

EXHIBIT "B"  
 SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF ALL LANDS IN THE  
 RED HILLS UNIT AREA, IEA COUNTY, NEW MEXICO

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessees of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS</u>							
<u>Las Cruces</u>							
<u>Serials</u>							
<u>T-25-S, R-32-E, N.M.P.M.</u>							
1	Sec. 13: NW $\frac{1}{4}$	160.00	LC-064727 2-28-63	U.S.A. 12.5%	The Pure Oil Company	Ora R. Hall, Jr. 5%	Pure 100%
2	Sec. 13: E $\frac{1}{2}$ Sec. 24: SE $\frac{1}{4}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ SE $\frac{1}{4}$	440.00	LC-064727-A 2-28-63	U.S.A. 12.5%	Continental Oil Company	Ora R. Hall, Jr. 1.5% Frank O. Elliott 1.5%	Continental 100%
3	Sec. 13: SW $\frac{1}{4}$	160.00	LC-064727-B 2-28-63	U.S.A. 12.5%	The Pure Oil Company	Frank O. Elliott 5%	Pure 100%
4	Sec. 24: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	LC-064727-E 2-28-63	U.S.A. 12.5%	The Pure Oil Company	Ora R. Hall, Jr. 1.5% Frank O. Elliott 1.5%	Pure 100%
<u>T-25-S, R-33-E, N.M.P.M.</u>							
5	Sec. 3: ALL Sec. 4: Lots 1, 2, 3, S $\frac{1}{2}$ N $\frac{1}{2}$ , S $\frac{1}{2}$ Sec. 9: E $\frac{1}{2}$ , E $\frac{1}{2}$ W $\frac{1}{2}$ , W $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 10: ALL	2,479.13	LC-067748 3-31-63	U.S.A. 12.5%	Annie R. Bass	Martha Featherstone 0.5% Harvey E. Roelofs, Trustee for Olen F. Featherstone, II 2.5% Annie R. Bass 0.5%	Richardson Oils, Inc. Perry R. Bass 25%

## EXHIBIT "B" (Cont'd.)

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS (Cont'd.)</u>							
<u>T-25-S, R-33-E, N.M.P.M.</u>							
6	Sec. 4: Lot 4	39.91	LC-067748-A 3-31-63	U.S.A. 12.5%	Delbasin Corporation	Martha Featherstone 0.5%	Delbasin 100%
<u>T-25-S, R-32-E, N.M.P.M.</u>							
7	Sec. 27: SW $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 34: E $\frac{1}{2}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	280.00	Unleased	U.S.A. 12.5%		Annie R. Bass 0.5%	
<u>T-25-S, R-33-E, N.M.P.M.</u>							
8	Sec. 12: E $\frac{1}{2}$ , SW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$	1,720.28	LC-068665 2-28-63	U.S.A. 12.5%	Annie R. Bass	Clarence E. Hinkle \$250.00 per acre out of 2.5%	Richardson Oils, Inc. 75%
<u>T-25-S, R-33-E, N.M.P.M.</u>							
	Sec. 18: ALL					Pearl O. Pipkin \$250.00 per acre out of 2.5%	Perry R. Bass 25%
	Sec. 19: Lots 1,2, E $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$					Annie R. Bass 0.5%	

## EXHIBIT "B" (Cont'd.)

Tract No.	Description of Land	Number of Land	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS (Cont'd.)</u>							
<u>T-25-S, R-32-E, N.M.P.M.</u>							
9	Sec. 12: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	LC-068665-A 2-28-63	U.S.A. 12.5%	Delbasin Corporation	Clarence E. Hinkle \$250.00 per acre out of 2.5%	Delbasin 100%
<u>T-25-S, R-33-E, N.M.P.M.</u>							
10	Sec. 5: All	2,518.24	LC-068846 2-28-63	U.S.A. 12.5%	Annie R. Bass	Claribell Marshall \$250.00 per acre out of 1.5%	Richardson Oils, Inc. 75%
	Sec. 6: Lots 2, 3, 4, 5, 6, 7, S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$					Pearl O. Pipkin \$250.00 per acre out of 1.5%	Perry R. Bass 25%
	Sec. 7: All					Annie R. Bass 0.5%	
	Sec. 8: All						
11	Sec. 6: Lot 1	40.00	LC-068846-A 2-28-63	U.S.A. 12.5%	Delbasin Corporation	Claribell Marshall \$250.00 per acre out of 1.5%	Delbasin 100%
						Pearl O. Pipkin \$250.00 per acre out of 1.5%	
						Annie R. Bass 0.5%	

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<u>FEDERAL LANDS (Cont'd.)</u>							
<u>T-25-S, R-33-E, N.M.P.M.</u>							
12	Sec. 17: A11	2,520.00	LC-068847 2-28-63	U.S.A. 12.5%	Annie R. Bass	U.S. Marshall \$250.00 per acre out of 1.5%	Richardson Oils, Inc. 75%
	Sec. 20: A11						Perry R. Bass 25%
	Sec. 21: $W\frac{1}{2}E\frac{1}{2}, W\frac{1}{2},$ $E\frac{1}{2}SE\frac{1}{4}, SE\frac{1}{4}NE\frac{1}{4}$					Pearl O. Pipkin \$250.00 per acre out of 1.5%	
	Sec. 28: $E\frac{1}{2}$					Annie R. Bass 0.5%	
	Sec. 29: $E\frac{1}{2}$						
13	Sec. 21: $NE\frac{1}{4}NE\frac{1}{4}$	40.00	LC-068847-A 2-28-63	U.S.A. 12.5%	Delbasin Corporation	U. S. Marshall \$250.00 per acre out of 1.5%	Delbasin 100%
						Pearl O. Pipkin \$250.00 per acre out of 1.5%	
						Annie R. Bass 0.5%	
14	Sec. 9: $SW\frac{1}{4}SW\frac{1}{4}$	40.00	LC-070381-A 7-31-63	U.S.A. 12.5%	Delbasin Corporation	Mary T. Muse 0.5%	Delbasin 100%
						I. E. Tapp, Sole Devisee of Allie V. Tapp 0.3%	
						Olen F. Featherstone 0.7%	
						Harvey E. Roelofs, Trustee for Olen F. Featherstone, II 2%	

## EXHIBIT "B" (Cont'd.)

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Ownership	Royalty and Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS (Cont'd.)</u>								
<u>T-25-S, R-32-E, N.M.P.M.</u>								
15	Sec. 11: SW $\frac{1}{4}$ Sec. 14: SE $\frac{1}{4}$	440.00	LC-071986 7-31-63	U.S.A.	12.5%	The Pure Oil Company	Margery F. Sweetser 1% Elizabeth Ann Elliott 4%	Pure 100%
16	Sec. 14: NE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 23: NE $\frac{1}{4}$ Sec. 24: NE $\frac{1}{4}$	600.00	LC-071986-A 7-31-63	U.S.A.	12.5%	Mary T. Muse	Margery F. Sweetser 1% Frank O. Elliott 1% Ora R. Hall, Jr. 1% Mary T. Muse 0.5%	Richardson Oils, Inc. Perry R. Bass 25%
17	Sec. 11: NW $\frac{1}{4}$ Sec. 14: NW $\frac{1}{4}$ Sec. 23: N $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$	440.00	LC-071986-B 7-31-63	U.S.A.	12.5%	The Pure Oil Company	Margery F. Sweetser 1% Ora R. Hall, Jr. 4%	Pure 100%
18	Sec. 24: SE $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	LC-071986-C 7-31-63	U.S.A.	12.5%	The Pure Oil Company	Margery F. Sweetser 1% George H. Hunker, Jr. 4%	Pure 100%
19	Sec. 14: NW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	LC-071986-D 7-31-63	U.S.A.	12.5%	Delbasin Corporation	Margery F. Sweetser 1% Frank O. Elliott 1% Ora R. Hall, Jr. 1% Mary T. Muse 0.5%	Delbasin 100%

## EXHIBIT "B" (Cont'd.)

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Ownership	Royalty Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS (Cont'd.)</u>								
<u>T-25-S, R-32-E, N.M.P.M.</u>								
20	Sec. 23: SE $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	LC-071986-E 7-31-63	U.S.A.	12.5%	The Pure Oil Company	Margery F. Sweetser 1%	Pure 100%
<u>T-26-S, R-33-E, N.M.P.M.</u>								
21	Sec. 3: E $\frac{1}{2}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ W $\frac{1}{2}$ , SW $\frac{1}{4}$ NW $\frac{1}{4}$	280.00	NM-0127 5-29-64	U.S.A.	12.5%	Texaco Inc.	George W. Miller 3%	Texaco Inc. 100%
22	Sec. 4: N $\frac{1}{2}$ , N $\frac{1}{2}$ S $\frac{1}{2}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$	920.00	NM-0127-A Held by production.	U.S.A.	12.5%	Continental Oil Company	George W. Miller 1.5% Ernest A. Hanson 1.5%	Continental 100% (Subject to Texaco operating rights to 5300' under SW $\frac{1}{4}$ SE $\frac{1}{4}$ of Section 4.)
23	Sec. 9: N $\frac{1}{2}$							
23	Sec. 3: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	NM-0127-G 5-29-64	U.S.A.	12.5%	Texaco Inc.	George W. Miller 3%	Texaco 100%
24	Sec. 4: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM-0127-H 5-29-64	U.S.A.	12.5%	Texaco Inc.	George W. Miller 3%	Texaco 100%
<u>T-25-S, R-32-E, N.M.P.M.</u>								
25	Sec. 1: All	1,120.84	NM-02789 2-29-64	U.S.A.	12.5%	Continental Oil Company	Marguerite Armitage Payne, \$200.00 per acre out of 0.5%	Continental 100%
	Sec. 11: NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$							
	Sec. 23: NE $\frac{1}{4}$ SE $\frac{1}{4}$							
	Sec. 24: N $\frac{1}{2}$ S $\frac{1}{2}$							

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<u>FEDERAL LANDS (Cont'd.)</u>							
<u>T-25-S, R-32-E, N.M.P.M.</u>							
26	Sec. 11: SW $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM-02789-A 2-29-64	U.S.A. 12.5%	The Pure Oil Company	Charles B. Read \$1,125.00 per acre out of 4.5%	Pure 100%
<u>T-25-S, R-33-E, N.M.P.M.</u>							
27	Sec. 22: NE $\frac{1}{4}$ , W $\frac{1}{2}$	1,520.00	NM-05792 5-31-63	U.S.A. 12.5%	Texaco Inc.	D. Miller \$750.00 per acre out of 3%	Texaco 100%
	Sec. 27: NW $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$						
	Sec. 33: E $\frac{1}{2}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$						
	Sec. 34: E $\frac{1}{2}$ NW $\frac{1}{4}$ , W $\frac{1}{2}$ W $\frac{1}{2}$						
28	Sec. 33: NW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NM-05792-A 5-31-63	U.S.A. 12.5%	The Pure Oil Company	Donald Combs 5% Less following: D. Miller \$750.00 per acre out of 3%	Pure 100%
29	Sec. 15: All	640.00	NM-05906 8-31-63	U.S.A. 12.5%	Mary T. Muse	Harvey E. Roelofs, Trustee for Olen F. Featherstone, II 2.5% Martha Featherstone 0.5% Mary T. Muse 0.5%	Richardson Oils, Inc. Ferry R. Bass 25% 75%

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Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS (Cont'd.)</u>							
<u>T-25-S, R-33-E, N.M.P.M.</u>							
30	Sec. 19: Lots 3,4, E $\frac{1}{2}$ SW $\frac{1}{4}$	480.76	NM-024368 1-31-67	U.S.A. 12.5%	The Pure Oil Company	Vincent Cuccia 2.5%	Pure 100%
	Sec. 30: Lots 1,2,3,4, E $\frac{1}{2}$ W $\frac{1}{2}$					George E. Conley 2.5%	
31	Sec. 28: W $\frac{1}{2}$	800.00	NM-024368-A 1-31-67	U.S.A. 12.5%	Howard W. Jennings, Inc.	Vincent Cuccia 1.5%	Richardson Oils, Inc. 75%
	Sec. 29: W $\frac{1}{2}$					George E. Conley 1.5%	
	Sec. 33: NW $\frac{1}{4}$					Howard W. Jennings 0.5%	Perry R. Bass 25%
<u>T-25-S, R-32-E, N.M.P.M.</u>							
32	Sec. 35: All	640.00	NM-045255 8-31-64	U.S.A. 12.5%	Peggy P. Jennings	Peggy P. Jennings 3.5%	Richardson Oils, Inc. 75%
33	Sec. 26: S $\frac{1}{2}$ , NW $\frac{1}{4}$	480.00	NM-080120 1-31-65	U.S.A. 12.5%	Peggy P. Jennings	Peggy P. Jennings 3.5%	Richardson Oils, Inc. 75%
							Perry R. Bass 25%
<u>T-26-S, R-33-E, N.M.P.M.</u>							
34	Sec. 7: Lots 1,2, E $\frac{1}{2}$ NW $\frac{1}{4}$	158.64	NM-0106040 8-31-65	U.S.A. 12.5%	Pan American Petroleum Corporation	Southwestern Petroleum Corporation 1%	Pan American 100%
						J. Phil Long 2%	
						Doreen Smith 2%	



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<u>FEDERAL LANDS (Cont'd.)</u>							
<u>T-26-S, R-33-E, N.M.P.M.</u>							
35	Sec. 5: S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$	240.00	NM-0106040-A 8-31-65	U.S.A. 12.5%	Pan American Petroleum Corporation	Southwestern Petroleum Corporation 1%	Pan American 100%
	Sec. 8: S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$					J. Phil Long 2%	
<u>T-25-S, R-32-E, N.M.P.M.</u>							
36	Sec. 25: All	960.20	NM-0128246 2-28-71	U.S.A. 12.5%	The Pure Oil Company	Anna Z. Baetz 5%	Pure 100%
	Sec. 26: NE $\frac{1}{4}$						
<u>T-25-S, R-33-E, N.M.P.M.</u>							
	Sec. 31: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$						
37	Sec. 30: SE $\frac{1}{4}$	440.00	NM-0128246-A 2-28-71	U.S.A. 12.5%	Tenneco Oil Company	Anna Z. Baetz 4%	Tenneco 100%
	Sec. 31: NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$ , SW $\frac{1}{4}$ SE $\frac{1}{4}$						
38	Sec. 31: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	838.80	NM-0128364 3-31-71	U.S.A. 12.5%	The Pure Oil Company 70%	Sam H. Jolliffe, Jr. 0.45%	Pure 70%
	<u>T-26-S, R-33-E, N.M.P.M.</u>				George T. Abell 30%	H. J. Rucker 0.05%	George T. Abell 30%
	Sec. 6: All					Joseph M. Jones 3%	

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<u>FEDERAL LANDS (Cont'd.)</u>							
<u>T-25-S, R-32-E, N.M.P.M.</u>							
39	Sec. 23: SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , SE $\frac{1}{4}$ SE $\frac{1}{4}$	280.00	NM-0131484 Held by production.	U.S.A. 12.5%	Tenneco Oil Company	J. D. Sena, Jr. 6.25%	Tenneco 100%
<u>T-25-S, R-33-E, N.M.P.M.</u>							
39-A	Sec. 30: NE $\frac{1}{4}$	160.00	Ditto	U.S.A. 12.5%	Tenneco Oil Company	J. D. Sena, Jr. 6.25%	Tenneco 100%
<u>T-26-S, R-33-E, N.M.P.M.</u>							
40	Sec. 5: SW $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$	1,238.72	NM-0160973 Application	U.S.A. 12.5%	Pan American Petroleum Corporation	None	Pan American 100%
	Sec. 7: Lots 3, 4, NE $\frac{1}{4}$ NE $\frac{1}{4}$ , W $\frac{1}{2}$ E $\frac{1}{2}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$						
	Sec. 8: S $\frac{1}{2}$						
	Sec. 17: W $\frac{1}{2}$						
41 Federal tracts 23, 475.52 acres or 81.52219% of unit area							
<u>STATE LANDS</u>							
<u>T-25-S, R-32-E, N.M.P.M.</u>							
41	Sec. 2: A11	1,280.96	E-5009-1 Held by production	State 12.5%	Continental Oil Company	None	Continental 100% (Subject to Tenneco operating rights to 5136' under W $\frac{1}{2}$ SE $\frac{1}{4}$ and E $\frac{1}{2}$ NE $\frac{1}{4}$ of Section 36.)
	Sec. 36: A11						

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<u>STATE LANDS (Cont'd.)</u>							
<u>T-26-S, R-33-E, N.M.P.M.</u>							
42	Sec. 16: A11	960.00	E-7512 10-20-63	State 12.5%	Texaco Inc.	None	Texaco 100%
	Sec. 17: E $\frac{1}{2}$						
<u>T-25-S, R-33-E, N.M.P.M.</u>							
43	Sec. 16: A11	640.00	K-1458 5-16-71	State 12.5%	Pan American Petroleum Corporation	None	Pan American 100%
44	Sec. 32: A11	640.00	K-1459 5-16-71	State 12.5%	Pan American Petroleum Corporation	None	Pan American 100%
4 State tracts 3,520.96 acres or 12.22705% of unit area							
<u>FEE LANDS</u>							
<u>T-25-S, R-33-E, N.M.P.M.</u>							
45	Sec. 22: SE $\frac{1}{4}$	320.00	6-20-68	Harry Dickson, Jr. 12.5%	Tidewater Oil Company	None	Tidewater 100%
	Sec. 27: E $\frac{1}{2}$ SE $\frac{1}{2}$						

## EXHIBIT "B" (Cont'd.)

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<u>FREE LANDS (Cont'd.)</u>							
<u>T-25-S, R-33-E, N.M.P.M.</u>							
46	Sec. 34: NE $\frac{1}{4}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ <u>T-26-S, R-33-E, N.M.P.M.</u>	320.00	5-24-65	Sybilla R. S. Markham 1.0576%	George L. Buckles 28.9281%	None	George L. Buckles 28.9281%
	Sec. 3: W $\frac{1}{2}$ NE $\frac{1}{4}$		5-24-65	Mildred J. S. Rudy 1.0576%	Sam H. Jolliffe, Jr. 28.9063%		Sam H. Jolliffe, Jr. 28.9063%
			5-24-65	M. H. James 0.0682%	Unleased 42.1656%		Maurice Hirsch (Unleased M.I.) 10.9156%
			5-24-65	Helen D. Susman 0.0682%			Nancy P. Tonkin (Unleased M.I.) 22.3125%
			9-24-67	Norman C. Case 3.6133%			R. S. Poage (Unleased M.I.) 8.9375%
			7-6-65	First City National Bank of Houston, Texas 1.3644%			
47	Sec. 3: SE $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$	240.00	10-23-66	Clara B. Dinwiddie 12.5%	Texaco Inc.	None	Texaco 100%

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<u>FEE LANDS (Cont'd.)</u>							
<u>T-26-S, R-33-E, N.M.P.M.</u>							
48	Sec. 9: S $\frac{1}{2}$	320.00	4-16-71	Malcolm R. Madera 3.125%	Humble Oil & Refining Company	None	Humble 100%
			4-16-71	Tommie K. Calley 3.125%			
			4-16-66	Earl Goedeke 1.5625%			
			4-16-71	Ralph H. Cummins 1.5625%			
			4-16-71	Ance Oates 1.5625%			
			4-16-71	Rebel Oil Co. 0.78125%			
			4-16-71	Winnie Sims 0.78125%			
49	Sec. 8: NW $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	8-7-67	Jerald M. Schuman 5.3125%	The Pure Oil Company 50%	Jerald M. Schuman 1.85938%	Pure 50%
			8-7-67	Avrome Schuman 0.3125%	Unleased 50%	Avrome Schuman 0.10938%	Saul A. Yager (Unleased M.I.) 25%
			8-7-67	J. Harold Schuman 0.3125%		J. Harold Schuman 0.10938%	Barbara Ann Witten (Unleased M.I.) 25%
			8-7-67	Earl Schuman 0.3125%		Earl Schuman 0.10938%	

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<u>FEE LANDS (Cont'd.)</u>							
<u>T-26-S, R-33-E, N.M.P.M.</u>							
50	Sec. 7: SE $\frac{1}{4}$ NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$	240.00	3-15-67	Jerald M. Schuman 5.3125%	The Pure Oil Company 50%	Jerald M. Schuman 1.275%	Pure 50%
	Sec. 8: W $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$		3-15-67	Avrome Schuman 0.3125%	Unleased 50%	Avrome Schuman 0.075%	Saul A. Yager (Unleased M.I.) 25%
			3-15-67	J. Harold Schuman 0.3125%		J. Harold Schuman 0.075%	Barbara Ann Witten (Unleased M.I.) 25%
			3-15-67	Earl Schuman 0.3125%		Earl Schuman 0.075%	
						Sam H. Jolliffe, Jr. 1%	
						Neil H. Willis 0.58594%	Pure 46.875%
51	Sec. 5: E $\frac{1}{2}$ E $\frac{1}{2}$	160.00	2-1-66	T. B. Coulter 0.36621%	The Pure Oil Company 46.875%		
			2-1-66	Jerald M. Schuman 4.66919%	Pan American Petroleum Corporation 6.25%	T. B. Coulter 0.14648%	Pan American 6.25%
			2-1-66	Avrome Schuman 0.27466%	Unleased 46.875%	Jerald M. Schuman 1.86768%	Saul A. Yager (Unleased M.I.) 23.4375%
			2-1-66	J. Harold Schuman 0.27466%		Avrome Schuman 0.10986%	Barbara Ann Witten (Unleased M.I.) 23.4375%
			2-1-66	Earl Schuman 0.27466%		J. Harold Schuman 0.10986%	
			11-21-67	Frank Knappenberger 0.78125%		Earl Schuman 0.10986%	

## EXHIBIT "B" (Cont'd.)

Tract No.	Description of Land	Number of Acres	Serial No. and Expiration Date of Lease	Basic Royalty and Ownership Percentage	Lessee of Record	Overriding Royalty or Production Payment and Percentage	Working Interest and Percentage
<u>FEE LANDS (Cont'd.)</u>							
<u>T-26-S, R-33-E, N.M.P.M.</u>							
52	Sec. 5: N $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NE $\frac{1}{4}$	120.00	2-1-66	Jerald M. Schuman 4.98047%	The Pure Oil Company 46.875%	Neil H. Willis 0.58594%	Pure 46.875%
			2-1-66	Avrome Schuman 0.29297%	Pan American Petroleum Corporation 6.25%	Jerald M. Schuman 1.99219%	Pan American 6.25%
			2-1-66	J. Harold Schuman 0.29297%	Unleased 46.875%	Avrome Schuman 0.11719%	Saul A. Yager (Unleased M.I.) 23.4375%
			2-1-66	Earl Schuman 0.29297%		J. Harold Schuman 0.11719%	Barbara Ann Witten (Unleased M.I.) 23.4375%
			11-21-67	Frank Knappenberger 0.78125%		Earl Schuman 0.11719%	Barbara Ann Witten (Unleased M.I.) 23.4375%
53	Sec. 8: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	2-1-66	Jerald M. Schuman 4.98047%	The Pure Oil Company 53.125%	Neil H. Willis 0.58594%	Pure 53.125%
			2-1-66	Avrome Schuman 0.29297%	Unleased 46.875%	Jerald M. Schuman 1.99219%	Saul A. Yager (Unleased M.I.) 23.4375%
			2-1-66	J. Harold Schuman 0.29297%		Avrome Schuman 0.11719%	Barbara Ann Witten (Unleased M.I.) 23.4375%
			2-1-66	Earl Schuman 0.29297%		J. Harold Schuman 0.11719%	Barbara Ann Witten (Unleased M.I.) 23.4375%
			10-29-67	Frank Knappenberger 0.78125%		Earl Schuman 0.11719%	Barbara Ann Witten (Unleased M.I.) 23.4375%

9 Fee tracts 1,800.00 acres or 6.25076% of unit area

TOTAL ALL LANDS 28,796.48 ACRES

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

RED HILLS UNIT


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There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated November 20, 1963, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 20th day of January 1963.

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



RATIFICATION OF AND JOINDER IN  
UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
FOR THE  
RED HILLS UNIT AREA  
LEA COUNTY, NEW MEXICO

In consideration of the execution of the Unit Agreement and the Unit Operating Agreement for the Red Hills Unit Area, Lea County, New Mexico, by The Pure Oil Company, as the Unit Operator, and other working interest owners in said area, each of which agreements is dated as of November 20, 1962, the undersigned owner or owners of lands, interests in lands, oil and gas leases, interests in leases or working interests in production located in said Red Hills Unit Area and described as subject to said agreements, hereby severally, each to the extent of his or its particular ownership or interest, consent to the inclusion of said lands or leases or other interests within the Unit Area and approve and adopt the terms of said agreements as applicable to said lands, leases or other interests, and hereby ratify, join in and adopt said agreements and all of the terms and provisions thereof as though they were original signatory parties thereto, and hereby commit said lands, leases or other interests to said agreements and hereby assume all of the rights and obligations incident thereto under said agreements, further acknowledging receipt of a copy of each of said agreements.

Date: January 7, 1963

George T. Abell  
George T. Abell

~~###~~

Gladys H. Abell  
Gladys H. Abell

Address: P. O. Box 430  
Midland, Texas

STATE OF Texas )  
COUNTY OF Midland ) ss

The foregoing instrument was acknowledged before me this 7th day of January, 1963, by George T. Abell and wife, Gladys H. Abell.

My Commission Expires:  
June 1, 1963

Pauline F. Schwartz  
Notary Public  
Pauline F. Schwartz

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

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

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

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

RATIFICATION OF AND JOINDER IN  
UNIT AGREEMENT  
FOR THE  
RED HILLS UNIT AREA  
LEA COUNTY, NEW MEXICO

In consideration of the execution of the Unit Agreement for the Red Hills Unit Area, Lea County, New Mexico, by The Pure Oil Company, as the Unit Operator, and other working interest owners in said area, which Agreement is dated November 20, 1962, Tenneco Oil Company, the owner of lands, interests in lands, oil and gas leases, interests in leases or working interests in production located in said Red Hills Unit Area and described as subject to said Agreement, hereby consents, to the extent herein stipulated, to the inclusion of said lands or leases or other interests within the Unit Area and approves and adopts the terms of said Agreement as applicable to said lands, leases or other interests, and hereby ratifies, joins in and adopts said Agreement and all of the terms and provisions thereof as though it were an original signatory party thereto, insofar and only insofar as said Agreement affects the following described lands, to-wit:

- (a) Operating rights only to the depth of 5136 feet under the E $\frac{1}{2}$ NE $\frac{1}{4}$  and W $\frac{1}{2}$ SE $\frac{1}{4}$  of Section 36, Township 25 South, Range 32 East, N.M.P.M., which lands are covered by State of New Mexico Lease No. E-5009-1;
- (b) SE $\frac{1}{4}$  of Section 30 and NE $\frac{1}{4}$ , N $\frac{1}{2}$ SE $\frac{1}{4}$  and SW $\frac{1}{4}$ SE $\frac{1}{4}$  of Section 31, Township 25 South, Range 33 East, N.M.P.M., which lands are covered by Federal Lease Serial No. NM-0128246-A;
- (c) NE $\frac{1}{4}$  of Section 30, Township 25 South, Range 33 East, N.M.P.M., which lands are covered by Federal Lease Serial No. NM-0131484;

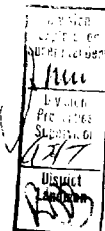
and hereby commits the lands particularly described above and the leases thereon or other interests therein to said Agreement and hereby assumes all of the rights and obligations incident thereto under said Agreement, further acknowledging receipt of a copy of said Agreement.

Date : November 30, 1962

TENNECO OIL COMPANY

By A. N. McDowell  
Agent & Attorney-in-Fact

Address: 1800 Wilco Building  
Midland, Texas



STATE OF TEXAS        )  
                                  ) ss  
COUNTY OF MIDLAND )

The foregoing instrument was acknowledged before me this 30<sup>th</sup> day of November, 1962, by A. N. McDowell, Agent & Attorney-in-Fact of TENNECO OIL COMPANY, a Corporation, on behalf of said Corporation.

My Commission Expires:  
March 1963

Anne Tolbert  
Notary Public

RATIFICATION OF AND JOINDER IN  
UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
FOR THE  
RED HILLS UNIT AREA  
LEA COUNTY, NEW MEXICO

In consideration of the execution of the Unit Agreement and the Unit Operating Agreement for the Red Hills Unit Area, Lea County, New Mexico, by The Pure Oil Company, as the Unit Operator, and other working interest owners in said area, each of which agreements is dated as of November 20, 1962, the undersigned owner or owners of lands, interests in lands, oil and gas leases, interests in leases or working interests in production located in said Red Hills Unit Area and described as subject to said agreements, hereby severally, each to the extent of his or its particular ownership or interest, consent to the inclusion of said lands or leases or other interests within the Unit Area and approve and adopt the terms of said agreements as applicable to said lands, leases or other interests, and hereby ratify, join in and adopt said agreements and all of the terms and provisions thereof as though they were original signatory parties thereto, and hereby commit said lands, leases or other interests to said agreements and hereby assume all of the rights and obligations incident thereto under said agreements, further acknowledging receipt of a copy of each of said agreements.

Date: November 23, 1962

HOWARD W. JENNINGS, INC.

ATTEST:

Peggy P. Jennings  
Secretary

By Howard W. Jennings  
President  
Address: 1117 Fort Worth Nat'l. Bank Bldg.  
Fort Worth, Texas

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

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

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

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

STATE OF TEXAS )  
COUNTY OF TARRANT ) ss

The foregoing instrument was acknowledged before me this 23 day of November, 1962, by Howard W. Jennings, President of Howard W. Jennings, Inc., a Corporation, on behalf of said Corporation.

My Commission Expires:  
June 1, 1963

Joan Barnhart  
Notary Public

RATIFICATION OF AND JOINDER IN  
UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
FOR THE  
RED HILLS UNIT AREA  
LEA COUNTY, NEW MEXICO

In consideration of the execution of the Unit Agreement and the Unit Operating Agreement for the Red Hills Unit Area, Lea County, New Mexico, by The Pure Oil Company, as the Unit Operator, and other working interest owners in said area, each of which agreements is dated as of November 20, 1962, the undersigned owner or owners of lands, interests in lands, oil and gas leases, interests in leases or working interests in production located in said Red Hills Unit Area and described as subject to said agreements, hereby severally, each to the extent of his or its particular ownership or interest, consent to the inclusion of said lands or leases or other interests within the Unit Area and approve and adopt the terms of said agreements as applicable to said lands, leases or other interests, and hereby ratify, join in and adopt said agreements and all of the terms and provisions thereof as though they were original signatory parties thereto, and hereby commit said lands, leases or other interests to said agreements and hereby assume all of the rights and obligations incident thereto under said agreements, further acknowledging receipt of a copy of each of said agreements.

Date: November 23, 1962

Peggy P. Jennings  
Peggy P. Jennings

~~ATTEST:~~

Howard W. Jennings  
Howard W. Jennings  
Address: 1117 Ft. Worth Nat'l. Bk. Bldg.

Fort Worth, Texas

STATE OF TEXAS )  
COUNTY OF TARRANT ) ss

The foregoing instrument was acknowledged before me this 23 day of November, 1962, by Peggy P. Jennings and husband, Howard W. Jennings.

My Commission Expires:  
June 1, 1963

Jean Barnhart  
Notary Public

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

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

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

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

RATIFICATION OF AND JOINDER IN  
UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
FOR THE  
RED HILLS UNIT AREA  
LEA COUNTY, NEW MEXICO

In consideration of the execution of the Unit Agreement and the Unit Operating Agreement for the Red Hills Unit Area, Lea County, New Mexico, by The Pure Oil Company, as the Unit Operator, and other working interest owners in said area, each of which agreements is dated as of November 20, 1962, the undersigned owner or owners of lands, interests in lands, oil and gas leases, interests in leases or working interests in production located in said Red Hills Unit Area and described as subject to said agreements, hereby severally, each to the extent of his or its particular ownership or interest, consent to the inclusion of said lands or leases or other interests within the Unit Area and approve and adopt the terms of said agreements as applicable to said lands, leases or other interests, and hereby ratify, join in and adopt said agreements and all of the terms and provisions thereof as though they were original signatory parties thereto, and hereby commit said lands, leases or other interests to said agreements and hereby assume all of the rights and obligations incident thereto under said agreements, further acknowledging receipt of a copy of each of said agreements.

Date: November 26, 1962

ANNIE R. BASS

ATTEST:

By Perry R. Bass  
Perry R. Bass, Agent and Attorney-in-Fact  
Address: Fort Worth National Bank Building  
Fort Worth, Texas

STATE OF TEXAS )  
COUNTY OF TARRANT ) ss

The foregoing instrument was acknowledged before me this 26 day of November, 1962, by Perry R. Bass, Agent and Attorney-in-Fact for Annie R. Bass.

My Commission Expires:  
June 1, 1963

Joan Barnhart  
Notary Public

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

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

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

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

RATIFICATION OF AND JOINDER IN  
UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
FOR THE  
RED HILLS UNIT AREA  
LEA COUNTY, NEW MEXICO

In consideration of the execution of the Unit Agreement and the Unit Operating Agreement for the Red Hills Unit Area, Lea County, New Mexico, by The Pure Oil Company, as the Unit Operator, and other working interest owners in said area, each of which agreements is dated as of November 20, 1962, the undersigned owner or owners of lands, interests in lands, oil and gas leases, interests in leases or working interests in production located in said Red Hills Unit Area and described as subject to said agreements, hereby severally, each to the extent of his or its particular ownership or interest, consent to the inclusion of said lands or leases or other interests within the Unit Area and approve and adopt the terms of said agreements as applicable to said lands, leases or other interests, and hereby ratify, join in and adopt said agreements and all of the terms and provisions thereof as though they were original signatory parties thereto, and hereby commit said lands, leases or other interests to said agreements and hereby assume all of the rights and obligations incident thereto under said agreements, further acknowledging receipt of a copy of each of said agreements.

Date: November 23, 1962

Mary T. Muse  
Mary T. Muse

WITNESSES:

Ewell H. Muse, Jr.  
Ewell H. Muse, Jr.

Address: Suite 415, Perry Brooks Bldg.  
Austin 1, Texas

STATE OF TEXAS )  
COUNTY OF TARRANT ) ss

The foregoing instrument was acknowledged before me this 23 day of November, 1962, by Mary T. Muse and husband, Ewell H. Muse, Jr..

My Commission Expires:  
June 1, 1963

Jean Barnhart  
Notary Public

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: December 3, 1962

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

George W. Miller  
George W. Miller  
Flora L. Miller  
Flora L. Miller  
Address: P.O. Box 852  
Roswell, New Mexico

STATE OF NEW MEXICO )  
COUNTY OF CHANDLER ) ss

The foregoing instrument was acknowledged before me this 3rd day of December, 1962, by George W. Miller and Flora L. Miller, his wife,

My Commission Expires:  
April 13, 1963

Opal Brown  
Notary Public

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof, **as to Tract No. 18.**

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: 11-29-62

George H. Hunker, Jr.

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

Margaret K. Hunker

Address: P. O. Box 10  
Roswell, New Mexico

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) ss

The foregoing instrument was acknowledged before me this 29th day of November, 1962, by George H. Hunker, Jr. and Margaret K. Hunker, his wife.

My Commission Expires:  
May 10 1966

Georgia J. Pappas  
Notary Public

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

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

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

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









CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

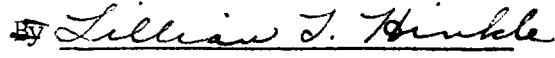
The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: November 29, 1962

  
**Clarence E. Hinkle**

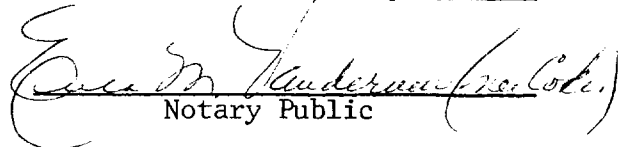
ATTEST:

By   
**Lillian T. Hinkle**  
Address: 407 N. Washington Ave.  
Roswell, New Mexico

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) ss

The foregoing instrument was acknowledged before me this 29<sup>th</sup> day of November, 1962, by Clarence E. Hinkle and wife, Lillian T. Hinkle.

My Commission Expires:  
Sept 1, 1964

  
Notary Public

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

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

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

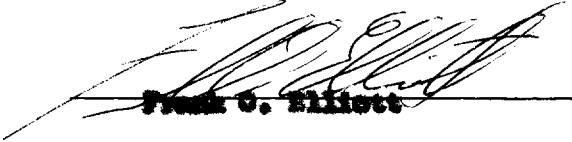
\_\_\_\_\_  
Notary Public

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: November 28, 1962

  
Frank O. Elliott

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

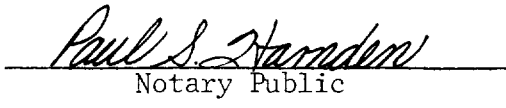
  
Elisabeth Ann Elliott

Address: P. O. Box 703  
Roswell, New Mexico

STATE OF NEW MEXICO )  
COUNTY OF CRENSHAW ) ss

The foregoing instrument was acknowledged before me this 28th day of November, 1962, by Frank O. Elliott and Elisabeth Ann Elliott, his wife

My Commission Expires:  
June 1, 1966

  
Notary Public

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: December 5, 1962

Marguerite Armitage Payne  
Marguerite Armitage Payne

ATTEST:

By \_\_\_\_\_

Address: 1400 W. Indiana  
Midland, Texas

STATE OF TEXAS )  
COUNTY OF MIDLAND ) ss

The foregoing instrument was acknowledged before me this 5th day of December, 1962, by Marguerite Armitage Payne, a widow,

My Commission Expires:  
June 1, 1963

Norma Duncan  
Norma Duncan Notary Public In and for  
Midland County, Texas

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: November 29, 1962

Pearl O. Pipkin

**Sole Devisee of Eugene H. Pipkin**

ATTEST:

By XX

Address: P.O. Box 1174

Roswell, New Mexico

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) ss

The foregoing instrument was acknowledged before me this 29th day of November, 1962, by Pearl O. Pipkin, a widow

My Commission Expires:

May 10 - 1966

Georgia J. Bippus  
Notary Public

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

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

My Commission Expires:

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

CONSENT, RATIFICATION AND JOINDER  
 RED HILLS UNIT AGREEMENT  
 LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: DECEMBER 5, 1962

*Vincent Cuccia*  
 Vincent Cuccia

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

By: *Louise Cuccia*  
 Louise Cuccia

Address: 1206 West Holt  
Ontario, California

STATE OF CALIFORNIA )  
 ) ss  
 COUNTY OF SAN BERNARDINO )

The foregoing instrument was acknowledged before me this 5TH. day of December, 1962, by Vincent Cuccia and wife, Louise Cuccia.

My Commission Expires:  
My Commission Expires June 24, 1963

*Lucile M. C. Lantz*  
 Notary Public  
 LUCILE M. C. LANTZ

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

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

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

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



CONSENT, RATIFICATION AND JOINDER  
 RED HILLS UNIT AGREEMENT  
 LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: November 4, 1962

*Green Smith*  
 \_\_\_\_\_

ATTEST:

By: *Bill Smith*  
 \_\_\_\_\_

Address: \_\_\_\_\_

STATE OF California )  
 ) ss  
 COUNTY OF Lea )

The foregoing instrument was acknowledged before me this 4<sup>th</sup> day of November, 1962, by \_\_\_\_\_.

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

*Robert H. ...*  
 Notary Public

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: 12-5-62

Hoover H. Wright

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

Betty Ruth Wright

Address: Box 2124

Santa Fe, N.M.

STATE OF NEW MEXICO )  
COUNTY OF SANTA FE ) ss

The foregoing instrument was acknowledged before me this 5th day of December, 1962, by Hoover H. Wright, and Betty Ruth Wright, his wife.

My Commission Expires:  
February 18, 1965

Eloy F. Sanchez  
Notary Public

**Eloy F. Sanchez**

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: December 1, 1962

Ernest A. Hanson

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

Beulah Irene Hanson

Address: P. O. Box 1515  
Roswell, New Mexico

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) ss

The foregoing instrument was acknowledged before me this 3rd day of December, 1962, by Ernest A. Hanson & Beulah Irene Hanson, his wife.

My Commission Expires:  
MY COMMISSION EXPIRES FEBRUARY 28 1966

Ernest A. Fodhunter  
Notary Public

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: *Ora R. Hall, Jr.*  
12-4-62

*Ora R. Hall, Jr.*

ATTEST:

*Edna Ione Hall*

Address: P.O. Box 1754

Roswell, New Mexico

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) ss

The foregoing instrument was acknowledged before me this 4th day of December, 1962, by Ora R. Hall, Jr., and Edna Ione Hall, his wife,

My Commission Expires:  
April 11, 1966

*Bernelle Godwin*  
Notary Public

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO


The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: November 29, 1962

  
Olen F. Featherstone

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

  
Martha Featherstone  
Address: Roswell Petroleum Building  
Roswell, New Mexico

STATE OF NEW MEXICO )  
COUNTY OF CHAVES ) ss

The foregoing instrument was acknowledged before me this 29 day of November, 1962, by Olen F. Featherstone & Martha Featherstone, his wife.

My Commission Expires:  
October 26, 1963

  
Notary Public

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: November 28, 1962 Donald Combs  
Donald Combs

ATTEST: \_\_\_\_\_ By \_\_\_\_\_  
Address: Midland Savings Bldg.  
Midland, Texas

STATE OF TEXAS )  
COUNTY OF MIDLAND ) ss

The foregoing instrument was acknowledged before me this 28th day of November, 1962, by Donald Combs, a single man,

My Commission Expires:  
June 1, 1963

E. Lynch  
Notary Public in and for  
Midland County, Texas

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

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

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

CONSENT, RATIFICATION AND JOINDER  
 RED HILLS UNIT AGREEMENT  
 LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: December 8, 1962

*I. E. Tapp*

I.E. Tapp, Individually and as sole heir of Allie V. Tapp, deceased  
 By \_\_\_\_\_

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

Address: 506 La Fonda Dr.

Roswell, New Mexico

STATE OF NEW MEXICO )  
 ) ss  
 COUNTY OF CHAVES )

The foregoing instrument was acknowledged before me this 8th day of December, 1962, by I. E. Tapp.

My Commission Expires:  
5/14/64

*[Signature]*  
 Notary Public

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: DECEMBER 11, 1962

Margery F. Sweetser  
Margery F. Sweetser

ATTEST:

By Kenneth Sweetser  
Kenneth Sweetser

Address: 1646 - 29th Avenue

Oakland, California

STATE OF CALIFORNIA )  
COUNTY OF ALAMEDA ) ss

The foregoing instrument was acknowledged before me this 11th day of December, 1962, by Margery F. Sweetser and Kenneth Sweetser, her husband.

My Commission Expires:  
Oct 26 - 1964

[Signature]  
Notary Public

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

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

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

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



CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: Dec. 5, 1962

[Signature]

ATTEST:

Kate R. Sena

Address: P. O. Box 33  
Santa Fe, N. M.

STATE OF NEW MEXICO )  
COUNTY OF SANTA FE ) ss

The foregoing instrument was acknowledged before me this 5th day of December, 1962, by J. D. Sena, Jr. and Kate R. Sena, his wife.

My Commission Expires:

Aug. 20, 1965

[Signature]  
Notary Public

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

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

My Commission Expires:

\_\_\_\_\_

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: DEC 3 1962

  
**JOSEPH M. JONES**


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

By Mrs Eugenie P. Jones  
MRS. EUGENIE P. JONES  
Address: 1547 Nat'l. Bank of Commerce  
New Orleans 12, Louisiana

STATE OF Louisiana )  
Parish )  
COUNTY OF Orleans ) ss

The foregoing instrument was acknowledged before me this 3rd day of December, 1962, by Joseph M. Jones and Mrs. Eugenie P. Jones, his wife.

My Commission Expires:  
at death

  
Notary Public

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: ~~December 7, 1962~~

Charles B. Read

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

By: Jean Read  
Address: P. O. Box 422

Roswell, New Mexico

STATE OF New Mexico )  
COUNTY OF Chaves ) ss

The foregoing instrument was acknowledged before me this 7th day of December, 1962, by Charles B. Read and wife, Jean Read.

My Commission Expires:  
11-10-66

Tom M. Morris  
Notary Public

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
 RED HILLS UNIT AGREEMENT  
 LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: December 1, 1962

ATTEST:

J. Phil Long  
 J. Phil Long  
 By Billye Long  
 Billye Long  
 Address: 1704 South 8th. Place.,  
Las Vegas, Nevada

STATE OF NEVADA )  
 ) ss  
 COUNTY OF CLARK )

The foregoing instrument was acknowledged before me this 1st day of December, 1962, by J. Phil Long and wife, Billye Long.

My Commission Expires:  
~~My Commission Expires~~ February 24, 1963

Lincoln M. Jordan  
 Notary Public

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

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

My Commission Expires:

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

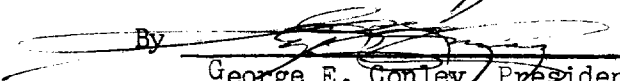
IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: 12-17-62

  
SOUTHWESTERN PETROLEUM CORPORATION

ATTEST:

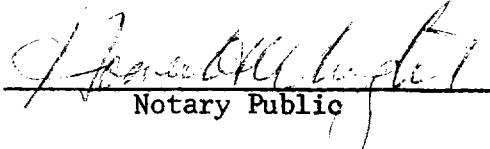
  
Secretary

By   
George E. Conley, President  
Address: University of New Mexico  
Coronado #2  
Albuquerque, New Mexico

STATE OF New Mexico )  
                                  ) ss  
COUNTY OF Bernalillo )

The foregoing instrument was acknowledged before me this 17<sup>th</sup> day of December, 1962, by George E. Conley.

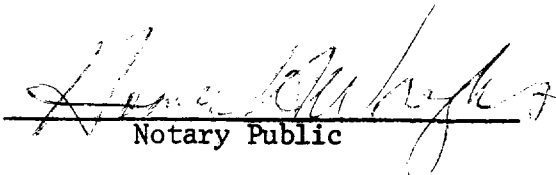
My Commission Expires:  
9-30-63

  
Notary Public

STATE OF New Mexico )  
                                  ) ss  
COUNTY OF Bernalillo )

The foregoing instrument was acknowledged before me this 17<sup>th</sup> day of December, 1962, by George E. Conley, President of Southwestern Petroleum Corporation, a Corporation, on behalf of said Corporation.

My Commission Expires:  
9-30-63

  
Notary Public

CONSENT, RATIFICATION AND JOINDER  
 RED HILLS UNIT AGREEMENT  
 LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: December 18, 1962

*Anna Z. Baetz*  
 Anna Z. Baetz

ATTEST:

By \_\_\_\_\_

Address: 617 East Euclid Avenue  
San Antonio, Texas

STATE OF TEXAS )  
 ) ss  
 COUNTY OF BEXAR )

The foregoing instrument was acknowledged before me this 18<sup>th</sup> day of DECEMBER, 1962, by Anna Z. Baetz, a single women,

My Commission Expires:  
6/1/63

*Emil P. Weillbacher Jr.*  
 Notary Public in and for  
 Bexar County, Texas

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof, insofar and only insofar as said Agreement affects the following described lands, to-wit:

Tract No. 38  
Township 25 South, Range 33 East, N.M.P.M.  
Sec. 31: Lots 3,4,E $\frac{1}{2}$ SW $\frac{1}{4}$ ,SE $\frac{1}{4}$ SE $\frac{1}{4}$   
Township 26 South, Range 33 East, N.M.P.M.  
Sec. 6: All  
Containing 838.80 acres, which lands are covered by Federal lease Serial No. NM-0128364.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: December 14, 1962

Sam H. Jolliffe, Jr.  
Sam H. Jolliffe, Jr.

Eleanor S. Jolliffe  
Eleanor S. Jolliffe  
Address: P. O. Box 1025  
Midland, Texas

Date: December 14, 1962

H. J. Rucker (H. J. Rucker)

Helen M. Rucker (Helen M. Rucker)  
Address: 408 Midland Tower Building  
Midland, Texas

STATE OF TEXAS )  
COUNTY OF MIDLAND ) ss.

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of December, 1962, by Sam H. Jolliffe, Jr. and wife, Eleanor S. Jolliffe.

My Commission Expires:  
June 1, 1963

Billie Roy  
Notary Public

STATE OF TEXAS     §  
                              :  
COUNTY OF MIDLAND §

The foregoing instrument was acknowledged before me this 14<sup>th</sup> day of December, 1962, by H. J. Rucker and wife, Helen M. Rucker.

My Commission Expires:  
June 1, 1963

Billie Roy  
Notary Public

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: Nov 14-1962

O. E. Bradley  
O. E. Bradley

ATTEST:

By Millie Bradley  
Millie Bradley  
Address: 1009 Union Center  
Irishville Kans

STATE OF Kansas )  
COUNTY OF Sedgewick ) ss

The foregoing instrument was acknowledged before me this 14 day of Nov, 1962, by O. E. Bradley and wife, Millie Bradley.

My Commission Expires:  
December 13, 1962

Jane E. [Signature]  
Notary Public

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

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

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

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



CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: November 29, 1962

Harry Dickson, Jr.  
Harry Dickson, Jr.

ATTEST:

Wilma Nell Dickson  
Wilma Nell Dickson

Address: 3730 Maple Ave.,  
Odessa, Texas.

STATE OF TEXAS )  
COUNTY OF ECTOR ) ss

The foregoing instrument was acknowledged before me this 27th day of ~~November~~ December, 1962, by Harry Dickson, Jr. and wife, Wilma Nell Dickson

My Commission Expires: 6/1/63

Jack P. Vincent  
Notary Public  
ECTOR COUNTY, TEXAS

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

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

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

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

RATIFICATION OF AND JOINDER IN  
UNIT AGREEMENT AND UNIT OPERATING AGREEMENT  
FOR THE  
RED HILLS UNIT AREA  
LEA COUNTY, NEW MEXICO

In consideration of the execution of the Unit Agreement and the Unit Operating Agreement for the Red Hills Unit Area, Lea County, New Mexico, by The Pure Oil Company, as the Unit Operator, and other working interest owners in said area, each of which agreements is dated as of November 20, 1962, the undersigned owner or owners of lands, interests in lands, oil and gas leases, interests in leases or working interests in production located in said Red Hills Unit Area and described as subject to said agreements, hereby severally, each to the extent of his or its particular ownership or interest, consent to the inclusion of said lands or leases or other interests within the Unit Area and approve and adopt the terms of said agreements as applicable to said lands, leases or other interests, and hereby ratify, join in and adopt said agreements and all of the terms and provisions thereof as though they were original signatory parties thereto, and hereby commit said lands, leases or other interests to said agreements and hereby assume all of the rights and obligations incident thereto under said agreements, further acknowledging receipt of a copy of each of said agreements.

Date: December 27, 1962

George L. Buckles  
George L. Buckles

~~###~~

Susan F. Buckles  
Susan F. Buckles

Address: P. O. Box 56  
Monahans, Texas

STATE OF Texas )  
COUNTY OF Ward ) ss

The foregoing instrument was acknowledged before me this 27th day of December, 1962, by George L. Buckles and wife Susan F. Buckles.

My Commission Expires:  
June 1, 1963

Barbara Rhodes  
Notary Public

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

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

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

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

CONSENT, RATIFICATION AND JOINDER  
RED HILLS UNIT AGREEMENT  
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Red Hills Unit Area embracing lands situated in Lea County, New Mexico, which said Agreement is dated as of November 20, 1962, and acknowledges that the undersigned has read the same and is familiar with the terms and conditions thereof. The undersigned also being the owner of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area, as indicated on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of said interest to the Red Hills Unit Agreement and does hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in the respective acknowledgments.

Date: January 14, 1963

*D. Miller*  
D. Miller

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

By \_\_\_\_\_

Address: P. O. Box 728  
Boulder City, Nevada

STATE OF Nevada )  
COUNTY OF Clark ) ss

The foregoing instrument was acknowledged before me this 14 day of December, 1962, by D. Miller, a single man.

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

MY COMMISSION EXPIRES  
SEPTEMBER 28, 1963

*Don W. Street*  
Notary Public

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

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

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

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

# UNIT OPERATING AGREEMENT

RED HILLS                      UNIT AREA

COUNTY OF            LEA

STATE OF             NEW MEXICO

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**EXHIBITS**

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Exhibit 3—Initial Test Well (referred to in Sections 1.13, 2.1, 3.1, 3.2 and 18.2B).
Exhibit 4—Part 1—Drilling of Exploratory Wells (referred to in Sections 9.2, 11.2, 11.7 and 13.7D). Part 2—Attempted Completion, Deepening, Plugging Back and Abandonment (referred to in Section 11.1).
Exhibit 5—Insurance (referred to in Sections 16.2A and 16.2C).
Exhibit 6—Oil and Gas Lease (referred to in Sections 19.1 and 19.2).

## UNIT OPERATING AGREEMENT

RED HILLS UNIT AREA

STATE OF NEW MEXICO

COUNTY OF LEA

THIS AGREEMENT made as of the 20th day of November, 1962, by and among the parties who execute or ratify this agreement or a counterpart hereof,

### WITNESSETH:

WHEREAS, the Parties have entered into that certain UNIT AGREEMENT FOR THE DEVELOPMENT AND OPERATION OF THE RED HILLS UNIT AREA, County of Lea, State of New Mexico, dated as of the 20th day of November, 1962, and hereinafter referred to as the "Unit Agreement", covering the lands described in Exhibit 1, hereto attached, which lands are referred to in the Unit Agreement and in this agreement as the "Unit Area";

WHEREAS, the Parties enter into this agreement pursuant to Section 7 of the Unit Agreement, NOW, THEREFORE, in consideration of the mutual agreements herein set forth, it is agreed as follows:

### ARTICLE 1 DEFINITIONS

1.1 **Unit Agreement Definitions.** The definitions contained in the Unit Agreement are adopted for all purposes of this agreement. In addition, each term listed below shall have the meaning stated therefor, whenever used in this agreement.

1.2 "Unit Operator" means THE PURE OIL COMPANY and its successors, as the Unit Operator designated in accordance with the Unit Agreement, acting in that capacity and not as an owner of Working Interest.

1.3 "Party" means a party to this agreement, including the Party acting as Unit Operator when acting as an owner of Working Interest.

1.4 "Costs" means all costs and expenses incurred in the development and operation of the Unit Area pursuant to this agreement or the Unit Agreement and all other expenses that are herein made chargeable as Costs, determined in accordance with the accounting procedure set forth in Exhibit 2 attached hereto, which shall govern in all matters covered thereby, except that in event of inconsistency between said accounting procedure and this agreement, this agreement shall control.

1.5 "Committed Working Interest" means a Working Interest which is shown on Exhibit B to the Unit Agreement as owned by a Party and which is committed to the Unit Agreement. Whenever reference is made to a Party "in" or "within" the Unit Area, a participating area, or other area designated pursuant to this agreement, such reference shall mean a Party owning a Committed Working Interest in lands within such area.

1.6 "Acreage Basis", when used to describe the basis of participation by the Parties within the Unit Area, a participating area, or other area designated pursuant to this agreement in voting, Costs, or Production, means participation by each such Party in the proportion that the acreage of its Committed Working Interests in such area bears to the total acreage of the Committed Working Interests of all such Parties therein. For the purposes of this definition, (a) the acreage of the working interest in a tract within the Unit Area shall be the acreage of such tract as set forth in Exhibit B to the Unit Agreement, and (b) if there are two or more undivided working interests in a tract, there shall be apportioned to each such working interest that proportion of the acreage of the tract that such working interest bears to the entire working interest in the tract.

1.7 "Production" means all Unitized Substances produced and saved from the Unit Area except so much thereof as is used in the conduct of operations under the Unit Agreement and this agreement.

1.8 "Lease Burdens" means the royalty reserved to the lessor in an oil and gas lease, an overriding royalty, a production payment and any similar burden, but does not include a carried working interest, a net profits interest or any other interest which is payable out of profits.

1.9 "Drilling Party" means the Party or Parties obligated to bear the Costs incurred in Drilling, Deepening or Plugging Back a well in accordance with this agreement at the commencement of such operation.

1.10 "Non-Drilling Party" means a Party who has had the optional right to participate in the Drilling, Deepening or Plugging Back of a well and who has elected not to participate therein.

1.11 "Drill" means to perform all operations reasonably necessary and incident to the Drilling of a well, including preparation of roads and drill site, testing, and, if productive of Unitized Substances, completing and equipping for production, including flow lines, treaters, separators and tankage, or plugging and abandoning, if dry.

1.12 "Deepen or Plug Back" means to perform all operations reasonably necessary and incident to Deepening or Plugging Back a well, testing, and, if productive of Unitized Substances, completing or recompleting and equipping for production, including flow lines, treaters, separators and tankage, or plugging and abandoning, if dry.

1.13 "Initial Test Well" means a test well specifically provided for in Section 9 of the Unit Agreement and described in Exhibit 3 attached hereto.

1.14 "Subsequent Test Well" means a test well Drilled after the Drilling of the Initial Test Well or Wells, and before discovery of Unitized Substances in paying quantities in the Unit Area.

1.15 "Development Well" means a well Drilled within a participating area and projected to the pool or zone for which the participating area was established.

1.16 "Exploratory Well" means a well other than a Development Well Drilled after discovery of Unitized Substances in paying quantities in the Unit Area.

1.17 "Approval of the Parties" or "Direction of the Parties" mean an approval, authorization or direction which receives the affirmative vote specified in Section 14.2 of the Parties entitled to vote on the giving of such Approval or Direction.

1.18 "Salvage Value" of a well means the value of the materials and equipment in or appurtenant to the well determined in accordance with Exhibit 2, less the reasonably estimated Costs of salvaging the same and plugging the well.

1.19 Each Party is herein referred to by the neuter pronoun "it".

### ARTICLE 2

#### NO LIABILITY FOR DRILLING, DEEPENING OR PLUGGING BACK WELLS WITHOUT CONSENT

2.1 **No Liability Without Consent.** No party shall be liable without its consent for any portion of the Costs of Drilling, Deepening or Plugging Back a well except as provided in Section 10.4 with respect to Required Wells, and except as provided in Article 13 dealing with Investment Adjustment. Nothing herein shall be construed to relieve a Party of any obligation assumed by it pursuant to Exhibit 3 to participate in the Costs of the Initial Test Well.

### ARTICLE 3

#### INITIAL TEST WELL

3.1 **Location.** Unit Operator shall begin to Drill the Initial Test Well within the time required by Section 9 of the Unit Agreement or any extension thereof at the location specified in Exhibit 3 attached hereto.

3.2 **Costs of Drilling.** Subject to the Investment Adjustment provisions of Article 13 the Costs of Drilling the Initial Test Well shall be shared by the Parties in the manner and in the proportions specified in said Exhibit 3.

ARTICLE 4  
SUBSEQUENT TEST WELLS

4.1 Right to Drill. The Drilling of any Subsequent Test Well shall be on such terms and conditions as the Parties shall agree; provided, however, that in the absence of agreement, such wells may be Drilled under the provisions of Article 9 dealing with Exploratory Wells.

ARTICLE 5  
ESTABLISHMENT, REVISION AND CONSOLIDATION OF PARTICIPATING AREAS

5.1 Proposal. Unit Operator shall initiate each proposal for the establishment or revision of a participating area by submitting the proposal in writing to each Party at least 30 days before filing the same with the Director. The date of proposed filing must be shown on the proposal. If the proposal receives the Approval of the Parties within the ~~Unit proposed participating Area~~, then such proposal shall be filed on the date specified in the notice.

5.2 Objections to Proposal. Prior to the proposed filing date any Party may submit to all other Parties written objections to such proposal. If, despite such objections, the proposal receives the Approval of the Parties within the ~~Unit proposed participating Area~~, then the Party making the objections may renew the same before the Director.

5.3 Revised Proposal. If the proposal does not receive the Approval of the Parties within the ~~proposed participating Unit Area~~, then Unit Operator shall submit a revised proposal taking into account the objections made to the first proposal. If no proposal receives the Approval of the Parties within 60 days from the submission of the first proposal, then Unit Operator shall file with the Director a proposal reflecting as nearly as practicable the various views expressed by the Parties.

5.4 Rejection by Director. If a proposal filed by Unit Operator, as above provided, is rejected by the Director, Unit Operator shall initiate a new proposal in the same manner as provided in Section 5.1, and the procedure with respect thereto shall be the same as in the case of an initial proposal.

5.5 Consolidation. Two or more participating areas may be combined as provided in the Unit Agreement.

ARTICLE 6

APPORTIONMENT OF COSTS AND OWNERSHIP AND DISPOSITION OF PRODUCTION AND PROPERTY

6.1 Apportionment and Ownership Within Participating Area. Except as otherwise provided in Article 8 dealing with Development Wells, Part 1 of Exhibit 4 dealing with Exploratory Wells, and Part 2 of Exhibit 4 dealing with Attempted Completion, Deepening and Plugging Back:

A. Costs. All Costs incurred in the development and operation of a participating area for or in connection with production of Unitized Substances from any pool or zone for which such participating area is established shall be borne by the Parties within such participating area on an Acreage Basis determined as of the time such Costs are incurred.

B. Production. All Production from a participating area shall be allocated in accordance with the Unit Agreement to the tracts of land within such participating area. That portion of such Production which is allocated to any such tract shall be owned by the Party or Parties having Committed Working Interest or Interests therein in the same manner and subject to the same conditions as if actually produced from such tract through a well thereon, and as if this agreement and the Unit Agreement had not been executed.

C. Property. All materials, equipment and other property, whether real or personal, the cost of which is chargeable as Costs and which have been acquired in connection with the development or operation of a participating area shall be owned by the Parties within such participating area on an Acreage Basis.

6.2 Ownership and Costs Outside Participating Area. If a well completed as a producer is not included within a participating area, such well, the Production therefrom, and the materials and equipment therein or appurtenant thereto shall be owned by the Party or Parties who constituted the Drilling Party for such well, and all Costs incurred in the operation of the well shall be charged to and borne by such Party or Parties, and all Lease Burdens payable in respect of Production from the well shall be borne and paid by such Party or Parties. If the Drilling Party comprises two or more Parties, apportionment among them of ownership, Costs and Lease Burdens shall be in the same proportions that they bore the Costs incurred in Drilling the well. (See modification hereof contained in Section 37.1)

6.3 Taking in Kind. Each Party shall currently as produced take in kind or separately dispose of its share of Production and pay Unit Operator for any extra expenditure necessitated thereby. Except as otherwise provided in Section 15.5 dealing with Liens, each Party shall be entitled to receive directly payment for its proportionate share of the proceeds from the sale of its share of Production, and on all purchases or sales each Party shall execute any division order or contract of sale pertaining to its interest.

6.4 Failure to Take in Kind. If any Party fails so to take or dispose of its share, Unit Operator shall have the right for the time being and subject to revocation at will by the Party owning same to purchase for its own account or sell to others such share at not less than the market price prevailing in the area and not less than the price Unit Operator receives for its share of Production, subject to the right of such Party to exercise at any time its right to take in kind or separately dispose of its own share of Production not previously taken by Unit Operator or delivered to others pursuant to this Section 6.4. (See (\*) below)

6.5 Surplus Materials and Equipment. Materials and equipment acquired by the Parties, or any of them pursuant to this agreement, may be classified as surplus by Unit Operator when deemed by it to be no longer needed in operations hereunder, by giving to each Party owning an interest therein written notice thereof. Such surplus materials and equipment shall be disposed of as follows:

A. Each Party owning an interest therein shall have the right to take in kind its share of surplus tubular goods and other surplus items which are susceptible of division in kind, by written notice given to Unit Operator within thirty (30) days after classification thereof as surplus, except that such right shall not apply to junk or to any item (other than tubular goods) having a replacement cost less than one thousand dollars (\$1,000).

B. Surplus materials and equipment not divided in kind (other than junk and any item other than tubular goods having a replacement cost of less than one thousand dollars (\$1,000)) shall be offered to the Parties owning interests therein and sold to the highest bidder or bidders.

C. Surplus materials and equipment not disposed of in accordance with the preceding provisions of this section shall be disposed of by Unit Operator for the best prices obtainable.

ARTICLE 7

PLANS OF DEVELOPMENT

7.1 Wells and Projects Included. Each plan for the development and operation of the Unit Area which is submitted by Unit Operator to the Supervisor in accordance with the Unit Agreement shall make provision only for such Drilling, Deepening and Plugging Back operations and such other projects as Unit Operator has been authorized to conduct by the Parties chargeable with the Costs incurred therein.

7.2 Notice of Proposed Plan. At least 30 days before submitting any such proposed plan to the Supervisor, Unit Operator shall give each Party written notice thereof, together with a copy of the proposed plan.

7.3 Notice of Approval or Disapproval. If and when a proposed plan has been approved or disapproved by the Supervisor, Unit Operator shall give prompt written notice thereof to each Party. In the case of disapproval, Unit Operator shall state in such notice the reasons therefor.

7.4 Amendments. If any Party or Parties shall have elected to proceed with Drilling, Deepening or Plugging Back operation in accordance with the provisions of this agreement, and such operation is not provided for in the then current plan of development as approved by the Supervisor, Unit Operator shall either (a) request the Supervisor to approve an amendment to such plan which will provide for the conduct of such operation, or (b) request the Supervisor to consent to such operation, if his consent is sufficient.

7.5 Cessation of Operations Under Plan. If any such plan as approved by the Supervisor provides for the cessation of any Drilling or other operations therein provided for on the happening of a contingency and if such contingency occurs, Unit Operator shall promptly cease such Drilling or other operations and shall not incur any additional Costs in connection therewith unless and until such Drilling or other operations are again authorized in accordance with this agreement by the Parties chargeable with such Costs.

(\*) Notwithstanding the provisions of Section 6.4, Unit Operator shall not make a sale into interstate commerce of any Party's share of gas produced and saved without such Party's written consent.



## ARTICLE 8 DRILLING OF DEVELOPMENT WELLS

8.1 **Purpose and Procedure.** It is the purpose of this Article to set forth the procedure for Drilling a Development Well otherwise than by the written consent of all Parties within the participating area involved. The Drilling of a Development Well pursuant to the procedure herein set forth shall, however, be subject to such Drilling receiving the Approval of the Parties, unless the Drilling of the proposed well is necessary to prevent the loss of Committed Working Interest in the tract of land on which the proposed well is to be Drilled. Vote by any Party in favor of Approval of the Drilling of any such well shall not, however, be deemed an election by such Party to participate in the Costs thereof, but will mean only that such Party considers the Drilling of the well consistent with the ordinary development of the participating area involved and has no objection to the Drilling thereof.

8.2 **Notice of Proposed Drilling.** Subject to the provisions of Section 8.1, any Party within a participating area may propose the Drilling of a Development Well therein by giving to each of the other Parties within the participating area written notice specifying the location, depth and estimated cost of the proposed well, which location shall conform to any applicable spacing pattern theretofore adopted or then being followed, or an authorized exception thereto.

8.3 **Response to Notice.** Within thirty (30) days after receipt of such notice, each Party within such participating area shall advise all other Parties therein, in writing, whether or not it wishes to participate in Drilling the proposed well. If all the Parties within such participating area so advise that they wish to participate therein, the proposed well shall be Drilled by Unit Operator for the account of all the Parties within the participating area. If any Party fails to respond to such notice within said thirty (30) day period, it shall be deemed to have elected not to participate in Drilling the proposed well.

8.4 **Notice of Election to Drill.** Unless all Parties within the participating area agree to participate in response to said notice, then within fifteen (15) days after expiration of said period of thirty (30) days, each Party within the participating area who then desires to have the proposed well Drilled shall give to all other Parties within the participating area written notice of election to proceed with the Drilling of said well. Failure to give such notice shall be deemed an election not to participate in Drilling said well.

8.5 **Effect of Election to Drill.** If one or more, but not all of the Parties within the participating area so elect to proceed, Unit Operator shall Drill the well for the account of such Party or Parties, who shall constitute the Drilling Party.

8.6 **Subsequent Election.** If election to Drill the proposed well is made, any Party within the participating area who has not previously elected to participate therein may do so by written notice given to all other Parties within the participating area at any time before operations for Drilling the well are commenced, in which event such Party shall be included in the Drilling Party. However, such Party shall be bound by any and all Directions and Approvals theretofore given by the Drilling Party concerning the Drilling of the well.

8.7 **Rights and Obligations of Drilling Party and Non-Drilling Parties.** Whenever a Development Well is Drilled otherwise than for the account of all Parties within the participating area involved, the provisions of Article 12 dealing with Rights and Obligations of Drilling Party and Non-Drilling Parties shall be applicable.

## ARTICLE 9 EXPLORATORY WELLS

9.1 **Procedure for Drilling.** The Drilling of Exploratory Wells shall be governed by the provisions of Part 1 of Exhibit 4 hereto attached and made a part hereof.

## ARTICLE 10 REQUIRED WELLS

10.1 **Definition.** For the purpose of this Article a well shall be deemed a required well if the Drilling thereof is required by the final order of an authorized representative of the Department of Interior <sup>or the State of New Mexico.</sup> Such an order shall be deemed final upon expiration of the time allowed for appeal therefrom without the commencement of appropriate appeal proceedings or, if such proceedings are commenced within said time, upon the final disposition of the appeal. Whenever Unit Operator receives any such order, it shall promptly mail a copy thereof to each of the other Parties; if any such order is appealed, the Party appealing shall give prompt written notice thereof to each of the other Parties, and upon final disposition of the appeal, Unit Operator shall give each of the other Parties prompt written notice of the result thereof.

10.2 **Election to Drill.** Any Party desiring to Drill, or participate in the Drilling of, a required well shall give to Unit Operator written notice thereof within thirty (30) days after the order requiring such well becomes final or within such lesser time as may be required by such order. If such notice is given within said period, Unit Operator shall Drill the required well for the account of the Party or Parties giving such notice, who shall bear all Costs incurred therein, provided, however, that if the Required Well is a Development Well it shall not be drilled unless it receives the Approval of the Parties. The rights and obligations of such Party or Parties with respect to the ownership of such well, the operating rights therein, the Production therefrom and the bearing of Costs incurred therein shall be the same as if the well had been Drilled for the account of such Party or Parties under Article 8 dealing with Development Wells, if the same is a Development Well, or Article 9 dealing with Exploratory Wells, if the same is an Exploratory Well or a Subsequent Test Well.

10.3 **Alternatives to Drilling.** If no Party elects to Drill a required well within the period allowed for such election, and if any of the following alternatives is available, the first such alternative which is available shall be followed:

A. **Compensatory Royalties.** If compensatory royalties may be paid in lieu of Drilling the well and if payment thereof receives, within said period, the Approval of the Parties who would be chargeable with the Costs incurred in Drilling the well, if the well were Drilled as provided in Section 10.4, Unit Operator shall pay such compensatory royalties for the account of said Parties; or

B. **Contraction.** If the Drilling of the well may be avoided, without other penalty, by contraction of the Unit Area, Unit Operator shall make reasonable effort to effect such contraction with the approval of the Director; or

C. **Termination.** If the required well is a Subsequent Test Well, the Parties shall join in termination of the Unit Agreement in accordance with its provisions.

10.4 **Required Drilling.** If none of the foregoing alternatives is available, Unit Operator shall Drill the required well under whichever of the following provisions is applicable:

A. **Development Well.** If the required well is a Development Well, it shall be Drilled by Unit Operator for the account of all Parties within the participating area in which the well is Drilled; or

B. **Exploratory Well.** If the required well is an Exploratory Well, it shall be Drilled by Unit Operator for the account of the Party or Parties who would be obligated to bear the Costs thereof in accordance with Part 1 of Exhibit 4.

## ARTICLE 11 ATTEMPTED COMPLETION, DEEPENING, PLUGGING BACK AND ABANDONMENT

11.1 **Procedure.** The attempted completion, Deepening, or Plugging Back of any well not completed as a producer, the abandonment of a producing well and the Deepening or Plugging Back of any well abandoned in the stratum in which it was completed as a producer, shall be governed by the provisions of Part 2 of Exhibit 4 hereto attached and made a part hereof.

## ARTICLE 12 RIGHTS AND OBLIGATIONS OF DRILLING PARTY AND NON-DRILLING PARTY

12.1 **Scope of Article.** Subject to such contrary or inconsistent provisions, if any, as are contained in Exhibit 4, the rights and obligations of the Drilling Party and Non-Drilling Party in respect of a well which is Drilled, Deepened, Plugged Back or completed otherwise than for the account of all Parties entitled to participate therein, shall be governed by the succeeding provisions of this article.

12.2 **Relinquishment of Interest by Non-Drilling Party.** When a well is Drilled, Deepened, Plugged Back or completed otherwise than for the account of all Parties entitled to participate therein, each Non-Drilling Party shall be deemed to have relinquished to the Drilling Party all of its operating rights and working interest in and to such well. In the case of a Deepening or Plugging Back, if a Non-Drilling Party owned an interest in the well immediately prior to the Deepening or Plugging Back, the Drilling Party shall pay to such Non-Drilling Party its share of the Salvage Value of the well, such payment to be made at the time the well is taken over by the Drilling Party for Deepening or Plugging Back.

12.3 Reversion of Relinquished Interest. If the well is completed as a producer of Unitized Substances, and if the well is a Development Well, or results in the establishment or enlargement of a participating area to include such well, then the operating rights and working interest relinquished by a Non-Drilling Party shall revert to it at such time as the proceeds or market value of that portion of the Production obtained from the well after such relinquishment which is allocated to the acreage of such Non-Drilling Party in the participating area involved (after deducting from such proceeds or market value all Lease Burdens and all taxes upon or measured by Production that are payable up to such time on said portion of the Production from such well) shall equal the total of the following:

A. 100% of that portion of the Costs incurred in operating the well after such relinquishment, and up to such time, that would have been charged to such Non-Drilling Party if the well had been Drilled, Deepened, Plugged Back or completed for the account of all Parties entitled to participate therein.

B. 200% of that portion of the Costs incurred in Drilling, Deepening, Plugging Back or completing the well that would have been charged to such Non-Drilling Party if the well had been Drilled, Deepened, Plugged Back or completed for the account of all Parties entitled to participate therein, adjusted, however, to reflect any reduction in cost resulting from any enlargement of the participating area. However, if a Deepening or Plugging Back is involved (1) any payment made to such Non-Drilling Party as its share of the Salvage Value of the well in accordance with Section 12.2 shall be added to and deemed part of the Costs incurred in operating the well, for the purposes of Subdivision A above, and (2) if such Non-Drilling Party did not participate in the initial Drilling of the well, but the Drilling Party did participate therein, and if the interest relinquished by such Non-Drilling Party upon the initial Drilling of the well had not reverted to it before such Deepening or Plugging Back, then, for the purposes of Subdivision B above, there shall be added to and deemed part of the Costs incurred in the Deepening or Plugging Back, the then unrecovered portion of the Costs incurred in the initial Drilling of the well down to the pool or zone in which such well is completed as a producer.

12.4 Effect of Reversion. From and after reversion to a Non-Drilling Party of its relinquished interest in a well, such Non-Drilling Party shall share, on an Acreage Basis in the ownership of the well, the operating rights and working interest therein, the materials and equipment in or pertaining to the well, the Production therefrom and the Costs of operating the well.

12.5 Rights and Obligations of Drilling Party. The Drilling Party for whom a well is Drilled, Deepened, Plugged Back or completed shall pay and bear all Costs incurred therein, and shall own the well, the materials and equipment in the well or pertaining thereto, and the production therefrom, subject to reversion to each Non-Drilling Party of its relinquished interest in the well. If the well is a Development Well, or results in the establishment or enlargement of a participating area to include the well, then, until reversion to a Non-Drilling Party of its relinquished interest, the Drilling Party shall pay and bear (a) that portion of the costs incurred in operating the well that otherwise would be chargeable to such Non-Drilling Party, and (b) all Lease Burdens that are payable in respect of that portion of the Production from such well which is allocated to the acreage of such Non-Drilling Party. If the Drilling Party includes two (2) or more Parties, the burdens imposed upon and the benefits accruing to the Drilling Party shall be shared by such Parties on an Acreage Basis among themselves.

#### ARTICLE 13

##### ADJUSTMENT ON ESTABLISHMENT OR CHANGE OF PARTICIPATING AREA

13.1 When Adjustment Made. Whenever, in accordance with the Unit Agreement, a participating area is established or revised by contraction or enlargement, and whenever two or more participating areas are combined (the participating area resulting from such establishment, revision or combination being hereinafter referred to as a "resulting area") an adjustment shall be made in accordance with the succeeding provisions of this Article 13, as of the date on which the establishment, revision or combination that creates such resulting area becomes effective, such date being hereinafter referred to as the "effective date" of such resulting area.

13.2 Definitions. As used in this Article 13:

A. "Useable well" within a resulting area means a well which is either (1) completed in and capable of producing unitized substances from a pool or zone for which such resulting area is created, or (2) used as a disposal well, injection well or otherwise, in connection with the production of Unitized Substances from such resulting area.

B. "Intangible value" of a useable well within a resulting area means the amount of Costs incurred in Drilling such well, or Deepening it, down to the deepest pool or zone for which such resulting area is created, and which contribute to the Production of Unitized Substances therefrom and which are properly classified as intangible costs in conformity with accounting practices generally accepted in the industry, reduced at the following rates for each month during any part of which such well has been operated prior to the effective date of such resulting area:

(1) One-half of one per cent (.....0.5.....%) per month for a cumulative total of .....150.....months, and

(2) Zero.....per cent (.....0.....%) per month for each month in excess of said cumulative total.

C. "Tangible property" serving a resulting area means any kind of tangible property (whether or not in or pertaining to a well) which has been acquired for use in or in connection with the Production of Unitized Substances from such resulting area or any portion thereof, and the cost of which has been charged as Costs pursuant to this agreement.

D. "Value" of tangible property means the amount of Costs incurred therefor, including Costs incurred in the construction or installation thereof (excepting installation costs properly classified as part of the intangible costs incurred in connection with a well) reduced, in the case of tangible property which is generally regarded as depreciable, at such reasonable rates of depreciation as receive the Approval of the Parties within such resulting area, for the period of time between the acquisition date thereof and the effective date of such resulting area.

13.3 Method of Adjustment on Establishment or Enlargement. As promptly as reasonably possible after the effective date of a resulting area created by establishment or enlargement of a participating area, and as of such effective date an adjustment shall be made in accordance with the following provisions except to the extent otherwise specified in Section 13.6.

A. The intangible value of each useable well within such resulting area on the effective date thereof shall be credited to the Party or Parties who own such well immediately prior to such effective date, in proportion to their respective interests in such well immediately prior to such effective date. The total amount so credited as the intangible value of useable wells shall be charged to all parties within the resulting area on an Acreage Basis.

B. The value of each item of tangible property serving the resulting area on the effective date thereof shall be credited to the Party or Parties who own such item immediately prior to such effective date, in proportion to their respective interests in such item immediately prior to such effective date. The total amount so credited as the value of tangible property shall be charged to all Parties within the resulting area on an Acreage Basis.

C. If a resulting area, on the effective date thereof, is served by any tangible property or useable well, which also serves another participating area or other participating areas, the value of such tangible property and useable well (including intangible value thereof) shall be determined in accordance with Subdivision D of Section 13.2, and such value may be fairly apportioned between such resulting area and such other participating area or areas, provided that such apportionment receives Approval of the Parties in each participating area concerned. That portion of the value of such tangible property and useable well (including intangible value thereof) which is so apportioned to the resulting area shall be included in the adjustment made as of the effective date of such resulting area in the same manner as the value of tangible property serving only the resulting area.

D. The credits and charges above provided for shall be made by Unit Operator, in such manner that an adjustment shall be made for the intangible value of useable wells separate and apart from an adjustment for the value of tangible property. On each such adjustment, each Party who is charged an amount in excess of the amount credited to it, shall pay to Unit Operator the amount of such excess, which shall be considered as Costs chargeable to such Party for all purposes of this agreement, and such amount, when received by Unit Operator, shall be distributed or credited to the Parties who, in such adjustment, are credited with amounts in excess of the amounts charged to them respectively.

13.4 Method of Adjustment on Contraction. As promptly as reasonably possible after the effective date of any contraction of a participating area, an adjustment shall be made with each Party owning a Committed Working Interest in land excluded from the participating area by such contraction (such Committed Working Interest being hereinafter in this section referred to as "excluded interest") in accordance with the following provisions:

A. An adjustment for intangibles shall be made in accordance with Subdivision B hereof and a separate adjustment for tangibles shall be made in accordance with Subdivision C hereof.

B. Such party shall be credited with the sum of (1) the total amount theretofore charged against such Party in respect of its excluded interest in accordance with the accounting procedure set forth in Exhibit 2 as intangible Costs incurred in the development and operation of the participating area prior to the effective date of such contraction, plus (2) the total amount charged against such Party in respect of such excluded interest as intangible value of useable wells in any previous adjustment or adjustments made upon the establishment or revision of such participating area. Such Party shall be charged with the sum of (1) the market value of that portion of the Production from such participating area which, prior to the effective date of such contraction, is delivered to such Party in respect of such excluded interest, less the amount of Lease Burdens and taxes paid or payable on said portion, and (2) the total amount credited to such Party in respect of such excluded interest as intangible value of useable wells, in any previous adjustment or adjustments made upon the establishment or revision of such participating area. Any difference between the amount of said credit and the amount of said charge shall be adjusted as hereinafter provided.

C. Such Party shall be credited with the sum of (1) the total amount theretofore charged against such Party in respect of its excluded interest, in accordance with the accounting procedure set forth in Exhibit 2, as Costs other than intangible Costs incurred in the development and operation of the participating area prior to the effective date of such contraction, plus (2) the total amount charged against such Party in respect of its excluded interest as value of tangible property in any previous adjustment or adjustments made upon the establishment or revision of such participating area, plus (3) the excess, if any, of the credit provided for in Subdivision B of this Section over the charge provided for in said Subdivision B. Such Party shall be charged with the sum of (1) the excess, if any, of the charge provided for said Subdivision B, over the credit therein provided for, plus (2) the total amount credited to such Party in respect of its excluded interest as value of tangible property in any previous adjustment or adjustments made upon the establishment or revision of such participating area.

D. If the charge provided for in Subdivision C of this Section is equal to or greater than the credit therein provided for, no adjustment shall be made with such Party. However, if the credit provided for in said Subdivision C is in excess of the charge therein provided for, such excess shall be charged on an Acreage Basis against the Parties who remain in the participating area after such contraction, and shall be paid by said Parties to Unit Operator upon receipt of invoices therefor. Such payments, when received by Unit Operator, shall be paid by it to the Party owning such excluded interest.

13.5 Ownership of Wells and Tangible Property. From and after the effective date of a resulting area, all useable wells within such resulting area and all tangible property serving such resulting area shall be owned by the Parties within such area on an Acreage Basis, except that (a) in the case of tangible property serving a participating area or participating areas in addition to the resulting area, only that undivided interest therein which is proportionate to that portion of the value thereof which is included in the adjustment above provided for shall be owned by the parties within the resulting area on an Acreage Basis, and (b) if a Party within the resulting area was a Non-Drilling Party for a well which is a useable well within such resulting area on the effective date thereof, and if the relinquished interest of such Non-Drilling Party in such well has not reverted to it prior to such effective date, the Drilling Party for such well shall own the interest therein that would otherwise be owned by such Non-Drilling Party, until reversion to such Non-Drilling Party of its relinquished interest in such well.

13.6 Relinquished Interests of Non-Drilling Parties. If the interest relinquished by a Non-Drilling Party in a well which is a useable well within a resulting area on the effective date thereof has not reverted to it prior to such effective date then insofar, and only insofar, as relates to such well, the adjustments provided for in Section 13.3 shall be subject to the following provisions, wherein the sum of the intangible value of such well, plus the value of the tangible property in or pertaining thereto, is referred to as the "value" of such well:

A. The Drilling Party for such well shall be charged with that part of the value of the well that would otherwise be chargeable to such Non-Drilling Party in respect of (1) such Non-Drilling Party's Committed Working Interest or Interests in the participating area in which the well was Drilled, as such participating area existed when the Drilling of the well was commenced, if the well was Drilled as a Development Well, or (2) the Committed Working Interest or Interests of such Non-Drilling Party which entitled it to participate in the Drilling, Deepening, Plugging Back, or Completion of the well, if it was Drilled, Deepened, Plugged Back or Completed, otherwise than as a Development Well. However, such Non-Drilling Party shall be charged with such part, if any, of the value of such well as is chargeable to it, in accordance with Subdivisions A and B or Section 13.3, in respect of its Committed Working Interests other than those referred to in (1) or (2) above.

B. If that part of the value of such well which would have been credited to such Non-Drilling Party, if the well had been Drilled, Deepened, Plugged Back or Completed for the account of all Parties entitled to participate therein, exceeds the amount provided in Subdivision A above to be charged against the Drilling Party, such excess shall be applied against the reimbursement to which the Drilling Party is entitled out of Production that would otherwise accrue to such Non-Drilling Party. Any balance of such excess over the amount necessary to complete such reimbursement shall be credited to such Non-Drilling Party.

#### ARTICLE 14

##### SUPERVISION OF OPERATIONS BY PARTIES

14.1 Right of Supervision. Each operation conducted by Unit Operator under this agreement or the Unit Agreement shall be subject to supervision and control in accordance with the succeeding provisions of this article by the Parties who are chargeable with the Costs thereof, ~~except as otherwise specifically provided in Article 5.~~

14.2 Voting Control. In the supervision of an operation conducted by Unit Operator, the Parties chargeable with the Costs of such operation shall have the right to vote thereon in proportion to their respective obligations for such Costs. The Parties having the right to vote on any other matter shall vote thereon on an Acreage Basis. Except as provided in the Unit Agreement and except as otherwise specified herein (particular reference being made to Section 25.1, Consent Required to Commence Secondary Recovery and Pressure Maintenance; Section 27.1, Surrender or Release Within Participating Area, and that portion of Part 2, Exhibit 4 relating to Abandonment of producing wells outside of a participating area), the affirmative vote of Parties having ~~sixty-five~~ <sup>sixty-five</sup> per cent (~~65~~ <sup>65</sup>%) or more of the voting power on any matter which is proper for action by them shall be binding on all Parties entitled to vote thereon; provided, however, that if one Party voting in the affirmative has ~~sixty-five~~ <sup>sixty-five</sup> per cent (~~65~~ <sup>65</sup>%) or more but less than ~~seventy-five~~ <sup>seventy-five</sup> per cent (~~75~~ <sup>75</sup>%) of the voting power, the affirmative vote of such Party shall not be binding on the Parties entitled to vote thereon unless its vote is supported by the affirmative vote of at least ~~one~~ <sup>one</sup> additional Party; and provided further, that if one Party voting in the negative or failing to vote has more than ~~thirty-five~~ <sup>thirty-five</sup> per cent (~~35~~ <sup>35</sup>%) but less than fifty per cent (50%) of the voting power, the affirmative vote of the Parties having a majority of the voting power shall be binding on all Parties entitled to vote unless there is a negative vote of at least ~~one~~ <sup>one</sup> additional Party. In the event only two Parties are entitled to vote, the vote of the one with the greater interest shall prevail. If only one Party is entitled to vote, such Party's vote shall control. A Party failing to vote shall not be deemed to have voted either in the affirmative or negative. Any Approval or Direction provided for in this agreement which receives the affirmative vote above specified shall be deemed given by and shall be binding on all Parties entitled to vote thereon, except where the vote of a larger percentage is specifically required.

14.3 Meetings. Any matter which is proper for consideration by the Parties or any of them, may be considered at a meeting held for that purpose. A meeting may be called by Unit Operator at any time and a meeting shall be called by Unit Operator upon written request of any Party or Parties having ~~five~~ <sup>five</sup> per cent (~~5~~ <sup>5</sup>%) or more of the voting power on each matter to be considered at the meeting. At least ten (10) days in advance of each meeting, Unit Operator shall give each Party entitled to vote thereat written notice of the time, place and purpose of the meeting.

14.4 Action Without Meeting. In lieu of calling a meeting, Unit Operator may submit any matter which is proper for consideration by the Parties, or any of them, by giving to each such Party written notice by mail or telegraph (or telephone confirmed in writing not later than the next business day), describing in adequate detail the matter so submitted. Each Party entitled to vote on any matter so submitted shall communicate its vote thereon to Unit Operator by mail or telegraph (or telephone, confirmed in writing not later than the next business day), within such period as may be designated in the notice given by Unit Operator (which period shall not be less than ten (10) nor more than thirty (30) days) provided, however, that if within ten (10) days after submission of such matter, request is made for a meeting in accordance with Section 14.3, such matter shall be considered only at a meeting called for that purpose. If a meeting is not required, then, at the expiration of the period designated in the notice given by it, Unit Operator shall give to each Party entitled to vote thereon written notice stating the tabulation and result of the vote.

14.5 Representatives. Promptly after execution of this agreement, each Party by written notice to all other Parties shall designate a representative authorized to vote for such Party, and may designate an alternate who is authorized to vote for such Party in the absence of its representative. Any such designation of a representative or alternate representative may be revoked at any time by written notice given to all other Parties, provided such notice designates a new representative or alternate representative as the case may be. In addition, any corporate Party may vote through its President, or any of its Vice Presidents, and a Party which is a partnership may vote through any of its partners.

14.6 Audits. An audit shall be made of Unit Operator's records and books of account pertaining to operations hereunder whenever the making of such audit receives the Approval of the Parties (other than the Party acting as Unit Operator) chargeable with the Costs incurred during the period covered by the audit, except that such audit shall not be made more often than once each year. Such audit shall be made by auditors in the employ of said Parties, and the allowance to be made to each Party furnishing an auditor shall be determined by the Approval of said Parties; such allowances shall be paid by said Parties in proportion to their respective participations among themselves in Costs incurred during the period covered by the audit.

14.7 Extraneous Projects. Nothing contained in this agreement shall be deemed to authorize the Parties, by vote or otherwise, to act on any matter or authorize any expenditure unless such matter or expenditure relates to the conduct of operations authorized by the Unit Agreement or this agreement.

## ARTICLE 15

### UNIT OPERATOR'S POWERS AND RIGHTS

15.1 In General. Subject to the limitations provided for in this agreement, all operations authorized by the Unit Agreement and this agreement shall be managed and conducted by Unit Operator. Unit Operator shall have exclusive custody of all materials, equipment and any other property used in connection with any operation on the Unit Area.

15.2 Employees. All individuals employed by Unit Operator in the conduct of operations hereunder shall be the employees of Unit Operator alone, and their working hours, rates of compensation and all other matters relating to their employment shall be determined solely by Unit Operator.

15.3 Non-Liability. Unit Operator shall not be liable to any other Party for anything done or omitted to be done by it in the conduct of operations hereunder except in case of bad faith, gross negligence or wilful misconduct.

15.4 Force Majeure. The obligations of Unit Operator hereunder shall be suspended to the extent that, and only so long as, performance thereof is prevented by fire, action of the elements, strikes or other differences with workmen, acts of civil or military authorities, acts of the public enemy, restrictions or restraints imposed by law or by regulation or order of governmental authority, whether federal, state or local, inability to obtain necessary rights of access, or any other cause reasonably beyond control by Unit Operator, whether or not similar to any cause above enumerated. Whenever performance of its obligations is prevented by any such cause, Unit Operator shall give notice thereof to the other Parties as promptly as reasonably possible.

15.5 Lien. Each of the other Parties hereby grants to Unit Operator a lien upon its Committed Working Interests, its interest in all jointly owned materials, equipment and other property and its interest in all Production, as security for payment of Costs chargeable to it, together with any interest payable thereon. Unit Operator shall have the right to bring any action at law or in equity to enforce collection of such indebtedness with or without foreclosure of such lien. In addition, upon default by any Party in the payment of Costs chargeable to it, Unit Operator shall have the right to collect and receive from the purchaser or purchasers thereof the proceeds of such Party's share of Production, up to the amount owing by such Party plus interest at the rate of six per cent (6%) per annum until paid; each such purchaser shall be entitled to rely on Unit Operator's statement concerning the existence and amount of any such default.

15.6 Advances. Unit Operator, at its election, shall have the right from time to time to demand and receive from the other Parties chargeable therewith payment in advance of their respective shares of the estimated amount of the Costs to be incurred during any month, which right may be exercised only by submission to each such Party of a properly itemized statement of such estimated Costs, together with an invoice for its share thereof. Each such statement and invoice for the payment in advance of estimated Costs for any month shall be submitted on or about the twentieth (20th) day of the next preceding month. The amount of each such invoice shall be payable within fifteen (15) days after the mailing thereof, and thereafter shall bear interest at the rate of six per cent (6%) per annum until paid. Proper adjustment shall be made monthly between such advances and Costs, to the end that each Party shall bear and pay its proportionate share of Costs incurred and no more. Unit Operator may request advance payment or security for the total estimated Costs to be incurred in a particular Drilling, Deepening or Plugging Back operation and notwithstanding any other provision of this agreement shall not be obligated to commence such operation unless and until such advance payment is made or Unit Operator is furnished security acceptable to it for the payment thereof by the Party or Parties chargeable therewith.

15.7 Use of Unit Operator's Drilling Equipment. Any Drilling, Deepening or Plugging Back operation conducted hereunder may be conducted by Unit Operator by means of its own tools and equipment provided that the rates to be charged and the applicable terms and conditions are set forth in a form of drilling contract which receives the Approval of the Party or Parties chargeable with the Costs incurred in such operation, except that in any case where the Unit Operator alone constitutes the Drilling Party, such form shall receive the approval of the Parties within the participating area, or other designated area for such well, prior to the commencement of such operation.

15.8 Rights as Party. As an owner of Committed Working Interest, the Party acting as Unit Operator shall have the same rights and obligations hereunder as if it were not the Unit Operator. In each instance where this agreement requires or permits a Party to give a notice, consent or approval to the Unit Operator, such notice, consent or approval shall be deemed properly given by the Party acting as Unit Operator if and when given to all other Parties entitled to give or receive such notice, consent or approval.

## ARTICLE 16

### UNIT OPERATOR'S DUTIES

16.1 Specific Duties. In the conduct of operations hereunder, Unit Operator shall:

A. Drilling of Wells. Drill, Deepen or Plug Back a well or wells only in accordance with the provisions of this agreement;

B. Compliance with Laws and Agreements. Comply with the provisions of the Unit Agreement, all applicable laws and governmental regulations (whether federal, state or local), and Directions by the Parties pursuant to this agreement; in case of conflict between such Directions and the provisions of the Unit Agreement or such laws or regulations, the provisions of the Unit Agreement or such laws or regulations shall govern;

C. Consultation with Parties. Consult freely with the Parties within the area affected by any operation hereunder, and keep them advised of all matters arising in operations hereunder which Unit Operator deems important, in the exercise of its best judgment;

D. Payment of Costs. Pay all Costs incurred in operations hereunder promptly as and when due and payable, and keep the Committed Working Interests and all property used in connection with operations under this agreement free from liens which may be claimed for the payment of such Costs, except any such lien which it disputes, in which event Unit Operator may contest the disputed lien upon giving written notice thereof to the Parties affected thereby;

E. Records. Keep full and accurate records of all Costs incurred, and controllable materials and equipment, which records, and receipts and vouchers in support thereof, shall be available for inspection by authorized representatives of the other Parties at reasonable intervals during usual business hours at the office of Unit Operator;

F. Information. Furnish to each of the other Parties who makes timely written request therefor (1) copies of Unit Operator's authorizations for expenditure or itemizations of estimated expenditures in excess of.....  
Five Thousand.....Dollars (\$5,000.00.....), (2) copies of all drilling reports, well logs, basic engineering data, tank tables, gauge reports and run tickets, (3) reports of stock on hand at the first of each month, and (4) samples of cores or cuttings taken from wells Drilled hereunder, to be delivered at the well in containers furnished by the Party requesting same, and (5) such other and additional information or reports as may be required by Direction of the Parties within the area affected; (See also Section 37.2)

G. Access to Unit Area. Permit each of the other Parties, through its duly authorized employees or agents, but at such Party's sole risk and expense, to have access to the Unit Area at all times, and to the derrick floor of each well Drilled or being Drilled hereunder, for the purpose of observing operations conducted hereunder and inspecting

materials, equipment or other property used in connection with operations under this agreement, and to have access at reasonable times to information and data in the possession of Unit Operator concerning the Unit Area.

**16.2 Insurance.**

A. **Unit Operator's.** Unit Operator shall comply with the Workmen's Compensation Law of the state in which the Unit Area is located. Unit Operator shall also maintain in force at all times with respect to operations hereunder such other insurance, if any, as may be required by law. In addition, Unit Operator shall maintain such other insurance, if any, as is described in Exhibit 5 hereto attached or as receives the Approval of the Parties from time to time. Unit Operator shall carry no other insurance for the benefit of the Parties except as above specified. Upon written request of any Party, Unit Operator shall furnish evidence of insurance carried by it with respect to operations hereunder.

B. **Contractor's.** Unit Operator shall require all contractors engaged in operations under this agreement to comply with the Workmen's Compensation Law of the state in which the Unit Area is located and to maintain such insurance as is required by Direction of the Parties.

C. **Automotive Equipment.** In the event Automobile Public Liability insurance is specified in said Exhibit 5 or subsequently receives the Approval of the Parties, no direct charge shall be made by Unit Operator for premiums paid for such insurance for Operator's fully owned automotive equipment.

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

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

**16.4 Drilling Contracts.** Each Drilling, Deepening or Plugging Back operation conducted hereunder, and not performed by Unit Operator with its own tools and equipment in accordance with Section 15.7 dealing with Use of Unit Operator's Drilling Equipment, shall be performed by a reputable drilling contractor having suitable equipment and personnel under written contract between Unit Operator and the contractor, at the most favorable rates and on the most favorable terms and conditions bid by any such contractor after soliciting bids, if bids are obtainable, but otherwise at rates and on terms and conditions receiving the Approval of the Parties.

**16.5 Uninsured Losses.** Any and all payments made by Unit Operator in the settlement or discharge of any liability to third persons (whether or not reduced to judgment) arising out of an operation conducted hereunder and not covered by insurance herein provided to be maintained by Unit Operator shall be charged as Costs and borne by the Party or Parties for whose account such operation was conducted.

**ARTICLE 17**

**LIMITATIONS ON UNIT OPERATOR**

**17.1 Specific Limitations.** In the conduct of operations hereunder, Unit Operator shall not, without first obtaining the Approval of the Parties:

A. **Change in Operations.** Make any substantial change in the basic method of operation of any well, except in the case of an emergency.

B. **Limit on Expenditures.** Undertake any project reasonably estimated to require an expenditure in excess of Ten Thousand Dollars (\$10,000.00); provided, however, that (1) Unit Operator is authorized to make all usual and customary operating expenditures that are required in the normal course of producing operations, (2) whenever Unit Operator is authorized to conduct a Drilling, Deepening or Plugging Back operation, or to undertake any other project, in accordance with this agreement, Unit Operator shall be authorized to make all reasonable and necessary expenditures in connection therewith and (3) in case of emergency, Unit Operator may make such immediate expenditures as may be necessary for the protection of life or property, but notice of such emergency shall be given to all other Parties as promptly as reasonably possible.

C. **Partial Relinquishment.** Make any partial relinquishment of its rights as Unit Operator or appoint any sub-operator.

D. **Settlement of Claims.** Pay in excess of Five Hundred Dollars (\$500.00) in the settlement of any claim (other than Workmen's Compensation claims) for injury to or death of persons, or for loss of or damage to property.

E. **Determinations.** Make any of the determinations provided in the Unit Agreement to be made by Unit Operator, except as otherwise specified in this agreement.

**ARTICLE 18**

**TITLES**

**18.1 Representations of Ownership.** Each Party represents to all other Parties that to the best of its knowledge and belief its ownership of Working Interests in the Unit Area is that set out in Exhibit B of the Unit Agreement. If it develops that any such ownership is incorrectly stated, the rights and responsibilities of the Parties shall be governed by the provisions of this Article 18, but such erroneous statement shall not be a cause for cancelling or terminating this agreement.

**18.2 Title Papers to be Furnished.**

A. **Lease Papers.** Each Party, after executing this agreement, shall upon request promptly furnish Unit Operator, and any other Party requesting same, with photostatic copies of all leases, assignments, options and other contracts which it has in its possession relating to its Committed Working Interests.

B. **Title Papers for Initial Test Well.** Promptly after the effective date of this agreement each Party within the area described as the Title Examination Area in Exhibit 3 shall at its own expense furnish Unit Operator with the following title material relating to all lands within such area in which it owns Committed Working Interests covering the same:

- (1) Abstracts of title based upon the county records certified to current date,
- (2) All lease papers, or photostatic copies thereof, mentioned in Section 18.2A which the Party has in its possession, and which have not been previously furnished to Unit Operator,
- (3) Copies of any title opinions which the Party has in its possession,
- (4) If federal lands are involved, status reports of current date setting forth the entries found in the district land office and the Washington, D. C. land office of the Bureau of Land Management for the lands involved, and also a certified copy of the serial register for the federal leases involved,
- (5) If state lands are involved, status reports of current date showing the entries pertaining to the land involved found in the records of such state,
- (6) If Indian lands are involved, status reports for the land involved showing the entries found in the office of the Superintendent of the Indian Agency and the area office for such Indian lands and in the Bureau of Indian Affairs in Washington, D. C.

C. **Title Papers for Subsequent Wells.** Any Party who proposes the Drilling of a Subsequent Test Well or Exploratory Well shall, at the time of giving notice for such proposed well, designate a title examination area not exceeding 5760 acres and not including any lands within a participating area. When the drilling of a Development Well receives the Approval of the Parties within the participating area in which it is located, a title examination area which covers lands outside any participating area may be designated by the Approval of such Parties. Each Party within any such title examination area shall at its own expense and upon request furnish Unit Operator with the title materials listed in Section 18.2B not previously furnished, relating to all lands within such area in which it owns Committed Working Interests.

D. **Title Papers on Establishment or Enlargement of a Participating Area.** Upon the establishment or the enlargement of a participating area, each Party shall promptly at its own expense furnish Unit Operator all the title materials listed in Section 18.2B relating to all its Committed Working Interests in the lands lying within such participating area as established or enlarged.

**18.3 Title Committee.** Promptly after the effective date of this agreement a Title Committee shall be formed. It shall consist of a representative of each Party who desires to be represented on the Title Committee. Each such Party shall designate its representative by written notice to Unit Operator within fifteen (15) days after receipt of written request from Unit Operator so to do. Each Party shall have the privilege of changing its representatives at will and of designating a representative at a later date if it originally elects not to do so.

**18.4 Duties of Title Committee.** As soon as received, Unit Operator shall deliver to the Title Committee all title papers received pursuant to Section 18.2B, C or D. The Title Committee shall arrange to have the same examined promptly by attorneys selected by it and shall distribute copies of title opinions to all Parties as soon as they are prepared. After a title examination has been completed and a reasonable time not exceeding thirty (30) days has been allowed for any necessary curative work, the Title Committee shall submit to each Party a report concerning the title examination with written recommendation for approval or disapproval of the title to each Committed Working Interest involved.

**18.5 Expense of Title Examination and Curative Work.** All expenses incurred at the direction of the Title Committee in examination of titles to an area designated pursuant to Section 18.2 shall be charged as Costs incurred in Drilling the well for which title examination is made and all expenses incurred in examination of titles upon establishment or enlargement of a participating area shall be charged as Costs incurred in the operation of such participating area as established or enlarged. Such curative work as is performed to meet title requirements concerning a Committed Working Interest shall be performed by and at the expense of the Party claiming such interest.

**18.6 Withdrawal from Drilling Party.** Any Party included in the Drilling Party for a well for which title examination is made as above provided, who has disapproved title to a Committed Working Interest which has been examined in connection with the Drilling of such well may withdraw from the Drilling Party by giving written notice of such withdrawal to all other Parties included in the Drilling Party within fifteen (15) days after the recommendation of the Title Committee on a title examination made in connection with the Drilling of the well, and the drilling of such well shall not be commenced until the expiration of said fifteen (15) day period.

In the event any Party so withdraws, the proposed well shall not be drilled unless within fifteen (15) days after the giving of such notice of withdrawal, a Party or Parties included in the Drilling Party agrees in writing to bear that proportion of the Costs incurred in Drilling such well that would have been borne by the withdrawing Party.

**18.7 Approval of Titles on Establishment or Enlargement of a Participating Area.** Within fifteen (15) days after the receipt of the recommendation of the Title Committee on title examination made upon the establishment or enlargement of a participating area, each Party within the participating area as established or enlarged shall notify each of the other Parties therein whether it accepts or rejects title to each Committed Working Interest within such participating area as established or enlarged. Any Party rejecting title shall state the reasons therefor in writing.

If title to a Committed Working Interest is rejected by any Party by notice given as above provided, the Parties within the participating area as established or enlarged shall vote in accordance with Article 14 dealing with Supervision of Operations by Parties, on the Approval of such title. If, on such vote, the title receives the Approval of the Parties, such title shall be deemed Approved; if not, it shall be deemed disapproved. If no Party has rejected title to a Committed Working Interest by notice given as above provided, then title to such interest shall be deemed Approved without vote of the Parties.

**18.8 Effect of Disapproval of Title on Establishment or Enlargement of Participating Area.** If title to the Committed Working Interest in a tract within a participating area is disapproved as provided in Section 18.7, the Party claiming such Committed Working Interest may, within thirty (30) days after such disapproval provide indemnity in such terms and in such amount as receives the Approval of the Parties (other than the indemnifying Party) within such participating area, on an Acreage Basis among themselves. In the absence of such indemnity, the proceeds of the Production from such tract or of the Production allocated thereto (whichever is the greater) to the extent attributable to such Committed Working Interest, after deducting Lease Burdens payable thereon, shall be paid to Unit Operator and held in suspense until title to such Committed Working Interest receives the Approval of the Parties within such participating area or until such time as such Committed Working Interest is lost through title failure; provided, however, that Unit Operator shall apply such proceeds in payment of Costs incurred in the development or operation of such participating area to the extent chargeable in respect of such Committed Working Interest.

**18.9 Failure of Title to Committed Working Interest.** If title to a Committed Working Interest fails in whole or in part, such Committed Working Interest shall no longer be subject to this agreement and the following provisions shall apply:

**A. Loss of Production.** The Party whose title has failed shall not be entitled to receive, after the date of such title failure, any Production that would otherwise accrue to such interest. If Unit Operator holds in suspense in accordance with Section 18.8 the proceeds of any Production on account of such Committed Working Interest, such proceeds shall be distributed either to the Parties or to others as their respective interests may appear.

**B. Loss of Ownership in Wells and Property.** Such interest as the Party claiming such Committed Working Interest may have in wells, materials, equipment and other property on account of such Committed Working Interest shall pass to and vest in the other Parties owning the same in proportion to their respective interests therein among themselves. (See (\*) below)

**C. Liabilities to Third Parties.** Any liability to account to third parties for prior production of Unitized Substances which arises by reason of such title failure shall be borne by the Parties in the same proportions in which they shared in such prior Production. Any and all other liabilities to third parties shall be borne by the Party claiming the Committed Working Interest title to which has failed.

**D. Reimbursement for Investment.** Should any person not a Party to this agreement, who is determined to be the owner of any interest in the title which has failed, pay in any manner any part of the cost of operation, development, or equipment previously paid under this agreement, such amount shall be proportionately paid to the Party or Parties hereto who in the first instance paid the costs which are so refunded.

**18.10 Joinder by True Owner.** A true owner of a working interest title to which has failed may join in this Agreement or enter upon a separate operating agreement with the Parties to this agreement upon such terms and conditions as receive the Approval of the Parties within the Unit Area.

#### ARTICLE 19 UNLEASED INTERESTS

**19.1 Treated as Leased.** If a Party owns in fee all or any part of the oil and gas rights in any tract within the Unit Area which is not subject to any oil and gas lease, or other contract in the nature thereof, such Party shall be deemed to own a Committed Working Interest in such tract and also a royalty interest therein in the same manner as if such Party's oil and gas rights in such tract were covered by the form of oil and gas lease attached hereto as Exhibit 6.

**19.2 Execution of Lease.** In any provision hereof where reference is made to an assignment or conveyance by any Party of its Committed Working Interest to any other Party, such references as to any Party owning an unleased interest shall be interpreted to mean that such Party shall execute an oil and gas lease to such other Party on the form attached hereto as Exhibit 6, which shall satisfy the requirement for assignment or conveyance of a Committed Working Interest.

(\*) There shall be no retroactive adjustment as between the Party whose title has failed and the remaining Parties hereto for expenses incurred or revenues received from the operation of the interest which has been lost.

ARTICLE 20  
RENTALS AND LEASE BURDENS

20.1 Rentals. Each Party shall be obligated to pay any and all rentals and other sums (other than Lease Burdens) payable upon or in respect of its Committed Working Interests, subject, however, to the right of each Party to surrender any of its Committed Working Interests in accordance with Article 27. Upon request, each Party shall furnish to Unit Operator satisfactory evidence of the making of such payments. However, no Party shall be liable to any other Party for unintentional failure to make any such payments provided it has acted in good faith. (See (\*) below)

20.2 Lease Burdens. The Party or Parties entitled to receive the Production allocated to a tract of land within a participating area shall be obligated to make any and all payments, whether in cash or in kind, accruing to any and all Lease Burdens, net profits interests, carried interests and any similar interest payable in respect of such Production or the proceeds thereof, except as provided in Article 22 dealing with Withdrawal of Tracts and Uncommitted Interests. The Party or Parties entitled to receive the Production from a well completed as a producer but not included within a participating area shall be obligated to pay all Lease Burdens payable in respect of such Production and each such Party shall be obligated to pay any net profits interest, carried interest and similar interests payable in respect of its share of such production.

20.3 Loss of Committed Working Interest. If a Committed Working Interest is lost through failure to make any payment above provided to be made by the Party owning the same, such loss shall be borne entirely by such Party; provided, however, if the Committed Working Interest so lost covers land within a participating area the provisions of Subdivisions A, B, C and D of Section 18.9 dealing with Failure of Title to Committed Working Interest shall apply.

ARTICLE 21  
TAXES

21.1 Payment. Any and all ad valorem taxes payable upon the Committed Working Interests (and upon Lease Burdens which are not payable by the owners thereof) or upon materials, equipment or other property acquired and held by Unit Operator hereunder, and any and all taxes (other than income taxes) upon or measured by Unitized Substances produced from the Unit Area which are not payable by the purchaser or purchasers thereof or by the owner of Lease Burdens, shall be paid by Unit Operator as and when due and payable.

21.2 Apportionment. Taxes upon materials, equipment and other property acquired and held by Unit Operator hereunder shall be charged to and borne by the Parties owning the same in proportion to their respective interests therein. All other taxes paid by Unit Operator shall be charged to and borne by the Parties in proportion to their ownership in the Committed Working Interests or Unitized Substances (as the case may be) upon which or in respect of which such taxes are paid. All reimbursements from owners of Lease Burdens, whether obtained in cash or by deduction from Lease Burdens, on account of any taxes paid for such owners shall be paid or credited to the Parties in the same proportions as such taxes were charged to such Parties.

21.3 Transfer of Interests. In the event of a transfer by one Party to another under the provisions of this agreement of any Committed Working Interest or of any interest in any well or in the materials and equipment in any well or in the event of the reversion of any relinquished interest as in this agreement provided the taxes above mentioned assessed against the interest transferred or reverted for the taxable period in which such transfer or reversion occurs shall be apportioned between such Parties so that each shall bear the percentage of such taxes which is proportionate to that portion of the taxable period during which it owned such interest.

21.4 Notices and Returns. Each Party shall promptly furnish Unit Operator with copies of notices, assessments, levies or tax statements received by it pertaining to the taxes to be paid by Unit Operator. Unit Operator shall make such returns, reports and statements as may be required by law in connection with any taxes above provided to be paid by it and shall furnish copies to the parties upon request. It shall notify the Parties of any tax which it does not propose to pay before such tax becomes delinquent.

ARTICLE 22  
WITHDRAWAL OF TRACTS AND UNCOMMITTED INTERESTS

22.1 Limitation on Right of Withdrawal. Not less than five (5) days before filing the Unit Agreement for final Departmental approval, Unit Operator shall notify each Party in writing of intention to file, specifying in such notice, to the best of Unit Operator's knowledge, the status of ownership of unitized lands and Lease Burdens on Production therefrom. If the owner of any substantial interest in a tract within the Unit Area has then failed or refused to join in the Unit Agreement, the Party or Parties owning Committed Working Interests in such tract shall have the right to withdraw such tract from the Unit Area in accordance with the Unit Agreement; provided, however, that such right shall not be exercised until after at least ten (10) days prior written notice to all other Parties within the Unit Area and such right shall not be exercised if within said period of ten days the non-withdrawal of such tract receives the Direction of the Parties who at the time of the giving of such notice have executed this agreement.

22.2 The Effect of Non-Withdrawal at Direction of Parties. If the non-withdrawal of a tract receives the Direction of the Parties as above provided and if such tract is included within a participating area, the following provisions shall apply:

A. Any and all payments and liabilities to the owners of uncommitted interests in such tract that are in excess of the payments that would accrue to such owners had they executed the Unit Agreement shall be borne and shared on an Acreage Basis by the Parties within the participating area in which the tract is located.

B. If the payments that would accrue to the owners of uncommitted interests in such tract if they had joined in the Unit Agreement are in excess of the payments actually accruing to them such excess shall be shared by all Parties within the participating area on an Acreage Basis.

22.3 Voluntary Non-Withdrawal. If the Party or Parties owning Committed Working Interests in a tract voluntarily fails to exercise the right to withdraw such tract in accordance with the Unit Agreement, all payments and liabilities accruing to the owners of uncommitted interests in such tract shall be paid and borne by such Party or Parties.

ARTICLE 23  
COMPENSATORY ROYALTIES

23.1 Notice. Whenever demand is made in accordance with the Unit Agreement for the payment of compensatory royalties, Unit Operator shall give written notice thereof to each Party affected by the demand, as hereinafter provided.

23.2 Demand for Failure to Drill a Development Well. If the demand for compensatory royalty results from the failure to Drill a Development Well and such well is not drilled, then Unit Operator shall pay such compensatory royalty. Such payment shall be charged as Costs incurred in operations within such participating area.

23.3 Demand for Failure to Drill a Well Other than a Development Well. If the demand for compensatory royalty results from the failure to Drill a well other than a Development Well and an election to Drill in order to avoid payment of Compensatory Royalties is not made by any Party owning a Committed Working Interest in the tract upon which such a well may be Drilled, then Unit Operator shall pay such compensatory royalty. Such payment shall be chargeable to and borne by the Parties who would be obligated to bear the Costs of such well if the well were Drilled as a Required Well in accordance with Section 10.4B.

ARTICLE 24  
SEPARATE MEASUREMENT AND SALVAGE

24.1 Separate Measurement. If a well completed as a producer of Unitized Substances is in or included in a participating area but is not owned on an Acreage Basis by all the Parties within such participating area and if, within thirty (30) days after request by any interested Party, a method of measuring the Production from such well without necessitating additional facilities does not receive the Approval of the Parties, then Unit Operator shall install such additional tankage, flow lines or other facilities for separate measurement of the Unitized Substances produced from such well as Unit Operator may deem suitable. The Costs of such facilities for separate measurement shall be charged to and borne by the Drilling Party for such well and treated as Costs incurred in operating such well notwithstanding any other provisions of this agreement.

24.2 Salvaged Materials. If any materials and equipment are salvaged from a well completed as a producer after being Drilled, Deepened or Plugged Back otherwise than for the account of all the Parties entitled to participate therein before reversion to the Non-Drilling Parties of their relinquished interests in the well, the proceeds derived from sale

(\*) Unit Operator shall, prior to shutting in any gas well, notify the other Parties of its intention to shut in said well and the reason therefor.

thereof, or, if not sold, the Salvage Value thereof, shall be treated in the same manner as proceeds of Production from such well for the purpose of determining reversion to Non-Drilling Parties of their relinquished interests in such well.

#### ARTICLE 25

##### SECONDARY RECOVERY AND PRESSURE MAINTENANCE

25.1 Consent Required. Unit Operator shall not undertake any program of secondary recovery or pressure maintenance involving injection of gas, water or other substance by any method, whether now known or hereafter devised, without first obtaining the consent of not less than two Parties in the aggregate owning not less than eighty-five per cent (85%) of the Committed Working Interests on an Acreage Basis in the participating area affected by any such program. After the Parties have voted to undertake a program of secondary recovery or pressure maintenance in accordance with this section, the conduct of such a program shall be subject to supervision by the Parties by vote as set forth in Article 14.

25.2 Above Ground Facilities. This agreement shall not be deemed to require any Party to participate in the construction or operation of any gasoline plant, sulphur recovery plant, dewaxing plant or other above ground facilities to process or otherwise treat Production, other than such facilities as may be required for treating Production in ordinary lease operations and such facilities as may be required in the conduct of operations authorized under Section 25.1.

#### ARTICLE 26

##### TRANSFERS OF INTEREST

26.1 Restriction on Zone Transfers. No Party shall assign, mortgage or transfer its Committed Working Interest in any tract committed to this agreement as to less than all formations underlying said tract without first receiving the Approval of the Parties within the Unit Area; provided, however, that such restriction shall not apply to a transfer by any Party of any part of its Committed Working Interest in any tract or tracts after the Drilling of the Initial Test Well or Wells and prior to the discovery of Unitized Substances in paying quantities under a farmout arrangement in consideration of the Drilling of a well within the Unit Area, free of expense to the other Parties, and upon the further condition that if such well results in the Production of Unitized Substances in paying quantities, such well and the Production therefrom will be shared by the Parties within the participating area established for such well in the same manner as if the well had been Drilled for the account of all Parties within such participating area.

26.2 Sale by Unit Operator. If Unit Operator sells all its Committed Working Interests, it shall resign and a new Unit Operator shall be selected as provided in the Unit Agreement.

26.3 Assumption of Obligations. No transfer of any Committed Working Interests shall be effective unless the same is made expressly subject to the Unit Agreement and this agreement and the transferee agrees in writing to assume and perform all obligations of the transferor under the Unit Agreement and this agreement insofar as relates to the interest assigned, except that such assumption of obligations shall not be required in case of a transfer by mortgage or deed of trust as security for indebtedness.

26.4 Effective Date. A transfer of Committed Working Interests shall not be effective as between the Parties until the first day of the month next following the delivery to Unit Operator of the original or a certified copy of the instrument of transfer conforming to the requirements of Section 26.3. In no event shall a transfer of Committed Working Interests relieve the transferring Party of any obligations accrued hereunder prior to said effective date, for which purpose any obligation assumed by the transferor to participate in the Drilling, Deepening or Plugging Back of a well prior to such effective date shall be deemed an accrued obligation.

#### ARTICLE 27

##### RELEASE FROM OBLIGATIONS AND SURRENDER

27.1 Surrender or Release Within Participating Area. A Committed Working Interest covering land within a participating area shall not be surrendered except with the consent of all Parties within such participating area. However, a Party who owns a Committed Working Interest in land within a participating area and who is not at the time committed to participate in the Drilling, Deepening or Plugging Back of a well within such participating area may be relieved of further obligations with respect to such participating area as then constituted by executing and delivering to Unit Operator an assignment conveying to all other Parties within such participating area all Committed Working Interests owned by such Party in lands within the participating area, together with the entire interest of such Party in any and all wells, materials, equipment and other property within or pertaining to such participating area.

27.2 Procedure on Surrender Outside Participating Area. Whenever a Party desires to surrender its Committed Working Interest in any tract which is not within any participating area, such Party shall give to all other Parties written notice thereof describing such Committed Working Interest. The Parties receiving such notice, or any of them, shall have the right at their option to take from the Party desiring to surrender an assignment of such Committed Working Interest by giving to the Party desiring to surrender written notice of election so to do within thirty (30) days after receipt of the notice of the desire to surrender. If such election is made as above provided, the Party or Parties taking the assignment (which shall be taken by them in proportion to the acreage of their Committed Working Interests among themselves in the Unit Area) shall pay to the assigning Party its share of the Salvage Value of any wells owned by the Parties and then located on the land covered by such Committed Working Interest, which payment shall be made on receipt of the assignment. If no Party elects to take such assignment within such thirty (30) day period, then the Party or Parties owning such Committed Working Interest may surrender the same if surrender thereof can be made in accordance with the Unit Agreement.

27.3 Accrued Obligations. A Party making an assignment or surrender in accordance with Section 27.1 or 27.2 shall not be relieved of its liability for any obligation accrued hereunder at the time the assignment or surrender is made, or of obligation to bear its share of the Costs incurred in any Drilling, Deepening or Plugging Back operation in which such Party has elected to participate prior to the making of such assignment or surrender, except to the extent that the Party or Parties receiving such assignment shall assume, with the Approval of the Parties, any and all obligations of the assigning Party hereunder and under the Unit Agreement.

#### ARTICLE 28

##### SEVERAL, NOT JOINT LIABILITY

28.1 Liability. The liability of the Parties hereunder shall be several and not joint or collective. Each Party shall be responsible only for its obligations as herein set out.

28.2 No Partnership Created. It is not the intention of the Parties to create, nor shall this agreement or the Unit Agreement be construed as creating a mining or other partnership or association between the Parties, or to render them liable as partners or associates.

28.3 Election. Each of the Parties hereby elects to be excluded from the application of Subchapter K of Chapter 1 of Subtitle A of the Internal Revenue Code of 1954 or such portion or portions thereof as may be permitted or authorized by the Secretary of the Treasury of the United States or his delegate insofar as such Subchapter or any portion or portions thereof may be applicable to the Parties. If any present or future income tax laws of the state or states in which the Unit Area is located, or any future income tax law of the United States, contain, or shall hereafter contain, provisions similar to those contained in the Subchapter of the Internal Revenue Code of 1954 above referred to under which a similar election is permitted, each of the Parties hereby elects to be excluded from the application of such laws. Accordingly, each Party hereby authorizes and directs Unit Operator to execute such an election or elections on its behalf and file the same with the proper administrative office or agency. If requested by Unit Operator, each Party agrees to execute and join in such instruments as are necessary to make such elections effective.

#### ARTICLE 29

##### NOTICES

29.1 Giving and Receipt. Except as otherwise specified herein, any notice, consent or statement herein provided or permitted to be given by Unit Operator or a Party to the Parties shall be given in writing by United States mail or by telegraph, properly addressed to each Party to whom given, with postage or charges prepaid, or by delivery thereof in person to the Party to whom given; however, if delivered to a corporate Party, it shall not be deemed given unless delivered personally to an executive officer of such Party or to its representative designated pursuant to Section 14.5 dealing with Representatives. A notice given under any provision hereof shall be deemed given only when received by the Party to whom such notice is directed, except that any notice given by United States registered mail or by telegraph,



properly addressed to the Party to whom given with all postage and charges prepaid, shall be deemed given to and received by the Party to whom directed forty-eight (48) hours after such notice is deposited in the United States mails or twenty-four (24) hours after such notice is filed with an operating telegraph company for immediate transmission by telegraph, and also except that a notice to Unit Operator shall not be deemed given until actually received by it.

29.2 Proper Addresses. Each Party's proper address shall be deemed to be the address set forth under or opposite its signature hereto unless and until such Party specifies another post office address within the continental limits of the United States by not less than ten (10) days prior written notice to all other Parties.

#### ARTICLE 30

##### EXECUTED IN COUNTERPARTS AND RATIFICATION

30.1 Counterparts. This agreement may be executed in counterparts and all such counterparts taken together shall be deemed to constitute one and the same instrument.

30.2 Ratification. This agreement may be executed by the execution and delivery of a good and sufficient instrument of ratification, adopting and entering into this agreement. Such ratification shall have the same effect as if the Party executing it had executed this agreement or a counterpart hereof.

#### ARTICLE 31

##### SUCCESSORS AND ASSIGNS

31.1 Covenants. This agreement shall be binding on and inure to the benefit of all Parties signing the same, their heirs, devisees, personal representatives, successors and assigns and their successors in interest, whether or not it is signed by all the Parties listed below. The terms hereof shall constitute a covenant running with the lands and the Committed Working Interests of the Parties.

#### ARTICLE 32

##### HEADINGS FOR CONVENIENCE

32.1 Headings. The table of contents and the headings used in this agreement are inserted for convenience only and shall be disregarded in construing this agreement.

#### ARTICLE 33

##### RIGHT OF APPEAL

33.1 Not Waived. Nothing contained in this agreement shall be deemed to constitute the waiver by any Party of any right it would otherwise have to contest the validity of any law or any order or regulation of governmental authority (whether federal, state or local) relating to or affecting the conduct of operations within the Unit Area or to appeal from any such order.

#### ARTICLE 34

##### SUBSEQUENT JOINDER

34.1 Prior to the Commencement of Operations. Prior to the commencement of operations under the Unit Agreement, all owners of Working Interests in the Unit Area who have joined in the Unit Agreement shall be privileged to execute or ratify this agreement.

34.2 After Commencement of Operations. After commencement of operations under the Unit Agreement, any Working Interest in land within the Unit Area which is not then committed hereto may be committed to this agreement and to the Unit Agreement upon such reasonable terms and conditions as may receive the Approval of the Parties.

#### ARTICLE 35

##### CARRIED INTERESTS

35.1 Treatment of. If any working interest shown on Exhibit B of the Unit Agreement and committed thereto is a carried working interest, such interest shall, if the carrying party executes this agreement be deemed to be, for the purpose of this agreement, a Committed Working Interest owned by the carrying party.

#### ARTICLE 36

##### EFFECTIVE DATE AND TERM

36.1 Effective Date. This agreement shall become effective on the effective date of the Unit Agreement except that the provisions of Section 22.1 dealing with Limitation on Right of Withdrawal shall be operative prior to such effective date.

36.2 Term. The term of this agreement shall be the same as the term of the Unit Agreement and shall terminate concurrently therewith.

36.3 Effect of Termination. Termination of this agreement shall not relieve any Party of its obligations then accrued hereunder. Notwithstanding termination of this agreement the provisions hereof relating to the charging and payment of Costs and the disposition of materials and equipment shall continue in force until all materials and equipment owned by the Parties have been disposed of and until final accounting between Unit Operator and the Parties. Termination of this agreement shall automatically terminate all rights and interests acquired by virtue of this agreement in lands within the Unit Area except such transfers of Committed Working Interests as have been evidenced by formal written instruments of transfer.

36.4 Effect of Signature. When this agreement is executed by two Parties, execution by each shall be deemed consideration for execution by the other and each Party theretofore or thereafter executing this agreement shall thereupon become and remain bound hereby until the termination of this agreement. However, if the Unit Agreement does not become effective within twelve (12) months from and after the date of this agreement, then at the expiration of said period, this agreement shall terminate.

ARTICLE 37  
OTHER PROVISIONS

Other provisions, if any, are:

37.1 The provisions of Section 6.2 are hereby modified and limited with respect to a well covered thereby if any Party owning a Committed Working Interest in the Drilling Block formed for such well elects not to participate in the Costs thereof as to all or any part of his Committed Working Interest in the Drilling Block. In such case, the relinquished interest of Non-Drilling Party shall revert to it in the same manner and under the same conditions as provided in Section 12.3 with respect to wells located in a participating area, except that the production from such a well sufficient to cause such reversion shall be that which, had the Non-Drilling Party elected to participate in such well, would be allocable on an Acreage Basis to the interest of Non-Drilling Party in land in the Drilling Block formed for such well with respect to which he did not elect to participate. Upon reversion of the relinquished interest of a Non-Drilling Party in such a well the provisions of Section 12.4 dealing with Effect of Reversion shall be applicable.

37.2 In the event a relinquishment of interest by a Non-Drilling Party occurs according to the provisions of this agreement as to any well and Production is had from such well, the Unit Operator, or other Party conducting the operation which resulted in the relinquishment, shall furnish each Non-Drilling Party upon its request, in addition to all of the information referred to in Section 16.1F the following:

- A. An itemized statement of the Costs of the operation in which the Non-Drilling Party did not participate; and
- B. Until reversion occurs, a monthly itemized statement of the Costs incurred in the operation of the said well, the quantity of Production therefrom, the amount of proceeds received from the sale of the same, and the Lease Burdens paid with respect to Production.

ARTICLE 38

UNDIVIDED WORKING INTEREST BLOCK

38.1 All parties hereto agree that for all purposes of this Unit Operating Agreement there is hereby created from the Unit Area an undivided working interest block of lands to be comprised of those lands particularly described in Section 38.2. Said block, despite the fact that the same is shown in separate tracts on Exhibit "B" to the Unit Agreement, shall be deemed for all purposes hereof in relation to other tracts in the Unit Area to be a single leased tract for working interest purposes.

38.2 The lands which constitute the block of undivided working interests are described as follows, to-wit:

Township 25 South, Range 33 East

Section 28: All  
 Section 29: All  
 Section 30: All  
 Section 31: All  
 Section 32: All  
 Section 33: All

Township 26 South, Range 33 East

Section 4: All  
 Section 5: All  
 Section 6: All

38.3 For all purposes of this agreement (except as provided in Section 38.4), the parties owning the oil and gas leases covering the above described lands (which leases are listed in Exhibit "B" to the Unit Agreement) do hereby transfer and assign to each other, without warranty of title, the operating rights and working interests created by the same, insofar only as the above described lands are covered thereby, so that the said rights and interests as of the effective date hereof shall be owned and held by them in undivided ownership on an acreage basis, in the following percentages, to-wit:

The Pure Oil Company	21.51447
Pan American Petroleum Corporation	17.66640
Richardson Oils, Inc.	18.75156
Perry R. Bass	6.25052
Tenneco Oil Company	10.41753
Continental Oil Company	10.41754
Texaco Inc.	8.33403
George T. Abell	4.36911
Saul A. Yager	1.13942
Barbara Ann Witten	1.13942

but subject to the right of said parties, as among themselves, to make farmouts or other type agreements affecting the sharing of costs of drilling and the transfer of ownership between themselves, as indicated in Exhibit "3".

38.4 The transfers of operating rights and working interests provided in this Article 38 shall not transfer nor be deemed to transfer the obligations to bear Lease Burdens, other than the basic one-eighth (1/8) royalty reserved to the lessor in the oil and gas lease, and each Working Interest Owner shall bear such burdens, other than the basic one-eighth (1/8) royalty reserved to the lessor in the oil and gas lease, as are applicable to any lease the same as though no such transfer had been made.

IN WITNESS WHEREOF, this agreement has been executed by the undersigned parties as of the day and year first above written.

UNIT OPERATOR AND WORKING INTEREST OWNER

THE PURE OIL COMPANY

Date: November 20, 1962

By *E. W. Harvick*  
 Division Manager,  
 Southern Producing Division

Address: First City National Bank Bldg.

Houston 2, Texas

APPROVED	
TRADE	<i>A. B. Selmi</i>
FORM	
DESCRIPTION	<i>A</i>

WORKING INTEREST OWNERS

Date: January 4, 1963

ATTEST: Jay Nelson  
Ass't Secretary

CONTINENTAL OIL COMPANY  
By [Signature] Regional Manager  
Agent & Attorney-in-Fact  
Address: 1710 Fair Building  
Fort Worth 2, Texas

Date: December 31, 1962

ATTEST: [Signature]  
Ass't Secretary

TEXACO INC.  
By [Signature] Agent & Attorney-in-Fact  
Address: P. O. Box 3109  
Midland, Texas

Date: December 3, 1962

ATTEST: [Signature]  
Assistant Secretary

PAN AMERICAN PETROLEUM CORPORATION APPROVED  
By [Signature] Agent & Attorney-in-Fact  
Address: P. O. Box 1410  
Oil & Gas Building  
Fort Worth, Texas

Date: November 26, 1962

ATTEST: Marguerite Wright  
Secretary

RICHARDSON OILS, INC.  
By [Signature] Vice President  
Address: 1211 Ft. Worth Ntl. Bk. Bldg.  
Fort Worth, Texas

Date: November 26, 1962

ATTEST: [Signature]  
Secretary

DELBASIN CORPORATION  
By [Signature] President  
Address: 1211 Ft. Worth Ntl. Bk. Bldg.  
Fort Worth, Texas

Date: November 20, 1962

ATTEST: [Signature]  
Secretary

FORM APPROVED  
TENNECO OIL COMPANY  
By [Signature] Agent & Attorney-in-Fact  
Address: P. O. Box 1031  
1800 Wilco Building  
Midland, Texas

REGIONAL SUPERVISOR
PRODUCTION SUPERVISOR
DIVISION PRESIDENTS SUPERVISOR
DISTRICT LAWMAN
PRODUCTION Supt.
*

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

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

HUMBLE OIL & REFINING COMPANY  
By \_\_\_\_\_  
Address: \_\_\_\_\_

\* A. W. Lang per telephone approval 12-20-62

TIDEWATER OIL COMPANY

Date: December 26, 1962

By *[Signature]*  
Vice-President

ATTEST: *[Signature]*  
Asst. Secretary

Address: P. O. Box 1404  
Houston 1, Texas

Date: November 26, 1962

*[Signature]*  
Perry R. Bass

Address: 1211 Ft. Worth Ntl. Bk. Bldg.  
Fort Worth, Texas

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

\_\_\_\_\_  
Boyd Laughlin

Address: \_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_  
George T. Abell

Address: \_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_  
R. C. Hart

Address: \_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_  
M. A. Dragoo

Address: \_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_  
Saul A. Yager

Address: \_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_  
Barbara Ann Witten

Address: \_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_  
Maurice Hirsch

Address: \_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

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

\_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

STATE OF TEXAS )  
COUNTY OF HARRIS ) ss

The foregoing instrument was acknowledged before me this 20th day of November, 1962, by C. W. Hancock, Division Manager of the Southern Producing Division of THE PURE OIL COMPANY, a Corporation, on behalf of said Corporation.

My Commission Expires:  
June 1, 1963

Jo Ann Brewer JO ANN BREWER  
Notary Public

STATE OF TEXAS )  
COUNTY OF TARRANT ) ss

The foregoing instrument was acknowledged before me this 9th day of January, 1963 by \_\_\_\_\_, Agent & Attorney-in-fact of CONTINENTAL OIL COMPANY, a Corporation, on behalf of said Corporation.

My Commission Expires:  
6-1-63

Barbara Lee Nelson  
Notary Public

STATE OF TEXAS )  
COUNTY OF MIDLAND ) ss

The foregoing instrument was acknowledged before me this 31st day of December, 1962, by J. L. Simpson, Jr., Agent & Attorney-in-Fact of TEXACO INC., a Corporation, on behalf of said Corporation.

My Commission Expires:  
June 1, 1963

Betty R. Davis BETTY R. DAVIS  
Notary Public

STATE OF TEXAS )  
COUNTY OF TARRANT ) ss

The foregoing instrument was acknowledged before me this 3rd day of December, 1962, by D. B. MASON, JR., ~~Agent~~ & Attorney-in-Fact of PAN AMERICAN PETROLEUM CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires:  
June 1, 1963

Velona B. Craft VELONA B. CRAFT  
Notary Public

STATE OF TEXAS }  
COUNTY OF TARRANT } ss

The foregoing instrument was acknowledged before me this 26 day of November, 1962, by W.P. Duncan, Jr., Vice, President of RICHARDSON OILS, INC., a Corporation, on behalf of said Corporation.

My Commission Expires:  
June 1, 1963

Joan Barnhart  
Notary Public

STATE OF TEXAS }  
COUNTY OF TARRANT } ss

The foregoing instrument was acknowledged before me this 26 day of November, 1962, by Howard W. Jennings, President of DELBASIN CORPORATION, a Corporation, on behalf of said Corporation.

My Commission Expires:  
June 1, 1963

Joan Barnhart  
Notary Public

STATE OF Texas }  
COUNTY OF Midland } ss

The foregoing instrument was acknowledged before me this 20<sup>th</sup> day of November, 1962, by C. M. Howell, Assistant Secretary-Treasurer of TENNECO OIL COMPANY, a Corporation, on behalf of said Corporation.

My Commission Expires:  
June 1, 1963

Nancy Lou Klingler  
Notary Public  
Midland County, Texas

**NANCY LOU KLINGLER**

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

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1962, by \_\_\_\_\_, \_\_\_\_\_ of HUMBLE OIL & REFINING COMPANY, a Corporation, on behalf of said Corporation.

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

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



STATE OF TEXAS )  
COUNTY OF HARRIS ) ss

The foregoing instrument was acknowledged before me this 26th day of December, 1962, by E. B. MILLER, JR., Vice-President of TIDEWATER OIL COMPANY, a Corporation, on behalf of said Corporation.

My Commission Expires:  
June 1, 1963

Mary Pittman  
Notary Public

STATE OF TEXAS )  
COUNTY OF TARRANT ) ss

The foregoing instrument was acknowledged before me this 26 day of November, 1962, by PERRY R. BASS.

My Commission Expires:  
June 1, 1963

Joan Barnhart  
Notary Public

STATE OF TEXAS )  
COUNTY OF MIDLAND ) ss

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

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

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

STATE OF TEXAS )  
COUNTY OF MIDLAND ) ss

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

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

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

STATE OF TEXAS        )  
                          ) ss  
COUNTY OF TARRANT    )

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

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

STATE OF NEW MEXICO    )  
                          ) ss  
COUNTY OF BERNALILLO )

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

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

STATE OF OKLAHOMA     )  
                          ) ss  
COUNTY OF TULSA        )

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

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

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

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

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

STATE OF TEXAS        )  
                          ) ss  
COUNTY OF HARRIS     )

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

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

EXHIBIT "1"

Attached to and made a part of that certain Unit Operating Agreement for the Red Hills Unit Area, Lea County, New Mexico, dated November 20, 1962.

DESCRIPTION OF LANDS WITHIN BOUNDARIES OF THE UNIT AREA

Township 25 South, Range 32 East, N.M.P.M.

Section 1:	All	640.84	Acres
Section 2:	All	640.96	"
Section 11:	All	640.00	"
Section 12:	All	640.00	"
Section 13:	All	640.00	"
Section 14:	All	640.00	"
Section 23:	All	640.00	"
Section 24:	All	640.00	"
Section 25:	All	640.00	"
Section 26:	All	640.00	"
Section 35:	All	640.00	"
Section 36:	All	640.00	"

Township 25 South, Range 33 East, N.M.P.M.

Section 3:	All	639.52	Acres
Section 4:	All	639.52	"
Section 5:	All	639.84	"
Section 6:	All	638.80	"
Section 7:	All	639.60	"
Section 8:	All	640.00	"
Section 9:	All	640.00	"
Section 10:	All	640.00	"
Section 15:	All	640.00	"
Section 16:	All	640.00	"
Section 17:	All	640.00	"
Section 18:	All	640.12	"
Section 19:	All	640.40	"
Section 20:	All	640.00	"
Section 21:	All	640.00	"
Section 22:	All	640.00	"
Section 27:	All	640.00	"
Section 28:	All	640.00	"
Section 29:	All	640.00	"
Section 30:	All	640.52	"
Section 31:	All	640.32	"
Section 32:	All	640.00	"
Section 33:	All	640.00	"
Section 34:	All	640.00	"

Township 26 South, Range 33 East, N.M.P.M.

Section 3:	All	640.00	Acres
Section 4:	All	640.00	"
Section 5:	All	640.00	"
Section 6:	All	638.68	"
Section 7:	All	637.36	"
Section 8:	All	640.00	"
Section 9:	All	640.00	"
Section 16:	All	640.00	"
Section 17:	All	640.00	"

TOTAL ACRES IN UNIT AREA - 28,796.48

## EXHIBIT " 2 "

Attached to and made a part of that certain Unit Operating Agreement  
for the Red Hills Unit Area, Lea County, New Mexico, dated  
November 20, 1962

## ACCOUNTING PROCEDURE (JOINT OPERATIONS)

### I. GENERAL PROVISIONS

#### 1. Definitions

"Joint Property" shall mean the real and personal property subject to the agreement to which this "Accounting Procedure" is attached.

"Joint Operations" shall mean all operations necessary or proper for the development, operation, protection and maintenance of the Joint Property.

"Operator" shall mean the party designated to conduct the Joint Operations.

"Non-Operators" shall mean the nonoperating parties, whether one or more.

"Joint Account" shall mean the account showing the charges and credits accruing because of the Joint Operations and which are to be shared by the Parties.

"Parties" shall mean Operator and Non-Operators.

"Material" shall mean personal property, equipment or supplies acquired or held for use on the Joint Property.

"Controllable Material" shall mean material which at the time is so classified in the Material Classification Manual as most recently recommended by the Council of Petroleum Accountants Societies of North America.

#### 2. Conflict with Agreement

In the event of a conflict between the provisions of this Accounting Procedure and the provisions of the agreement to which this Accounting Procedure is attached, the provisions of the agreement shall control.

#### 3. Collective Action by Non-Operators

Where an agreement or other action of Non-Operators is expressly required under this Accounting Procedure and if the agreement to which this Accounting Procedure is attached contains no contrary provisions in regard thereto, the agreement or action of a majority in interest of the Non-Operators shall be controlling on all Non-Operators.

#### 4. Statements and Billings

Operator shall bill Non-Operators on or before the last day of each month for their proportionate share of costs and expenses, for the preceding month. Such bills will be accompanied by statements reflecting the total charges and credits as set forth under Subparagraph C below:

A. Statement in detail of all charges and credits to the Joint Account.

B. Statement of all charges and credits to the Joint Account, summarized by appropriate classifications indicative of the nature thereof.

C. Statement of all charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature thereof, except that items of Controllable Material and unusual charges and credits shall be detailed.

#### 5. Payment and Advances by Non-Operators

Each Non-Operator shall pay its proportion of all such bills within fifteen (15) days after receipt thereof. If payment is not made within such time, the unpaid balance shall bear interest at the rate of six per cent (6%) per annum until paid.

#### 6. Adjustments

Payment of any such bills shall not prejudice the right of any Non-Operators to protest or question the correctness thereof; provided however, all bills and statements rendered to Non-Operators by Operator during any calendar year shall conclusively be presumed to be true and correct after twenty-four (24) months following the end of any such calendar year, unless within the said twenty-four (24) month period a Non-Operator takes written exception thereto and makes claim on Operator for adjustment. No adjustment favorable to Operator shall be made unless it is made within the same prescribed period. The provisions of this paragraph shall not prevent adjustments resulting from a physical inventory of the Joint Property as provided for in Section VII.

#### 7. Audits

A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder for any calendar year within the twenty-four (24) month period following the end of such calendar year; provided however, the making of an audit shall not extend the time for the taking of written exception to and the adjustment of accounts as provided for in Paragraph 6 of this Section I. Where there are two or more Non-Operators, the Non-Operators shall make every reasonable effort to conduct joint or simultaneous audits in a manner which will result in a minimum of inconvenience to the Operator.

### II. DIRECT CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the Joint Account with the following items:

#### 1. Rentals and Royalties

Delay or other rentals and royalties when such rentals and royalties are paid by Operator for the Joint Account of the Parties.

#### 2. Labor

A. Salaries and wages of Operator's employees directly engaged on the Joint Property in the conduct of the Joint Operations, and salaries or wages of technical employees who are temporarily assigned to and directly employed on the Joint Property.

B. Operator's cost of holiday, vacation, sickness and disability benefits and other customary allowances paid to the employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III; except that in the case of those employees only a pro rata portion of whose salaries and wages are chargeable to the Joint Account under Paragraph 1 of Section III, not more than the same pro rata portion of the benefits and allowances herein provided for shall be charged to the Joint Account. Cost under this Paragraph 2B may be charged on a "when and as paid basis" or by "percentage assessment" on the amount of salaries and wages chargeable to the Joint Account under Paragraph 2A of this Section II and Paragraph 1 of Section III. If percentage assessment is used, the rate shall be based on the Operator's cost experience.

C. Expenditures or contributions made pursuant to assessments imposed by governmental authority which are applicable to Operator's labor cost of salaries and wages chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

D. Reasonable personal expenses of those employees whose salaries and wages are chargeable to the Joint Account under Paragraph 2A of this Section II and for which expenses the employees are reimbursed under Operator's usual practice.

**3. Employee Benefits**

Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of a like nature, applicable to Operator's labor cost; provided however, the total of such charges shall not exceed ten percent (10%) of Operator's labor costs chargeable to the Joint Account under Paragraphs 2A and 2B of this Section II and Paragraph 1 of Section III.

**4. Material**

Material purchased or furnished by Operator for use on the Joint Property. So far as it is reasonably practical and consistent with efficient and economical operation, only such Material shall be purchased for or transferred to the Joint Property as may be required for immediate use; and the accumulation of surplus stocks shall be avoided.

**5. Transportation**

Transportation of employees and Material necessary for the Joint Operations but subject to the following limitations:

- A. If Material is moved to the Joint Property from the Operator's warehouse or other properties, no charge shall be made to the Joint Account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where like material is available, except by agreement with Non-Operators.
- B. If surplus Material is moved to Operator's warehouse or other storage point, no charge shall be made to the Joint Account for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by agreement with Non-Operators. No charge shall be made to Joint Account for moving Material to other properties belonging to Operator, except by agreement with Non-Operators.
- C. In the application of subparagraphs A and B above, there shall be no equalization of actual gross trucking costs of \$100 or less.

**6. Services**

- A. The cost of contract services and utilities procured from outside sources other than services covered by Paragraph 8 of this Section II and Paragraph 2 of Section III.
- B. Use and service of equipment and facilities furnished by Operator as provided in Paragraph 5 of Section IV.

**7. Damages and Losses to Joint Property**

All costs or expenses necessary for the repair or replacement of Joint Property made necessary because of damages or losses incurred by fire, flood, storm, theft, accident, or any other cause, except to the extent that the damage or loss could have been avoided through the exercise of reasonable diligence on the part of Operator. Operator shall furnish Non-Operators written notice of damages or losses incurred as soon as practicable after a report thereof has been received by Operator.

**8. Legal Expense**

All costs and expenses of handling, investigating and settling litigation or claims arising by reason of the Joint Operations or necessary to protect or recover the Joint Property, including, but not limited to, attorneys' fees, court costs, cost of investigation or procuring evidence and amounts paid in settlement or satisfaction of any such litigation or claims; provided, (a) no charge shall be made for the services of Operator's legal staff or other regularly employed personnel (such services being considered to be Administrative Overhead under Section III), except by agreement with Non-Operators, and (b) no charge shall be made for the fees and expenses of outside attorneys unless the employment of such attorneys is agreed to by Operator and Non-Operators.

**9. Taxes**

All taxes of every kind and nature assessed or levied upon or in connection with the Joint Property, the operation thereof, or the production therefrom, and which taxes have been paid by the Operator for the benefit of the Parties.

**10. Insurance Premiums**

Premiums paid for insurance required to be carried on the Joint Property for the protection of the Parties.

**11. Other Expenditures**

Any other expenditure not covered or dealt with in the foregoing provisions of this Section II, or in Section III, and which is incurred by the Operator for the necessary and proper conduct of the Joint Operations.

**III. INDIRECT CHARGES**

Operator may charge the Joint Account for indirect costs either by use of an allocation of district expense items plus a fixed rate for administrative overhead, and plus the warehousing charges, all as provided for in Paragraphs 1, 2, and 3 of this Section III OR by combining all three of said items under the fixed rate provided for in Paragraph 4 of this Section III, as indicated next below:

**OPERATOR SHALL CHARGE THE JOINT ACCOUNT UNDER THE TERMS OF:**

- Paragraphs 1, 2 and 3. (Allocation of district expense plus fixed rate for administrative overhead plus warehousing.)
- Paragraph 4. (Combined fixed rate)

**1. District Expense**

Operator shall charge the Joint Account with a pro rata portion of the salaries, wages and expenses of Operator's production superintendent and other employees serving the Joint Property and other properties of the Operator in the same operating area, whose time is not allocated directly to the properties, and a pro rata portion of the cost of maintaining and operating a production office known as Operator's ..... office located at or near ..... (or a comparable office if location changed), and necessary sub-offices (if any), maintained for the convenience of the above-described office, and all necessary camps, including housing facilities for employees if required, used in connection with the operations of the Joint Property and other properties in the same operating area. The expense of, less any revenue from, such facilities may, at the option of Operator, include depreciation of investment or a fair monthly rental in lieu of depreciation. Such charges shall be apportioned to all properties served on some equitable basis consistent with Operator's accounting practice.

**2. Administrative Overhead**

Operator shall charge administrative overhead to the Joint Account at the following rates, which charge shall be in lieu of the cost and expense of all offices of the Operator not covered by Paragraph 1 of this Section III, including salaries, wages and expenses of personnel assigned to such offices. Such charges shall be in addition to the salaries, wages and expenses of employees of Operator authorized to be charged as direct charges as provided in Paragraphs 2 and 8 of Section II.

**WELL BASIS (RATE PER WELL PER MONTH)**

Well Depth	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....
.....	.....	.....	.....	.....

The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting, or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in this Paragraph 2 of Section III, unless such cost and expense are agreed upon between Operator and Non-Operators as a direct charge to the Joint Account.

**3. Operator's Fully Owned Warehouse Operating and Maintenance Expense**  
(Describe fully the agreed procedure to be followed by the Operator.)

**4. Combined Fixed Rates**

Operator shall charge the Joint Account for the services covered by Paragraph 1, 2 and 3 of this Section III, the following fixed per well rates:

**WELL BASIS (RATE PER WELL PER MONTH)**

Well Depth	DRILLING WELL RATE (Use Total Depth)	PRODUCING WELL RATE (Use Current Producing Depth)		
	Each Well	First Five	Next Five	All Wells Over Ten
0' to 4,000'	\$560.00	\$100.00	\$ 95.00	\$ 90.00
4,001' to 8,000'	660.00	110.00	105.00	95.00
8,001' to 12,000'	760.00	125.00	115.00	105.00
Below 12,000'	860.00	140.00	130.00	120.00

Said fixed rate ~~(shall)~~ (shall not) include salaries and expenses of production foremen.

**5. Application of Administrative Overhead or Combined Fixed Rates**

The following limitations, instructions and charges shall apply in the application of the per well rates as provided under either Paragraph 2 or Paragraph 4 of this Section III:

- A. Charges for drilling wells shall begin on the date each well is spudded and terminate on the date the drilling or completion rig is released, whichever is later, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
- B. The status of wells shall be as follows:
  - (1) Producing gas wells, injection wells for recovery operations, water supply wells utilized for water flooding operations and salt water disposal wells shall be considered the same as producing wells.
  - (2) Wells permanently shut down but on which plugging operations are deferred shall be dropped from the well schedule at the time the shutdown is effected. When such a well is plugged a charge shall be made at the producing well rates.
  - (3) Wells being plugged back, drilled deeper, converted to a source or input well, or which are undergoing any type of workover that requires the use of a drilling or workover rig shall be considered the same as drilling wells.
  - (4) Temporarily shut-down wells, which are not produced or worked upon for a period of a full calendar month, shall not be included in the well schedule, provided however, wells shut in by governmental regulatory body shall be included in the well schedule only in the event the allowable production is transferred to some other well or wells on the Joint Property. In the event of a unit allowable, all wells capable of producing will be counted in determining the charge.
  - (5) Gas wells shall be included in the well schedule if directly connected to a permanent sales outlet even though temporarily shut in due to overproduction or failure of purchaser to take the allowed production.
  - (6) Wells completed in multiple horizons, in which the production is not commingled down hole, shall be considered as a producing well for each separately producing horizon.
- C. The well rates shall apply to the total number of wells being drilled or operated under the agreement to which this Accounting Procedure is attached, irrespective of individual leases.
- D. The well rates shall be adjusted on the first day of April of each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the preceding calendar year as shown by "The Index of Average Weekly Earnings of Crude Petroleum and Gas Production Workers" as published by the United States Department of Labor, Bureau of Labor Statistics. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

~~6. For the construction of compressor plants, water stations, secondary recovery systems, salt water disposal facilities, and other such projects, as distinguished from the more usual drilling and producing operations, Operator in addition to the Administrative Overhead or Combined Fixed Rates provided for in Paragraph 2 and 4 of this Section III, shall charge the Joint Account with an additional overhead charge as follows:~~

- ~~A. Total cost less than \$25,000, no charge.~~
- ~~B. Total cost more than \$25,000 but less than \$100,000, \_\_\_\_% of total cost.~~
- ~~C. Total cost of \$100,000 or more, \_\_\_\_% of the first \$100,000 plus \_\_\_\_% of all over \$100,000 of total cost.~~

~~Total cost shall mean the total gross cost of any one project. For the purpose of this Paragraph the component parts of a single project shall not be treated separately and the cost of drilling wells shall be excluded.~~

7. The specific rates provided for in this Section III may be amended from time to time by mutual agreement between the Parties hereto if, in practice, the rates are found to be insufficient or excessive.

**IV. BASIS OF CHARGES TO JOINT ACCOUNT**

Subject to the further provisions of this Section IV, Operator will procure all Material and services for the Joint Property. At the Operator's option, Non-Operator may supply Material or services for the Joint Property.

**1. Purchases**

Material purchased and service procured shall be charged at the price paid by Operator after deduction of all discounts actually received.

**2. Material furnished from Operator's Warehouse or Other Properties**

**A. New Material (Condition "A")**

- (1) Tubular goods, two inch (2") and over, shall be priced on Eastern Mill base (i. e. Youngstown, Ohio; Lorain, Ohio; and Indiana Harbor, Indiana) on a minimum carload basis effective at date of movement and f. o. b. railway receiving point nearest the Joint Property, regardless of quantity. In equalized hauling charges, Operator is permitted to include ten cents (10c) per hundred-weight on all tubular goods furnished from his stocks in lieu of loading and unloading costs sustained.
- (2) Other Material shall be priced at the current replacement cost of the same kind of Material, effective at date of movement and f. o. b. the supply store or railway receiving point nearest the Joint Property where Material of the same kind is available.
- (3) The Joint Account shall not be credited with cash discounts applicable to prices provided for in this Paragraph 2 of Section IV.

**B. Used Material (Condition "B" and "C")**

- (1) Material in sound and serviceable condition and suitable for reuse without reconditioning, shall be classified as Condition "B" and priced at seventy-five per cent (75%) of the current price of new Material.
- (2) Material which cannot be classified as Condition "B" but which,
  - (a) After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or
  - (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classified as Condition "C" and priced at fifty per cent (50%) of current new price.
- (3) Obsolete Material or Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use. Material no longer suitable for its original purpose but usable for

some other purpose, shall be priced on a basis comparable with that of items normally used for such other purpose.

- (4) Material involving erection costs shall be charged at applicable percentage of the current knocked-down price of new Material.

### **3. Premium Prices**

Whenever Material is not readily obtainable at prices specified in Paragraphs 1 and 2 of this Section IV because of national emergencies, strikes or other unusual causes over which the Operator has no control, the Operator may charge the Joint Account for the required Material at the Operator's actual cost incurred in procuring such Material, in making it suitable for use, and in moving it to the Joint Property, provided, that notice in writing is furnished to Non-Operators of the proposed charge prior to billing Non-Operators for such Material. Each Non-Operator shall have the right, by so electing and notifying Operator within 10 days after receiving notice from Operator, to furnish in kind all or part of his share of such Material suitable for use and acceptable to Operator.

### **4. Warranty of Material Furnished by Operator**

Operator does not warrant the Material furnished. In case of defective Material, credit shall not be passed to the Joint Account until adjustment has been received by Operator from the manufacturers or their agents.

### **5. Equipment and Facilities Furnished by Operator**

A. Operator shall charge the Joint Account for use of equipment and facilities at rates commensurate with cost of ownership and operation. Such rates shall include cost of maintenance, repairs, other operating expense, insurance, taxes, depreciation and interest on investment not to exceed six per cent (6%) per annum, provided such rates shall not exceed those currently prevailing in the immediate area within which the Joint Property is located. Rates for automotive equipment shall generally be in line with the schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against Joint Property operations. Rates for laboratory services shall not exceed those currently prevailing if performed by outside service laboratories. Rates for trucks, tractors and well service units may include wages and expenses of operator.

B. Whenever requested, Operator shall inform Non-Operators in advance of the rates it proposes to charge.

C. Rates shall be revised and adjusted from time to time when found to be either excessive or insufficient.

## **V. DISPOSAL OF MATERIAL**

The Operator may purchase, but shall be under no obligation to purchase, interest of Non-Operators in surplus Condition "A" or "B" Material. The disposition of surplus Controllable Material, not purchased by Operator, shall be subject to agreement between Operator and Non-Operators, provided Operator shall dispose of normal accumulations of junk and scrap Material either by transfer or sale from the Joint Property.

### **1. Material Purchased by the Operator or Non-Operators**

Material purchased by either the Operator or Non-Operators shall be credited by the Operator to the Joint Account for the month in which the Material is removed by the purchaser.

### **2. Division in Kind**

Division of Material in kind, if made between Operator and Non-Operators, shall be in proportion to the respective interests in such Material. The Parties will thereupon be charged individually with the value of the Material received or receivable. Proper credits shall be made by the Operator in the monthly statement of operations.

### **3. Sales to Outsiders**

Sales to outsiders of Material from the Joint Property shall be credited by Operator to the Joint Account at the net amount collected by Operator from vendee. Any claim by vendee related to such sale shall be charged back to the Joint Account if and when paid by Operator.

## **VI. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT**

Material purchased by either Operator or Non-Operators or divided in kind, unless otherwise agreed to between Operator and Non-Operators shall be priced on the following basis:

### **1. New Price Defined**

New price as used in this Section VI shall be the price specified for New Material in Section IV.

### **2. New Material**

New Material (Condition "A"), being new Material procured for the Joint Property but never used, at one hundred per cent (100%) of current new price (plus sales tax if any).

### **3. Good Used Material**

Good used Material (Condition "B"), being used Material in sound and serviceable condition, suitable for reuse without reconditioning:

A. At seventy-five per cent (75%) of current new price if Material was charged to Joint Account as new, or

B. At sixty-five per cent (65%) of current new price if Material was originally charged to the Joint Account as secondhand at seventy-five percent (75%) of new price.

### **4. Other Used Material**

Used Material (Condition "C"), at fifty per cent (50%) of current new price, being used Material which:

A. Is not in sound and serviceable condition but suitable for reuse after reconditioning, or

B. Is serviceable for original function but not suitable for reconditioning.

### **5. Bad-Order Material**

Material (Condition "D"), no longer suitable for its original purpose without excessive repair cost but usable for some other purpose at a price comparable with that of items normally used for such other purpose.

### **6. Junk Material**

Junk Material (Condition "E"), being obsolete and scrap Material, at prevailing prices.

### **7. Temporarily Used Material**

When the use of Material is temporary and its service to the Joint Property does not justify the reduction in price as provided for in Paragraph 3 B of this Section VI, such Material shall be priced on a basis that will leave a net charge to the Joint Account consistent with the value of the service rendered.

## **VII. INVENTORIES**

The Operator shall maintain detailed records of Material generally considered controllable by the Industry.

### **1. Periodic Inventories, Notice and Representation**

At reasonable intervals, inventories shall be taken by Operator of the Joint Account Material, which shall include all such Material as is ordinarily considered controllable. Written notice of intention to take inventory shall be given by Operator at least thirty (30) days before any inventory is to begin so that Non-Operators may be represented when any inventory is taken. Failure of Non-Operators to be represented at an inventory shall bind Non-Operators to accept the inventory taken by Operator, who shall in that event furnish Non-Operators with a copy thereof.

### **2. Reconciliation and Adjustment of Inventories**

Reconciliation of inventory with charges to the Joint Account shall be made, and a list of overages and shortages shall be jointly determined by Operator and Non-Operators. Inventory adjustments shall be made by Operator with the Joint Account for overages and shortages, but Operator shall be held accountable to Non-Operator only for shortages due to lack of reasonable diligence.

### **3. Special Inventories**

Special inventories may be taken whenever there is any sale or change of interest in the Joint Property. It shall be the duty of the party selling to notify all other Parties as quickly as possible after the transfer of interest takes place. In such cases, both the seller and the purchaser shall be governed by such inventory.

EXHIBIT "3"

INITIAL TEST WELL

**Location:** S $\frac{1}{2}$  of Section 32, Township 25 South,  
Range 33 East, Lea County, New Mexico.

**Depth:** To a depth sufficient to adequately test the  
Ellenburger Formation, or to a depth of  
21,000 feet below the surface, or to a depth  
at which heaving shale, cavernous formation  
or other condition is encountered which  
renders further drilling by ordinary drill-  
ing methods impracticable, whichever of said  
contingencies first occurs.

**Commencement Date:** On or before February 25, 1963.

**Apportionment of Costs:** The Initial Test Well shall be drilled at the  
cost of the owners of the undivided working  
interests established in Article 38 of the  
within agreement. The area covered by the  
said undivided working interests shall be the  
Drilling Block for the Initial Test Well. The  
parties owning the said undivided working int-  
erests may, as among themselves, make farmouts  
or other type agreements affecting the sharing  
of the costs of the Initial Test Well.

**Title Examination Area:** The title examination area for the Initial  
Test Well shall be the area covered by the  
above mentioned drilling block.

**Title Approval:** By execution hereof the parties hereto accept  
and approve the law firm of Atwood & Malone of  
Roswell, New Mexico, as title examination  
attorneys.



EXHIBIT 4

Attached to and made a part of that certain agreement entitled Unit  
Operating Agreement .....

Red Hills

Unit Area, County of Lea, State of New Mexico,

Dated the 20th day of November, 1962.

PART 1

DRILLING OF EXPLORATORY WELLS

5760 acres as nearly in the form of  
a square as reasonably practicable,

1. Notice of Proposed Drilling. Any party desiring the Drilling of an Exploratory Well on land in which it owns a Committed Working Interest shall designate an area herein called a Drilling Block, not to exceed ~~400 acres~~, which, on the basis of available geological information, will, in its judgment be proved productive by the Drilling of such well. Unit Operator and each Party within the Drilling Block shall be furnished with a plat and description of the area so designated, together with written notice of the location, objective formation, maximum depth, and estimated cost of the proposed well. The location of the proposed well shall conform to any applicable spacing pattern then existing or an authorized exception thereto. The Drilling Block shall include no land in a participating area established for the objective formation for the well to be drilled thereon nor any land included within a proposal therefor filed with the Director nor any land within an active, previously designated Drilling Block for such formation. The Drilling Block shall be considered active for 120 days after the designation thereof and if a well is commenced thereon within such period until either:

A. The completion of the well, if it is completed otherwise than as a producer of unitized substances in paying quantities, or;

B. The filing with the Director of a proposal for the establishment or revision of a participating area if the Drilling of the well results in the filing of such a proposal.

2. Basis of Participation. Each Party within the Drilling Block shall be entitled to participate in the Costs of the proposed well on an Acreage Basis, but shall be required to do so only to the extent that it notifies the other Parties of its willingness so to participate as hereinafter in this Article provided <sup>notice given pursuant</sup>

3. Exclusion of Land From Proposed Drilling Block. Within ~~thirty (30)~~ <sup>sixty (60)</sup> days after receipt of <sup>to Section 1 above</sup> such ~~notice~~ any part of the land included in the proposed Drilling Block may be excluded therefrom at the Direction of the Parties therein. In such event the proposed Drilling Block as reduced by the exclusion of such land shall be established as the Drilling Block. In the absence of any such Direction then at the expiration of said period, the proposed Drilling Block shall be established as the Drilling Block.

4. Preliminary Notice to Join in Drilling. Within ten (10) days after the establishment of the Drilling Block, each Party within such Drilling Block shall give to all other Parties therein written notice specifying the lands with respect to which such Party desires so to participate on an Acreage Basis in the Costs of Drilling of the proposed well. Thereafter, if the well is drilled, such Party shall be deemed to be a Drilling Party with respect to its Committed Working Interest in the lands so specified and a Non-Drilling Party with respect to each of its other Committed Working Interests, if any, within the Drilling Block. The failure of any Party within the Drilling Block to give the notice specified in this section shall be deemed to be an election not to participate at all in Drilling such proposed well. If all the Parties within the Drilling Block elect to participate in the Costs of such well on an Acreage Basis, Unit Operator shall drill the proposed well for the account of all such Parties on such basis. (See(\*) below)

5. Notice of Election to Drill. In the event any Party within the Drilling Block fails to elect to participate in Drilling such proposed well with respect to each of its Committed Working Interests in such Block, then the proposed well shall, nevertheless, be drilled if, within fifteen (15) days after the expiration date of the ten-day period above specified, any Party within the Drilling Block notifies all other Parties therein in writing that it will be responsible for that portion of the Costs of the proposed well attributable to any and all Committed Working Interests with respect to which the owner thereof has failed to elect to participate. Any Party so notifying the other Parties of its willingness to be so responsible for Costs shall, in addition to being a Drilling Party, be deemed a Carrying Party to the extent that it assumes such responsibility. If there are two or more Carrying Parties, they shall, in the absence of agreement otherwise, be deemed to have assumed such burdens on an Acreage Basis as among themselves.

6. Effect of Election to Drill. If one or more of the Parties fails to elect to participate in the Costs of the proposed well on an Acreage Basis but one or more of the Parties within the Drilling Block has assumed responsibility for that portion of the Costs of the proposed well attributable to each Committed Working Interest with respect to which the owner has failed to elect to participate, Unit Operator shall Drill the well for the account only of the Parties electing to participate in the Costs of the well in the proportions that they agree to pay such Costs and such Parties shall constitute the Drilling Party. Any Party within the Drilling Block who has not previously elected to participate in the proposed well may do so by written notice given to all other Parties within the Drilling Block at any time before operations for the Drilling of the well are commenced, in which event such Party shall be included in the Drilling Party. However, such Party shall be bound by any and all Directions and Approvals theretofore given by the Drilling Party concerning the Drilling of the well.

7. Relinquishment of Interest. If the well results in the establishment or enlargement of a participating area to include such well and in such a manner as to include lands with respect to which any Party as to its Committed Working Interest therein is a Non-Drilling Party, then the Non-Drilling Party shall be deemed to have relinquished to the Carrying Party as of the effective date of the establishment or enlargement of the participating area and the Carrying Party shall own all of Non-Drilling Party's operating rights and working interest, materials and equipment in such well attributable to such Committed Working Interest and also all of the production from the participating area allocated to the lands covered by such Committed Working Interest and attributable thereto until such time as the proceeds or market value of production so allocated to such lands and attributable to such interest (after deducting Lease Burdens and all taxes upon or measured by production which are payable in respect of such portion up to such time) shall equal the sum of:

A. One hundred per cent (100%) of all Costs chargeable to and paid by the Carrying Party on account of the relinquished Committed Working Interest up to the time of reversion of said relinquished interest.

B. ~~Two Hundred~~ <sup>200</sup> per cent ( <sup>200</sup> %) of the Costs of Drilling such well charged, in the first instance, to the Carrying Party on account of its being responsible for that portion of the Costs of the said well attributable to the Committed Working Interests in lands included within the participating area with respect to which Non-Drilling Party failed to elect to participate.

In the event that the monthly production to which the Carrying Party would otherwise be entitled as a result of such relinquishment exceeds that portion of the production from such well which would, if production therefrom were allocated exclusively to lands in the Drilling Block included within the participating area, be allocated to lands with respect to which any Party is a Non-Drilling Party and attributable to such Non-Drilling Party's Committed Working Interest therein, such excess shall be excepted from the Production to which Carrying Party is so entitled and shall be delivered to and owned by the relinquishing Party.

At such time as proceeds or market value of Production, after deducting such Lease Burdens and taxes, so equal such amounts the interest so relinquished shall revert to Non-Drilling Party and Non-Drilling Party shall thereafter have rights and obligations hereunder with respect to such Committed Working Interest in such lands the same as if it had participated fully in the Costs with respect thereto from the beginning.

If the Carrying Party includes two or more Parties, the burdens imposed upon and the benefits accruing to the Carrying Party shall be shared by such Parties in the same proportions as they shared the Costs of the well attributable to the relinquished Committed Working Interest.

References to Drilling Party in Section 13.6 dealing with Relinquished Interests of Non-Drilling Parties shall be construed to refer to the Carrying Party only.

(\*) However, if but one Committed Working Interest owner is entitled to participate as provided in Section 2 above, then that Working Interest owner or his or its designee may drill the proposed well for his or its own account and Unit Operator shall execute such instruments as are appropriate (such as a "Designation of Operator" or "Designation of Agent") to evidence the right of that Working Interest owner or his or its designee to so undertake such drilling.

8. Rights and Obligations of Drilling Party, Carrying Party and Non-Drilling Party. The Drilling Party for whom a well is Drilled and the Carrying Party, if any, shall pay and bear all Costs incurred therein in the proportions and manner that each Party has consented to bear and pay such Costs, pursuant to the foregoing provisions of this Part 1 of Exhibit 4, and shall own the well, the materials and equipment in the well or pertaining thereto in like proportions subject, however, in the case of Carrying Party to reversion to each Non-Drilling Party of its relinquished interest in the well. If the well results in the establishment or enlargement of a participating area to include the well, then, until reversion to Non-Drilling Party of its relinquished interest, the Carrying Party shall pay and bear (a) that portion of all operating Costs chargeable to and paid by Carrying Party on account of any Committed Working Interest relinquished to it pursuant to paragraph 7 of this Part 1 of Exhibit 4 which, but for such relinquishment, would be chargeable to Non-Drilling Party, and (b) all Lease Burdens that are payable in respect of that portion of the Production from the participating area which is allocated to the lands covered by the Committed Working Interest relinquished by Carrying Party to the extent that such production is attributable to such relinquished Committed Working Interest.

9. Required Drilling. If an Exploratory Well is Drilled as a required well in accordance with Section 10.4B, the Drilling Block for such well shall consist of all forty acre subdivisions and lots of the Public Land Survey of which more than one-half of the surface area is within a distance of 2640 feet from the proposed bottom hole location of such well, but excluding therefrom all lands within a participating area theretofore established for the pool or zone to which the well is to be Drilled, and the Committed Working Interest owners in such Drilling Block shall be "the Party or Parties who would be obligated to bear the Costs thereof" as PART 2 referred to in Section 10.4B.

#### ATTEMPTED COMPLETION, DEEPENING, PLUGGING BACK AND ABANDONMENT

1. Wells Not Completed as Producers. The attempted Completion, Deepening or Plugging Back of wells not completed as producers at their projected depths, shall be governed by the following provisions, except that said provisions shall not apply to a particular well if every Party entitled to the notice provided for in Subdivision A hereof has consented to abandonment and plugging of such well:

A. Notice by Unit Operator. Before abandoning a Development Well which has been Drilled to its projected depth but not completed as a producer, Unit Operator shall give notice thereof to each Party within the participating area involved. After a well other than a Development Well has reached its projected depth and been tested, but before production pipe has been set therein, Unit Operator shall give notice thereof to each Party who participated in Drilling the well, and to each additional Party, if any, who was entitled to participate therein, but elected not to do so. Each notice provided for in this section shall be given by telephone or telegraph.

B. Right to Attempt Completion, Deepen or Plug Back. Each Party who participated in the Drilling of a well concerning which notice is given in accordance with Subdivision A hereof, and any other Party owning a Committed Working Interest in the tract of land on which the well is located, may initiate a proposal to attempt the completion of, or to Deepen or Plug Back such well; provided, however, that if the well was Drilled as a Development Well, a proposal to Deepen or Plug Back the well may be initiated only by a Party owning a Committed Working Interest in the tract of land on which the well is located. In order to be entitled to participate in a proposed operation, a Party must have the right to initiate the same or must own a Committed Working Interest in the Drilling block theretofore established for such well or, if no Drilling block has theretofore been established for such well, in the Drilling block established for such Deepening or Plugging Back operation as provided in the following paragraph C.

C. Time and Manner of Initiating Proposal. A period of ~~forty-eight (48)~~ <sup>forty-eight (48)</sup> hours (exclusive of Saturdays, Sundays and holidays) from and after receipt of the notice referred to in Subdivision A of this paragraph 1 shall be allowed within which a Party may initiate a proposal to complete, Deepen or Plug Back and, except in the case of a proposal to complete a well Drilled as a Development Well, designate a Drilling block for such proposed operation, if one has not previously been designated for such well. Any such proposal shall be initiated by giving notice thereof by telephone or telegraph to each Party entitled to participate in the proposed operation. If no such proposal is initiated within the period allowed therefor, Unit Operator shall abandon and plug the well.

D. Election. If a proposal is initiated, each Party entitled to participate in any completing, Deepening or Plugging Back operation proposed in Subdivision C above shall have a period of ~~forty-eight (48)~~ <sup>forty-eight (48)</sup> hours (exclusive of Saturdays, Sundays and holidays) from and after receipt of notice of the initiation of such operation within which (either at a meeting or by telephone) either:

(1) In the case of a proposal to complete a well Drilled as a Development Well, to notify Unit Operator by telephone or telegraph whether or not it elects to participate in the proposed operation, or,

(2) In the case of any other proposal, (a) to establish a Drilling Block, if a Drilling Block has not already been established for the well (following the same procedures for establishing a Drilling Block as the procedures provided for in Part 1 of this Exhibit 4 for the establishment of a Drilling block for an Exploratory Well except that the periods of time there provided for shall be disregarded) and (b) to notify Unit Operator by telephone or telegraph the description of the lands with respect to which such Party desires so to participate on an acreage basis in the Costs of the proposed operation. In the event any Party within a Drilling Block fails to elect to participate in the proposed operation with respect to each of its Committed Working Interests in such block, then the proposed operation shall be conducted only if one or more of the Parties within the Drilling Block notifies all of the other Parties therein in writing within the ~~forty-eight (48)~~ <sup>forty-eight (48)</sup> hour period above in this section mentioned that it will be responsible for that portion of the Costs of the proposed operation attributable to any and all Committed Working Interests with respect to which the owner thereof has failed to elect to participate.

The failure of any Party to give the notice specified in this section shall be deemed to be an election not to participate at all in the proposed operation.

E. Effect of Election. In the case of an attempted completion of a well Drilled as a Development Well, the effect of election shall be as follows: The Party or Parties electing to participate in the proposed operation shall constitute the Drilling Party for such operation. Each Party who is entitled to make such election but fails to do so, as above provided, shall be deemed to have elected not to participate in such operation and shall be a Non-Drilling Party in respect of such operation. Such operations shall be conducted by Unit Operator for the account of the Party or Parties constituting the Drilling Party on an acreage basis, as among themselves.

In the case of any operation under this Part 2 of Exhibit 4 other than the attempted completion of a well Drilled as a Development Well, the effect of election shall be as follows: Each Party shall be deemed to be a Drilling Party with respect to its Committed Working Interest in the lands which it has described as lands with respect to which it is willing to participate, as to its Committed Working Interest, in the Costs of the proposed operation; a Non-Drilling Party with respect to each of its other Working Interests within the Drilling Block; and a Carrying Party to the extent that it assumes the responsibility for that portion of the Costs of the proposed operation attributable to any and all Committed Working Interests with respect to which the owner thereof has failed to elect to participate. The proposed operation shall be conducted by Unit Operator for the account of the Drilling Party and Carrying Party, if any, in the proportions that each has assumed the obligations for the Costs of the proposed operation, subject, however, to the provisions of paragraph 4 of Part 2 of this Exhibit 4 dealing with Conflicts and paragraph 5 of Part 2 of this Exhibit 4 dealing with Deepening or Plugging Back to a Participating Area.

F. Stand-By Rig Time. Stand-by time paid for the rig on a well until expiration of the period of ~~forty-eight (48)~~ <sup>ninety-six (96)</sup> hours allowed for the initiation of and election to participate in an attempt to complete, or to Deepen or Plug Back such well shall be charged and borne as part of the Costs incurred in Drilling the well. Thereafter such stand-by time shall be charged to and borne by the Party or Parties who elect to participate in the attempt to complete, or to Deepen or Plug Back the well, whether or not such Party or Parties shall proceed with such operation. However, if the Party or Parties making such election do not proceed with the operation, the Costs incurred in plugging the well shall be charged and borne as part of the Costs incurred in Drilling the well.

2. Abandonment of Producing Wells. A well completed as a producer of Unitized Substances within a participating area shall be abandoned for plugging if and when abandonment thereof receives the Approval of the Parties within such participating area, subject, however, to the provisions of paragraph 3 hereof concerning Deepening or Plugging Back Abandoned Producing Wells.

The abandonment of a well completed as a producer but not included in a participating area shall be governed by the following provisions:

A. Consent Required. Such a well shall not be abandoned for production from the pool or zone in which it is completed except with the consent of all Parties then owning the well.

**B. Abandonment Procedure.** If the abandonment of such a well receives the Approval of the Parties who own the well, but is not consented to by all such Parties, Unit Operator shall give written notice thereof to each Party then having an interest in the well who did not join in such Approval. Any such non-joining Party who objects to abandonment of the well (herein called non-abandoning Party) may give written notice thereof to all other Parties (herein called abandoning Parties) then having interests in the well, provided such notice is given within thirty (30) days after receipt of the notice given by Unit Operator. If such objection is so made, the non-abandoning Party or Parties shall forthwith pay to the abandoning Parties their respective shares of the Salvage Value of the well. Upon the making of such payment, the abandoning Parties shall be deemed to have relinquished unto the non-abandoning Party or Parties all their operating rights and working interest in the well, but only with respect to the pool or zone in which it is then completed, and all their interest in the materials and equipment in or pertaining to the well. If there is more than one non-abandoning Party, the interest so relinquished shall be owned by the non-abandoning Parties, each in the proportion that its interest in the well bears to the combined interest therein of all non-abandoning Parties immediately prior to such relinquishment.

**C. Rights and Obligations of Non-Abandoning Party.** After the relinquishment above provided for, such well shall be operated by Unit Operator for the account of the non-abandoning Party or Parties, who shall own all Production therefrom and shall bear all Costs, Lease Burdens and other burdens thereafter incurred in operating the well and plugging it when abandoned (unless the well is taken over for Deepening or Plugging Back as hereinafter provided), and also the Costs of any additional tankage, flow lines or other facilities needed to measure separately the Unitized Substances produced from the well; said operating Costs shall include an overhead charge computed at the highest per well rate applicable to the operation of a single producing well in accordance with Exhibit 2, if such rate is provided.

**D. Option to Repurchase Materials.** If a well taken over by the non-abandoning Party or Parties as above provided is abandoned for plugging within six (6) months after relinquishment by the abandoning Parties of their interests therein, each abandoning Party shall have the right at its option to repurchase that portion of the materials and equipment salvaged from the well equal to the interest relinquished by it to the non-abandoning Party or Parties, at the value fixed therefor in accordance with Subdivision B of this section. Said option may be exercised only by written notice given to Unit Operator and the non-abandoning Party or Parties within fifteen (15) days after receipt of the notice given by Unit Operator pursuant to paragraph 3 hereof.

**3. Deepening or Plugging Back Abandoned Producing Wells.** Before abandoning for plugging any well completed as a producer of Unitized Substances, Unit Operator shall, (A) if the well is within a Participating Area, give written notice thereof to the Party or Parties owning Committed Working Interests in the tract of land on which the well is located, or (B) if the well is not within a Participating Area, give written notice thereof to each Party then owning an interest in the well and to each additional Party, if any, owning Committed Working Interests in the tract of land upon which the well is located. If no Drilling Block has previously been established for such well and a Party receiving such notice desires the Deepening or Plugging Back thereof, it shall, within fifteen (15) days after receipt of such notice, proceed with the establishment of a Drilling Block for such well as provided in paragraphs 1 and 3 of Part 1 of this Exhibit 4. Within ten (10) days after receipt of such notice, if a Drilling Block has previously been established for such well, or, if not previously established, within ten (10) days after a Drilling Block is established for such well, the Party desiring the Deepening or Plugging Back of such well shall give notice thereof in accordance with paragraph 4 of Part 1 of this Exhibit 4 and all of the provisions of paragraphs 4, 5 and 6 of Part 1 of this Exhibit 4 shall apply in the same manner as if the proposed Deepening or Plugging Back were the Drilling of an Exploratory Well, subject, however, to the provisions of paragraph 4 of Part 1 of this Exhibit 4, dealing with Conflicts, and paragraph 5 of Part 1 of this Exhibit 4, dealing with Deepening or Plugging Back to a Participating Area. If no Party gives notice of desire to Deepen or Plug Back such well within said period of ten (10) days, or if such notice is given but no Party elects to proceed with the Deepening or Plugging Back of the well within the time limited therefor, Unit Operator shall abandon and plug the well for the account of the Party or Parties owning the well.

**4. Conflicts.** If conflicting elections to attempt completion, Deepen, or Plug Back are made in accordance with the preceding provisions of Part 2 of this Exhibit 4, preference shall be given first to a completion attempt and then to Deepening. However, if a completion attempt, a Deepening or Plugging Back does not result in completion of the well as a producer, Unit Operator shall again give notice in accordance with Subdivision A of paragraph 1 of Part 2 of this Exhibit 4 before abandoning the well for plugging.

**5. Deepening or Plugging Back to Participating Area.** If a well within the surface boundaries of a participating area is to be Deepened or Plugged Back to a pool or zone for which such participating area has been established, such operation may be conducted only if it receives the Approval of the Parties within such participating area, and upon such terms and conditions as may be specified in such Approval.

**6. Rights and Obligations of Drilling Party and Non-Drilling Parties.** Whenever an attempt to complete a well Drilled as a Development Well is made otherwise than for the account of all Parties entitled to participate therein, the provisions of Article 12 dealing with Rights and Obligations of Drilling Party and Non-Drilling Parties shall apply.

Whenever either (1) an attempted completion of a well which was not Drilled as a Development Well is made or (2) a well is Deepened or Plugged Back, and the attempted completion or Deepening or Plugging Back is made otherwise than for the account of all Parties entitled to participate therein, the provisions of paragraph 7 of Part 1 of this Exhibit 4 dealing with Rights and Obligations of Drilling Party and Non-Drilling Parties shall apply to the operations conducted the same as if such operations comprised Drilling operations.

EXHIBIT "5"

Attached to and made a part of that certain Unit Operating Agreement for the Red Hills Unit Area, Lea County, New Mexico, dated November 20, 1962.

INSURANCE

As to all operations hereunder Unit Operator shall obtain and carry for the benefit and protection of the Parties hereto insurance, if same is obtainable, as follows:

- A. Workmen's Compensation Insurance as required by the laws of the State of New Mexico;
- B. Employer's Liability Insurance in an amount of \$100,000.00 for all damages from one or more claims arising from each accident;
- C. Comprehensive Automobile Public Liability and Property Damage Insurance on all motor vehicles used in connection with the operations conducted hereunder, with limits of \$50,000.00 for any one person injured or killed and \$100,000.00 maximum as a result of any one accident where more than one person is injured or killed, and property damage limits of \$25,000.00;
- D. Public Liability Insurance on all operations conducted hereunder with limits of \$100,000.00 for any one person injured or killed and \$300,000.00 maximum as a result of any one accident where more than one person is injured or killed. No public property damage coverage is included in this Section D.

The actual premiums paid for all insurance, except as provided in Section 16.2 of this agreement, shall be charged to the joint account of the Parties hereto.

Any liability, loss, damage, claim or expense resulting from accidents or occurrences not covered by insurance of the character referred to above, or in excess of the insurance actually carried under the above provisions, shall be borne by the Parties hereto in the manner prescribed in Section 16.5 of this agreement. In event Unit Operator is unable to procure and maintain any of the insurance enumerated above, Unit Operator shall promptly give written notice thereof to the other Parties and in such event resulting loss, damage, claim and expense shall be borne by the Parties hereto in proportion to their respective interests in the Unit Area. Such notice shall also constitute a waiver of the requirement that Unit Operator procure and maintain the insurance which is the subject of the notice.

Any party hereto may carry such additional insurance for its sole protection and benefit and at its own expense as any such party may desire.

EXHIBIT "6"

Attached to and made a part of that certain Unit Operating Agreement for the Red Hills Unit Area, Lea County, New Mexico, dated November 20, 1962.

OIL AND GAS MINING LEASE

THIS AGREEMENT, entered into this the \_\_\_\_\_ day of \_\_\_\_\_, 194\_\_\_\_,

between \_\_\_\_\_,

hereinafter called lessor,

and \_\_\_\_\_, hereinafter called lessee, does witness :

1. That lessor, for and in consideration of the sum of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_), in hand paid, and of the covenants and agreements hereinafter contained to be performed by the lessee, has this day granted and leased and hereby grants, leases and lets unto the lessee for the purpose of mining and operating for and producing oil and gas, casinghead gas and casinghead gasoline, laying pipe lines, building tanks, storing oil, building power stations, telephone lines and other structures thereon to produce, save, take care of and manufacture all of such substances, and for housing and boarding employees, the following described tract of land in \_\_\_\_\_

\_\_\_\_\_ County, to-wit : \_\_\_\_\_

in Section \_\_\_\_\_, Township \_\_\_\_\_, Range \_\_\_\_\_, and containing \_\_\_\_\_ acres, more or less.

2. This lease shall remain in force for a term of ten (10) years and as long thereafter as oil, gas, casinghead gas, casinghead gasoline, or any of them, is or can be produced.

3. The lessee shall deliver to the credit of the lessor as royalty, free of cost, in the pipe line to which lessee may connect its wells the equal one-eighth part of all oil produced and saved from the leased premises, or at the lessee's option, may pay to the lessor for such one-eighth royalty the market price for oil of like grade and gravity prevailing on the day such oil is run into the pipe line, or into storage tanks.

4. The lessee shall pay lessor, as royalty, one-eighth of the proceeds from the sale of the gas, as such, for gas from wells where gas only is found, and where not sold shall pay Fifty (\$50.00) Dollars per annum as royalty from each such well, and while such royalty is so paid such well shall be held to be a producing well under paragraph numbered two hereof. The lessor to have gas free of charge from any well on the leased premises for stoves and inside lights in the principal dwelling house on said land by making his own connections with the well, the use of said gas to be at the lessor's sole risk and expense. The lessee shall pay to lessor for gas produced from any oil well and used by the lessee for the manufacture of gasoline, or any other product, as royalty, one-eighth of the market value of such gas. If said gas is sold by the lessee, then as royalty one-eighth of the proceeds of the sale thereof.

5. If operations for the drilling of a well for oil or gas are not commenced on said land on or before one year from this date, this lease shall terminate as to both parties, unless the lessee shall, on or before one year from this date, pay or tender to the lessor or for the lessor's credit in the \_\_\_\_\_ Bank at \_\_\_\_\_,

or its successors, which bank and its successors are the lessor's agent and shall continue as the depository of any and all sums payable under this lease, regardless of changes of ownership in said land or in the oil and gas, or in the rentals to accrue thereunder, the sum of \_\_\_\_\_

Dollars (\$ \_\_\_\_\_) which shall operate as rental and cover the privilege of deferring the commencement of drilling operations for a period of one year. In like manner and upon like payments or tenders, the commencement of drilling operations may be further deferred for like periods successively. All payments or tenders may be made by check or draft of lessee or any assignee thereof, mailed or delivered on or before the rental paying date. Notwithstanding the death of the lessor, or his successors in interest, the payment or tender of rentals in the manner provided above shall be binding on the heirs, devisees, executors and administrators of such person.

6. If at any time prior to the discovery of oil or gas on this land and during the term of this lease, the lessee shall drill a dry hole, or holes, on this land, this lease shall not terminate, provided operations for the drilling of a well shall be commenced by the next ensuing rental paying date, or provided the lessee begins or resumes the payment of rentals in the manner and amount herein above provided; (and in this event the preceding paragraphs hereof governing the payment of rentals and the manner and effect thereof shall continue in force).

7. In case said lessor own a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties and rentals herein provided for shall be paid the said lessor only in proportion which his interest bears to the whole and undivided fee.

8. The lessee shall have the right to use, free of cost, gas, oil and water found on said land for its operations thereon, except water from the wells of lessor. When required by lessor, the lessee shall bury pipe lines below plow depth and shall pay for damage caused by its operations to growing crops on said land. No well shall be drilled nearer than 200 feet to the house or barn now on said premises without written consent of the lessor. Lessee shall have the right at any time during or after the expiration of this lease to remove all machinery, fixtures, houses, buildings, and other structures placed on said premises, including the right to draw and remove all casing.

9. If the estate of either party hereto is assigned (and the privilege of assigning in whole or in part is expressly allowed), the covenants hereof shall extend to the heirs, executors, administrators, successors and assigns, but no change of ownership in the land or in the rentals or royalties shall be binding on the lessee until after notice to the lessee and it has been furnished with the written transfer or assignment or a certified copy thereof.

10. If the leased premises shall hereafter be owned in severalty or in separate tracts, the premises, nevertheless, shall be developed and operated as one lease and all royalties accruing hereunder shall be treated as an entirety and shall be divided among and paid to such separate owners in the proportion that the acreage owned by each such separate owner bears to the entire leased acreage. There shall be no obligation on the part of the lessee to offset wells on separate tracts into which the land covered by this lease may be hereafter divided by sale, devise, or otherwise, or to furnish separate measuring or receiving tanks. It is hereby agreed that, in the event this lease shall be assigned as to a part or as to parts of the above described lands, and the holder or owner of any such part or parts shall fail or make default in the payment of the proportionate part of the rent due from him or them, such default shall not operate or defeat or affect this lease in so far as it covers a part or parts of said land upon which the said lessee or any assignee hereof shall make due payment of said rentals. If at any time there be as many as four parties entitled to rentals or royalties, lessee may withhold payments thereof unless and until all parties designate, in writing, in a recordable instrument to be filed with the lessee, a common agent to receive all payments due hereunder, and to execute division and transfer orders on behalf of said parties, and their respective successors in title.

11. Lessor hereby warrants and agrees to defend title to the land herein described and agrees that the lessee, at its option, may pay and discharge any taxes, mortgages, or other liens existing, levied, or assessed against the above described lands, and, in event it exercises such option, it shall be subrogated to the rights of any holder or holders thereof and may reimburse itself by applying to the discharge of any such mortgage, tax or other lien, any royalty or rentals accruing hereunder.

12. Notwithstanding anything in this lease contained to the contrary, it is expressly agreed that if lessee shall commence drilling operations at any time while this lease is in force, this lease shall remain in force and its term shall continue so long as such operations are prosecuted and, if production results therefrom, then as long as production continues.

13. If within the primary term of this lease production on the leased premises shall cease from any cause, this lease shall not terminate provided operations for the drilling of a well shall be commenced before or on the next ensuing rental paying date; or, provided lessee begins or resumes the payment of rentals in the manner and amount hereinbefore provided. If, after the expiration of the primary term of this lease, production of the leased premises shall cease from any cause, this lease shall not terminate provided lessee resumes operations for drilling a well within sixty (60) days from such cessation, and this lease shall remain in force during the prosecution of such operations and, if production results therefrom, then as long as production continues.

14. Lessee may at any time surrender this lease by delivering or mailing a release thereof to the lessor, or by placing a release thereof of record in the proper county.

15. It is agreed that this lease shall never be forfeited or cancelled for failure to perform in whole or in part of its implied covenants, conditions, or stipulations until it shall have first been finally judicially determined that such failure exists, and after such final determination, lessee is given a reasonable time therefrom to comply with any such covenants, conditions, or stipulations.

16. This lease and all its terms, conditions and stipulations shall extend to and be binding on all successors of said lessor or lessee.

IN WITNESS WHEREOF, we sign the day and year first above written.

WITNESS:

\_\_\_\_\_

**OIL AND GAS MINING LEASE**

MID-CONTINENT 88 REVISED

TO

STATE OF NEW MEXICO,

ss. }  
County of \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, 194\_\_\_\_, before me personally appeared \_\_\_\_\_, to me personally

known, who being by me duly sworn, did say that he is \_\_\_\_\_ of \_\_\_\_\_

State of \_\_\_\_\_, and that the seal affixed to said instrument was signed and sealed in behalf of said corporation, by authority of its board of directors, and

said \_\_\_\_\_

Witness my hand and official seal the day and year last above written.

Notary Public \_\_\_\_\_  
My commission expires \_\_\_\_\_  
County, New Mexico.

STATE OF NEW MEXICO,  
County of \_\_\_\_\_ } ss.

I hereby certify that this instrument was filed for record on the \_\_\_\_\_ day of \_\_\_\_\_

at \_\_\_\_\_ o'clock \_\_\_\_\_ M., and was duly recorded in Book \_\_\_\_\_ of Records of \_\_\_\_\_

pages \_\_\_\_\_

County Clerk \_\_\_\_\_

Per \_\_\_\_\_ Deputy.

VALLIANT PRINTING CO., ALBUQUERQUE

My commission expires \_\_\_\_\_

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

executed the same as \_\_\_\_\_ free act and deed.

Witness my hand and official seal the day and year last above written.

to me known to be the person \_\_\_\_\_ described in and who executed the foregoing instrument, and acknowledged that \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, 194\_\_\_\_, before me personally appeared \_\_\_\_\_

STATE OF NEW MEXICO,

ss. }  
County of \_\_\_\_\_

My commission expires \_\_\_\_\_

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

executed the same as \_\_\_\_\_ free act and deed.

Witness my hand and official seal the day and year last above written.

to me known to be the person \_\_\_\_\_ described in and who executed the foregoing instrument, and acknowledged that \_\_\_\_\_

On this \_\_\_\_\_ day of \_\_\_\_\_, 194\_\_\_\_, before me personally appeared \_\_\_\_\_

STATE OF NEW MEXICO,

ss. }  
County of \_\_\_\_\_