

## EXHIBIT "B"

SCHEDULE OF LANDS AND LEASES  
SITTING BULL UNIT AGREEMENT  
Eddy County, New Mexico

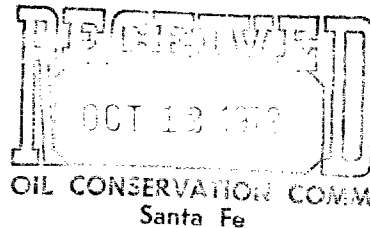
Tract No.	Description	Number of Acres	Lease		Basic Royalty and Percent	Lessee of Record	Interest	Overriding Royalty Owner and Percentage		Working Interest Owner and Percentage
			Serial No.	Expiration Date						
1.	T-23-S, R-22-E Section 31: Lots 1,2, 3,5,6,7, E/2 NW/4, NE/4 SW/4, N/2 SE/4, & NE/4	546.75	NM 036723	10/2/72	U.S.A. All	FEDERAL LANDS Cities Service Oil Company	All	Neil H. Wills & Mary E.Wills,his wife Box 529,Carlsbad, New Mexico	3%	Cities Service Oil Company
1-A.	T-23-S, R-22-E Section 31: Lot 4	22.93	NM 036723-B	10/2/72	U.S.A. All	Cities Service Oil Company	All	Neil H. Wills & Mary E.Wills,his wife Box 529,Carlsbad, New Mexico	3%	Cities Service Oil Company
2.	T-23-S, R-22-E Section 33: Lot 8, W/2 NE/4, N/2 NW/4, SW/4 NW/4	232.53	NM 0150421	10/2/72	U.S.A. All	Union Oil Company of California	All	Gerald T. Tresner & Amy Tresner, his wife, 910 Midland Savings Bldg.,Denver, Colorado	4%	Union Oil Company of California
3.	T-24-S, R-22-E Section 7: Lots 1,2,3,4, E/2 W/2, NE/4, W/2 SE/4	555.08	NM 0425718	12/31/73	U.S.A. All	Bell Petroleum Co.	All	None		Bell Petroleum Co.
4.	T-24-S, R-22-E Section 5: All	642.60	NM 0553768	8/31/74	U.S.A. All	Cities Service Oil Company	All	None		Cities Service Oil Company
5.	T-23-S, R-22-E Section 29: SW/4 & W/2 NW/4	240.00	NM 0555271	1/31/75	U.S.A. All	Chalfant, Magee & Hansen, Inc.(Assigned to Inexco Oil Co.)	All	W.B. Hoffhine Box 2042 Casper, Wyoming		Inexco Oil Company
6.	T-23-S, R-22-E Section 32: Lots 1,2,3,4, N/2, N/2 S/2	633.52	NM 0555753	2/28/75	U.S.A. All	Cities Service Oil Company	All	E.L.Hodges and Edith J.Hodges Box 336 Roswell, New Mexico	2%	Cities Service Oil Company

7.	<u>T-24-S, R-22-E</u> Section 6: Lots 1,2, 3,4,5,6,7, S/2 NE/4, SE/4 NW/4, E/2 SW/4, SE/4	636.43	NM 0555754 2/28/75	U.S.A. All	W. H. Hunt	All	None	W. H. Hunt	All
8.	<u>T-23-S, R-22-E</u> Section 33: Lot 14	37.53	NM 5437 7/31/78	U.S.A. All	Cities Service Oil Company	All	M.A.Barton & R.M. Barton,her husband Box 2166 Santa Fe, New Mexico	5% Cities Service Oil Company	All
9.	<u>T-23-S, R-22-E</u> Section 9: SW/4	160.00	NM 8242 A 1/31/79	U.S.A. All	Chalfant, Magee & Hansen, All Inc.(Assigned to Inexco Oil Co.)	All	Thelma F. DeSmet 1631 12th Ave. Sacramento, California	4% Inexco Oil Company	All
10.	<u>T-23-S, R-22-E</u> Section 33: Lots 9,10, 11,12,13 & 15	104.67	NM 9533 7/31/79	U.S.A. All	Chalfant, Magee & Hansen, All Inc.(Assigned to Inexco Oil Co.)	All	William H.Short, Jr.4% & Rita Short,his wife; & Franklin Knobel & Norma Knobel, his wife	Inexco Oil Company	All
11.	<u>T-24-S, R-22-E</u> Section 4: Lots 1,2,3,4, S/2 N/2, S/2	642.80	NM 9534 A 7/31/79	U.S.A. All	Cities Service Oil Co.	All	M.N.Hahn & Charlotte Hahn, his wife,185 Oakbank Rd., Company Bakersfield,Calif. 2% C.E.Strange & Sherrie R. Strange	Cities Service 2%	All
12.	<u>T-24-S, R-22-E</u> Section 9: NE/4	160.00	NM 9534 B 7/31/79	U.S.A. All	Natural Resources Corp. & King Resources Co.	All	M.N.Hahn & Charlotte Hahn,His wife; 2% C.E.Strange & Sherrie Strange,his wife 2%	National Resources Corp.&King Resources Co.	All
13.	<u>T-23-S, R-22-E</u> Section 33: Lots 1,2, 5,6,7,16	241.46	NM 9802 7/31/79	U.S.A. All	Chalfant, Magee & Hansen, All Inc.(Assigned to Inexco Oil Co.)	All	A.W.Rutter, Jr. and wife,Virginia S. 2% Rutter Rutter and Wilbanks Corp. 3% 500 N.Big Spring St. Midland, Texas 79701	Inexco Oil Company	All
14.	<u>T-24-S, R-22-E</u> Section 7: E/2 <del>SE</del> /4	80.00	NM 10885 2/29/80	U.S.A. All	Union Oil Company of California	All	Rita Short & husband, Wm.H.Short and Lee Gray & wife, Robbi Gray	Union Oil Company California	All

15.	<u>T-24-S, R-22-E</u> Section 8: All Section 9: NW/4 & SE/4	960.00	NM 11100 3/31/80	U.S.A. All	Chalfant, Magee & Hansen, All Inc. (Assigned to Inexco Oil Co.)	Julius W. Rakvic and wife, Thelma Rakvic 1726 Lincoln Highway, N. Versailles, Pennsylvania	5% Inexco Oil Company	All
16.	<u>T-23-S, R-22-E</u> Section 28: Lots 1, 2, 3, 4, W/2 E/2, W/2 Section 33: Lot 17	668.24	NM 12389 10/31/80	U.S.A. All	Chalfant, Magee & Hansen, All Inc. (Assigned to Inexco Oil Co.)	Franklin, Aston & Fair, Inc., Box 1090, Roswell, New Mexico Howell Spear Box 96, Hobbs, N.M. Jack Grynberg & Celeste Grynberg, his wife 750 Petroleum Club Bldg., Denver, Colo.	2% 2% 1%	All
17.	<u>T-23-S, R-22-E</u> Section 2: E/2 & E/2 NW/4	400.00	NM 14111 A 9/30/81	U.S.A. All	Chalfant, Magee & Hansen, All Inc. (Assigned to Inexco Oil Co.)	Sherman Nelson & Jon Nelson, Seguin, Texas Ben M. Patterson, Jr. & wife, Donna Patterson 1802 NBC Bldg. San Antonio, Texas	10% of 4% 90% of 4%	All

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6,964.54 Acres in Unit



CERTIFICATION--DETERMINATION

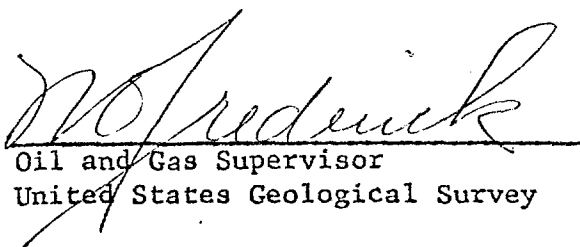
Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F.R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the Sitting Bull Unit Area, State of New Mexico.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

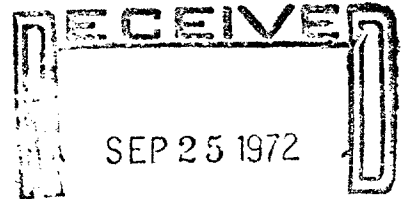
Dated September 27, 1972.

  
Area Oil and Gas Supervisor  
United States Geological Survey

Contract Number 14-08-0001-12393

SITTING BULL  
UNIT AGREEMENT

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U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO

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Exhibit A: Map of Unit Area  
Exhibit B: Schedule of Lands and Leases

1	UNIT AGREEMENT	1
2	FOR THE DEVELOPMENT AND OPERATION	2
3	OF THE	3
4	SITTING BULL UNIT AREA	4
5	COUNTY OF EDDY	5
6	STATE OF NEW MEXICO	6
7	NO. _____	7
8	THIS AGREEMENT, entered into as of the <u>7th</u> day of <u>August</u>	8
9	1972, by and between the parties subscribing, ratifying, or con-	9
10	senting hereto, and herein referred to as the "parties hereto,"	10
11	WITNESSETH:	11
12	WHEREAS the parties hereto are the owners of working, royalty,	12
13	or other oil and gas interests in the unit area subject to this	13
14	agreement; and	14
15	WHEREAS the Mineral Leasing Act of February 25, 1920, 41 Stat.	15
16	437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal	16
17	lessees and their representatives to unite with each other, or	17
18	jointly or separately with others, in collectively adopting and	18
19	operating a cooperative or unit plan of development or operation	19
20	of any oil or gas pool, field, or like area, or any part thereof	20
21	for the purpose of more properly conserving the natural resources	21
22	thereof whenever determined and certified by the Secretary of the	22
23	Interior to be necessary or advisable in the public interest; and	23
24	WHEREAS, the Oil Conservation Commission of the State of	24
25	New Mexico is authorized by an Act of the Legislature (Article 3,	25
26	Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this agree-	26
27	ment and the conservations provisions hereof; and	27
28	WHEREAS, the parties hereto hold sufficient interests in the	28
29	Sitting Bull Unit Area covering the land hereinafter described to	29
30	give reasonably effective control of operations therein; and	30

1 WHEREAS, it is the purposes of the parties hereto to conserve 1  
2 natural resources, prevent waste, and secure other benefits obtain- 2  
3 able through development and operation of the area subject to this 3  
4 agreement under the terms, conditions and limitations herein set 4  
5 forth; 5

6 NOW, THEREFORE, in consideration of the premises and the 6  
7 promises herein contained, the parties hereto commit to this agree- 7  
8 ment their respective interests in the below-defined unit area, and 8  
9 agree severally among themselves as follows: 9

10 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of 10  
11 February 25, 1920, as amended, supra, and all valid pertinent regu- 11  
12 lations, including operating and unit plan regulations, heretofore 12  
13 issued thereunder or valid, pertinent, and reasonable regulations 13  
14 hereafter issued thereunder are accepted and made a part of this 14  
15 agreement as to Federal lands, provided such regulations are not 15  
16 inconsistent with the terms of this agreement; and as to non-Federal 16  
17 lands, the oil and gas operating regulations in effect as of the 17  
18 effective date hereof governing drilling and producing operations, 18  
19 not inconsistent with the terms hereof or the laws of the State in 19  
20 which the non-Federal land is located, are hereby accepted and made 20  
21 a part of this agreement. 21

22 2. UNIT AREA. The area specified on the map attached hereto 22  
23 marked Exhibit A is hereby designated and recognized as constituting 23  
24 the unit area, containing 6,964.54 acres, more or less. 24

25 Exhibit A shows, in addition to the boundary of the unit area, 25  
26 the boundaries and identity of tracts and leases in said area to 26  
27 the extent known to the Unit Operator. Exhibit B attached hereto 27  
28 is a schedule showing to the extent known to the Unit Operator the 28  
29 acreage, percentage, and kind of ownership of oil and gas interests 29  
30 in all land in the unit area. However, nothing herein or in said 30

1 schedule or map shall be construed as a representation by any 1  
2 party hereto as to the ownership of any interest other than such 2  
3 interest or interests as are shown in said map or schedule as owned 3  
4 by such party. Exhibits A and B shall be revised by the Unit 4  
5 Operator whenever changes in the unit area render such revision 5  
6 necessary, or when requested by the Oil and Gas Supervisor, herein- 6  
7 after referred to as "Supervisor" and not less than five copies of 7  
8 the revised Exhibits shall be filed with the Supervisor. 8

9 The above-described unit area shall when practicable be ex- 9  
10 panded to include therein any additional lands or shall be con- 10  
11 tracted to exclude lands whenever such expansion or contraction is 11  
12 deemed to be necessary or advisable to conform with the purposes of 12  
13 this agreement. Such expansion or contraction shall be effected in 13  
14 the following manner: 14

15 (a) Unit Operator, on its own motion or on demand of the 15  
16 Director of the Geological Survey, hereinafter referred to as 16  
17 "Director", after preliminary concurrence by the Director, shall 17  
18 prepare a notice of proposed expansion or contraction describing 18  
19 the contemplated changes in the boundaries of the unit area, the 19  
20 reasons therefor, and the proposed effective date thereof, preferably 20  
21 the first day of a month subsequent to the date of notice. 21

22 (b) Said notice shall be delivered to the Supervisor, and 22  
23 copies thereof mailed to the last known address of each working 23  
24 interest owner, lessee, and lessor whose interests are affected, 24  
25 advising that 30 days will be allowed for submission to the Unit 25  
26 Operator of any objections. 26

27 (c) Upon expiration of the 30-day period provided in the 27  
28 preceding item (b) hereof, Unit Operator shall file with the Super- 28  
29 visor evidence of mailing of the notice of expansion or contraction 29  
30 and a copy of any objections thereto which have been filed with the 30



1 Unit Operator, together with an application in sufficient number, 1  
2 for approval of such expansion or contraction and with appropriate 2  
3 joinders. 3

4 (d) After due consideration of all pertinent information, 4  
5 the expansion or contraction shall, upon approval by the Supervisor, 5  
6 become effective as of the date prescribed in the notice thereof. 6

7 (e) All legal subdivisions of land (i.e., 40 acres by 7  
8 Government survey or its nearest lot or tract equivalent; in in- 8  
9 stances of irregular surveys unusually large lots or tracts shall 9  
10 be considered in multiples of 40 acres or the nearest aliquot equiva-10  
11 lent thereof), no parts of which are entitled to be in a partici- 11  
12 pating area on or before the fifth anniversary of the effective 12  
13 date of the first initial participating area established under this 13  
14 unit agreement, shall be eliminated automatically from this agree- 14  
15 ment, effective as of said fifth anniversary, and such lands shall 15  
16 no longer be a part of the unit area and shall no longer be subject 16  
17 to this agreement, unless diligent drilling operations are in pro- 17  
18 gress on unitized lands not entitled to participate on said 18  
19 fifth anniversary, in which event all such lands shall remain 19  
20 subject hereto for so long as such drilling operations are continued 20  
21 diligently, with not more than 90 days' time elapsing between the 21  
22 completion of one such well and the commencement of the next such 22  
23 well. All legal subdivisions of lands not entitled to be in a 23  
24 participating area within 10 years after the effective date of the 24  
25 first initial participating area approved under this agreement shall 25  
26 be automatically eliminated from this agreement as of said tenth 26  
27 anniversary. All lands proved productive by diligent drilling 27  
28 operations after the aforesaid 5-year period shall become partici- 28  
29 pating in the same manner as during said 5-year period. However, 29  
30 when such diligent drilling operations cease, all nonparticipating 30

1 lands shall be automatically eliminated effective as of the 91st day 1  
2 thereafter. The unit operator shall within 90 days after the effec- 2  
3 tive date of any elimination hereunder, describe the area so elimi- 3  
4 nated to the satisfaction of the Supervisor and promptly notify all 4  
5 parties in interest. 5

6 If conditions warrant extension of the 10-year period specified 6  
7 in this subsection 2(e), a single extension of not to exceed 2 years 7  
8 may be accomplished by consent of the owners of 90% of the working 8  
9 interests in the current nonparticipating unitized lands and the 9  
10 owners of 60% of the basic royalty interests (exclusive of the basic 10  
11 royalty interests of the United States) in nonparticipating unitized 11  
12 lands with approval of the Director, provided such extension applica-12  
13 tion is submitted to the Director not later than 60 days prior to 13  
14 the expiration of said 10-year period. 14

15 Any expansion of the unit area pursuant to this section which 15  
16 embraces lands theretofore eliminated pursuant to this subsection 2 16  
17 (e) shall not be considered automatic commitment or recommitment of 17  
18 such lands. 18

19 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed 19  
20 to this agreement shall constitute land referred to herein as "uni- 20  
21 tized land" or "land subject to this agreement". All oil and gas in 21  
22 any and all formations of the unitized land are unitized under the 22  
23 terms of this agreement and herein are called "unitized substances." 23

24 4. UNIT OPERATOR. Inexco Oil Company is hereby designated 24  
25 as Unit Operator and by signature hereto as Unit Operator agrees 25  
26 and consents to accept the duties and obligations of Unit Operator 26  
27 for the discovery, development, and production of unitized sub- 27  
28 stances as herein provided. Whenever reference is made herein to 28  
29 to the Unit Operator, such reference means the Unit Operator acting 29  
30 in that capacity and not as an owner of interest in unitized sub- 30

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

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of 6 months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Supervisor, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to

1 removal by the same percentage vote of the owners of working 1  
2 interests as herein provided for the selection of a new Unit 2  
3 Operator. Such removal shall be effective upon notice thereof to 3  
4 the Supervisor. 4

5 The resignation or removal of Unit Operator under this agree- 5  
6 ment shall not terminate its right, title, or interest as the 6  
7 owner of a working interest or other interest in unitized substances 7  
8 but upon the resignation or removal of Unit Operator becoming ef- 8  
9 fective, such Unit Operator shall deliver possession of all wells, 9  
10 equipment, materials, and appurtenances used in conducting the 10  
11 unit operations to the new duly qualified successor Unit Operator 11  
12 or to the common agent, if no such new Unit Operator is elected, 12  
13 to be used for the purpose of conducting unit operations hereunder. 13  
14 Nothing herein shall be construed as authorizing removal of any 14  
15 material, equipment and appurtenances needed for the preservation 15  
16 of any wells. 16

17 6. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall 17  
18 tender his or its resignation as Unit Operator or shall be removed 18  
19 as hereinabove provided, or a change of Unit Operator is negotiated 19  
20 by working interest owners, the owners of the working interests in 20  
21 the participating area or areas according to their respective 21  
22 acreage interests in such participating area or areas, or, until a 22  
23 participating area shall have been established, the owners of the 23  
24 working interests according to their respective acreage interests 24  
25 in all unitized land, shall by majority vote select a successor Unit 25  
26 Operator: Provided, That, if a majority but less than 75 per cent 26  
27 of the working interests qualified to vote are owned by one party to 27  
28 this agreement, a concurring vote of one or more additional working 28  
29 interest owners shall be required to select a new Operator. Such 29  
30 selection shall not become effective until 30

1 (a) a Unit Operator so selected shall accept in writing the 1  
2 duties and responsibilities of Unit Operator, and 2

3 (b) the selection shall have been approved by the Supervisor. 3

4 If no successor Unit Operator is selected and qualified as 4  
5 herein provided, the Director at his election may declare this unit 5  
6 agreement terminated. 6

7 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the 7  
8 Unit Operator is not the sole owner of working interests, costs and 8  
9 expenses incurred by Unit Operator in conducting unit operations 9  
10 hereunder shall be paid and apportioned among and borne by the owners 10  
11 of working interests, all in accordance with the agreement or agree- 11  
12 ments entered into by and between the Unit Operator and the owners of 12  
13 working interests, whether one or more, separately or collectively. 13  
14 Any Agreement or agreements entered into between the working interest 14  
15 owners and the Unit Operator as provided in this section, whether one 15  
16 or more, are herein referred to as the "unit operating agreement." 16  
17 Such unit operating agreement shall also provide the manner in which 17  
18 the working interest owners shall be entitled to receive their res- 18  
19 pective proportionate and allocated share of the benefits accruing 19  
20 hereto in conformity with their underlying operating agreements, 20  
21 leases, or other independent contracts, and such other rights and 21  
22 obligations as between Unit Operator and the working interest owners; 22  
23 however, no such unit operating agreement shall be deemed either to 23  
24 modify any of the terms and conditions of this unit agreement or to 24  
25 relieve the Unit Operator of any right or obligation established 25  
26 under this unit agreement, and in case of any inconsistency or con- 26  
27 flict between this unit agreement, and the unit operating agreement, 27  
28 this unit agreement shall govern. Three true copies of any unit 28  
29 operating agreement executed pursuant to this section should be filed 29  
30 with the Supervisor, prior to approval of this unit agreement. 30

1           8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as other- 1  
2 wise specifically provided herein, the exclusive right, privilege, 2  
3 and duty of exercising any and all rights of the parties hereto which3  
4 are necessary or convenient for prospecting for, producing, storing, 4  
5 allocating, and distributing the unitized substances are hereby dele-5  
6 gated to and shall be exercised by the Unit Operator as herein pro- 6  
7 vided. Acceptable evidence of title to said rights shall be deposi- 7  
8 ted with said Unit Operator and, together with this agreement, shall 8  
9 constitute and define the rights, privileges, and obligations of Unit9  
10 Operator. Nothing herein, however, shall be construed to transfer 10  
11 title to any land or to any lease or operating agreement, it being 11  
12 understood that under this agreement the Unit Operator, in its capa- 12  
13 city as Unit Operator, shall exercise the rights of possession and 13  
14 use vested in the parties hereto only for the purposes herein speci- 14  
15 fied. 15

16           9. DRILLING TO DISCOVERY. Within 6 months after the effective 16  
17 date hereof, the Unit Operator shall begin to drill an adequate test 17  
18 well at a location approved by the Supervisor, unless on such effec- 18  
19 tive date a well is being drilled conformably with the terms hereof, 19  
20 and thereafter continue such drilling diligently until the Pennsylv- 20  
21 vanian formation has been tested or until at a lesser depth unitized 21  
22 substances shall be discovered which can be produced in paying quanti-22  
23 ties (to wit: quantities sufficient to repay the costs of drilling, 23  
24 completing, and producing operations, with a reasonable profit) or 24  
25 the Unit Operator shall at any time establish to the satisfaction of 25  
26 the Supervisor that further drilling of said well would be unwar- 26  
27 ranted or impracticable, provided, however, that Unit Operator shall 27  
28 not in any event be required to drill said well to a depth in excess 28  
29 of 6,300 feet. Until the discovery of a deposit of unitized sub- 29  
30 stances capable of being produced in paying quantities, the Unit 30  
31 Operator shall continue drilling one well at a time, allowing not 31  
32 more than 6 months between the completion of one well and the 32  
33 beginning of the next well, until a well capable of producing 33

1 unitized substances in paying quantities is completed to the 1  
2 satisfaction of said Supervisor or until it is reasonably proved 2  
3 that the unitized land is incapable of producing unitized substances 3  
4 in paying quantities in the formations drilled hereunder. Nothing 4  
5 in this section shall be deemed to limit the right of the Unit 5  
6 Operator to resign as provided in Section 5, hereof, or as requiring 6  
7 Unit Operator to commence or continue any drilling during the period 7  
8 pending such resignation becoming effective in order to comply with 8  
9 the requirements of this section. The Supervisor may modify the 9  
10 the drilling requirements of this section by granting reasonably 10  
11 extensions of time when, in his opinion, such action is warranted. 11

12 Upon failure to commence any well provided for in this section 12  
13 within the time allowed, including any extension of time granted by 13  
14 the Supervisor, this agreement will automatically terminate; upon 14  
15 failure to continue drilling diligently any well commenced here- 15  
16 under, the Supervisor may, after 15-days notice to the Unit 16  
17 Operator, declare this unit agreement terminated. 17

18 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 18  
19 months after completion of a well capable of producing unitized 19  
20 substances in paying quantities, the Unit Operator shall submit for 20  
21 the approval of the Supervisor an acceptable plan of development and 21  
22 operation for the unitized land which, when approved by the Super- 22  
23 visor, shall constitute the further drilling and operating obliga- 23  
24 tions of the Unit Operator under this agreement for the period 24  
25 specified therein. Thereafter, from time to time before the expira- 25  
26 tion of any existing plan, the Unit Operator shall submit for the 26  
27 approval of the Supervisor a plan for an additional specified period 27  
28 for the development and operation of the unitized land. 28

29 Any plan submitted pursuant to this section shall provide for 29  
30 the exploration of the unitized area and for the diligent drilling 30

1 necessary for determination of the area or areas thereof capable 1  
2 of producing unitized substances in paying quantities in each and 2  
3 every productive formation and shall be as complete and adequate as 3  
4 the Supervisor may determine to be necessary for timely development 4  
5 and proper conservation of the oil and gas resources of the unitized 5  
6 area and shall: 6

- 7 (a) specify the number and locations of any wells to be 7  
8 drilled and the proposed order and time for such drilling; and 8  
9 (b) to the extent practicable specify the operating practices 9  
10 regarded as necessary and advisable for proper conservation of 10  
11 natural resources. 11

12 Separate plans may be submitted for separate productive zones, 12  
13 subject to the approval of the Supervisor. 13

14 Plans shall be modified or supplemented when necessary to meet 14  
15 changed conditions or to protect the interests of all parties to 15  
16 this agreement. Reasonable diligence shall be exercised in com- 16  
17 plying with the obligations of the approved plan of development. 17

18 The Supervisor is authorized to grant a reasonable extension of the 18  
19 6-month period herein prescribed for submission of an initial plan 19  
20 of development where such action is justified because of unusual 20  
21 conditions or circumstances. After completion hereunder of a well 21  
22 capable of producing any unitized substance in paying quantities, 22  
23 no further wells, except such as may be necessary to afford protec- 23  
24 tion against operations not under this agreement and such as may be 24  
25 specifically approved by the Supervisor, shall be drilled except in 25  
26 accordance with a plan of development approved as herein provided. 26

27 11. PARTICIPATING AFTER DISCOVERY. Upon completion of a well 27  
28 capable of producing unitized substances in paying quantities or 28  
29 as soon thereafter as required by the Supervisor, the Unit Operator 29  
30 shall submit for approval by the Supervisor a schedule, based on 30



1 subdivision of the public-land survey or aliquot parts thereof, 1  
2 of all land then regarded as reasonably proved to be productive in 2  
3 paying quantities; all lands in said schedule on approval of the 3  
4 Supervisor to constitute a participating area, effective as of the 4  
5 date of completion of such well or the effective date of this unit 5  
6 agreement, whichever is later. The acreages of both Federal and 6  
7 non-Federal lands shall be based upon appropriate computations from 7  
8 the courses and distances shown on the last approved public-land 8  
9 survey as of the effective date of each initial participating area. 9  
10 Said schedule shall also set forth the percentage of unitized sub- 10  
11 stances to be allocated as herein provided to each tract in the 11  
12 participating area so established, and shall govern the allocation 12  
13 of production commencing with the effective date of the participa- 13  
14 ting area. A separate participating area shall be established for 14  
15 each separate pool or deposit of unitized substances or for any 15  
16 group thereof which is produced as a single pool or zone, and any 16  
17 two or more participating areas so established may be combined into 17  
18 one, on approval of the Supervisor. When production from two or 18  
19 more participating areas, so established, is subsequently found to 19  
20 be from a common pool or deposit said participating areas shall be 20  
21 combined into one effective as of such appropriate date as may be 21  
22 approved or prescribed by the Supervisor. The participating area 22  
23 or areas so established shall be revised from time to time, subject 23  
24 to like approval, to include additional land then regarded as 24  
25 reasonably proved to be productive in paying quantities or necessary 25  
26 for unit operations, or to exclude land then regarded as reasonably 26  
27 proved not to be productive in paying quantities and the schedule 27  
28 of allocation percentages shall be revised accordingly. The effec- 28  
29 tive date of any revision shall be the first of the month in which 29  
30 is obtained the knowledge or information on which such revision is 30

1 predicated, provided, however, that a more appropriate effective 1  
2 date may be used if justified by the Unit Operator and approved by 2  
3 the Supervisor. No land shall be excluded from a participating 3  
4 area on account of depletion of the unitized substances, except that 4  
5 any participating area established under the provisions of this 5  
6 unit agreement shall terminate automatically whenever all comple- 6  
7 tions in the formation on which the participating area is based are 7  
8 abandoned. 8

9 It is the intent of this section that a participating area 9  
10 shall represent the area known or reasonably estimated to be pro- 10  
11 ductive in paying quantities; but, regardless of any revision of 11  
12 the participating area, nothing herein contained shall be construed 12  
13 as requiring any retroactive adjustment for production obtained 13  
14 prior to the effective date of the revision of the participating 14  
15 area. 15

16 In the absence of agreement at any time between the Unit 16  
17 Operator and the Supervisor as to the proper definition or redefini- 17  
18 tion of a participating area, or until a participating area has, or 18  
19 areas have, been established as provided herein, the portion of all 19  
20 payments affected thereby shall be impounded in a manner mutually 20  
21 acceptable to the owners of working interests and the Supervisor. 21  
22 Royalties due the United States shall be determined by the Super- 22  
23 visor and the amount thereof shall be deposited, as directed by 23  
24 the Supervisor, to be held as unearned money until a participating 24  
25 area is finally approved and then applied as earned or returned in 25  
26 accordance with a determination of the sum due as Federal royalty 26  
27 on the basis of such approved participating area. 27

28 Whenever it is determined, subject to the approval of the 28  
29 Supervisor, that a well drilled under this agreement is not capable 29  
30 of production in paying quantities and inclusion of the land on 30

1 which it is situated in a participating area is unwarranted, 1  
2 production from such well shall, for the purposes of settlement 2  
3 among all parties other than working interest owners, be allocated 3  
4 to the land on which the well is located unless such land is al- 4  
5 ready within the participating area established for the pool or 5  
6 deposit from which such production is obtained. Settlement for 6  
7 working interest benefits from such a well shall be made as pro- 7  
8 vided in the unit operating agreement. 8

9 12. ALLOCATION OF PRODUCTION. All unitized substances pro- 9  
10 duced from each participating area established under this agree- 10  
11 ment, except any part thereof used in conformity with good operating 11  
12 practices within the unitized area for drilling, operating, camp and 12  
13 other production or development purposes, for repressuring or re- 13  
14 cycling in accordance with a plan of development approved by the 14  
15 Supervisor, or unavoidably lost, shall be deemed to be produced 15  
16 equally on an acreage basis from the several tracts of unitized land 16  
17 of the participating area established for such production and, for 17  
18 the purpose of determining any benefits accruing under this agreement 18  
19 each such tract of unitized land shall have allocated to it such 19  
20 percentage of said production as the number of acres of such tract 20  
21 included in said participating area bears to the total acres of 21  
22 unitized land in said participating area, except that allocation of 22  
23 production hereunder for purposes other than for settlement of the 23  
24 royalty, overriding royalty or payment out of production obligations 24  
25 of the respective working interest owners, shall be on the basis 25  
26 prescribed in the unit operating agreement whether in conformity 26  
27 with the basis of allocation herein set forth or otherwise. It is 27  
28 hereby agreed that production of unitized substances from a partici- 28  
29 pating area shall be allocated as provided herein regardless of 29  
30 whether any wells are drilled on any particular part or tract of said 30  
31 participating area. If any gas produced from one participating area 31  
32 is used for repressuring or recycling purposes in another partici- 32

1     participating area, the first gas withdrawn from such last-mentioned     1  
2     participating area for sale during the life of this agreement shall     2  
3     be considered to be the gas so transferred until an amount equal to     3  
4     that transferred shall be so produced for sale and such gas shall be     4  
5     allocated to the participating area from which initially produced as     5  
6     such area was last defined at the time of such final production.     6

7           13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR     7  
8     FORMATIONS. Any party hereto owning or controlling the working     8  
9     interest in any unitized land having thereon a regular well loca-     9  
10    tion may with the approval of the Supervisor, at such party's sole     10  
11    risk, costs, and expense, drill a well to test any formation for     11  
12    which a participating area has not been established or to test any     12  
13    formation for which a participating area has been established if     13  
14    such location is not within said participating area, unless within     14  
15    90 days of receipt of notice from said party of his intention to     15  
16    drill the well the Unit Operator elects and commences to drill such     16  
17    a well in like manner as other wells are drilled by the Unit     17  
18    Operator under this agreement.     18

19           If any well drilled as aforesaid by a working interest owner     19  
20    results in production such that the land upon which it is situated     20  
21    may properly be included in a participating area, such participating     21  
22    area shall be established or enlarged as provided in this agreement     22  
23    and the well shall thereafter be operated by the Unit Operator in     23  
24    accordance with the terms of this agreement and the unit operating     24  
25    agreement.     25

26           If any well drilled as aforesaid by a working interest owner     26  
27    obtains production in quantities insufficient to justify the inclu-     27  
28    sion of the land upon which such well is situated in a participating     28  
29    area, such well may be operated and produced by the party drilling     29  
30    the same subject to the conservation requirements of this agreement.     30

1 The royalties in amount or value of production from any such well 1  
2 shall be paid as specified in the underlying lease and agreements 2  
3 affected. 3

4 14. ROYALTY SETTLEMENT. The United States and any State and 4  
5 any royalty owner who, is entitled to take in kind a share of the 5  
6 substances now unitized hereunder shall hereafter be entitled to the 6  
7 right to take in kind its share of the unitized substances, and Unit 7  
8 Operator, or the working interest owner in case of the operation of 8  
9 a well by a working interest owner as herein provided for in special 9  
10 cases, shall make deliveries of such royalty share taken in kind 10  
11 in conformity with the applicable contracts, laws and regulations. 11  
12 Settlement for royalty interest not taken in kind shall be made by 12  
13 working interest owners responsible therefor under existing con- 13  
14 tracts, laws and regulations, or by the Unit Operator on or before 14  
15 the last day of each month for unitized substances produced during 15  
16 the preceding calendar month; provided, however, that nothing 16  
17 herein contained shall operate to relieve the lessees of any land 17  
18 from their respective lease obligations for the payment of any 18  
19 royalties due under their leases. 19

0 If gas obtained from lands not subject to this agreement is 20  
1 introduced into any participating area hereunder, for use in repres- 21  
2 suring, stimulation of production, or increasing ultimate recovery, 22  
3 in conformity with a plan of operations approved by the Supervisor, 23  
4 a like amount of gas, after settlement as herein provided for any 24  
5 gas transferred from any other participating area and with appro- 25  
6 priate deduction for loss from any cause, may be withdrawn from the 26  
7 formation into which the gas is introduced, royalty free as to dry 27  
8 gas, but not as to any products which may be extracted therefrom; 28  
9 provided that such withdrawal shall be at such time as may be pro- 29  
0 vided in the approved plan of operations or as may otherwise be 30

consented to by the Supervisor as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

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

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwith-

standing any other provision of this agreement, be deemed to accrue  
and become payable during the term thereof as extended by this  
agreement and until the required drilling operations are commenced  
upon the land covered thereby or until some portion of such land  
is included within a participating area.

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

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

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

(a) The development and operation of lands subject to this  
agreement under the terms hereof shall be deemed full perfor-

1 mance of all obligations for development and operation with 1  
2 respect to each and every separately owned tract subject to 2  
3 this agreement, regardless of whether there is any development 3  
4 of any particular tract of the unit area. 4  
5 (b) Drilling and producing operations performed hereunder upon 5  
6 any tract of unitized lands will be accepted and deemed to be 6  
7 performed upon and for the benefit of each and every tract of 7  
8 unitized land, and no lease shall be deemed to expire by reason 8  
9 of failure to drill or produce wells situated on the land 9  
10 therein embraced. 10  
11 (c) Suspension of drilling or producing operations on all 11  
12 unitized lands pursuant to direction or consent of the Secre- 12  
13 tary or his duly authorized representative shall be deemed to 13  
14 constitute such suspension pursuant to such direction or con- 14  
15 sent as to each and every tract of unitized land. A suspension 15  
16 of drilling or producing operations limited to specified lands 16  
17 shall be applicable only to such lands. 17  
18 (d) Each lease, sublease or contract relating to the explora- 18  
19 tion, drilling, development or operation for oil or gas of 19  
20 lands other than those of the United States committed to this 20  
21 agreement, which, by its terms might expire prior to the termi- 21  
22 nation of this agreement, is hereby extended beyond any such 22  
23 terms so provided therein so that it shall be continued in 23  
24 full force and effect for and during the term of this agree- 24  
25 ment. 25  
26 (e) Any Federal lease for a fixed term of twenty (20) years 26  
27 or any renewal thereof or any part of such lease which is made 27  
28 subject to this agreement shall continue in force beyond the 28  
29 term provided therein until the termination hereof. Any other 29  
30 Federal lease committed hereto shall continue in force beyond 30



1 the term so provided therein or by law as to the land com- 1  
2 mitted so long as such lease remains subject hereto, provided 2  
3 that production is had in paying quantities under this unit 3  
4 agreement prior to the expiration date of the term of such 4  
5 lease, or in the event actual drilling operations are com- 5  
6 menced on unitized land, in accordance with the provisions 6  
7 of this agreement, prior to the end of the primary term of such 7  
8 lease and are being diligently prosecuted at that time, such 8  
9 lease shall be extended for two years and so long thereafter 9  
10 as oil or gas is produced in paying quantities in accordance 10  
11 with the provisions of the Mineral Leasing Act Revision of 1960. 11  
12 (f) Each sublease or contract relating to the operation and 12  
13 development of unitized substances from lands of the United 13  
14 States committed to this agreement, which by its terms would 14  
15 expire prior to the time at which the underlying lease, as 15  
16 extended by the immediately preceding paragraph, will expire, 16  
17 is hereby extended beyond any such term so provided therein 17  
18 so that it shall be continued in full force and effect for 18  
19 and during the term of the underlying lease as such term is 19  
20 herein extended. 20  
21 (g) The segregation of any Federal lease committed to this 21  
22 ment is governed by the following provision in the fourth para- 22  
23 graph of Sec. 17(j) of the Mineral Leasing Act, as amended by 23  
24 Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) 24  
25 lease heretofore or hereafter committed to any such (unit) 25  
26 plan embracing lands that are in part within and in part out- 26  
27 side of the area covered by any such plan shall be segregated 27  
28 into separate leases as to the lands committed and the lands 28  
29 not committed as of the effective date of unitization: 29  
30 Provided, however, That any such lease as to the nonunitized 30

1 portion shall continue in force and effect for the term 1  
2 thereof but for not less than two years from the date of such 2  
3 segregation and so long thereafter as oil or gas is produced 3  
4 in paying quantities." 4

5 (h) Any lease, other than a Federal lease, having only a 5  
6 portion of its lands committed hereto shall be segregated as 6  
7 to the portion committed and the portion not committed, and 7  
8 the provisions of such lease shall apply separately to such 8  
9 segregated portions commencing as of the effective date hereof. 9  
10 In the event any such lease provides for a lump-sum rental 10  
11 payment, such payment shall be prorated between the portions 11  
12 so segregated in proportion to the acreage of the respective 12  
13 tracts. 13

14 19. COVENANTS RUN WITH LAND. The covenants herein shall be 14  
15 construed to be covenants running with the land with respect to the 15  
16 interest of the parties hereto and their successors in interest 16  
17 until this agreement terminates, and any grant, transfer or con- 17  
18 veyance, of interest in land or leases subject hereto shall be and 18  
19 hereby is conditioned upon the assumption of all privileges and 19  
20 obligations hereunder by the grantee, transferee, or other succes- 20  
21 sor in interest. No assignment or transfer of any working interest, 21  
22 royalty, or other interest subject hereto shall be binding upon 22  
23 Unit Operator until the first day of the calendar month after Unit 23  
24 Operator is furnished with the original, photostatic, or certified 24  
25 copy of the instrument of transfer. 25

26 20. EFFECTIVE DATE AND TERM. This agreement shall become 26  
27 effective upon approval by the Secretary or his duly authorized 27  
28 representative and shall terminate five (5) years from said effec- 28  
29 tive date unless 29

30 (a) such date of expiration is extended by the Director, or 30

1 (b) it is reasonably determined prior to the expiration of 1  
2 the fixed term of any extension thereof that the unitized land 2  
3 is incapable of production of unitized substances in paying 3  
4 quantities in the formations tested hereunder and after notice 4  
5 of intention to terminate the agreement on such ground is given 5  
6 by the Unit Operator to all parties in interest at their last 6  
7 known addresses, the agreement is terminated with the approval 7  
8 of the Supervisor, or 8

9 (c) a valuable discovery of unitized substances has been made 9  
10 accepted on unitized land during said initial term of any ex- 10  
11 tension thereof, in which event the agreement shall remain in 11  
12 effect for such term and so long as unitized substances can be 12  
13 produced in quantities sufficient to pay for the cost of pro- 13  
14 ducing same from wells on unitized land within any participa- 14  
15 ting area established hereunder and, should production cease, 15  
16 so long thereafter as diligent operations are in progress for 16  
17 the restoration of production or discovery of new production 17  
18 and so long thereafter as unitized substances so discovered can 18  
19 be produced as aforesaid, or 19

20 (d) it is terminated as heretofore provided in this agreement. 20  
21 This agreement may be terminated at any time by not less than 75 21  
22 per centum, on an acreage basis, of the working interest owners 22  
23 signatory hereto, with the approval of the Supervisor; notice of any 23  
24 such approval to be given by the Unit Operator to all parties hereto. 24

25 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The 25  
26 Director is hereby vested with authority to alter or modify from 26  
27 time to time in his discretion the quantity and rate of production 27  
28 under this agreement when such quantity and rate is not fixed 28  
29 pursuant to Federal or State law or does not conform to any state- 29  
30 wide voluntary conservation or allocation program, which is esta- 30

1 blished, recognized, and generally adhered to by the majority of 1  
2 operators in such State, such authority being hereby limited to 2  
3 alteration or modification in the public interest, the purpose 3  
4 thereof and the public interest to be served thereby to be stated 4  
5 in the order of alteration or modification. Without regard to the 5  
6 foregoing, the Director is also hereby vested with authority to 6  
7 alter or modify from time to time in his discretion the rate of 7  
8 prospecting and development and the quantity and rate of production 8  
9 under this agreement when such alteration or modification is in the 9  
10 interest of attaining the conservation objectives stated in this 10  
11 agreement and is not in violation of any applicable Federal or 11  
12 State law. 12

13 Powers in this section vested in the Director shall only be 13  
14 exercised after notice to Unit Operator and opportunity for hearing 14  
15 to be held not less than 15 days from notice. 15

16 22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor 16  
17 the working interest owners nor any of them shall be subject to 17  
18 any forfeiture, termination or expiration of any rights hereunder 18  
19 of under any lease or contracts subject hereto, or to any penalty 19  
20 or liability on account of delay or failure in whole or in part 20  
21 to comply with any applicable provision thereof to the extent that 21  
22 the Unit Operator, working interest owners or any of them are hin- 22  
23 dered, delayed or prevented from complying therewith by reason of 23  
24 failure of the Unit Operator to obtain in the exercise of due 24  
25 diligence, the concurrence of proper representatives of the United 25  
26 States and proper representatives of the State of New Mexico in 26  
27 and about any matters or things concerning which it is required here-27  
28 in that such concurrence be obtained. The parties hereto, including 28  
29 the Commission, agree that all power and authority vested in the 29  
30 Commission in and by any provisions of this agreement are vested 30

1 in the Commission and shall be exercised by it pursuant to the 1  
2 provisions of the laws of the State of New Mexico and subject 2  
3 in any case to appeal or judicial review as may now or hereafter 3  
4 be provided by the laws of the State of New Mexico. 4

5 23. APPEARANCES. Unit Operator shall, after notice to 5  
6 other parties affected, have the right to appear for and on 6  
7 behalf of any and all interests affected hereby before the 7  
8 Department of the Interior and to appeal from orders issued 8  
9 under the regulations of said Department or to apply for relief 9  
10 from any of said regulations or in any proceedings relative to 10  
11 operations before the Department of the Interior or any other 11  
12 legally constituted authority; provided, however, that any other 12  
13 interested party shall also have the right at his own expense 13  
14 to be heard in any such proceeding. 14

15 24. NOTICES. All notices, demands or statements required 15  
16 hereunder to be given or rendered to the parties hereto shall 16  
17 be deemed fully given if given in writing and personally 17  
18 delivered to the party or sent by postpaid registered or 18  
19 certified mail, addressed to such party or parties at their 19  
20 respective addresses set forth in connection with the signa- 20  
21 tures hereto or to the ratification or consent hereof or to such 21  
22 address or any such party may have furnished in writing 22  
23 to party sending the notice, demand or state- 23  
24 ment. 24

25 25. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement 25  
26 contained shall be construed as a waiver by any party hereto of the 26  
27 right to assert any legal or constitutional right or defense as to 27  
28 the validity or invalidity of any law of the State wherein said 28  
29 unitized lands are located, or of the United States, or regulations 29  
30 issued thereunder in any way affecting such party, or as a waiver 30

1 by any such party of any right beyond his or its authority to waive. 1

2 26. UNAVOIDABLE DELAY. All obligations under this agreement 2  
3 requiring the Unit Operator to commence or continue drilling or to 3  
4 operate on or produce unitized substances from any of the lands 4  
5 covered by this agreement shall be suspended while the Unit 5  
6 Operator, despite the exercise of due care and diligence, is pre- 6  
7 vented from complying with such obligations, in whole or in part, 7  
8 by strikes, acts of God, Federal, State, or municipal law or agen- 8  
9 cies, unavoidable accidents, uncontrollable delays in transportation, 9  
10 inability to obtain necessary materials in open market, or other 10  
11 matters beyond the reasonable control of the Unit Operator whether 11  
12 similar to matters herein enumerated or not. No unit obligation 12  
13 which is suspended under this section shall become due less than 13  
14 thirty (30) days after it has been determined that the suspension 14  
15 is no longer applicable. Determination of creditable "Unavoidable 15  
16 Delay" time shall be made by the unit operator subject to approval 16  
17 of the Supervisor. 17

18 27. NONDISCRIMINATION. In connection with the performance of 18  
19 work under this agreement, the Operator agrees to comply with all 19  
20 the provisions of Section 202 (1) to (7) inclusive of Executive 20  
21 Order 11246 (30 F.R. 12319), which are hereby incorporated by 21  
22 reference in this agreement. 22

23 28. LOSS OF TITLE. In the event title to any tract of 23  
24 unitized land shall fail and the true owner cannot be induced to 24  
25 join in this unit agreement, such tract shall be automatically re- 25  
26 garded as not committed hereto and there shall be such readjustment 26  
27 of future costs and benefits as may be required on account of the 27  
28 loss of such title. In the event of a dispute as to title as to 28  
29 any royalty, working interest, or other interests subject thereto, 29  
30 payment or delivery on account thereof may be withheld without 30

1 liability for interest until the dispute is finally settled; pro- 1  
2 vided, that, as to Federal land or leases, no payments of funds due 2  
3 the United States should be withheld, but such funds shall be 3  
4 deposited as directed by the Supervisor to be held as unearned 4  
5 money pending final settlement of the title dispute, and then 5  
6 applied as earned or returned in accordance with such final settle- 6  
7 ment. 7

8 Unit Operator as such is relieved from any responsibility for 8  
9 any defect or failure of any title hereunder. 9

10 29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any 10  
11 substantial interest in a tract within the unit area fails or refuses 11  
12 to subscribe or consent to this agreement, the owner of the working 12  
13 interest in that tract may withdraw said tract from this agreement 13  
14 by written notice delivered to the Supervisor and the Unit 14  
15 Operator prior to the approval of this agreement by the Supervisor. 15  
16 Any oil or gas interests in lands within the unit area not committed 16  
17 hereto prior to submission of this agreement for final approval 17  
18 may thereafter be committed hereto by the owner or owners thereof 18  
19 subscribing or consenting to this agreement, and, if the interest 19  
20 is a working interest, by the owner of such interest also sub- 20  
21 scribing to the unit operating agreement. After operations are 21  
22 commenced hereunder, the right of subsequent joinder, as provided 22  
23 in this section, by a working interest owner is subject to such 23  
24 requirements or approvals, if any, pertaining to such joinder, as 24  
25 may be provided for in the unit operating agreement. After final 25  
26 approval hereof, joinder by a non-working interest owner must be 26  
27 consented to in writing by the working interest owner committed 27  
28 hereto and responsible for the payment of any benefits that may 28  
29 accrue hereunder in behalf of such non-working interest. A non- 29  
30 working interest may not be committed to this unit agreement unless 30

1 the corresponding working interest is committed hereto. Joinder to the unit 1,  
2 agreement by a working interest owner, at any time, must be accompanied by 2  
3 appropriate joinder to the unit operating agreement, if more than one committed 3  
4 working interest owner is involved, in order for the interest to be regarded as 4  
5 committed to this unit agreement. Except as may otherwise herein be provided, 5  
6 subsequent joinders to this agreement shall be effective as of the first day of 6  
7 the month following the filing with the Supervisor of duly executed counterparts 7  
8 of all or any papers necessary to establish effective commitment of any tract to 8  
9 this agreement unless objection to such joinder is duly made within 60 days by the 9  
10 Supervisor. 10

11 30. COUNTERPARTS. This agreement may be executed in any number of counter- 11  
12 parts no one of which needs to be executed by all parties or may be ratified or 12  
13 consented to by separate instrument in writing specifically referring hereto and 13  
14 shall be binding upon all those parties who have executed such a counterpart, 14  
15 ratification or consent hereto with the same force and effect as if all such 15  
16 parties had signed the same document and regardless of whether or not it is 16  
17 executed by all other parties owning or claiming an interest in the lands within 17  
18 the above-described unit area. 18

19 31. NO PARTNERSHIP. It is expressly agreed that the relation of the 19  
20 parties hereto is that of independent contractors and nothing in this agreement 20  
21 contained, expressed or implied, nor any operations conducted hereunder, shall 21  
22 create or be deemed to have created a partnership or association between the 22  
23 parties hereto or any of them. 23

24 32. FOREST LAND STIPULATION. Notwithstanding any other terms and conditions 24  
25 contained in this agreement, all of the stipulations and conditions of the individ- 25  
26 ual leases between the United States and its lessees or their successors or 26  
27 assigns embracing lands within the Unit Area included for the protection of lands 27  
28 or functions under the jurisdiction of the Secretary of Agriculture shall remain 28  
29 in full force and effect the same as though this agreement had not been entered 29  
30 into, and no modification thereof is authorized except with the prior consent in 30  
31 writing of the Regional Forester, United States Forest Service. 31

32 IN WITNESS WHEREOF, the parties hereto have caused this agreement to be 32  
33 executed and have set opposite their respective names the date of execution. 33

ATTEST: UNIT OPERATOR AND WORKING INTEREST OWNER  
INEXCO OIL COMPANY  
INEXCO OIL COMPANY President  
1200 HOUSTON CLUB BUILDING  
HOUSTON, TEXAS 77002 Address  
Date