS

14.1 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. It is not the intention of this agreement to limit, restrict or prorate unit production, it being recognized that such powers are exclusively exercised by governmental authority.

#### ARTICLE 15

##### FORCE MAJEURE

15.1 Force Majeure. All obligations of each party hereto, except for the payment of money, shall be suspended while said party is prevented from complying therewith, in whole or in part, by strikes, fire, war, civil disturbances, acts of God, federal, state or municipal laws, orders or regulations, inability to

secure materials or other causes beyond the reasonable control of said party; provided, however, that performance shall be resumed within a reasonable time after such cause has been removed; and provided further that no party shall be required against its will to adjust or settle any labor dispute. This agreement or the leases or other interests subject hereto shall not be terminated by reason of suspension of unit operations due to the aforesaid causes.

## ARTICLE 16

### EFFECTIVE DATE

16.1 Effective Date. This agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 o'clock a.m. of the first day of the second calendar month next following (a) the execution or ratification of this agreement and the Unit Operating Agreement by Working Interest Owners owning a combined Unit Participation of at least eighty percent (80%), and the execution or ratification of this Agreement by Royalty Owners owning a combined interest of at least eighty percent (80%) of the royalty interest, in said Unit Area; (b) the approval of this agreement by the appropriate governmental authority, if required; and (c) the filing of at least one counterpart of this agreement for record in the records of Chaves County, New Mexico, by Unit Operator; and provided, further, that if (a), (b) and (c) above are not accomplished on or before May 1, 1963, this agreement shall ipso facto terminate on said date (hereinafter called "termination date") and thereafter be of no further force or effect, unless prior thereto this agreement has been executed or ratified by Working Interest Owners owning a combined Unit Participation of at least fifty percent (50%) and Working Interest Owners owning a combined Unit Participation of at least eighty percent (80%) committed to this agreement have decided to extend said termination date for a period not to exceed six months. If said termination date is so extended and (a), (b) and (c) above are not accomplished on or before said extended termination date, this agreement shall ipso facto terminate on said extended termina-

tion date and thereafter be of no further force or effect. For the purposes of this Article, ownership shall be computed on the basis of Unit Participation as determined from Exhibit "C" attached to the Unit Operating Agreement.

16.2 Certificate of Effectiveness. Unit Operator shall within thirty (30) days after the effective date of this agreement file for record in the office or offices where a counterpart of this agreement is recorded, a certificate to the effect that this agreement has become effective according to its terms and stating further the effective date.

## ARTICLE 17

### TERM

17.1 Term. The term of this agreement shall be for and during the time that Unitized Substances are produced in paying quantities and as long thereafter as drilling, reworking or other operations are prosecuted without cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner hereinafter provided.

17.2 Termination by Working Interest Owners. This agreement may be terminated by Working Interest Owners owning eighty percent (80%) Unit Participation whenever such Working Interest Owners determine that unit operations are no longer profitable, feasible or in the interest of conservation.

17.3 Effect of Termination. Upon termination of this agreement, the further development and operation of the Unit Area as a unit shall be abandoned, unit operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts just as if this agreement had never been entered into.

17.4 Salvaging Equipment upon Termination. If not otherwise covered by the leases unitized under this agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with unit operations.

ARTICLE 18

COUNTERPART

18.1 Separate Counterparts or Ratifications. This agreement may be executed in any number of counterparts and each executed counterpart shall have the same force and effect as an original instrument and as if all of the parties to the aggregate counterparts had signed the same instrument; or, may be ratified by a separate instrument in writing referring to this agreement. Each such ratification shall have the force and effect of an executed counterpart hereof and of adopting by reference all of the provisions hereof.

18.2 Joinder in Dual Capacity. It shall not be necessary for parties owning both working interests and royalty interests to execute this agreement in both capacities in order to commit both classes of interests. Execution hereof by any such party in one capacity shall also constitute execution in the other capacity.

ARTICLE 19

GENERAL

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

IN WITNESS WHEREOF, The parties hereto have executed this agreement upon the respective dates indicated opposite their respective signatures.

ATTEST:

\_\_\_\_\_

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

CONTINENTAL OIL COMPANY

By \_\_\_\_\_  
Attorney in Fact

UNIT OPERATOR AND WORKING  
INTEREST OWNER

ATTEST:

\_\_\_\_\_

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

COTTAGE BAKERS

By \_\_\_\_\_

ATTEST:

\_\_\_\_\_

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

ATTEST:

\_\_\_\_\_

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

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

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

ATTEST:

\_\_\_\_\_

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

ATTEST:

\_\_\_\_\_

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

ATTEST:

\_\_\_\_\_

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

GULF OIL CORPORATION

By \_\_\_\_\_

TEXAS PACIFIC COAL AND OIL  
COMPANY

By \_\_\_\_\_

\_\_\_\_\_  
BILL A. SHELTON

\_\_\_\_\_  
JOSEPH I. O'NEILL

UNION OIL COMPANY OF  
CALIFORNIA

By \_\_\_\_\_

WESTERN DEVELOPMENT COMPANY

By \_\_\_\_\_

S. P. YATES DRILLING COMPANY

By \_\_\_\_\_

\_\_\_\_\_

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\_\_\_\_\_

XXXXXX

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

OWNERS OF OVERRIDING  
ROYALTIES OR PRODUCTION  
PAYMENTS

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_,  
\_\_\_\_\_ of \_\_\_\_\_,  
a \_\_\_\_\_ corporation, on behalf of said corporation.

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

\_\_\_\_\_  
Notary Public

\_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_.

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

\_\_\_\_\_  
Notary Public  
\_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_.

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

\_\_\_\_\_  
Notary Public  
\_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_.

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

\_\_\_\_\_  
Notary Public  
\_\_\_\_\_  
County, \_\_\_\_\_

STATE OF \_\_\_\_\_  
COUNTY OF \_\_\_\_\_

The foregoing instrument was acknowledged before me this  
\_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_  
and \_\_\_\_\_, his wife.

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

\_\_\_\_\_  
Notary Public  
\_\_\_\_\_  
County, \_\_\_\_\_

EXHIBIT "A" - UNIT AGREEMENT  
 SCHEDULE OF TRACTS  
 CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE	BASIC ROYALTY	WORKING INTEREST OWNER AND PERCENTAGE	OVERRIDING ROYALTY OWNER AND PERCENTAGE		PERCENTAGE PARTICIPATION	
						Primary Phase	Secondary Phase	Primary Phase	Secondary Phase
3	State Land T14S-R31E: Section 27: R1W1/4	80.00	B-8459 - HBP	State of NM 12.5%	Cottage Bakers Gulf Oil Corp. 95.0% 5.0%	Gulf Oil Corp: Primary Phase Secondary Phase	12.5% 25.0%	8.90694	4.60163
4	T14S-R31E: Section 27: N1/4, N2SE1/4, S1NE1/4	480.00	B-8459 - HBP	State of NM 12.5%	Gulf Oil Corp. 100.0%	None		20.00693	22.36787
4a	T14S-R31E: Section 27: S1SE1/4	80.00	B-8459 - HBP	State of NM 12.5%	Gulf Oil Corp. 100.0%	None		5.46506	6.01104
5	T14S-R31E: Section 35: N1/4NW1/4	40.00	E-5444 - HBP	State of NM 12.5%	R W Fair S P Yates Gus W Arnold International Oil & Gas Corp. S P Yates Drilg Co. 57.0% 10.0% 3.0% 20.0% 10.0%	None		0.05585	0.46016
6	T14S-R31E: Section 34: E1/2	320.00	E-5364 - HBP	State of NM 12.5%	Continental Oil Company 100.0%	None		33.27155	32.29687
7	T14S-R31E: Section 34: NE1/4NW1/4	40.00	E-1467 - HBP	State of NM 12.5%	Texas Pacific Coal and Oil Company 100.0%	None		4.03642	4.44386
8	T14S-R31E: Section 34: S1/2NW1/4, SW1/4	240.00	E-7662 - HBP	State of NM 12.5%	Gulf Oil Corp. 100.0%	None		13.62398	21.04260
9	T14S-R31E: Section 35: SW1/4NW1/4	40.00	E-3277 - HBP	State of NM 12.5%	Continental Oil Company 100.0%	Phillips Petroleum Company 5.46875%		0.03070	0.26295

Ten State of New Mexico Tracts containing 1,320.00 acres or 89.1891% of the Unit Area

EXHIBIT "A" - UNIT AGREEMENT--Continued

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	EXPIRATION DATE	BASIC ROYALTY	WORKING INTEREST OWNER AND PERCENTAGE	OVERRIDING ROYALTY OWNER AND PERCENTAGE	PERCENTAGE PARTICIPATION PRIMARY PHASE	PERCENTAGE PARTICIPATION SECONDARY PHASE
<u>Fee or Privately Owned Land</u>								
1	T14S-R31E: Section 23: W1/2SW1/4	80.00	HBP	Luther B Harris & wife, Loul 6.25% Hardin-Simmons University 6.25%	Bill A Shelton 93-1/3% Margaret Ross 6-2/3% Secondary Phase: Union Oil Co. of California 50.0% Bill A Shelton 50.0%	Union Oil Company of California: Primary Phase 1/16	9.00365	5.57455
2	T14S-R31E: Section 22: E1/2SE1/4	80.00	HBP	M H Medlin 12.5%	Frank A Howard 3.000000% G Hilmer Lundbeck 2.500000% Edward L Shea 7.500000% Peter L Shea 5.858333% E T Anderson 1.850000% Walter Duncan 13.42917% J Walter Duncan, Jr. 14.88967% Vincent J Duncan 5.609000% Raymond T Duncan 2.788833% Edwina S Brokaw 5.85834% Joseph I O'Neill, Jr. 36.71666%	When production averages 15 barrels or more of oil per well per day per calendar month, the following will apply: Malco Refineries, Inc. 6.250000% E T Anderson 0.60938% N C Dragistic, Trustee 0.20312% H A Savage 0.40625% When production averages less than 15 barrels of oil per day per well per calendar month, the following will apply: Malco Refineries, Inc. 3.125000% E T Anderson 0.63281% N C Dragistic, Trustee 0.21094% H A Savage 0.42188%	5.59892	2.93847

Two Fee Tracts containing 160.00 acres or 10.81081% of the Unit Area

Total of Twelve Tracts containing 1,480.00 acres

SUBSEQUENT JOINDER  
12-21-64

Unit Name EASTCAP QUEEN POOL UNIT (WATERFLOOD)  
Operator CONTINENTAL OIL COMPANY  
County CHAVES

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSEE
5	K-4496	C.S.	35	14S	31E	NW/4NW/4	1-1-64	40.00		CONTINENTAL OIL C

RECORDED  
12-20-74  
90

Unit Name EASTCAP QUEEN POOL UNIT (WATERFLOOD)  
 Operator CONTINENTAL OIL COMPANY  
 County CHAVES

DATE	OCC CASE NO.	2837	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SEGREGATION CLAUSE	TERM
APPROVED	OCC ORDER NO.	R-2515	11-1-63	1,480.00	1,320.00	-0-	-0-	160.00	Yes
Commissioner:	OCC:	July 9, 1963							Indef

10-1-63

UNIT AREA

TOWNSHIP 14 SOUTH, RANGE 31 EAST, NEW MEXICO PRINCIPAL MERIDIAN

Section 22: E/2SE/4  
 Section 23: W/2SW/4  
 Section 27: A11  
 Section 34: NE/4NW/4, S/2NW/4, SW/4, E/2  
 Section 35: W/2NW/4

**TERMINATED**  
 11-30-74  
 JH

Unit Name EASTCAP QUEEN POOL UNIT (WATERFLOOD)  
 Operator CONTINENTAL OIL COMPANY  
 County CHAVES

STATE TRACT NO.	LEASE NO.	INSTI-TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LESSOR
3	B-8459	C.S.	27	14S	31E	N/2NE/4	9-10-62	80.00		GULF Oil Corporat
4	B-8459	C.S.	27	14S	31E	W/2, N/2SE/4, S/2NE/4	4-30-63	480.00		GULF Oil Corporat
4-A	B-8459	C.S.	27	14S	31E	S/2SE/4	4-30-63	80.00		GULF Oil Corporat
<del>5</del>	<del>E-5444</del>	<del>C.S.</del>	<del>35</del>	<del>14S</del>	<del>31E</del>	<del>NW/4NW/4</del>			<del>40.00</del>	<del>R. W. Fair</del>
6	E-5364	C.S.	34	14S	31E	E/2	9-23-63	320.00		Continental Oil C
7	E-1467	C.S.	34	14S	31E	NE/4NW/4	9-24-62	40.00		Texas Pacific Coe & Oil Company
8	E-7662	C.S.	34	14S	31E	S/2NW/4, SW/4	4-30-63	240.00		GULF Oil Corporat
9	E-3277	C.S.	35	14S	31E	SW/4NW/4	9-17-63	40.00		Phillips Petroler Company

RETRACTED  
 12-24-74  
 11-30-74  
 SM

ATTEST:  
CERTIFIED THIS 22nd DAY OF  
Oct. 19 63 AS A TRUE  
AND CORRECT COPY OF THE  
ORIGINAL FILED IN THIS  
OFFICE.

Rec. #7719 C  
Fee. \$1.75

CLERK OF PUBLIC LANDS,  
County of Chaves } SS.

FILED FOR RECORD

OCT 22 1963

**CERTIFICATE OF UNITIZATION**

**EASTCAP QUEEN POOL UNIT AGREEMENT  
CHAVES COUNTY, NEW MEXICO**

at 3:00 o'clock P.M. and recorded in  
book 87 page 150

Dorothy Herring

Dorothy Herring County Clerk  
/s/ Pat Smith Deputy

CLERK OF CHAVES COUNTY EFFECTIVE DATE: NOVEMBER 1, 1963

By: *[Signature]* Deputy

WHEREAS, that certain Unit Agreement for the Development and Opera- (Seal)

tion of the Eastcap Queen Pool Unit, Chaves County, New Mexico, and the Unit Operating Agreement companion thereto, each dated July 16, 1962, has been executed or ratified by Working Interest Owners owning a combined Unit Participation of more than 80% (based upon either Primary Phase or Secondary Phase Participation), and the said Unit Agreement has been executed or ratified by Royalty Owners owning a combined interest of more than 80% (based upon either Primary Phase or Secondary Phase Participation); and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico has approved said Unit Agreement by executing a Certificate of Approval dated October 1, 1963; and

WHEREAS, the approval of the Oil Conservation Commission of the State of New Mexico has been obtained as evidenced by its Order No. R-2515 (Case No. 2837) dated July 9, 1963; and

WHEREAS, a fully executed counterpart of said Unit Agreement was on October 4, 1963, filed for record and is recorded in Book 87, Page 41, of the Oil and Gas Records of Chaves County, New Mexico, such recording having been made as expeditiously as possible after its approval and return by the Commissioner of Public Lands of the State of New Mexico with the consent of the Working Interest Owners so executing or ratifying; and

WHEREAS, Tracts 3, 4, 4a, 6, 7, 8 and 9 which corner, adjoin or are contiguous to each other, (representing a combined Unit Participation in excess of 80% within the original Unit Area depicted on Exhibit B to said Unit Agreement) have been committed to said Unit Agreement and Unit Operating Agreement, 100% of both Working Interest Owners and Royalty Owners in each of such Tracts having executed or ratified the same as provided therein, and each and every prerequisite to the Unit's effectiveness has now been met as provided in Article 16 of the said Eastcap Queen Pool Unit Agreement insofar as said Tracts 3, 4, 4a, 6, 7, 8 and 9 are concerned;

NOW THEREFORE, CONTINENTAL OIL COMPANY as Unit Operator does hereby declare and certify to all of the foregoing, and that said Unit shall be and it is hereby effective as to Tracts 3, 4, 4a, 6, 7, 8 and 9 described in Exhibit "A" of said Unit Agreement as of 7:00 A.M. on the first day of November, 1963.

IN WITNESS WHEREOF, this certificate is executed this 7th day of October, 1963, by the undersigned, as Unit Operator, pursuant to Article 16 of said Unit Agreement.

CONTINENTAL OIL COMPANY

By *[Signature]*  
Attorney in Fact

FORM APPROVED  
*[Signature]*  
CLERK

STATE OF TEXAS |  
COUNTY OF TARRANT |

The foregoing instrument was acknowledged before me this 7th day of October, 1963, by ROY M. MAYS, Attorney in Fact of CONTINENTAL OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires: 7-1-65

*[Signature]*  
Notary Public, Tarrant County,  
Texas

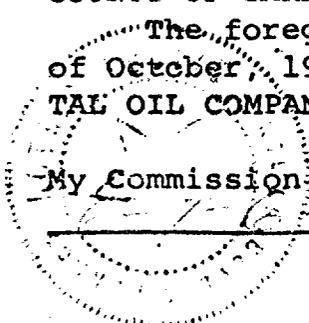


EXHIBIT "A" - UNIT AGREEMENT  
 SCHEDULE OF TRACTS  
 CHAVES COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	SERIAL NUMBER & EXPIRATION DATE	BASIC ROYALTY	WORKING INTEREST OWNER AND PERCENTAGE	OVERRIDING ROYALTY OWNER AND PERCENTAGE	PERCENTAGE PARTICIPATION PRIMARY PHASE	PERCENTAGE PARTICIPATION SECONDARY PHASE
<u>State Land</u>								
3	T14S-R31E: Section 27: N½NE¼	80.00	B-8459 - HBP	State of NM 12.5%	Cottage Bakers Gulf Oil Corp. 95.0% 5.0%	Gulf Oil Corp: Primary Phase Secondary Phase 12.5% 25.0%	10.43681	5.05225
4	T14S-R31E: Section 27: W½, N½SE¼, S½NE¼	480.00	B-8459 - HBP	State of NM 12.5%	Gulf Oil Corp. 100.0%	None	23.44336	24.57284
4a	T14S-R31E: Section 27: S½SE¼	80.00	B-8459 - HBP	State of NM 12.5%	Gulf Oil Corp. 100.0%	None	6.40375	6.60359
5	T14S-R31E: Section 35: NW¼NW¼	40.00	B-5444 - HBP	State of NM 12.5%	R W Fair S P Yates Gus W Arnold International Oil & Gas Corp. S P Yates Drilg Co. 57.0% 10.0% 3.0% 20.0% 10.0%	None	Not committed	
6	T14S-R31E: Section 34: E½	320.00	E-5364 - HBP	State of NM 12.5%	Continental Oil Company 100.0%	None	38.98633	35.48061
7	T14S-R31E: Section 34: NE¼NW¼	40.00	E-1467 - HBP	State of NM 12.5%	Texas Pacific Coal and Oil Company 100.0%	None	4.72972	4.88192
8	T14S-R31E: Section 34: S½NW¼, SW¼	240.00	E-7662 - HBP	State of NM 12.5%	Gulf Oil Corp. 100.0%	None	15.96406	23.11692
9	T14S-R31E: Section 35: SW¼NW¼	40.00	E-3277 - HBP	State of NM 12.5%	Continental Oil Company 100.0%	Phillips Petroleum Company 5.46875%	0.03597	0.28887

Eight State of New Mexico Tracts containing 1,320.00 acres or 89.1891% of the Unit Area  
 Seven State of New Mexico Tracts committed containing 1,280.00 acres or 86.4864% of the Unit Area

EXHIBIT "A" - UNIT AGREEMENT--Continued

TRACT NO.	DESCRIPTION OF LAND	NUMBER OF ACRES	EXPIRATION DATE	BASIC ROYALTY	WORKING INTEREST OWNER AND PERCENTAGE	OVERRIDING ROYALTY OWNER AND PERCENTAGE	PERCENTAGE PARTICIPATION PRIMARY PHASE SECONDARY PHASE
1	<u>Fee or Privately Owned Land</u> T14S-R31E: Section 23: W $\frac{1}{2}$ SW $\frac{1}{4}$	80.00	HBP	Luther B Harris & wife, Loul 6.25% Hardin-Simmons University 6.25%	Bill A Shelton 93-1/3% Margaret Ross 6-2/3% Secondary Phase: Union Oil Co. of California Bill A Shelton 50.0%	Union Oil Company of California: Primary Phase 1/16	Not committed
2	T14S-R31E: Section 22: E $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	HBP	M H Medlin Estate 12.5%	Frank A Howard 3.00000% G Hilmer Lundbeck 2.50000% Edward L Shea 7.50000% Peter L Shea 5.85833% E T Anderson 1.85000% Walter Duncan 13.42917% J Walter Duncan, Jr. 14.88967% Vincent J Duncan 5.60900% Raymond T Duncan 2.78883% Edwina S Brokaw 5.85834% Joseph I O'Neill, Jr. 36.71666%	When production averages 15 barrels or more of oil per well per day per calendar month, the following will apply: Valco Refineries, Inc. 6.25000% E T Anderson 0.60938% N C Dragistic, Trustee 0.20312% H A Savage 0.40625% When production averages less than 15 barrels of oil per day per well per calendar month, the following will apply: Valco Refineries, Inc. 3.12500% E T Anderson 0.63281% N C Dragistic, Trustee 0.21004% H A Savage 0.42188%	Not committed

Two Fee Tracts not committed containing 160.00 acres or 10.81081% of the Unit Area

Total of Ten Tracts containing 1,480.00 acres

FLM-OW  
7-18-62

RATIFICATION OF UNIT AGREEMENT  
EASTCAP QUEEN UNIT  
CHAVES COUNTY, NEW MEXICO

The undersigned is the owner of "oil and gas rights," either as a "Royalty Owner," or "Working Interest Owner," or both, as those terms are defined in that certain Unit Agreement For The Development And Operation Of The Eastcap Queen Pool Unit, Chaves County, New Mexico, dated as of the 16th day of July, 1962, wherein CONTINENTAL OIL COMPANY is designated Unit Operator, and has been furnished with a true copy of said Unit Agreement, and if a Working Interest Owner, with a true copy of that certain Unit Operating Agreement, Eastcap Queen Unit, Chaves County, New Mexico, of even date therewith and companion thereto; and the undersigned ratifies and confirms said Unit Agreement as to all of its interests within the unitized formation underlying the Unit Area described in said Unit Agreement and adopts the same for every purpose as fully as if the undersigned had executed a counterpart thereof, and ratifies, confirms and adopts said Unit Operating Agreement as to any working interest of the undersigned, as fully as if the undersigned had executed a counterpart thereof.

WITNESS the execution hereof this 24th day of  
September, 1962.



*J. I. Norman*  
\_\_\_\_\_  
(J. I. Norman) Secretary

Texas Pacific Coal & Oil Company

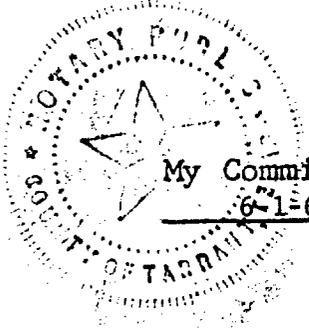
APPROVED  
AS TO FORM  
*[Signature]*  
AS TO CONTENT

*R. W. Hines*  
\_\_\_\_\_  
R. W. Hines, Executive Vice-President

STATE OF Texas X

COUNTY OF Tarrant X

The foregoing instrument was acknowledged before me this 24th day of September, 1962, by R. W. Hines, Executive Vice-President of Texas Pacific Coal & Oil Company, a Texas corporation, on behalf of said corporation.



My Commission Expires: 6-1-63

Ruth Barfield /Ruth Barfield  
Notary Public, Tarrant  
County, Texas

STATE OF \_\_\_\_\_ X

COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_

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

Notary Public, \_\_\_\_\_  
County, \_\_\_\_\_

RATIFICATION OF UNIT AGREEMENT  
EASTCAP QUEEN UNIT  
CHAVES COUNTY, NEW MEXICO

The undersigned is the owner of "oil and gas rights," either as a "Royalty Owner," or "Working Interest Owner," or both, as those terms are defined in that certain Unit Agreement For The Development And Operation Of The Eastcap Queen Pool Unit, Chaves County, New Mexico, dated as of the 16th day of July, 1962, wherein CONTINENTAL OIL COMPANY is designated Unit Operator, and has been furnished with a true copy of said Unit Agreement, and if a Working Interest Owner, with a true copy of that certain Unit Operating Agreement, Eastcap Queen Unit, Chaves County, New Mexico, of even date therewith and companion thereto; and the undersigned ratifies and confirms said Unit Agreement as to all of its interests within the unitized formation underlying the Unit Area described in said Unit Agreement and adopts the same for every purpose as fully as if the undersigned had executed a counterpart thereof, and ratifies, confirms and adopts said Unit Operating Agreement as to any working interest of the undersigned, as fully as if the undersigned had executed a counterpart thereof.

WITNESS the execution hereof this 10<sup>th</sup> day of  
September, 1962.

Cottage Bakers  
H B Browning

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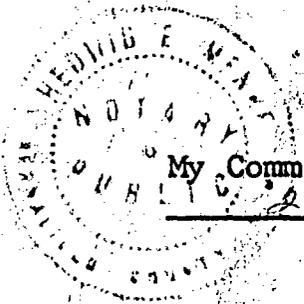
STATE OF New Mexico X  
COUNTY OF Bernalillo X

The foregoing instrument was acknowledged before me  
this 10<sup>th</sup> day of September, 1962, by \_\_\_\_\_  
of \_\_\_\_\_, a \_\_\_\_\_  
corporation, on behalf of said corporation.

My Commission Expires: \_\_\_\_\_ Notary Public, \_\_\_\_\_  
County, \_\_\_\_\_

STATE OF New Mexico X  
COUNTY OF Bernalillo X

The foregoing instrument was acknowledged before me  
this 10<sup>th</sup> day of September, 1962, by \_\_\_\_\_  
H. B. Browning



My Commission Expires: 2-23-66

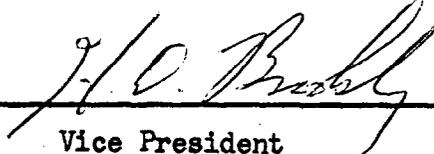
Hedwig E. Wink  
Notary Public, Bernalillo  
County, New Mexico

FLM-OW  
7-18-62

RATIFICATION OF UNIT AGREEMENT  
EASTCAP QUEEN UNIT  
CHAVES COUNTY, NEW MEXICO

The undersigned is the owner of "oil and gas rights," either as a "Royalty Owner," or "Working Interest Owner," or both, as those terms are defined in that certain Unit Agreement For The Development And Operation Of The Eastcap Queen Pool Unit, Chaves County, New Mexico, dated as of the 16th day of July, 1962, wherein CONTINENTAL OIL COMPANY is designated Unit Operator, and has been furnished with a true copy of said Unit Agreement, and if a Working Interest Owner, with a true copy of that certain Unit Operating Agreement, Eastcap Queen Unit, Chaves County, New Mexico, of even date therewith and companion thereto; and the undersigned ratifies and confirms said Unit Agreement as to all of its interests within the unitized formation underlying the Unit Area described in said Unit Agreement and adopts the same for every purpose as fully as if the undersigned had executed a counterpart thereof, and ratifies, confirms and adopts said Unit Operating Agreement as to any working interest of the undersigned, as fully as if the undersigned had executed a counterpart thereof.

WITNESS the execution hereof this 17<sup>th</sup> day of September, 1962<sup>3</sup>.

  
\_\_\_\_\_  
Vice President  
Phillips Petroleum Company

*AK*  
*Amu*  
*AMA*

STATE OF Oklahoma X  
COUNTY OF Washington X

The foregoing instrument was acknowledged before me  
this 17th day of September, 1962, by \_\_\_\_\_  
H. D. Brooks, Vice-President  
of Phillips Petroleum Company, a Delaware  
corporation, on behalf of said corporation.

My Commission Expires:  
April 7, 1964

Ed Phelps  
Notary Public, Washington  
County, Oklahoma.

STATE OF \_\_\_\_\_ X  
COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me  
this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_

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

Notary Public, \_\_\_\_\_  
County, \_\_\_\_\_

CONTINENTAL OIL COMPANY  
P. O. BOX 1377  
ROSWELL, NEW MEXICO

April 18, 1963

Working Interest Owners  
Eastcap Queen Unit  
(Address List attached)

Gentlemen:

Re: EASTCAP QUEEN UNIT,  
CHAVES COUNTY, NEW MEXICO

We are preparing to obtain ratification of the Eastcap Queen Unit Agreement by the royalty owners and the State of New Mexico, and are tentatively planning to hold the hearing before the New Mexico Oil Conservation Commission in June for approval of the Unit Agreement and the proposed waterflood. In this regard, you will recall that the State Land Office gave tentative approval to the form of Unit Agreement which we proposed to use and to its terms. In their examination of the completed agreement, however, the Unit Division requested certain changes in terminology and one deletion which will require the approval of the Working Interest Owners.

Copies of the revised pages to the Unit Agreement are attached. Reference to the Commissioner has been inserted in the following articles: Art. 2.5, p. 5, Art. 8.2, p. 13, Art. 11.1.4, p. 16, Art. 16.1, p. 18, and Art. 17.2, p. 19. A more substantial change was required in Art. 6.6, p. 10; the Commissioner refused to accept the "LPG clause", the last sentence on page 10, and, because this will have no effect on our proposed operations, the sentence has been deleted in its entirety. As you will note, none of these changes affect the rights of the Working Interest Owners in the proposed waterflood operations.

We also request your approval of a change in the "termination date" from May 1, 1963, to November 1, 1963, as shown in line 15 of Article 16.1, page 18.

Please evidence your approval of these changes and your adoption thereof by signing one copy of this letter in the space provided below. Each individual working interest owner who is married should have his spouse join in the execution of this letter. Please return one copy so executed to the Unit Operator.

Yours very truly,

*W. A. Mead*

CRA-pr  
Enc.

The undersigned approve the changes made in the Eastcap Queen Unit Agreement, as described above, reratify said Unit Agreement as so revised, and adopt the prior ratification thereof by the undersigned as extending to such revised agreement:

Date 9-23-63

CONTINENTAL OIL COMPANY

By

*Roy M. May*  
ATTORNEY IN FACT

ATTORNEY

CONTINENTAL OIL COMPANY  
P. O. BOX 1377  
ROSWELL, NEW MEXICO

April 18, 1963

Working Interest Owners  
Eastcap Queen Unit  
(Address List attached)

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*W. G. Mead*

CRA-pr  
Enc.

The undersigned approve the changes made in the Eastcap Queen Unit Agreement, as described above, reratify said Unit Agreement as so revised, and adopt the prior ratification thereof by the undersigned as extending to such revised agreement:

Date APR 30 1963

GULF OIL CORPORATION

Law	<i>WGM</i>
Compt	<i>WGM</i>
Exp.	
Prod	<i>WGM</i>

By *W. B. H. Davis*  
Attorney In Fact

CONTINENTAL OIL COMPANY  
P. O. BOX 1377  
ROSWELL, NEW MEXICO

April 18, 1963

RECEIVED		
NEW MEXICO COMMISSION		
APR 20 1963		
PI	V	o ed
IV. G. J. P.		
IV. AS. P.		

Working Interest Owners  
Eastcap Queen Unit  
(Address List attached)

Gentlemen:

Re: EASTCAP QUEEN UNIT,  
CHAVES COUNTY, NEW MEXICO

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Yours very truly,

*W. G. Mead*

CRA-pr  
Enc.

The undersigned approve the changes made in the Eastcap Queen Unit Agreement, as described above, reratify said Unit Agreement as so revised, and adopt the prior ratification thereof by the undersigned as extending to such revised agreement:

Date April 24, 1963

TEXAS PACIFIC COAL & OIL COMPANY

By

*R. W. Hines*  
R. W. Hines, Executive Vice-President

CONTINENTAL OIL COMPANY  
P. O. BOX 1377  
ROSWELL, NEW MEXICO

April 18, 1963

Working Interest Owners  
Eastcap Queen Unit  
(Address List attached)

Gentlemen:

Re: EASTCAP QUEEN UNIT,  
CHAVES COUNTY, NEW MEXICO

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Yours very truly,

*W. G. Mead*

CRA-pr  
Enc.

The undersigned approve the changes made in the Eastcap Queen Unit Agreement, as described above, reratify said Unit Agreement as so revised, and adopt the prior ratification thereof by the undersigned as extending to such revised agreement:

Date 4-23-1963

COTTAGE BAKERS

By *A. B. Branning*

## CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO  
 EASTCAP QUEEN POOL UNIT  
 CHAVES COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated July 16, 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 1st day of October 19 63.

  
 Commissioner of Public Lands  
 of the State of New Mexico

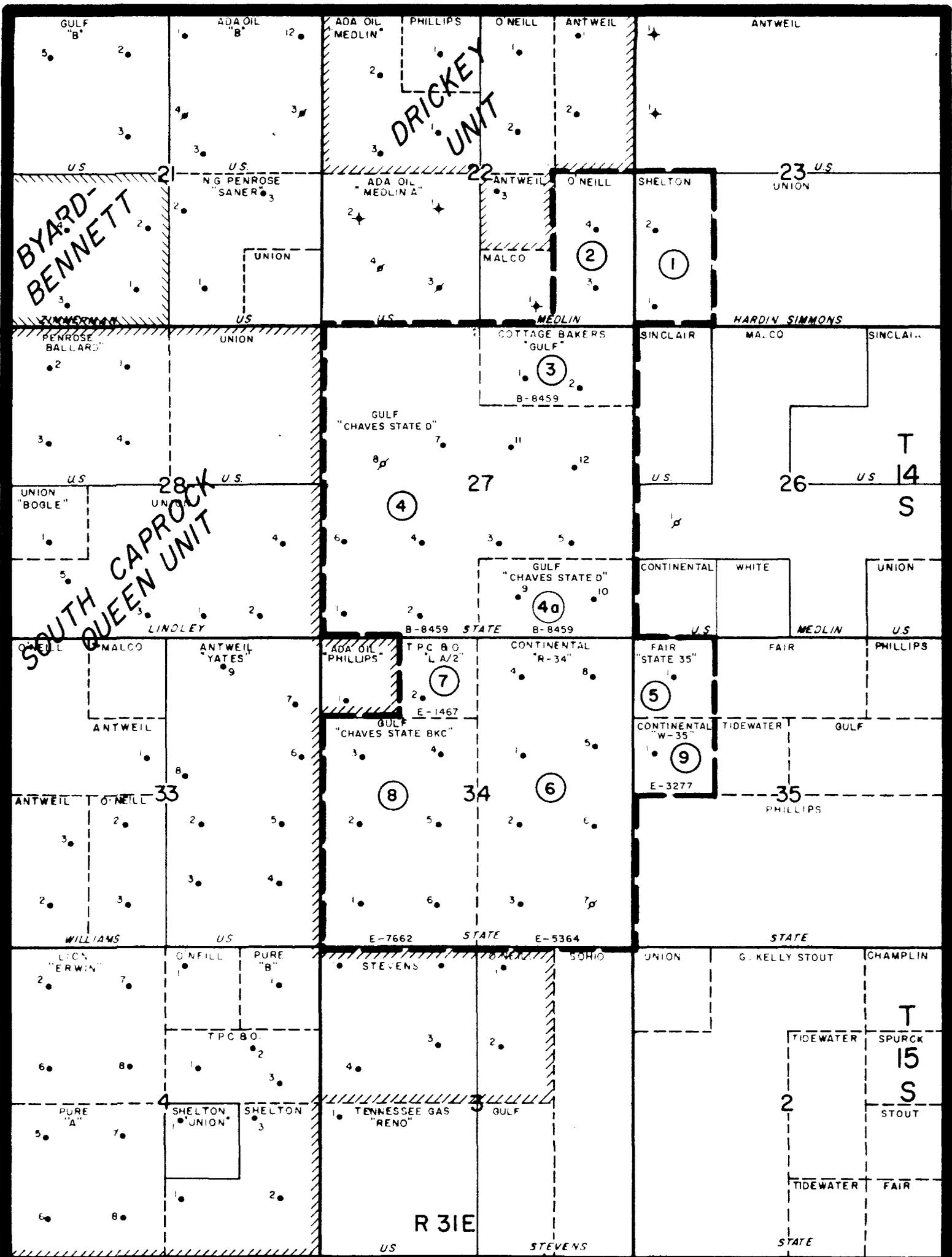


SARTOGAR GUSEN POOL UNIT  
INJECTION WELL DATA

EXHIBIT IV

Company, Lease and Well No.	Total Depth / Prod/Or PED	Surface Depth	Casing Cement	Production Depth	Casing Cement	Production Deptg	Sealing Cement	Producing Interval (OH)-Open Hole (P)-Perfs.
<u>CONTINENTAL OIL COMPANY</u>								
State W-35 No. 1	3120'	8 5/8" @ 322'	150 sx.	5 1/2" @ 3128'	125 sx.			(P) 3106' to 3109'
State R-34 No. 1	3108'	7 5/8" @ 307'	200 sx.	4 1/2" @ 3090'	710 sx.			{OH} 3090' to 3108'
State R-34 No. 3	3122'	7 5/8" @ 325'	150 sx.	4 1/2" @ 3090'	800 sx.			{OH} 3090' to 3122'
State R-34 No. 6	3122'	7 5/8" @ 310'	200 sx.	4 1/2" @ 3107'	800 sx.			{OH} 3107' to 3122'
State R-34 No. 8	3115'	7 5/8" @ 332'	150 sx.	4 1/2" @ 3087'	800 sx.			{OH} 3087' to 3115'
<u>GULF OIL CORPORATION</u>								
State "ERC" No. 1	3119'	8 5/8" @ 282'	150 sx.	5 1/2" @ 3097'	75 sx.			{OH} 3097' to 3119'
State "BKC" No. 3	3113'	8 5/8" @ 294'	175 sx.	5 1/2" @ 3092'	75 sx.			{OH} 3092' to 3113'
State "BKC" No. 5	3101'	8 5/8" @ 268'	150 sx.	4 1/2" @ 3084'	75 sx.			{OH} 3084' to 3101'
State "D" No. 1	3103'	8 5/8" @ 252'	175 sx.	4 1/2" @ 3100'	75 sx.			{P} 3089' to 3092'
State "D" No. 4	3103'	8 5/8" @ 253'	150 sx.	4 1/2" @ 3100'	75 sx.			{P} 3100' to 3113'
State "D" No. 5	3108'	8 5/8" @ 267'	150 sx.	4 1/2" @ 3082'	75 sx.			{OH} 3095' to 3106'
State "D" No. 8	3127'	8 5/8" @ 268'	175 sx.	4 1/2" @ 3114'	75 sx.			Temp. Abandoned
State "D" No. 10	3120'	8 5/8" @ 205'	150 sx.	5 1/2" @ 3120'	100 sx.			{P} 3096' to 3101' Formerly Man.Cons'd
State "D" No. 11	3111'	8 5/8" @ 318'	175 sx.	5 1/2" @ 3111'	100 sx.			{P} 3094' to 3096' Formerly Man.Cons'd
<u>COTTAGE BAKERS</u>								
Gulf State No. 2	3130'	8 5/8" @ 200'	125 sx.	4 1/2" @ 3129'	150 sx.			{P} 3102' to 3106'
<u>TEXAS PACIFIC COAL &amp; OIL (FRANKFORT)</u>								
State L No. 2	3098'	13 3/8" @ 307'	300 sx.	5 1/2" @ 3077'	100 sx.			{OH} 3077' to 3098'
<u>BILL A. SHILTON</u>								
Hardin-Simmons No. 1	3125'	8 5/8" @ 176'	125 sx.	4 1/2" @ 3128'	150 sx.			{P} 3101' to 3105'

**ILLEGIBLE**



CONTINENTAL OIL COMPANY  
 EASTCAP QUEEN UNIT  
 CHAVES COUNTY, NEW MEXICO

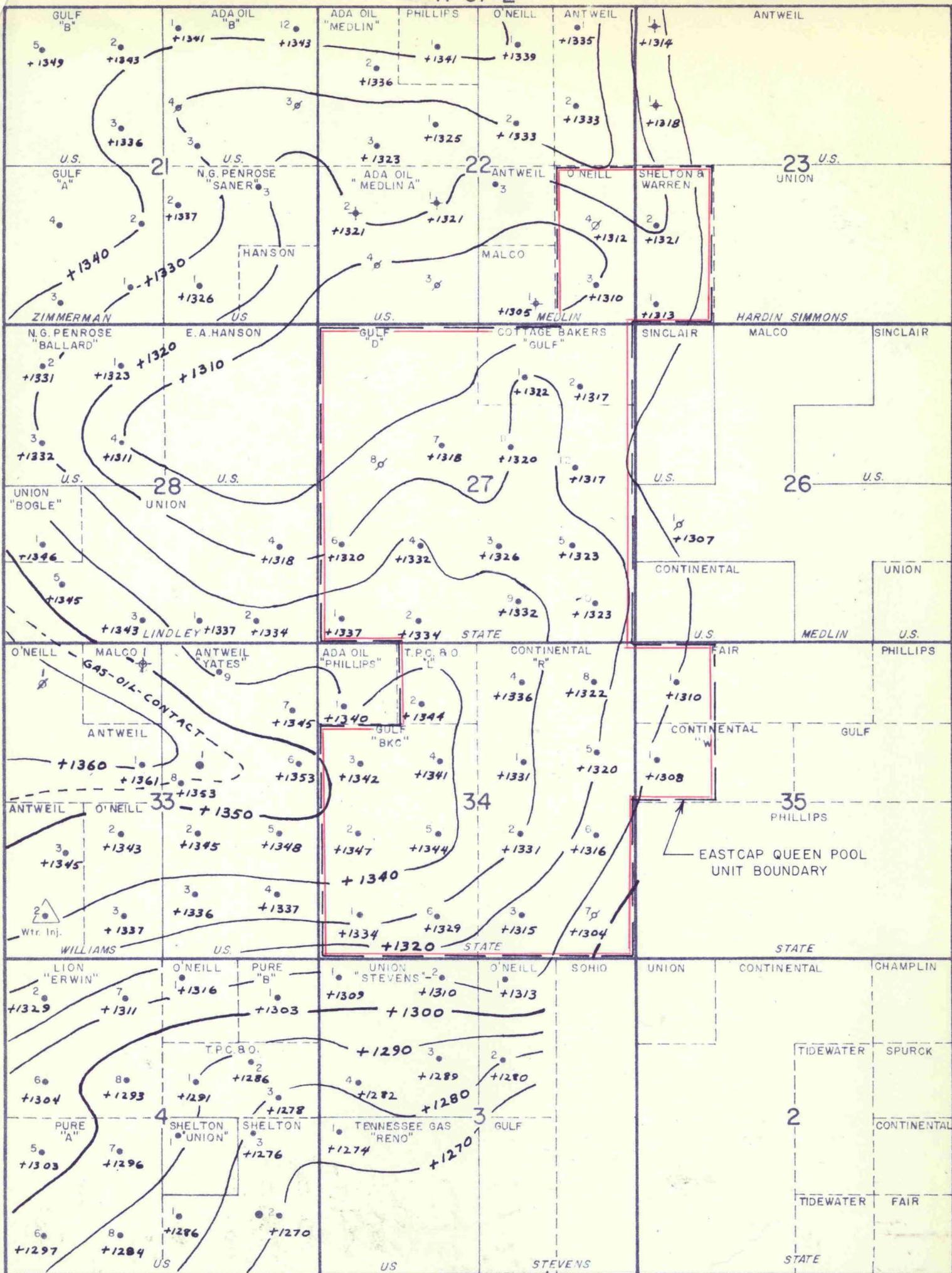
LEGEND

SCALE: 0' 1000' 2000'

UNIT AREA ————  
 TRACT NUMBERS - - - - - ○

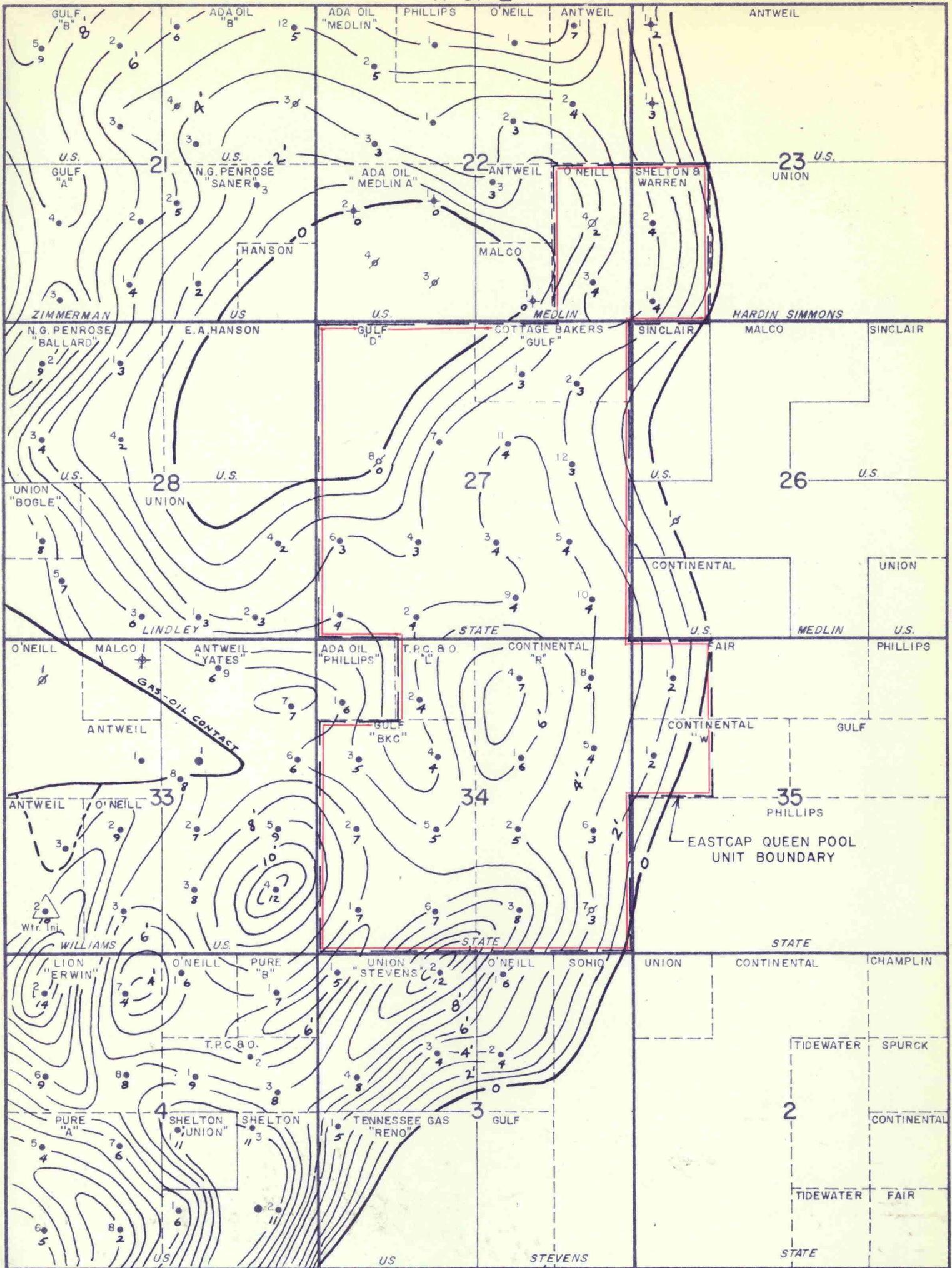
5 / 18 / 61  
 Rev. 6 / 12 / 63

CRA/DAM



BEFORE EXAMINER NUTTER  
 CONSERVATION COMMISSION  
 EXHIBIT NO. 5  
 CASE NO. 2837-38

CONTINENTAL OIL COMPANY  
 PRODUCTION DEPARTMENT  
 HOBBS DISTRICT  
 EASTCAP QUEEN POOL UNIT AREA  
 CHAVES COUNTY, NEW MEXICO  
 SCALE: 0' 1000' 2000'  
 LEGEND: STRUCTURE MAP  
 TOP OF QUEEN (ARTESIA)  
 J.A.G. 3-14-62



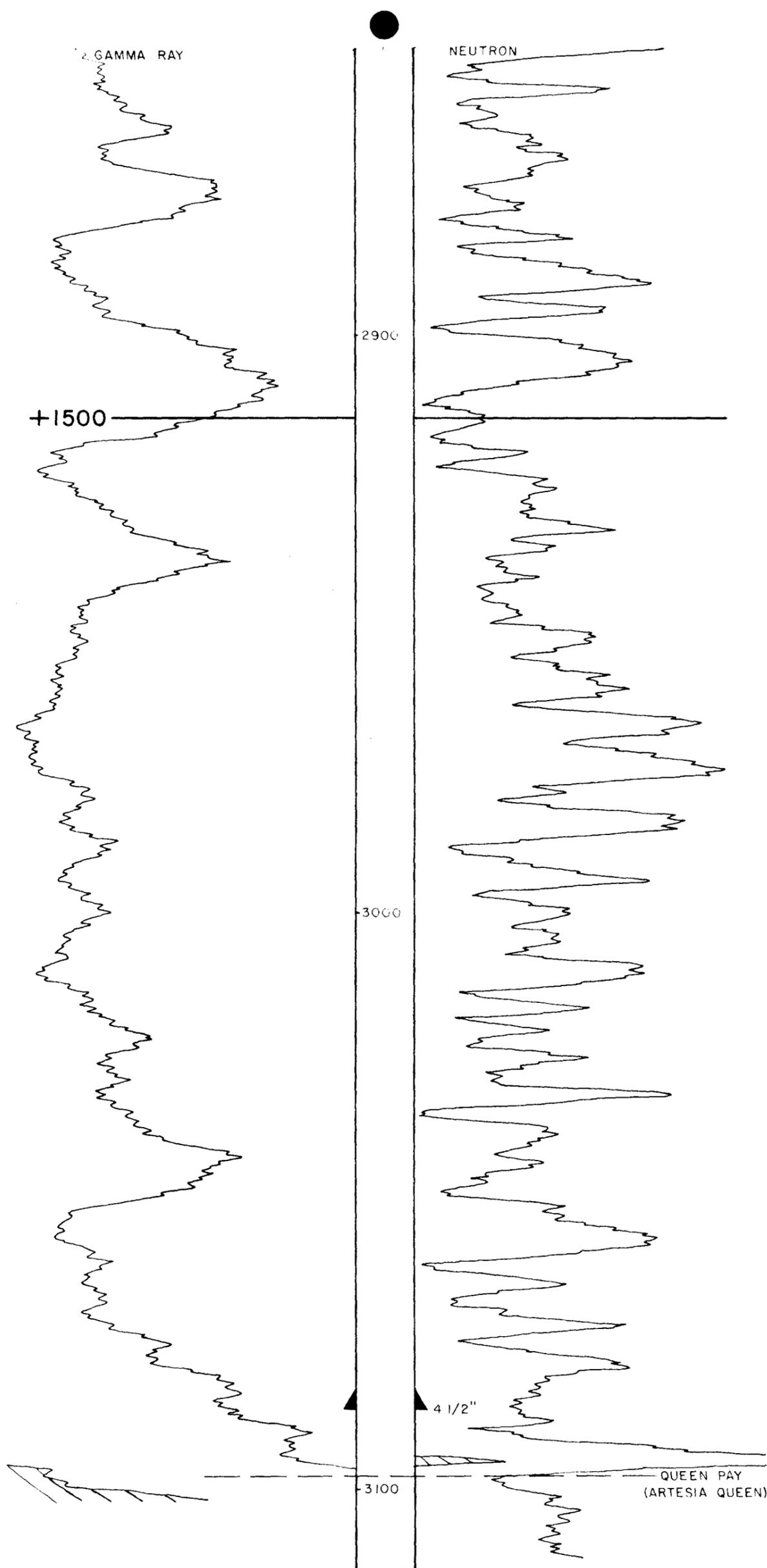
BEFORE EXAMINER NUTTER  
 OIL CONSERVATION COMMISSION  
 Cont EXHIBIT NO. 6  
 CASE NO. 2837-38

CONTINENTAL OIL COMPANY  
 PRODUCTION DEPARTMENT  
 HOBBS DISTRICT  
 EASTCAP QUEEN POOL UNIT AREA  
 CHAVES COUNTY, NEW MEXICO  
 SCALE: 0' 1000' 2000'  
 LEGEND: ISOPACHOUS MAP  
 N.E.P. - QUEEN SAND  
 (ARTESIA)  
 JAG-3/14/62

CONTINENTAL OIL COMPANY

STATE R-34 No. 2

ELEVATION 4414' D.F.



Set 7 5/8" csg. @ 314' w/200 sx (circ), using 2 centralizers.  
 Set 4 1/2" csg. @ 3086' w/700 sx (cement to 1540'), using 16 centralizers.

TD 3114'

Completed for IP of 252 BOPD, no water, based on 4-hour test of 42 BO flowing thru 3/4" choke on 2" tubing with 51.3 MCF gas, GOR 196. TP: 150#.

Pay: Queen, 3098' to 3114' (open hole).

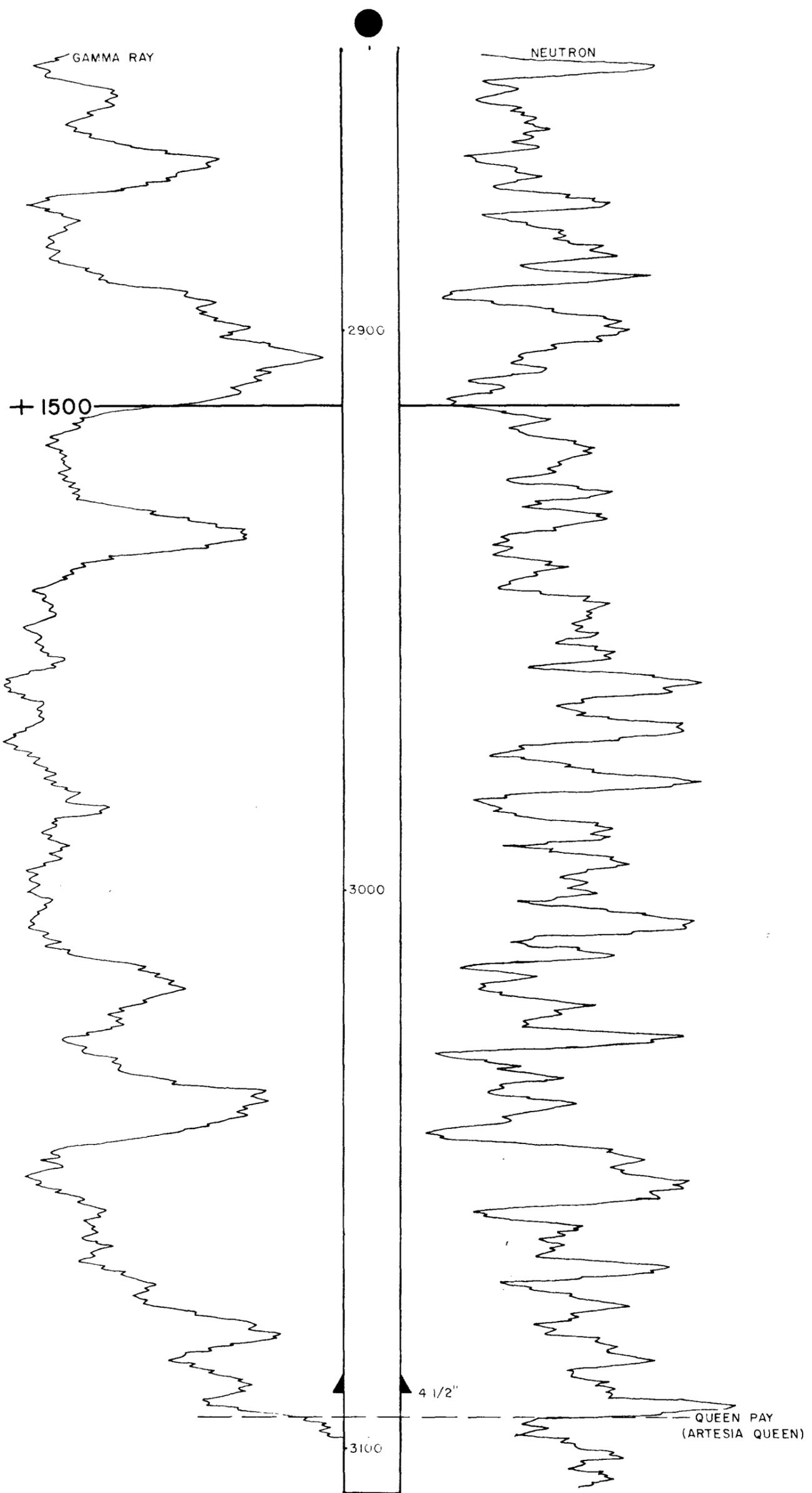
Tops: Anhydrite	1392	Base Salt	2150	Queen Pay (ARTESIA)	3098
Salt	1475	Yates	2314	Seven Rivers	2549

Completed: 6-8-56. Tested: 6-8-56.

CONTINENTAL OIL COMPANY

STATE R-34 NO. 1

ELEVATION 4413' D.F.



Set 7 5/8" csg @ 307' w/200 sx (circ), using 2 centralizers.  
 Set 4 1/2" csg @ 3090' w/710 sx (cement to 1350'), using 10 centralizers,  
 90 scratchers.

TD 3108'

Completed, thru open hole, for IP of 900 BOPD, no water, based on  
 4-hour test of 150 BO flowing thru 3/4" choke on 2" tubing with  
 59.9 MCF gas. GOR 66. TP: 40# CP: 50#

Pay: Queen, from 3094' to 3108' (open hole).

Tops: Anhydrite	1365	Base Salt	2153	Seven Rivers	2544
Salt	1465	Yates	2307	Queen Pay	3094
				(ARTESIA QUEEN)	

Completed: 5/27/56. Tested: 5/28/56.

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