

UNIT AGREEMENT
DEER CANYON UNIT AREA
EDDY COUNTY, NEW MEXICO

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1 UNIT AGREEMENT

2 FOR THE DEVELOPMENT AND OPERATION

3 OF THE

4 DEER CANYON UNIT AREA

5 COUNTY OF EDDY COUNTY

6 STATE OF NEW MEXICO

7 NO. _____

8 THIS AGREEMENT entered into as of the 1ST day of

9 September, 1973, by and between the parties subscribing,

10 ratifying, or consenting hereto, and herein referred to as

11 the "parties hereto."

12
13 WITNESSETH:

14 WHEREAS, the parties hereto are the owners of working,
15 royalty, or other oil and gas interest in the unit area sub-
16 ject to this agreement; and

17 WHEREAS, the Mineral Leasing Act of February 25, 1920, 41
18 Stat. 437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes
19 Federal Lesees and their representatives to unite with each
20 other, or jointly or separately with others, in collectively
21 adopting and operating a cooperative or unit plan of develop-
22 ment or operation of any oil or gas pool, field, or like area,
23 or any part thereof for the purpose of more properly conserv-
24 ing the natural resources thereof whenever determined and cer-
25 tified by the Secretary of the Interior to be necessary or
26 advisable in the public interest; and

27 Whereas, the Commissioner of Public Lands of the State of
28 New Mexico is authorized by an Act of the Legislature (Sec. 7-
29 11-39 N.M. Statutes 1953 Annotated) to consent to or approve
30 this agreement on behalf of the State of New Mexico, insofar

1 as it covers and includes lands and mineral interests of the
2 State of New Mexico; and

3 WHEREAS, the Oil Conservation Commission of the State of
4 New Mexico is authorized by an act of the Legislature (Article
5 3, Chapter 65, Vol. 9, Part 2, 1953 Statutes) to approve this
6 agreement and the conservation provisions hereof; and

7 WHEREAS, the parties hereto hold sufficient interests in
8 the Deer Canyon Unit Area covering the land hereinafter des-
9 cribed to give reasonably effective control of operations
10 therein; and

11 WHEREAS, it is the purpose of the parties hereto to con-
12 serve natural resources, prevent waste, and secure other
13 benefits obtainable through development and operation of the
14 area subject to this agreement under the terms, conditions,
15 and limitations herein set forth;

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

20 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing
21 Act of February 25, 1920, as amended, supra, and all valid
22 pertinent regulations, including operating and unit plan regu-
23 lations, heretofore issued thereunder or valid, pertinent and
24 reasonable regulations hereafter issued thereunder are accept-
25 ed and made a part of this agreement as to Federal lands, pro-
26 vided such regulations are not inconsistent with the terms of
27 this agreement; and as to non-Federal lands, the oil and gas
28 operating regulations in effect as of the effective date hereof
29 governing drilling and producing operations, not inconsistent
30 with the terms hereof or the laws of the State in which the

1 non-Federal land is located, are hereby accepted and made a
2 part of this agreement.

3 2. UNIT AREA. The area specified on the map attached
4 hereto marked Exhibit "A" is hereby designated and recognized
5 as constituting the unit area, containing 10,620.45 acres,
6 more or less.

7 Exhibit "A" shows, in addition to the boundary of the
8 unit area, the boundaries and identity of tracts and leases in
9 said area to the extent known to the Unit Operator. Exhibit
10 "B" attached hereto is a schedule showing to the extent known
11 to the Unit Operator the acreage, percentage, and kind of
12 ownership of oil and gas interests in all land in the unit
13 area. However, nothing herein or in said schedule or map shall
14 be construed as a representation by any party hereto as to the
15 ownership of any interest other than such interest or interests
16 as are shown in said map or schedule as owned by such party.
17 Exhibits "A" and "B" shall be revised by the Unit Operator
18 whenever changes in the unit area render such revision necess-
19 ary, or when requested by the Oil and Gas Supervisor, herein-
20 after referred to as "Supervisor", or when requested by the
21 Commissioner of Public Lands of the State of New Mexico, here-
22 inafter referred to as "Commissioner", and not less than five
23 copies of the revised exhibits shall be filed with the Super-
24 visor, and two copies thereof shall be filed with the Commiss-
25 ioner, and one copy with the New Mexico Oil Conservation Com-
26 mission, hereinafter referred to as "Commission".

27 The above-described unit area shall when practicable be
28 expanded to include therein any additional lands or shall be
29 contracted to exclude lands whenever such expansion or contrac-
30 tion is deemed to be necessary or advisable to conform with the

1 purposes of this agreement. Such expansion or contraction
2 shall be effected in the following manner:

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

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

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

25 (d) After due consideration of all pertinent information,
26 the expansion or contraction shall, upon approval by the Super-
27 visor, the Commissioner and the Commission, become effective
28 as of the date prescribed in the notice thereof.

29 (e) All legal subdivisions of lands (i.e., 40 acres by
30 Government survey or its nearest lot or tract equivalent; in

1 instances of irregular surveys unusually large lots or tracts
2 shall be considered in multiples of 40 acres or the nearest
3 aliquot equivalent thereof), no parts of which are entitled to
4 be in a participating area on or before the fifth anniversary
5 of the effective date of the first initial participating area
6 established under this unit agreement, shall be eliminated
7 automatically from this agreement, effective as of said fifth
8 anniversary, and such lands shall no longer be a part of the
9 unit area and shall no longer be subject to this agreement,
10 unless diligent drilling operations are in progress on unit-
11 ized lands not entitled to participation on said fifth anni-
12 versary, in which event all such lands shall remain subject
13 hereto so long as such drilling operations are continued dili-
14 gently with not more than 90 days' time elapsing between the
15 completion of one well and the commencement of the next well.
16 All legal subdivisions of lands not entitled to be in a parti-
17 cipating area within 10 years after the effective date of the
18 first initial participating area approved under this agreement
19 shall be automatically eliminated from this agreement as of
20 said tenth anniversary. All lands proved productive by dili-
21 gent drilling operations after the aforesaid 5-year period
22 shall become participating in the same manner as during said
23 5-year period. However, when such diligent drilling operations
24 cease, all nonparticipating lands shall be automatically elim-
25 inated effective as of the 91st day thereafter. The Unit
26 Operator shall, within 90 days after the effective date of any
27 elimination hereunder, describe the area so eliminated to the
28 satisfaction of the Supervisor and the Commissioner, and promptly
29 notify all parties in interest.

30 If conditions warrant extension of the 10-year period

1 specified in this subsection 2(e), a single extension of not
2 to exceed 2 years may be accomplished by consent of the owners
3 of 90% of the working interests in the current nonparticipat-
4 ing unitized lands and the owners of 60% of the basic royalty
5 interests (exclusive of the basic royalty interests of the
6 United States) in nonparticipating unitized lands with appro-
7 val of the Director and Commissioner, provided such extension
8 application is submitted to the Director and Commissioner not
9 later than 60 days prior to the expiration of said ten-year
10 period.

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

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

21 4. UNIT OPERATOR. ROBERTS, KOCH & CARTWRIGHT a partner-
22 ship composed of Ross D. Roberts, Charles E. Koch and Jack C.
23 Cartwright is hereby designated as Unit Operator and by signa-
24 ture hereto as Unit Operator agrees and consents to accept the
25 duties and obligations of Unit Operator for the discovery, de-
26 velopment, and production of unitized substances as herein
27 provided. Whenever reference is made herein to the Unit Oper-
28 ator, such reference means the Unit Operator acting in that
29 capacity and not as an owner of interest in unitized substances,
30 and the term "working interest owner" when used herein shall

1 include or refer to Unit Operator as the owner of a working
2 interest when such an interest is owned by it.

3 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Opera-
4 tor shall have the right to resign at any time prior to the
5 establishment of a participating area or areas hereunder, but
6 such resignation shall not become effective so as to release
7 Unit Operator from the duties and obligations of Unit Operator
8 and terminate Unit Operator's rights as such for a period of
9 6 months after notice of intention to resign has been served
10 by Unit Operator on all working interest owners and the Super-
11 visor, the Commissioner and the Commission, and until all wells
12 then drilled hereunder are placed in a satisfactory condition
13 for suspension or abandonment whichever is required by the
14 Supervisor as to Federal lands and by the Commission as to State
15 and privately owned lands, unless a new Unit Operator shall have
16 taken over and assumed the duties and obligations of Unit Oper-
17 ator prior to the expiration of said period.

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

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

1 The Unit Operator may, upon default or failure in the
2 performance of its duties or obligations hereunder, be sub-
3 ject to removal by the same percentage vote of the owners of
4 working interests as herein provided for the selection of a
5 new Unit Operator. Such removal shall be effective upon
6 notice thereof to the Supervisor and the Commissioner.

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

19 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall
20 tender his or its resignation as Unit Operator or shall be re-
21 moved as hereinabove provided, or a change of Unit Operator is
22 negotiated by working interest owners, the owners of the working
23 interests in the participating area or areas according to their
24 respective acreage interests in such participating area or areas,
25 or, until a participating area shall have been established, the
26 owners of the working interests according to their respective
27 acreage interests in all unitized land, shall by majority vote
28 select a successor Unit Operator: Provided, That, if a majority
29 but less than 75 per cent of the working interests qualified
30 to vote are owned by one party to this agreement, a concurring

1 vote of one or more additional working interest owners shall
2 be required to select a new operator. Such selection shall
3 not become effective until

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

6 (b) the selection shall have been approved by the Super-
7 visor and the Commissioner.

8 If no successor Unit Operator is selected and qualified
9 as herein provided, the Director and Commissioner at their
10 election may declare this unit agreement terminated.

11 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

12 If the Unit Operator is not the sole owner of working interest,
13 costs and expenses incurred by Unit Operator in conducting
14 unit operations hereunder shall be paid and apportioned among
15 and borne by the owners of working interests, all in accord-
16 ance with the agreement or agreements entered into by and be-
17 tween the Unit Operator and the owners of working interests,
18 whether one or more, separately or collectively. Any agreement
19 or agreements entered into between the working interest owners
20 and the Unit Operator as provided in this section, whether
21 one or more, are herein referred to as the "unit operating
22 agreement". Such unit operating agreement shall also provide
23 the manner in which the working interest owners shall be en-
24 titled to receive their respective proportionate and allocated
25 share of the benefits accruing hereto in conformity with their
26 underlying operating agreements, leases or other independent
27 contracts, and such other rights and obligations as between
28 Unit Operator and the working interest owners as may be agreed
29 upon by Unit Operator and the working interest owners; however,
30 no such unit operating agreement shall be deemed either to

1 modify any of the terms and conditions of this unit agreement
2 or to relieve the Unit Operator of any right or obligation
3 established under this unit agreement, and in case of any
4 inconsistency or conflict between this unit agreement and the
5 unit operating agreement, this unit agreement shall govern.
6 Three true copies of any unit operating agreement executed
7 pursuant to this section should be filed with the Supervisor
8 and two true copies with the Commissioner and one true copy
9 with the Commission, prior to approval of this unit agreement.

10 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as
11 otherwise specifically provided herein, the exclusive right,
12 privilege, and duty of exercising any and all rights of the
13 parties hereto which are necessary or convenient for prospect-
14 ing for, producing, storing, allocating, and distributing the
15 unitized substances are hereby delegated to and shall be exer-
16 cised by the Unit Operator as herein provided. Acceptable
17 evidence of title to said rights shall be deposited with said
18 Unit Operator and, together with this agreement, shall consti-
19 tute and define the rights, privileges, and obligations of
20 Unit Operator. Nothing herein, however, shall be construed
21 to transfer title to any land or to any lease or operating
22 agreement, it being understood that under this agreement the
23 Unit Operator, in its capacity as Unit Operator, shall exer-
24 cise the rights of possession and use vested in the parties
25 hereto only for the purposes herein specified.

26 9. DRILLING TO DISCOVERY. Within 6 months after the
27 effective date hereof, the Unit Operator shall begin to drill
28 an adequate test well at a location approved by the Supervisor,
29 if on Federal land, or by the Land Commissioner if on State
30 land, or by the Commission if on fee land, unless on such

1 effective date a well is being drilled conformably with the
2 terms hereof, and thereafter continue such drilling diligently
3 until the upper Mississippian (Barnett Shale) formation has
4 been penetrated and all formations of the Pennsylvanian age
5 have been tested, or until at a lesser depth unitized sub-
6 stances shall be discovered which can be produced in paying
7 quantities (to-wit: quantities sufficient to repay the costs
8 of drilling, completing, and producing operations, with a
9 reasonable profit) or the Unit Operator shall, at any time,
10 establish to the satisfaction of the Supervisor, if on Federal
11 land, or the Commissioner if located on State lands, or the
12 Commission if located on fee lands, that further drilling of
13 said well would be unwarranted or impracticable, provided
14 however, that Unit Operator shall not in any event be required
15 to drill said well to a depth in excess of 8,700 feet. Until
16 the discovery of a deposit of unitized substances in paying
17 quantities is completed to the satisfaction of said Supervisor
18 if on Federal land, or the Commissioner if on State land, or
19 the Commission if on fee land, or until it is reasonably proved
20 that the unitized land is incapable of producing unitized sub-
21 stances in paying quantities in the formations drilled here-
22 under. Nothing in this section shall be deemed to limit the
23 right of the Unit Operator to resign as provided in Section 5
24 hereof, or as requiring Unit Operator to commence or continue
25 any drilling during the period pending such resignation becom-
26 ing effective in order to comply with the requirements of this
27 section. The Supervisor and Commissioner may modify the drill-
28 ing requirements of this section by granting reasonable exten-
29 sions of time when, in their opinion, such action is warranted.
30 Upon failure to commence any well provided for in this section

1 within the time allowed, including any extension of time grant-
2 ed by the Supervisor and the Commissioner, this agreement will
3 automatically terminate; upon failure to continue drilling
4 diligently any well commenced hereunder, the Supervisor and
5 Commissioner may, after 15 days notice to the Unit Operator,
6 declare this unit agreement terminated.

7 10. SURFACE MANAGEMENT STIPULATION. Nothing in this
8 agreement shall modify the special Federal-lease stipulations
9 relating to surface management, attached to and made a part of,
10 Oil and Gas leases covering lands within the Unit Area.

11 11. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within
12 6 months after completion of a well capable of producing unit-
13 ized substances in paying quantities, the Unit Operator shall
14 submit for the approval of the Supervisor and the Commissioner
15 an acceptable plan of development and operation for the unitized
16 land which, when approved by the Supervisor and the Commissioner,
17 shall constitute the further drilling and operating obligations
18 of the Unit Operator under this agreement for the period speci-
19 fied therein. Thereafter, from time to time before the expir-
20 ation of any existing plan, the Unit Operator shall submit for
21 the approval of the Supervisor and the Commissioner a plan for
22 an additional specified period for the development and operation
23 of the unitized land.

24 Any plan submitted pursuant to this section shall provide
25 for the exploration of the unitized area and for the diligent
26 drilling necessary for determination of the area or areas there-
27 of capable of producing unitized substances in paying quantities
28 in each and every productive formation and shall be as complete
29 and adequate as the Supervisor, the Commissioner and Commission
30 may determine to be necessary for timely development and proper

1 conservation of the oil and gas resources of the unitized
2 area and shall:

3 (a) specify the number and locations of any wells
4 to be drilled and the proposed order and time for
5 such drilling; and

6 (b) to the extent practicable, specify the operating
7 practices regarded as necessary and advisable for
8 proper conservation of natural resources.

9 Separate plans may be submitted for separate productive zones,
10 subject to the approval of the Supervisor, the Commissioner
11 and the Commission.

12 Plans shall be modified or supplemented when necessary to
13 meet changed conditions or to protect the interests of all
14 parties to this agreement. Reasonable diligence shall be
15 exercised in complying with the obligations of the approved
16 plan of development. The Supervisor and Commissioner are
17 authorized to grant a reasonable extension of the 6-month
18 period herein prescribed for submission of an initial plan of
19 development where such action is justified because of unusual
20 conditions or circumstances. After completion hereunder of a
21 well capable of producing any unitized substances in paying
22 quantities, no further wells, except such as may be necessary
23 to afford protection against operations not under this agree-
24 ment and such as may be specifically approved by the Supervisor
25 and the Commissioner, shall be drilled except in accordance
26 with a plan of development approved as herein provided.

27 12. PARTICIPATION AFTER DISCOVERY. Upon completion of
28 a well capable of producing unitized substances in paying
29 quantities or as soon thereafter as required by the Supervisor
30 and Commissioner, the Unit Operator shall submit for approval

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

1 ductive in paying quantities and the schedule of allocation
2 percentages shall be revised accordingly. The effective date
3 of any revision shall be the first day of the month in which
4 is obtained the knowledge or information on which such re-
5 vision is predicated, provided, however, that a more appro-
6 priate effective date may be used if justified by the Unit
7 Operator and approved by the Supervisor and Commissioner. No
8 land shall be excluded from a participating area on account
9 of depletion of the unitized substances, except that any
10 participating area established under the provisions of this
11 unit agreement shall terminate automatically whenever all
12 completions in the formation on which the participating area
13 is based are abandoned.

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

21 In the absence of agreement at any time between the Unit
22 Operator and the Supervisor and Commissioner as to the proper
23 definition or redefinition of a participating area, or until
24 a participating area has, or areas have, been established as
25 provided herein, the portion of all payments affected thereby
26 shall be impounded in a manner mutually acceptable to the own-
27 ers of working interests and the Supervisor and Commissioner.
28 Royalties due the United States and the State of New Mexico,
29 which shall be determined by the Supervisor for Federal land
30 and the Commissioner for State land and the amount thereof

1 shall be deposited, as directed by the Supervisor and Comm-
2 issioner respectively, to be held as unearned money until a
3 participating area is finally approved and then applied as
4 earned or returned in accordance with a determination of the
5 sum due as Federal and State royalty on the basis of such
6 approved participating area.

7 Whenever it is determined, subject to the approval of the
8 Supervisor as to wells drilled on Federal land and of the Com-
9 missioner as to wells drilled on State land, that a well drilled
10 under this agreement is not capable of production in paying
11 quantities and inclusion of the land on which it is situated
12 in a participating area is unwarranted, production from such
13 well shall, for the purposes of settlement among all parties
14 other than working interest owners, be allocated to the land
15 on which the well is located unless such land is already within
16 the participating area established for the pool or deposit from
17 which such production is obtained. Settlement for working
18 interest benefits from such a well shall be made as provided
19 in the unit operating agreement.

20 13. ALLOCATION OF PRODUCTION. All unitized substances
21 produced from each participating area established under this
22 agreement, except any part thereof used in conformity with
23 good operating practices within the unitized area for drilling,
24 operating, camp and other production or development purposes,
25 for repressuring or recycling in accordance with a plan of
26 development approved by the Supervisor and Commissioner, or
27 unavoidably lost, shall be deemed to be produced equally on
28 an acreage basis from the several tracts of unitized land of
29 the participating area established for such production and,
30 for the purpose of determining any benefits accruing under

1 this agreement, each such tract of unitized land shall have
2 allocated to it such percentage of said production as the num-
3 ber of acres of such tract included in said participating area
4 bears to the total acres of unitized land in said participating
5 area, except that allocation of production hereunder for pur-
6 poses other than for settlement of the royalty, overriding
7 royalty, or payment out of production obligations of the res-
8 pective working interest owners, shall be on the basis pre-
9 scribed in the unit operating agreement whether in conformity
10 with the basis of allocation herein set forth or otherwise.
11 It is hereby agreed that production of unitized substances
12 from a participating area shall be allocated as provided
13 herein regardless of whether any wells are drilled on any par-
14 ticular part or tract of said participating area. If any gas
15 produced from one participating area is used for repressuring
16 or recycling purposes in another area, the first gas withdrawn
17 from such last mentioned participating area for sale during the
18 life of this agreement shall be considered to be the gas so
19 transferred until an amount equal to that transferred shall be
20 so produced for sale and such gas shall be allocated to the
21 participating area from which initially produced as such area
22 was last defined at the time of such final production.

23 14. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND
24 OR FORMATIONS. Any party hereto owning or controlling the
25 working interest in any unitized land having thereon a regular
26 well location may with the approval of the Supervisor as to
27 Federal land, and the Commissioner as to State land and the
28 Commission as to privately owned land, at such party's sole
29 risk, cost and expense, drill a well to test any formation for
30 which a participating area has not been established or to test

1 any formation for which a participating area has been estab-
2 lished if such location is not within said participating area,
3 unless within 90 days of receipt of notice from said party of
4 his intention to drill the well the Unit Operator elects and
5 commences to drill such a well in like manner as other wells
6 are drilled by the Unit Operator under this agreement.

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

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

22 15. ROYALTY SETTLEMENT. The United States and any State
23 and any royalty owner who is entitled to take in kind a share
24 of the substances now unitized hereunder shall hereafter be
25 entitled to the right to take in kind its share of the unitized
26 substances, and the Unit Operator, or the working interest
27 owner in case of the operation of a well by a working interest
28 owner as herein provided for in special cases, shall make de-
29 liveries of such royalty share taken in kind in conformity
30 with the applicable contracts, laws and regulations. Settle-

1 ment for royalty interest not taken in kind shall be made by
2 working interest owners responsible therefor under existing
3 contracts, laws and regulations, or by the Unit Operator, on
4 or before the last day of each month for unitized substances
5 produced during the preceding calendar month; provided, how-
6 ever, that nothing herein contained shall operate to relieve
7 the lessees of any land from their respective lease obligations
8 for the payment of any royalties due under their leases.

9 If gas obtained from lands not subject to this agreement
10 is introduced into any participating area hereunder, for use
11 in repressuring, stimulation of production, or increasing ulti-
12 mate recovery, in conformity with a plan of operations approved
13 by the Supervisor, the Commissioner, and Commission, a like
14 amount of gas, after settlement as herein provided for any
15 gas transferred from any other participating area and with
16 appropriate deduction for loss from any cause, may be withdrawn
17 from the formation in which the gas is introduced, royalty free
18 as to dry gas, but not as to any products which may be extract-
19 ed therefrom; provided that such withdrawal shall be at such
20 time as may be provided in the approved plan of operations or
21 as may otherwise be consented to by the Supervisor, the Commis-
22 sioner and the Commission as conforming to good petroleum engin-
23 eering practice; and provided further, that such right of with-
24 drawal shall terminate on the termination of this unit agreement.

25 Royalty due the United States shall be computed as provided
26 in the operating regulations and paid in value or delivered in
27 kind as to all unitized substances on the basis of the amounts
28 thereof allocated to unitized Federal land as provided herein
29 at the rate specified in the respective Federal leases, or at
30 such lower rate or rates as may be authorized by law or regu-

1 lation; provided, that for leases on which the royalty rate
2 depends on the daily average production per well, said average
3 production shall be determined in accordance with the operating
4 regulations as though each participating area were a single con-
5 solidated lease.

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

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

21 Rentals on State of New Mexico lands subject to this agree-
22 ment shall be paid at the rates specified in the respective
23 leases.

24 With respect to any lease on non-Federal land containing
25 provisions which would terminate such lease unless drilling
26 operations are commenced upon the land covered thereby within
27 the time therein specified or rentals are paid for the privi-
28 lege of deferring such drilling operations, the rentals required
29 thereby shall, notwithstanding any other provisions of this
30 agreement, be deemed to accrue and become payable during the

1 term thereof as extended by this agreement and until the re-
2 quired drilling operations are commenced upon the land cover-
3 ed thereby or until some portion of such land is included
4 within a participating area.

5 17. CONSERVATION. Operations hereunder and production
6 of unitized substances shall be conducted to provide for the
7 most economical and efficient recovery of said substances
8 without waste, as defined by or pursuant to State or Federal
9 laws or regulations.

10 18. DRAINAGE. The Unit Operator shall take such measures
11 as the Supervisor and Commissioner deem appropriate and adequate
12 to prevent drainage of unitized substances from unitized land
13 by wells on land not subject to this agreement.

14 19. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,
15 conditions and provisions of all leases, subleases and other
16 contracts relating to exploration, drilling, development or oper-
17 ations for oil or gas on lands committed to this agreement are
18 hereby expressly modified and amended to the extent necessary
19 to make the same conform to the provisions hereof, but other-
20 wise to remain in full force and effect; and the parties hereto
21 hereby consent that the Secretary as to Federal leases and the
22 Commissioner as to State leases shall and each by his approval
23 hereof, or by the approval hereof by their duly authorized re-
24 presentatives, do hereby establish, alter, change or revoke
25 the drilling, producing, rental, minimum royalty and royalty
26 requirements of Federal and State leases committed hereto and
27 the regulations in respect thereto to conform said requirements
28 to the provisions of this agreement, and, without limiting the
29 generality of the foregoing, all leases, subleases, and contracts
30 are particularly modified in accordance with the following:

1 (a) The development and operation of lands subject to
2 this agreement under the terms hereof shall be deemed
3 full performance of all obligations for development and
4 operation with respect to each and every separately owned
5 tract subject to this agreement, regardless of whether
6 there is any development of any particular tract of the
7 unit area.

8 (b) Drilling and producing operations performed hereunder
9 upon any tract of unitized land will be accepted and deem-
10 ed to be performed upon and for the benefit of each and
11 every tract of unitized land, and no lease shall be deem-
12 ed to expire by reason of failure to drill or produce
13 wells situated on the land therein embraced.

14 (c) Suspension of drilling or producing operations on
15 all unitized lands pursuant to direction or consent of the
16 Secretary and Commissioner or their duly authorized repre-
17 sentatives shall be deemed to constitute such suspension
18 pursuant to such direction or consent as to each and every
19 tract of unitized land. A suspension of drilling or pro-
20 ducing operations limited to specified lands shall be
21 applicable only to such lands.

22 (d) Each lease, sublease or contract relating to the ex-
23 ploration, drilling, development or operation for oil or
24 gas of lands other than those of the United States or State
25 of New Mexico committed to this agreement, which, by its
26 terms might expire prior to the termination of this agree-
27 ment, is hereby extended beyond any such term so provided
28 therein so that it shall be continued in full force and
29 effect for and during the term of this agreement.

30 (e) Any Federal lease for a fixed term of twenty (20)

1 years or any renewal thereof or any part of such lease
2 which is made subject to this agreement shall continue
3 in force beyond the term provided therein until the
4 termination hereof. Any other Federal lease committed
5 hereto shall continue in force beyond the term so pro-
6 vided therein or by law as to the land committed so long
7 as such lease remains subject hereto, provided that pro-
8 duction is had in paying quantities under this unit
9 agreement prior to the expiration date of the term of
10 such lease, or in the event actual drilling operations
11 are commenced on unitized lands, in accordance with
12 the provisions of this agreement, prior to the end of
13 the primary term of such lease and are being diligently
14 prosecuted at that time, such lease shall be extended
15 for two years and so long thereafter as oil or gas is
16 produced in paying quantities in accordance with the
17 provisions of the Mineral Leasing Act Revision of 1960.

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

27 (g) Any lease embracing lands of the State of New Mex-
28 ico which is made subject to this agreement, shall con-

1 tinue in force beyond the term provided therein as to
2 the lands committed hereto until the termination hereof,
3 subject to the provisions of subsection (e) of Section
4 2 and subsection (i) of this Section 18.

5 (h) The segregation of any Federal lease committed to
6 this agreement is governed by the following provisions
7 in the fourth paragraph of Sec. 17 (j) of the Mineral
8 Leasing Act, as amended by the Act of September 2, 1960
9 (74 Stat. 781-784): "Any (Federal) lease heretofore or
10 hereafter committed to any such (unit) plan embracing
11 lands that are in part within and in part outside of the
12 area covered by any such plan shall be segregated into
13 separate leases as to the lands committed and the lands
14 not committed as of the effective date of unitization:
15 Provided, however, That any such lease as to the nonunit-
16 ized portion shall continue in force and effect for the
17 term thereof but for not less than two years from the
18 date of such segregation and so long thereafter as oil or
19 gas is produced in paying quantities."

20 (i) Any lease embracing lands of the State of New Mexico
21 having only a portion of its lands committed hereto, shall
22 be segregated as to the portion committed and the portion
23 not committed, and the provisions of such lease shall
24 apply separately to such segregated portions commencing
25 as of the effective date hereof; provided, however, not-
26 withstanding any of the provisions of this agreement to
27 the contrary any lease embracing lands of the State of
28 New Mexico having only a portion of its lands committed

1 hereto shall continue in full force and effect beyond
2 the term provided therein as to all lands embraced in
3 such lease, if oil or gas is discovered and is capable
4 of being produced in paying quantities from some part
5 of the lands embraced in such lease at the expiration
6 of the secondary term of such lease; or if, at the ex-
7 piration of the secondary term, the lessee or Unit Oper-
8 ator is then engaged in bona fide drilling or reworking
9 operations on some part of the lands embraced in such
10 lease, the same, as to all lands embraced therein, shall
11 remain in full force and effect so long as such operations
12 are being diligently prosecuted, and if they result in
13 the production of oil or gas, said lease shall continue
14 in full force and effect as to all of the lands embraced
15 therein, so long thereafter as oil or gas in paying quan-
16 tities is being produced from any portion of said lands.

17 (j) Any lease, other than a Federal lease, having only
18 a portion of its lands committed hereto shall be segrega-
19 ted as to the portion committed and the portion not comm-
20 itted, and the provisions of such lease shall apply sepa-
21 rately to such segregated portions commencing as of the
22 effective date hereof. In the event any such lease pro-
23 vides for a lump sum rental payment, such payment shall
24 be prorated between the portions so segregated in pro-
25 portion to the acreage of the respective tracts.

26 20. COVENANTS RUN WITH LAND. The covenants herein shall
27 be construed to be covenants running with the land with respect
28 to the interest of the parties hereto and their successors in
29 interest until this agreement terminates, and any grant, trans-
30 fer, or conveyance of interest in land or leases subject hereto

1 shall be and hereby is conditioned upon the assumption of
2 all privileges and obligations hereunder by the grantee, trans-
3 feree or other successor in interest. No assignment or trans-
4 fer of any working interest, royalty, or other interest sub-
5 ject hereto shall be binding upon Unit Operator until the first
6 day of the calendar month after Unit Operator is furnished
7 with the original, photostatic, or certified copy of the instru-
8 ment of transfer.

9 21. EFFECTIVE DATE AND TERM. This agreement shall be-
10 come effective upon approval by the Secretary and Commissioner,
11 or their duly authorized representatives and shall terminate
12 five (5) years from said effective date unless:

13 (a) such date of expiration is extended by the Director
14 and Commissioner, or

15 (b) it is reasonably determined prior to the expiration
16 of the fixed term or any extension thereof that the unit-
17 ized land is incapable of production of unitized substances
18 in paying quantities in the formations tested hereunder and
19 after notice of intention to terminate the agreement on
20 such ground is given by the Unit Operator to all parties
21 in interest at their last known addresses, the agreement
22 is terminated with the approval of the Supervisor and the
23 Commissioner, or

24 (c) a valuable discovery of unitized substances has been
25 made or accepted on unitized land during said initial term
26 or any extension thereof, in which event the agreement
27 shall remain in effect for such term and so long as unit-
28 ized land within any participating area established here-
29 under and, should production cease, so long thereafter as
30 diligent operations are in progress for the restoration

1 of production or discovery of new production and so long
2 thereafter as unitized substances so discovered can be
3 produced as aforesaid, or

4 (d) it is terminated as heretofore provided in this
5 agreement. This agreement may be terminated at any time
6 by not less than 75 per centum, on an acreage basis, of
7 the working interest owners signatory hereto, with the
8 approval of the Supervisor and Commissioner; notice of
9 any such approval to be given by the Unit Operator to all
10 parties hereto.

11 22. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION.

12 The Director is hereby vested with authority to alter or modify
13 from time to time in his discretion the quantity and rate of
14 production under this agreement when such quantity and rate is
15 not fixed pursuant to Federal or State law or does not conform
16 to any statewide voluntary conservation or allocation program,
17 which is established, recognized and generally adhered to by
18 the majority of operators in such State, such authority being
19 hereby limited to alteration or modification in the public in-
20 terest, the purpose thereof and the public interest to be served
21 thereby to be stated in the order of alteration or modification.
22 Without regard to the foregoing, the Director is also hereby
23 vested with authority to alter or modify from time to time in
24 his discretion the rate of prospecting and developing in the
25 absence of the specific written approval thereof by the Commis-
26 sioner and to any lands of the State of New Mexico or privately
27 owned lands subject to this agreement as to the quantity and
28 rate of production in the absence of specific written approval
29 thereof by the Commission.

30 Powers in this section vested in the Director shall only

1 be exercised after notice to Unit Operator and opportunity
2 for hearing to be held not less than 15 days from notice.

3 23. CONFLICT OF SUPERVISION. Neither the Unit Operator
4 nor the working interest owners nor any of them shall be sub-
5 ject to any forfeiture, termination or expiration of any rights
6 hereunder or under any leases or contracts subject hereto, or
7 to any penalty or liability on account of delay or failure in
8 whole or in part to comply with any applicable provision there-
9 of to the extent that the Unit Operator, working interest owners
10 or any of them are hindered, delayed or prevented from comply-
11 ing therewith by reason of failure of the Unit Operator to ob-
12 tain in the exercise of due diligence, the concurrence of pro-
13 per representatives of the United States and proper represent-
14 atives of the State of New Mexico in and about any matters or
15 things concerning which it is required herein that such con-
16 currence be obtained. The parties hereto, including the Com-
17 mission, agree that all powers and authority vested in the Com-
18 mission in and by any provisions of this agreement are vested
19 in the Commission and shall be exercised by it pursuant to the
20 provisions of the laws of the State of New Mexico and subject
21 in any case to appeal or judicial review as may now or here-
22 after be provided by the laws of the State of New Mexico.

23 24. APPEARANCES. Unit Operator shall, after notice to
24 other parties affected, have the right to appear for and on
25 behalf of any and all interests affected hereby before the
26 Department of the Interior, the Commissioner of Public Lands
27 of the State of New Mexico and the New Mexico Oil Conservation
28 Commission and to appeal from orders issued under the regula-
29 tions of said Department, the Commission or Commissioner or to
30 apply for relief from any of said regulations or in any pro-

1 ceedings relative to operations before the Department of
2 the Interior, the Commissioner, or Commission, or any other
3 legally constituted authority; provided, however, that any
4 other interested party shall also have the right at his
5 own expense to be heard in any such proceeding.

6 25. NOTICES. All notices, demands or statements re-
7 quired hereunder to be given or rendered to the parties here-
8 to shall be deemed fully given if given in writing and person-
9 ally delivered to the party or sent by postpaid registered or
10 certified mail, addressed to such party or parties at their
11 respective addresses set forth in connection with the sign-
12 atures hereto or to the ratification or consent hereof or to
13 such other address as any such party may have furnished in
14 writing to party sending the notice, demand or statement.

15 26. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agree-
16 ment contained shall be construed as a waiver by any party here-
17 to of the right to assert any legal or constitutional right or
18 defense as to the validity or invalidity of any law of the
19 State wherein said unitized lands are located, or of the United
20 States, or regulations issued thereunder in any way affecting
21 such party, or as a waiver by any such party of any right be-
22 yond his or its authority to waive.

23 27. UNAVOIDABLE DELAY. All obligations under this agree-
24 ment requiring the Unit Operator to commence or continue drill-
25 ing or to operate on or produce unitized substances from any of
26 the lands covered by this agreement shall be suspended while
27 the Unit Operator, despite the exercise of due care and dili-
28 gence, is prevented from complying with such obligations, in
29 whole or in part, by strikes, acts of God, Federal, State or
30 municipal law or agencies, unavoidable accidents, uncontroll-

1 able delays in transportation, inability to obtain necessary
2 materials in open market, or other matters beyond the reason-
3 able control of the Unit Operator whether similar to matters
4 herein enumerated or not. No unit obligation which is suspen-
5 ded under this section shall become due less than thirty (30)
6 days after it has been determined that the suspension is no
7 longer applicable. Determination of creditable "Unavoidable
8 Delay" time shall be made by the Unit Operator subject to
9 approval of the Supervisor and Commissioner.

10 28. NONDISCRIMINATION. In connection with the perfor-
11 mance of work under this agreement, the operator agrees to com-
12 ply with all of the provisions of section 202 (1) to (7) in-
13 clusive of Executive Order 11246 (30 F.R. 12319), which are
14 hereby incorporated by reference in this agreement.

15 29. LOSS OF TITLE. In the event title to any tract of
16 unitized land shall fail and the true owner cannot be induced
17 to join in this unit agreement, such tract shall be automati-
18 cally regarded as not committed hereto and there shall be such
19 readjustment of future costs and benefits as may be required
20 on account of the loss of such title. In the event of a dis-
21 pute as to title to any royalty, working interest or other
22 interests subject thereto, payment or delivery on account
23 thereof may be withheld without liability for interest until
24 the dispute is finally settled; provided, that, as to Federal
25 and State land or leases, no payments of funds due the United
26 States or State of New Mexico should be withheld, but such funds
27 of the United States shall be deposited as directed by the Super-
28 visor and such funds of the State of New Mexico shall be deposi-
29 ted as directed by the Commissioner to be held as unearned money
30 pending final settlement of the title dispute, and then applied

1 as earned or returned in accordance with such final settle-
2 ment.

3 Unit Operator as such is relieved from any responsi-
4 bility for any defect or failure of any title hereunder.

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

1 unit operating agreement, if more than one committed working
2 interest owner is involved, in order for the interest to be
3 regarded as committed to this unit agreement. Except as may
4 otherwise herein be provided, subsequent joinders to this
5 agreement shall be effective as of the first day of the month
6 following the filing with the Supervisor and the Commissioner
7 of duly executed counterparts of all or any papers necessary
8 to establish effective commitment of any tract to this agree-
9 ment unless objection to such joinder is duly made within 60
10 days by the Supervisor, provided, however that as to State
11 lands all subsequent joinders must be approved by the Commiss-
12 ioner.

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

23 32. SURRENDER. Nothing in this agreement shall prohibit
24 the exercise by any working interest owner of the right to
25 surrender vested in such party by any lease, sublease, or oper-
26 ating agreement as to all or any part of the lands covered
27 thereby, provided that each party who will or might acquire such
28 working interest by such surrender or by forfeiture as hereafter
29 set forth, is bound by the terms of this agreement.

30 If as a result of any such surrender the working interest

1 rights as to such lands become vested in any party other than
2 the fee owner of the unitized substances, said party may for-
3 feit such rights and further benefits from operation hereunder
4 as to said land to the party next in the chain of title who
5 shall be and become the owner of such working interest.

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

9 (1) Accept those working interest rights subject to this
10 agreement and the unit operating agreement; or

11 (2) Lease the portion of such land as is included in a
12 participating area established hereunder subject to this agree-
13 ment and the unit operating agreement.

14 (3) Provide for the independent operation of any part
15 of such land that is not then included within a participating
16 area established hereunder.

17 If the fee owner of the unitized substances does not accept
18 the working interest rights subject to this agreement and the
19 unit operating agreement or lease such lands as above provided
20 within six (6) months after the surrendered or forfeited work-
21 ing interest rights become vested in the fee owner, the bene-
22 fits and obligations of operations accruing to such lands under
23 this agreement and the unit operating agreement shall be shared
24 by the remaining owners of unitized working interests in accord-
25 ance with their respective working interest ownerships, and such
26 owners of working interests shall compensate the fee owner of
27 unitized substances in such lands by paying sums equal to the
28 rentals, minimum royalties, and royalties applicable to such
29 lands under the lease in effect when the lands were unitized.

30 An appropriate accounting and settlement shall be made

1 for all benefits accruing to or payments and expenditures
2 made or incurred on behalf of such surrender or forfeited
3 working interest subsequent to the date of surrender or for-
4 feiture, and payment of any moneys found to be owing by such
5 an accounting shall be made as between the parties within
6 thirty (30) days. In the event no unit operating agreement
7 is in existence and a mutually acceptable agreement between
8 the proper parties thereto cannot be consummated, the Super-
9 visor may prescribe such reasonable and equitable agreement
10 as he deems warranted under the circumstances.

11 The exercise of any right vested in a working interest
12 owner to reassign such working interest to the party from
13 whom obtained shall be subject to the same conditions as set
14 forth in this section in regard to the exercise of a right to
15 surrender.

16 33. TAXES. The working interest owners shall render
17 and pay for their account and the account of the royalty own-
18 ers all valid taxes on or measured by the unitized substances
19 in and under or that may be produced, gathered and sold from
20 the land subject to this contract after the effective date of
21 this agreement, or upon the proceeds or net proceeds derived
22 therefrom. The working interest owners on each tract shall and
23 may charge the proper proportion of said taxes to the royalty
24 owners having interests in said tract, and may currently re-
25 tain and deduct sufficient of the unitized substances or de-
26 rivative products, or net proceeds thereof from the allocated
27 share of each royalty owner to secure reimbursement for the
28 taxes so paid. No such taxes shall be charged to the United
29 States or the State of New Mexico or to any lessor who has
30 a contract with his lessee which requires the lessee to pay

1 such taxes.

2 34. NO PARTNERSHIP. It is expressly agreed that the
3 relation of the parties hereto is that of independent con-
4 tractors and nothing in this agreement contained, expressed
5 or implied, nor any operations conducted hereunder, shall create
6 or be deemed to have created a partnership or association be-
7 tween the parties hereto or any of them.

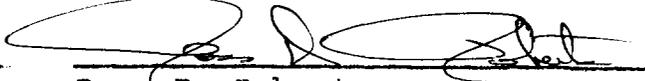
8 IN WITNESS WHEREOF, THE parties hereto have caused this
9 agreement to be executed and have set opposite their respective
10 names the date of execution.

11

12 Date: 8/21/73

ROBERTS, KOCH & CARTWRIGHT

13 Address: 205 Bldg. of SWest


Ross D. Roberts

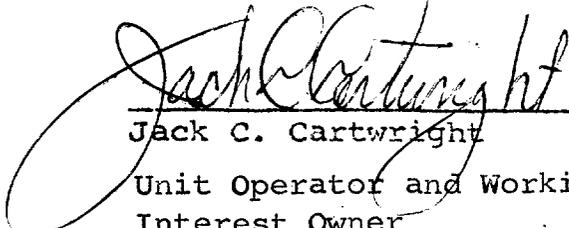
14 Midland, Texas 79701


Charles E. Koch

15

16

17


Jack C. Cartwright
Unit Operator and Working
Interest Owner

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE OIL COMPANY

By _____

Date: _____

Address: _____

ATTEST:

PETROLEUM, INC.

By _____

Date: _____

Address: _____

ATTEST:

AZTEC OIL AND GAS COMPANY

Wanda M. Sanders
ASSISTANT SECRETARY

By Kenneth A. Swanson
Vice President *JK*

Date: September 13, 1973

Address: 2000 First Nat'l Bank Bldg.

Dallas, Texas 75202

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

Date: _____

Address: _____

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of PETROLEUM, INC., a corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF Texas)
COUNTY OF Dallas) : SS

The foregoing instrument was acknowledged before me this 13th day of September, 1973 by Kenneth A. Swenson Vice President, of AZTEC OIL AND GAS COMPANY, a corporation, on behalf of said corporation.

My Commission Expires:

June 4, 1975

[Signature]
Notary Public

STATE OF _____)
COUNTY OF _____) : SS

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of UNION OIL COMPANY OF CALIFORNIA, a corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF TEXAS X

COUNTY OF MIDLAND X

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, Partner on behalf of ROBERTS, KOCH & CARTWRIGHT, a partnership.

My Commission Expires:

Notary Public

WORKING INTEREST OWNERS

~~ATTEST~~

CITIES SERVICE OIL COMPANY

By Mark F. Payton
Mark F. Payton Attorney-in-Fact
Address: P. O. Box 300

Date: _____

Tulsa, Oklahoma 74102

ATTEST:

PETROLEUM, INC.

By _____

Date: _____

Address: _____

ATTEST:

AZTEC OIL AND GAS COMPANY

By _____

Date: _____

Address: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

Date: _____

Address: _____

STATE OF Oklahoma)
COUNTY OF TULSA)

: ss

The foregoing instrument was acknowledged before me this 30th day of August, 1973 by Mark F. Payton, Attorney-in-Fact, of CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:
JUL 25 1976

Evelyn M. Schultz
Notary Public
Evelyn M. Schultz

STATE OF _____)
COUNTY OF _____)

: ss

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of PETROLEUM, INC., a corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE OIL COMPANY

By _____

Date: _____

Address: _____

ATTEST:

PETROLEUM, INC.

Sharon Weidman

By Robert D. Cowdery

Date: 27 August, 1973

Address: 500 Colorado State Bank Bldg.
Denver, Colorado 80202

ATTEST:

AZTEC OIL AND GAS COMPANY

By _____

Date: _____

Address: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

By _____

Date: _____

Address: _____

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF Colorado)

: ss

City and _____)

COUNTY OF Denver)

The foregoing instrument was acknowledged before me this 27th day of August, 1973 by Robert D. Cowdery, Vice-President, of PETROLEUM, INC., a Kansas corporation, on behalf of said corporation.

My Commission Expires:

Mary Kay White
Notary Public

July 12, 1977.

WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE OIL COMPANY

By _____

Date: _____

Address: _____

ATTEST:

PETROLEUM, INC.

By _____

Date: _____

Address: _____

ATTEST:

AZTEC OIL AND GAS COMPANY

By _____

Date: _____

Address: _____

~~ATTEST:~~

UNION OIL COMPANY OF CALIFORNIA

By Samuel C. Terry

Attorney-in-Fact

SAMUEL C. TERRY

Date: August 24, 1973

Address: P. O. Box 3100

Midland, Texas 79701

STATE OF _____)

: ss

COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of CITIES SERVICE OIL COMPANY, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

Notary Public

STATE OF _____)

: ss

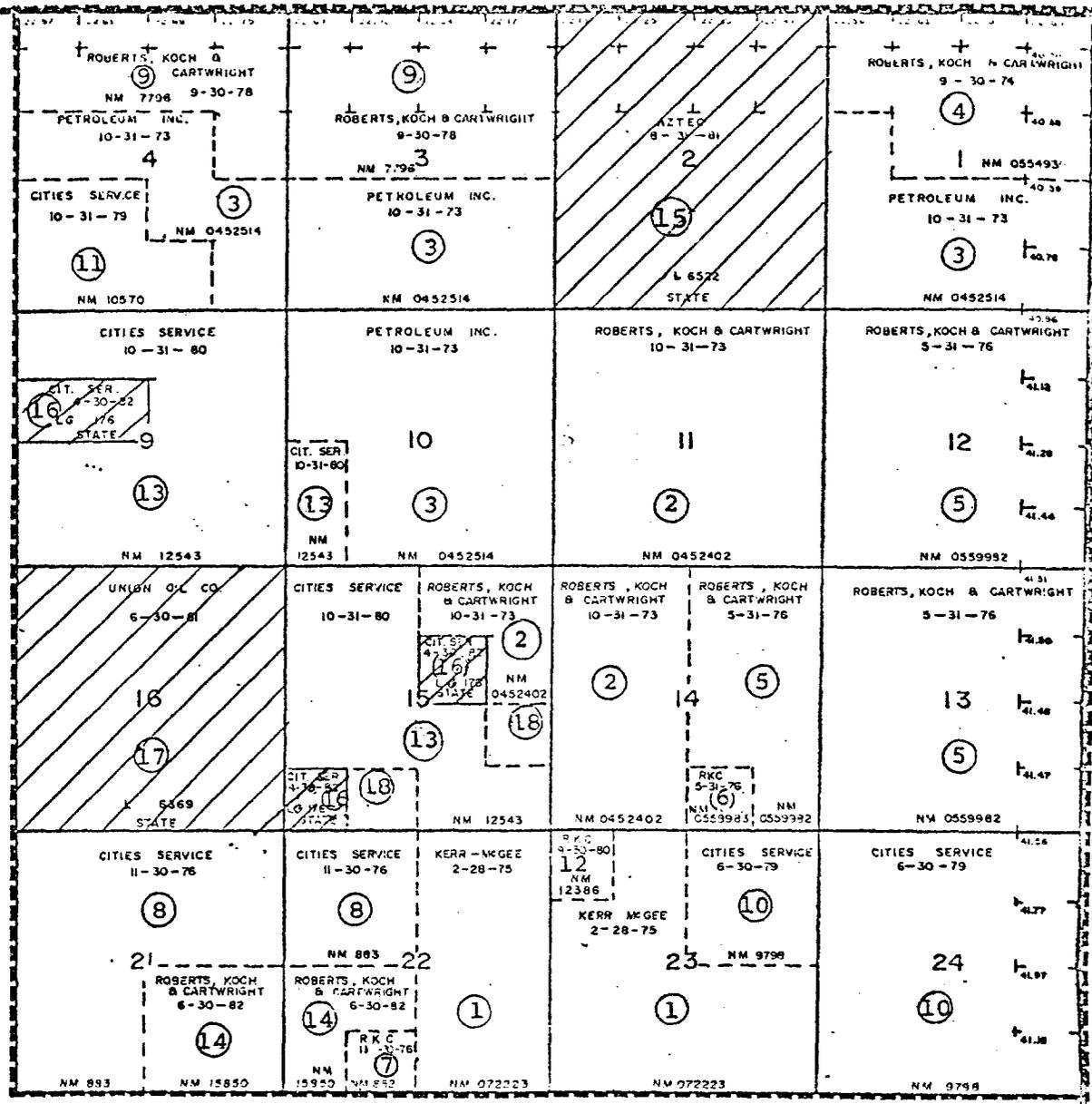
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____, of PETROLEUM, INC., a corporation, on behalf of said corporation.

My Commission Expires:

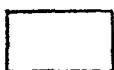
Notary Public

R 21 E

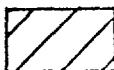


UNIT OUTLINE

① TRACT NUMBER



FEDERAL LANDS
9,091.75 acres,
85.60% of Unit



STATE OF NEW MEXICO
LANDS - 1,529.20 acres,
14.40% of Unit

EXHIBIT "A"

DEER CANYON UNIT AREA

EDDY COUNTY, NEW MEXICO

UNIT CONTAINS 10,620.45 acres of land.

- | | | | | |
|------------|------------|---------|----------|---------|
| NM-072223 | NM-0554937 | NM-882 | NM-10570 | L -6522 |
| | NM-0559982 | NM-883 | NM-12386 | LG-176 |
| NM-0452402 | NM-0559983 | NM-7796 | NM-12543 | L -6369 |
| NM-0452514 | NM-882 | NM-9798 | NM-15850 | |
- Tract #18 is Unleased.

EXHIBIT "B"
TO
UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
DEER CANYON UNIT AREA
EDDY COUNTY, NEW MEXICO

Tract No.	Description	Number of acres	Lease Serial No. and Expiration Date	Basic Royalty and Percent	Lessee of Record	Interest	Overriding Royalty Owner and Percentage	Working Interest Owner and Percentage
<u>FEDERAL LANDS</u>								
1.	T-20-S, R-21-E Sec. 22: BY Sec. 23: SW ¹ / ₄ & SE ¹ / ₄	760.00	NM-072223 2/28/75	U.S.A. ALL	Kerr-McGee Oil Corporation	ALL	5.00	(e) Kerr-McGee Oil Corporation
2.	T-20-S, R-21-E Sec. 11: All Sec. 14: NW Sec. 15: NW ¹ / ₄ & SW ¹ / ₄	1080.00	NM-0452402 10/31/73	U.S.A. ALL	Roberts, Koch & Cartwright	ALL	3.00	Roberts, Koch & Cartwright
3.	T-20-S, R-21-E Sec. 1: Lots 10 & 11: SW ¹ / ₄ & NW ¹ / ₄ Sec. 3: S ¹ / ₂ Sec. 4: E ¹ / ₂ & NW ¹ / ₄ Sec. 10: NW ¹ / ₄ & E ¹ / ₂ & SW ¹ / ₄	1481.37	NM-0452514 10/31/73	U.S.A. ALL	Petroleum, Inc.	ALL	None	(a) Petroleum Inc.
4.	T-20-S, R-21-E Sec. 1: Lots 1, 2, 3, 4, 5, 6, 7, 8, 9 & SW ¹ / ₄ & SE ¹ / ₄	371.28	NM-0554937 9/30/74	U.S.A. ALL	Roberts, Koch & Cartwright	ALL	Mildred J. Farmer 5.00	Roberts, Koch & Cartwright

5.	<u>E-20-S, R-21-E</u> Sec. 12: Lots 1, 2,3,4, W&E; W& Sec. 13: Lots 1, 2,3,4 W&E; W& Sec. 14: N&E; W&E; SE&SE	1570.76	NM-0559982 5/31/76	U.S.A. ALL	Roberts, Koch & Cartwright	ALL	Ernest A. Hanson	5.00	Roberts, Koch & Cartwright	ALL
6.	<u>E-20-S, R-21-E</u> Sec. 14: SW&SW&	40.00	NM-0559983 5/31/76	U.S.A. ALL	Roberts, Koch & Cartwright	ALL	Herbert F. Anderson	3.00	Roberts, Koch & Cartwright	ALL
7.	<u>E-20-S, R-21-E</u> Sec. 22: SE&SW&	40.00	NM-882 11/30/76	U.S.A. ALL	Roberts, Koch & Cartwright	ALL	Edward Majors	3.00	Roberts, Koch & Cartwright	ALL
8.	<u>E-20-S, R-21-E</u> Sec. 21: W& N&E Sec. 22: NW&	640.00	NM-883 11/30/76	U.S.A. ALL	Cities Service Oil Company	ALL	Norris W. Newman Robert J. Newman	5.00	Cities Service Oil Company	ALL
9.	<u>E-20-S, R-21-E</u> Sec. 3: Lots 1, 2,3,4,5,6,7,8, SW& Sec. 4: Lots 1, 2,3,4,5,6,7,8, SE&NE	700.36	NM-7796 9/30/78	U.S.A. AFL	Roberts, Koch & Cartwright	ALL	E. B. Hall	5.00	Roberts, Koch & Cartwright	ALL
10.	<u>E-20-S, R-21-E</u> Sec. 23: NW& Sec. 24: Lots 1, 2,3,4, W&E; W&	807.48	NM-9798 6/30/79	U.S.A. ALL	Cities Service Oil Company	ALL	Virginia E. Rutter	4.00	Cities Service Oil Company	ALL
11.	<u>E-20-S, R-21-E</u> Sec. 4: SW& SW&SE	200.00	NM-10570 10/31/79	U.S.A. ALL	Cities Service Oil Company	ALL	Ray Jacoby	3.00 (GS 3.25)	Cities Service Oil Company	ALL

12. <u>T-20-S, R-21-E</u> Sec. 23: <u>NE1/4SW1/4</u>	40.00	NM-12386 9/30/80	U.S.A. All	Roberts, Koch & Cartwright	All	Raymond T. Duncan	5.00	(c)	Roberts, Koch & Cartwright	All
13. <u>T-20-S, R-21-E</u> Sec. 9: <u>E1/2 NE1/4SW1/4</u> SW1/4	1000.00	NM-12543 10/31/80	U.S.A. All	Cities Service Oil Company	All	Maurice W. Grundy	3.00	(b)	Cities Service Oil Company	All
Sec. 10: <u>W1/2SW1/4</u> Sec. 15: <u>N1/4; N1/2SW1/4</u> <u>NE1/4SE1/4; SW1/4SE1/4</u>										
14. <u>T-20-S, R-21-E</u> Sec. 21: <u>SE1/4</u> Sec. 22: <u>N1/2SW1/4</u> SW1/4SW1/4	280.00	NM-15850 6/30/82	U.S.A. All	Roberts, Koch & Cartwright	All	Ben S. Brooks	5.00		Roberts, Koch & Cartwright	All

STATE OF NEW MEXICO LANDS

15. <u>T-20-S, R-21-E</u> Sec. 2: <u>All</u>	729.20	L-5522 8/31/81	State All	Aztec Oil & Gas Company	All	None		(c)	Aztec Oil & Gas Company	All
16. <u>T-20-S, R-21-E</u> Sec. 9: <u>SW1/4</u> Sec. 15: <u>SW1/4NE1/4</u> SW1/4SW1/4	160.00	IG-176 4/30/83	State All	Cities Service Oil Company	All	None		(b)	Cities Service Oil Company	All
17. <u>T-20-S, R-21-E</u> Sec. 16: <u>All</u>	640.00	L-6369 6/30/81	State All	Union Oil Company of California	All	None		(d)	Union Oil Company of California	All

UNLEASED LANDS

18. <u>T-20-S, R-21-E</u> Sec. 15: <u>SE1/4SW1/4</u> <u>NE1/4SE1/4</u>	80.00	NM-0410767	U.S.A. All							
--	-------	------------	---------------	--	--	--	--	--	--	--

FREE LANDS

NONE

RECAPITULATION

- (a) Petroleum Inc. farming out to Roberts, Koch & Cartwright its pro-rata share of unit, retaining 5% ORR convertible to 1/2 W.I. after payout. (Roberts, Koch & Cartwright to earn 1/2 W.I. in Petroleum Inc. acreage after payout.)
- (b) Cities Service Oil Company farming out to Roberts, Koch & Cartwright its pro-rata share of unit, retaining 6.25% ORR convertible to 50% W.I. after payout. (Roberts, Koch & Cartwright to earn 50% W.I. in Cities Service Oil Company acreage.)
- (c) Aztec Oil & Gas Company same as Petroleum, Inc.
- (d) Union Oil Company of California same as Petroleum, Inc.
- (e) Kerr-McGee Oil Corporation does not elect to join at this time.

9,091.75 acres Federal Lands	85.60% of Unit Area
1,529.20 acres State Lands	14.40% of Unit Area
<u>0</u> acres Fee Lands	<u>0</u>
10,620.45 acres	100.00% of Unit Area

RECAPITULATION

- (a) Petroleum Inc. farming out to Roberts, Koch & Cartwright its pro-rata share of unit, retaining 5% ORR convertible to 1/2 W.I. after payout. (Roberts, Koch & Cartwright to earn 1/2 W.I. in Petroleum Inc. acreage after payout.)
- (b) Cities Service Oil Company farming out to Roberts, Koch & Cartwright its pro-rata share of unit, retaining 6.25% ORR convertible to 50% W.I. after payout. (Roberts, Koch & Cartwright to earn 50% W.I. in Cities Service Oil Company acreage.)
- (c) Aztec Oil & Gas Company same as Petroleum, Inc.
- (d) Union Oil Company of California same as Petroleum, Inc.
- (e) Kerr-McGee Oil Corporation does not elect to join at this time.

9,091.75 acres Federal Lands	85.60% of Unit Area
1,529.20 acres State Lands	14.40% of Unit Area
<u>0</u> acres Fee Lands	<u>0</u>
10,620.45 acres	100.00% of Unit Area

Exhibit "C"

OWNERSHIP SCHEDULE
DEER CANYON UNIT AREA
EDDY COUNTY, NEW MEXICO

Tract No.	Working Interest Owner	Net Acres in Unit Area	Per Cent of Acreage Committed to Unit	Per Cent of Participation in Cost of Drilling and Completing First Test Well	Per Cent of Cost of Drilling and Completing Subsequent Wells	Per Cent of Participation in Production from All Wells After Payment of Royalty, Overriding Royalty and Production Pmts.
2,4,5,6,7,9,12,14	Roberts, Koch & Cartwright	4122.40	42.14939	100.00000	71.07471	70.69074
8,10,11,13,16	Cities Service Oil Company	2807.48	28.47213	NONE	14.35251	14.23768
3	Petroleum Incorporated	1481.37	15.02335	NONE	7.57311	7.83232
14	Kerr McGee Oil Corporation	760.00	NONE	NONE	NONE	NONE
15	Aztec Oil & Gas	729.20	7.39520	NONE	3.72784	3.85544
17	Union Oil of California	640.00	6.49058	NONE	3.27183	3.38382
18	Unleased	80.00	NONE	NONE	NONE	NONE
		10620.45	100.00000%	100.00000%	100.000000%	100.000000%

NOTE:

Tract #18 is 80 acre unleased tract.

Since Kerr McGee (7.156% of unit) is not committed to this operation agreement as of the date hereof, their net acreage has been excluded, leaving a balance of 9860.45 acres, which figure was used for the above comparisons.

All Parties other than Kerr McGee Oil are farming out their interest to Roberts, Koch & Cartwright as described in Exhibit B, Schedule of Lands and Leases

ASSIGNMENT OF UNITED STATES OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

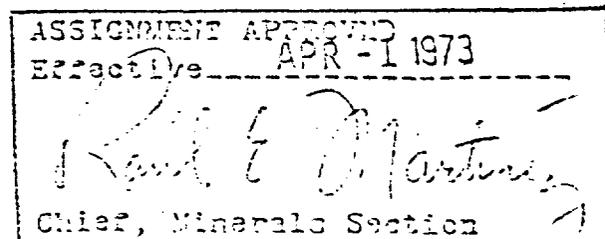
That BARBARA B. TALENTO, individually and as Independent Executrix of the Estate of Tony Talento, deceased, hereinafter called "Assignor", in consideration of \$10.00 and other valuable cash consideration paid by ROBERTS, KOCH & CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack C. Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, hereinafter called "Assignee", receipt of which is hereby acknowledged, does hereby grant, assign and convey unto Assignee, its successors and assigns forever, that certain Oil and Gas Lease made and entered into on the 1st day of November, 1963, issued by the United States of America, bearing Serial No. NM 0452402, covering -

Section 11, W/2 Section 14, N/2 NE/4 and SE/4 NE/4
Section 15, T-20-S, R-21-E, N.M.P.M., Eddy County,
New Mexico,

together with all rights and privileges thereunder or appurtenant thereto, subject, however, to the following exceptions and reservations.

Assignor excepts and reserves an overriding royalty equal to 3/8 of 8/8 of the market value at the wells as produced of all the oil and gas which may be produced, saved and marketed from the above described lands under the terms of said oil and gas lease or any extensions or renewals thereof; provided, however, that on gas sold at the well the market value shall be conclusively presumed to be that which is realized from the sale. Said overriding royalty shall be the total overriding royalty for which Assignee shall be obligated and it shall include all overriding royalties or obligations payable out of production, if any, heretofore created and payable out of the lessee's share of production of oil and gas from said land. Said overriding royalty shall be free and clear of all costs of development and operation but subject to its proportionate part of applicable taxes and transportation charges, if any. Fuel oil and gas for operating and treating the premises may be deducted before computing said overriding royalty. Said overriding royalty shall be subject to any cooperative or unit plan of operation or development approved by the Secretary of the Interior or any communitization or other agreement for the purpose of forming a well spacing or proration unit under the rules or regulations of the New Mexico Oil Conservation Commission to which said lease may hereafter be committed by Assignee, its successors and assigns, and in such event, said overriding royalty shall be computed and paid on the basis of the oil and gas allocated to the above described lands under and pursuant to the terms of such agreement or plan of operation. Except as specifically herein provided, the reservation of said overriding royalty shall not imply any leasehold preservation, drilling or development obligation on the part of Assignee. No change in the ownership of said overriding royalty or any part thereof shall be binding upon the Assignee, its successors and assigns, until such time as Assignee shall have been furnished with either the original or a certified copy of the recorded instrument or instruments which evidence such change.

Tract #2 - Barbara Talento 3/8 O&G



Assignor warrants that the interest above conveyed is in good standing and is free and clear of all liens, charges, encumbrances, overriding royalties or other interests of whatsoever nature not excepted above, and Assignor will forever defend the title thereto unto Assignee, its successors and assigns, against all persons whomsoever lawfully having or claiming an interest therein.

EXECUTED in quadruplicate this 24th day of January, 1973.

Barbara B. Talento
Barbara B. Talento, Individually
and as Independent Executrix of
the Estate of Tony Talento, de-
ceased

STATE OF CALIFORNIA X

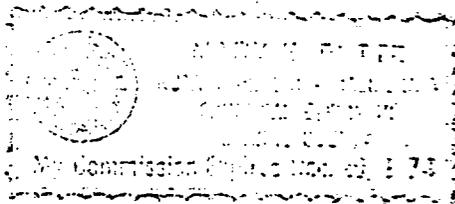
COUNTY OF ORANGE X

The foregoing instrument was acknowledged before me this 9 day of Feb., 1973, by Barbara B. Talento, individually and as Independent Executrix of the Estate of Tony Talento, deceased.

Mary E. Kott
Notary Public, Orange County, California

My Commission expires:

Dec 29, 1974



STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 12th day of May 1973 at 2:15 o'clock P.M. and duly recorded in Book 121 page 27 of the Records of Macallen
GERALDINE MAHAFFEY, County Clerk
By Clara C. Boyd Deputy

ASSIGNMENT OF UNITED STATES OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

That MILDRED J. FARMER, hereinafter called "Assignor", in consideration of \$10.00 and other valuable cash consideration paid by ROBERTS, KOCH & CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack C. Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, hereinafter called "Assignee", receipt of which is hereby acknowledged, does hereby grant, assign and convey unto Assignee, its successors and assigns forever, that certain Oil and Gas Lease made and entered into on October 1, 1964 by and between the United States of America, as lessor, bearing Serial No. NM 0554937, covering -

Lots 1, 2, 3, 4, 5, 6, 7, 8 and 9, SW/4 NE/4
and SE/4 NW/4 Section 1, Township 20 South,
Range 21 East, N.M.P.M., Eddy County, New Mexico,
containing 371.28 acres, more or less,

together with all rights and privileges thereunder or appurtenant thereto, subject, however, to the following exceptions and reservations:

Assignor excepts and reserves an overriding royalty equal to 5% of 8/8 of the market value at the wells as produced of all the oil and gas which may be produced, saved and marketed from the above described lands under the terms of said oil and gas lease or any extensions or renewals thereof; provided, however, that on gas sold at the well the market value shall be conclusively presumed to be that which is realized from the sale. Said overriding royalty shall be the total overriding royalty for which Assignee shall be obligated and it shall include all overriding royalties or obligations payable out of production, if any, heretofore created and payable out of the lessee's share of production of oil and gas from said land. If Assignor owns less than all of said leasehold estate said overriding royalty shall be proportionately reduced. Said overriding royalty shall be free and clear of all costs of development and operation but subject to its proportionate part of applicable taxes and transportation charges, if any. Fuel oil and gas for operating and treating the premises may be deducted before computing said overriding royalty. Said overriding royalty shall be subject to any cooperative or unit plan of operation or development approved by the Secretary of the Interior or any communitization or other agreement for the purpose of forming a well spacing or proration unit under the rules or regulations of the New Mexico Oil Conservation Commission to which said lease may hereafter be committed by Assignee, its successors and assigns, and in such event, said overriding royalty shall be computed and paid on the basis of the oil and gas allocated to the above described lands under and pursuant to the terms of such agreement or plan of operation. Except as specifically herein provided, the reservation of said overriding royalty shall not imply any leasehold preservation, drilling or development obligation on the part of Assignee. No change in the ownership of said overriding royalty or any part thereof shall be binding upon the Assignee, its successors and assigns, until such time as Assignee shall have been furnished with either the original or a certified copy of the recorded instrument evidencing such change.

ASSIGNMENT APPROVED
Effective APR - 1 1973
Ronald E. Smith
Chief, Minerals Section

Assignor warrants that the interest above conveyed is in good standing and is free and clear of all liens, charges, encumbrances, overriding royalties or other interests of whatsoever nature not excepted above, and Assignor, his heirs, assigns, legal representatives, successors and assigns, against all persons who have or may have any claim against or interest in the above described property by through or under Assignor.

15th day of December,

EXECUTED in quadruplicate this ~~23rd~~ ^{15th} day of ~~October~~ ^{December}, 1972.

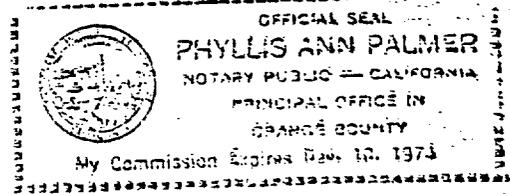
Mildred J. Farmer
Mildred J. Farmer

STATE OF CALIFORNIA X
COUNTY OF ORANGE X

The foregoing instrument was acknowledged before me this 15th day of December, 1972, by Mildred J. Farmer.

Phyllis Ann Palmer
Notary Public

My Commission expires:
December 10, 1974



STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 31st day of May 1972 at 3:10 o'clock P.M. and duly recorded in Book 99 page 851 of the Records of Miscellaneous

GERALDINE MAHAFFEY, County Clerk
By Cumil C. Lopez Deputy

CONSENT AND RATIFICATION OF DEER CANYON UNIT AGREEMENT

The undersigned owner of overriding royalty or production payment interest as shown in the Exhibits to the Deer Canyon Unit Agreement hereby acknowledges receipt of said Unit Agreement and consents and agrees that the interest of the undersigned shall be subject to all the terms and provisions of said agreement and in consideration of the benefits accruing to the undersigned, does hereby ratify and confirm said Unit Agreement in its entirety and agrees that the interest of the undersigned within said Unit Area shall be computed and payed in the manner provided for in said Unit Agreement.

This Consent and Ratification shall be binding upon the undersigned upon receipt of the same by the Unit Operator and may be filed for record independently and with copy of said Unit Agreement in all appropriate offices.

Executed and Delivered this 1st day of June, 1973.

Douglas L. "Lad" McBride
Douglas L. "Lad" McBride, Executor of
The Estate of Ernest A. Hanson, Deceased
P. O. Box 1515, Roswell, New Mexico 88201

State of New Mexico :
County of Chaves :

The foregoing instrument was acknowledged before me this 1st day of June, 1973 by Douglas L.

"Lad" McBride, Executor of The Estate of Ernest A. Hanson, Deceased

Jay Lewis Serrin
Notary Public

My commission expires December 30, 1976.

Tract #5 - 5% ORR

ASSIGNMENT OF UNITED STATES OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

That HERBERT ANDERSON and wife Eugenia C. Anderson hereinafter called "Assignor", in consideration of \$10.00 and other valuable cash consideration paid by ROBERTS, KOCH & CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack C. Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, hereinafter called "Assignee", receipt of which is hereby acknowledged, does hereby grant, assign and convey unto Assignee, its successors and assigns forever, that certain Oil and Gas Lease made and entered into on June 1, 1966 by and between the United States of America, as lessor, bearing Serial No. 0559983, covering -

SW/4 of the SE/4 of Section 14, T-20-S, R-21-E,
N.M.P.M., Eddy County, New Mexico containing
40 acres, more or less,

together with all rights and privileges thereunder or appurtenant thereto, subject, however, to the following exceptions and reservations:

Assignor excepts and reserves an overriding royalty equal to 3% of 8/8ths of the market value at the wells as produced of all the oil and gas which may be produced, saved and marketed from the above described lands under the terms of said oil and gas lease or any extensions or renewals thereof; provided, however, that on gas sold at the well the market value shall be conclusively presumed to be that which is realized from the sale. Said overriding royalty shall be the total overriding royalty for which Assignee shall be obligated and it shall include all overriding royalties or obligations payable out of production, if any, heretofore created and payable out of the lessee's share of production of oil and gas from said land. If Assignor owns less than all of said leasehold estate said overriding royalty shall be proportionately reduced. Said overriding royalty shall be free and clear of all costs of development and operation but subject to its proportionate part of applicable taxes and transportation charges, if any. Fuel oil and gas for operating and treating the premises may be deducted before computing said overriding royalty. Said overriding royalty shall be subject to any cooperative or unit plan of operation or development approved by the Secretary of the Interior or any communitization or other agreement for the purpose of forming a well spacing or proration unit under the rules or regulations of the New Mexico Oil Conservation Commission to which said lease may hereafter be committed by Assignee, its successors and assigns, and in such event, said overriding royalty shall be computed and paid on the basis of the oil and gas allocated to the above described lands under and pursuant to the terms of such agreement or plan of operation. Except as specifically herein provided, the reservation of said overriding royalty shall not imply any leasehold preservation, drilling or development obligation on the part of Assignee. No change in the ownership of said overriding royalty or any part thereof shall be binding upon the Assignee, its successors and assigns, until such time as Assignee shall have been furnished with either the original or a certified copy of the recorded instrument or instruments which evidence such change.

ASSIGNMENT APPROVED
Effective APR - 1 1973
Karl E. [Signature]
Chief, Minerals Section

Assignor warrants that the interest above conveyed is in good standing and is free and clear of all liens, charges, encumbrances, overriding royalties or other interests of whatsoever nature not excepted above, and Assignor will forever defend the title thereto unto Assignee, its successors and assigns against all persons whomsoever lawfully having or claiming an interest therein.

EXECUTED in quadruplicate this _____ day of _____, 1972.

Herbert Anderson
Herbert Anderson

Eugenia C. Anderson

STATE OF Colorado X
COUNTY OF Garfield X

The foregoing instrument was acknowledged before me this 9th day of November, 1972, by Herbert Anderson.



Carolan G. Cotton
Notary Public

My Commission expires:
Commission expires February 16, 1975

STATE OF NEW MEXICO, County of Eddy, as ~~thereby~~ ~~and~~
~~the~~ instrument was filed for record on the 3rd day of May
1973 at 3:10 o'clock P.M., and duly recorded in Book 99
844 of the Records of Miscellaneous

GERALDINE MAHAFFEY, County Clerk
Cemi C. Boyd Deputy

ASSIGNMENT OF UNITED STATES OIL AND GAS LEASE

KNOW ALL MEN BY THESE PRESENTS:

That EDWARD MAJORS and wife Ann E. Majors hereinafter called "Assignor", in consideration of \$10.00 and other valuable cash consideration paid by ROBERTS, KOCH & CARTWRIGHT, a partnership composed of Ross D. Roberts, Charles E. Koch and Jack C. Cartwright, whose address is 205 Building of the Southwest, Midland, Texas 79701, hereinafter called "Assignee", receipt of which is hereby acknowledged, does hereby grant, assign and convey unto Assignee, its successors and assigns forever, that certain Oil and Gas Lease made and entered into on December 1, 1966 by and between the United States of America, as lessor, bearing Serial No. NM 882, covering -

SE/4 of the SW/4 of Section 22, Township 20 South,
Range 21 East, N.M.P.M., Eddy County, New Mexico,
containing 40 acres, more or less,

together with all rights and privileges thereunder or appurtenant thereto, subject, however, to the following exceptions and reservations:

Assignor excepts and reserves an overriding royalty equal to 3% of 8/8ths of the market value at the wells as produced of all the oil and gas which may be produced, saved and marketed from the above described lands under the terms of said oil and gas lease or any extensions or renewals thereof; provided, however, that on gas sold at the well the market value shall be conclusively presumed to be that which is realized from the sale. Said overriding royalty shall be the total overriding royalty for which Assignee shall be obligated and it shall include all overriding royalties or obligations payable out of production, if any, heretofore created and payable out of the lessee's share of production of oil and gas from said land. If Assignor owns less than all of said leasehold estate said overriding royalty shall be free and clear of all costs of development and operation but subject to its proportionate part of applicable taxes and transportation charges, if any. Fuel oil and gas for operating and treating the premises may be deducted before computing said overriding royalty. Said overriding royalty shall be subject to any cooperative or unit plan of operation or development approved by the Secretary of the Interior or any communitization or other agreement for the purpose of forming a well spacing or proration unit under the rules or regulations of the New Mexico Oil Conservation Commission to which said lease may hereafter be committed by Assignee, its successors and assigns, and in such event, said overriding royalty shall be computed and paid on the basis of the oil and gas allocated to the above described lands under and pursuant to the terms of such agreement or plan of operation. Except as specifically herein provided, the reservation of said overriding royalty shall not imply any leasehold preservation, drilling or development obligation on the part of Assignee. No change in the ownership of said overriding royalty or any part thereof shall be binding upon the Assignee, its successors and assigns, until such time as Assignee shall have been furnished with either the original or a certified copy of the recorded instrument or instruments which evidence such change.

Tract #7 - Edward Majors 3% ORR

ASSIGNMENT 27530773
APR 11 1973
Effective-----

1st Russ E. Martinez
Chief, Minerals Section

Assignor warrants that the interest above conveyed is in good standing and is free and clear of all liens, charges, encumbrances, overriding royalties or other interests of whatsoever nature not excepted above, and Assignor will forever defend the title thereto unto Assignee, its successors and assigns against all persons whomsoever lawfully having or claiming an interest therein.

EXECUTED in quadruplicate this 10th day of November, 1972.

Edward Majors
Edward Majors

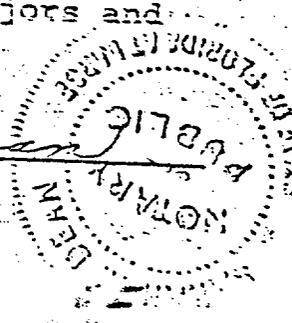
Ann E. Majors
Ann E. Majors

STATE OF Florida X

COUNTY OF Alachua X

The foregoing instrument was acknowledged before me this 10 day of November, 1972, by Edward Majors and wife

Sarah A. Dean
Notary Public



My Commission expires:

June 15, 1975

STATE OF NEW MEXICO, County of Eddy, ss. I hereby certify that this instrument was filed for record on the 3rd day of May 1973 at 3:10 o'clock P.M., and duly recorded in Book 199 page 846 of the Records of Miscellaneous

GERALDINE MAHAFFEY, County Clerk
By Gene C. Dyer Deputy

CONSENT AND RATIFICATION OF DEER CANYON UNIT AGREEMENT

The undersigned owner of overriding royalty or production payment interest as shown in the Exhibits to the Deer Canyon Unit Agreement hereby acknowledges receipt of said Unit Agreement and consents and agrees that the interest of the undersigned shall be subject to all the terms and provisions of said agreement and in consideration of the benefits accruing to the undersigned, does hereby ratify and confirm said Unit Agreement in its entirety and agrees that the interest of the undersigned within said Unit Area shall be computed and payed in the manner provided for in said Unit Agreement.

This Consent and Ratification shall be binding upon the undersigned upon receipt of the same by the Unit Operator and may be filed for record independently and with copy of said Unit Agreement in all appropriate offices.

Executed and Delivered this seventh day of June, 1973.

Morris Newman
Clare B. Newman
William Newman
Clare Poe Newman

State of Louisiana :
County of Orleans :

The foregoing instrument was acknowledged before me this 7 day of June, 1973 by _____

The Above signed persons

L. MAURICE PROVOSTY
Embossed here on any Orleans Parish,
State of La. Notary Public Seal
My Commission is issued for life.

L. Maurice Provosty
Notary Public

My commission expires at death, 19____.

CONSENT AND RATIFICATION OF DEER CANYON UNIT AGREEMENT

The undersigned owner of overriding royalty or production payment interest as shown in the Exhibits to the Deer Canyon Unit Agreement hereby acknowledges receipt of said Unit Agreement and consents and agrees that the interest of the undersigned shall be subject to all the terms and provisions of said agreement and in consideration of the benefits accruing to the undersigned, does hereby ratify and confirm said Unit Agreement in its entirety and agrees that the interest of the undersigned within said Unit Area shall be computed and payed in the manner provided for in said Unit Agreement.

This Consent and Ratification shall be binding upon the undersigned upon receipt of the same by the Unit Operator and may be filed for record independently and with copy of said Unit Agreement in all appropriate offices.

Executed and Delivered this 26th day of July, 1973.

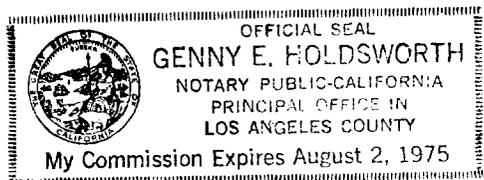
Genny E. Holdsworth
Genny E. Holdsworth

State of California :
County of Los Angeles :

The foregoing instrument was acknowledged before me this 26th day of July, 1973 by Genny E. Holdsworth

Genny E. Holdsworth
Notary Public

My commission expires Aug. 2, 19 75.



Incl # 9. EB Hall 5?

CONSENT AND RATIFICATION OF DEER CANYON UNIT AGREEMENT

The undersigned owner of overriding royalty or production payment interest as shown in the Exhibits to the Deer Canyon Unit Agreement hereby acknowledges receipt of said Unit Agreement and consents and agrees that the interest of the undersigned shall be subject to all the terms and provisions of said agreement and in consideration of the benefits accruing to the undersigned, does hereby ratify and confirm said Unit Agreement in its entirety and agrees that the interest of the undersigned within said Unit Area shall be computed and payed in the manner provided for in said Unit Agreement.

This Consent and Ratification shall be binding upon the undersigned upon receipt of the same by the Unit Operator and may be filed for record independently and with copy of said Unit Agreement in all appropriate offices.

Executed and Delivered this _____ day of _____, 1973.

Virginia J. Rutter
A. W. Rutter, Jr.

State of _____:
County of _____:

The foregoing instrument was acknowledged before me this _____ day of _____, 1973 by _____

_____, Notary Public

Jo Barris
Notary Public

My commission expires _____, 19__.

Tract #10 - 720RR

CONSENT AND RATIFICATION OF DEER CANYON UNIT AGREEMENT

The undersigned owner of overriding royalty or production payment interest as shown in the Exhibits to the Deer Canyon Unit Agreement hereby acknowledges receipt of said Unit Agreement and consents and agrees that the interest of the undersigned shall be subject to all the terms and provisions of said agreement and in consideration of the benefits accruing to the undersigned, does hereby ratify and confirm said Unit Agreement in its entirety and agrees that the interest of the undersigned within said Unit Area shall be computed and payed in the manner provided for in said Unit Agreement.

This Consent and Ratification shall be binding upon the undersigned upon receipt of the same by the Unit Operator and may be filed for record independently and with copy of said Unit Agreement in all appropriate offices.

Executed and Delivered this 31st day of May 1973.
1973.

Ray Jacoby
Christa Jacoby

State of Colorado :
County of DENVER :

The foregoing instrument was acknowledged before me this 31st day of MAY, 1973 by RAY
JACOBY and CHRISTA JACOBY

Suzette Collins
Notary Public

My commission expires October 10, 1976.

CONSENT AND RATIFICATION OF DEER CANYON UNIT AGREEMENT

The undersigned owner of overriding royalty or production payment interest as shown in the Exhibits to the Deer Canyon Unit Agreement hereby acknowledges receipt of said Unit Agreement and consents and agrees that the interest of the undersigned shall be subject to all the terms and provisions of said agreement and in consideration of the benefits accruing to the undersigned, does hereby ratify and confirm said Unit Agreement in its entirety and agrees that the interest of the undersigned within said Unit Area shall be computed and payed in the manner provided for in said Unit Agreement.

This Consent and Ratification shall be binding upon the undersigned upon receipt of the same by the Unit Operator and may be filed for record independently and with copy of said Unit Agreement in all appropriate offices.

Executed and Delivered this 15th day of June, 1973.

Raymond T. Duncan

Joan R. Duncan

State of Colorado :
County of Denver :

The foregoing instrument was acknowledged before me this 15th day of June, 1973 by Raymond T. Duncan and Joan R. Duncan.

A. Ferdine Konecny
Notary Public

My commission expires December 7, 1974.