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J. CLEO THOMPSON AND
 JAMES CLEO THOMPSON, JR.
 Case No. 7945
 10/12/83 Examiner Hearing
 Exhibit No. 1

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STATE LAND OFFICE
SANTA FE, N. M.

UNIT AGREEMENT

For the Development and Operation of the
WEST SQUARE LAKE UNIT AREA
County of Eddy, State of New Mexico

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
WEST SQUARE LAKE UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO

THIS AGREEMENT, entered into as of the ____ day of _____, 1983, by and between the undersigned parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

W I T N E S S E T H:

WHEREAS, the parties hereto are the owners of working, royalty, or other oil interests in the Unit Area subject to this Agreement; and

WHEREAS, the term "Working Interest" as used herein shall mean the interest held in Unitized Substances or in lands containing Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, which is chargeable with and obligated to pay or bear all of a portion of the costs of drilling, developing, producing, and operating the land under the unit or cooperative agreement. "Royalty Interest" as used herein shall mean a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the working interest rights to another shall be regarded as a Working Interest Owner to the extent of a seven-eighths (7/8ths) interest in and to such oil and gas rights, and as a Royalty Interest Owner to the extent of the remaining one-eighth (1/8th) interest therein; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181 et seq. ("Mineral Leasing Act"), authorized Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof, for the purposes of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943 as amended by Sec. 1 of Chap. 162, Laws of 1951, Chap. ¹⁹7, Art. ¹⁰11, Sec. ⁴⁵39, N.M.S. ¹⁹⁷⁸1963 anno) to consent to or approve this Agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws of 1943, as amended by Sec. 1, Chap. 162, Laws of 1951, Chap. ¹⁹7, Art. ¹⁰11, Sec. ⁴⁵41, N.M.S. ¹⁹⁷⁸1953 anno) to amend with the approval of the lessee, any oil and gas lease embracing State lands; and

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

WHEREAS, the parties hereto hold sufficient interests in the West Square Lake Unit covering the land hereinafter described to give reasonably effective control of operations therein; and

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, maximize the ultimate recovery of hydrocarbons, protect correlative right, and secure other benefits obtainable through development and operation of the Area subject to this Agreement under the terms, conditions, and limitations herein set forth;

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this Agreement their respective interests in the below-defined Unit Area, and agree severally among themselves as follows:

1. Enabling Act and Regulations. The Mineral Leasing Act of February 25, 1920, as amended, and all valid, pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this Agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this Agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this Agreement.

2. Unit Area. The area specified on the plat attached hereto marked

TO ENABLE INSTITUTION & CONSUMPTION
of SECONDARY RECOVERY OPERATIONS

Exhibit "A" is hereby designated and recognized as constituting the Unit Area, containing 3320 acres, more or less.

Exhibit "A" shows in addition to the boundary of the Unit Area, the boundaries and identity of tracts and leases in said Area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage and kind of ownership of oil interest in all land in the Unit Area. Exhibit "C" attached hereto is a schedule showing the percentage of participation credited to each Tract in the Unit Area based upon a presumed one hundred percent (100%) commitment. (Tract means each parcel of land described as such and given a Tract Number in Exhibit "B"). However, nothing herein or in said schedule or map shall be construed as a representation by any party as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the Unit Area render such revision necessary, or when requested by the Deputy Minerals Manager, hereinafter referred to as "Deputy" or by the Commission.^{ER} In such case not less than six (6) copies of the revised exhibits

LAND shall be filed with the Deputy. 2 COPIES WITH THE LAND COMMISSION.

The Tracts shown on Exhibit "A" and described in Exhibit "B" have been drawn in a manner to conform to the forty (40) acre spacing order currently in effect and covering the entire Unit Area.

3. Expansion of Unit Area. Any enlargement of the Unit Area shall require approval by the Director of the Minerals Management Service (hereinafter

to the LAND COMMISSIONER

referred to as "Director"). The Unit Area may, with the approval of the Director, the Land Commissioner, and the Commission, be expanded to include therein any lands whenever such expansion is necessary or advisable to conform with the purposes of this Agreement. Subject to such approval of the Director, any such expansion may be accomplished either (1) by order of the New Mexico Conservation Commission in accordance with Article 7, New Mexico Statutes, Comp. 1953 as heretofore or hereafter amended from time to time; or (2) pursuant to (agreement fixing) the tract participation of each tract added by such expansion and providing for the commitment of the interests of the owner thereof to this Agreement, and, if applicable, to the Unit Operator Agreement, and negotiated with such owners by the Unit Operator acting on behalf of the working interest owners collectively after being duly authorized by them as provided in the Unit Operating Agreement. Whenever the Unit Area is enlarged so as to admit additional land qualified for participation, Exhibit "C" shall be revised as set forth in Section 12, Participation and Allocation of Production. Any such expansion shall be effected in the following manner:

LAND COMMISSIONER

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(will cover same)

(a) Unit Operator, on its own motion, after preliminary concurrence by the Director and the Land Commissioner, shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Deputy and the Land Commissioner and copies thereof mailed to the last known address of each Working Interest

Owner, Lessee, and Lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the thirty (30) day period provided in the preceding item (b) hereof, Unit Operator shall file with the Deputy and the Land Commissioner evidence of mailing of the notice of expansion and a copy of any objections thereto which have been filed with the Unit Operator, together with an application and appropriate joinder in sufficient number, for approval of such expansion.

(d) After due consideration of all pertinent information, the expansion shall, upon approval by the Deputy and the Land Commissioner, become effective as of the date prescribed in the notice thereof.

4. Unitized Land and Unitized Substances. All land committed to this Agreement as provided in Section 5, Tracts Qualified for Participation, as to the Unitized Formation defined immediately below, shall constitute land referred to herein as "Unitized Land" or "land subject to this Agreement". All oil and gas in and produced from the Unitized Formation is unitized under the terms of this Agreement and herein is called "Unitized Substances".

The Unitized Formation shall mean the Grayburg-San Andres Formation as identified by the Borehole Compensated Sonic Gamma log run in the Newmont Oil Company Etz "C" No. 1 Well, located in Section 34, Township 16 South, Range 30 East, Eddy County, New Mexico, with the top of the unitized formation being found at a depth of 2818' feet below the surface (+ 922 subsea) and the base of the unitized formation being found at a depth of 3150' feet below the surface

(+ 590 subsea).

5. Tracts Qualified for Participation. Inasmuch as the objective of this Unit Agreement is to have lands in the Unit Area operated and entitled to participation under the terms hereof, no joinder shall be considered a commitment to this Unit Agreement unless the Tract involved is qualified under this Section. On or after the effective date hereof, the Tracts within the Unit Area which, in absence of an involuntary pooling order issued by the Commission, shall be entitled to participation in the production of Unitized Substances therefrom shall be those Tracts within the Unit Area more particularly described in Exhibit "B" that are qualified as follows (for the purpose of this section, the record interest shall replace the royalty interest as to Federal Land):

(a) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest have voluntarily signed or ratified this Agreement and the Unit Operating Agreement and Royalty Owners owning seventy-five percent (75%) or more of the royalty created by the basic leases have voluntarily signed or ratified this Agreement; and

(b) Each Tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interests have signed or ratified this Agreement and the Unit Operating Agreement, and Royalty Owners owning less than seventy-five percent (75%) of the royalty interests created by the basic leases have signed or ratified this Agreement, but as to which the New Mexico Conservation Commission has ordered the compulsory unitization of such tract into this unit or is considering the ordering of compulsory unitization.

Notwithstanding anything in this section to the contrary all tracts within the Unit Area shall be deemed to be qualified for participation if this Agreement and the Unit Operating Agreement are duly approved as a Plan of Unitization and Operating Plan by order of the New Mexico Conservation Commission pursuant to New Mexico Stat. Ann. Sections 65-3-1 to 34 (1953) and New Mexico Stat. Ann. 70-7-1 to 21 (1953), as amended.

6. Unit Operator. J. Cleo Thompson and James Cleo Thompson, Jr., A Partnership, is hereby designated as Unit Operator, and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interest in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

7. Resignation or Removal of Unit Operator. Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate that Operator's rights as such for a period of six (6) months after notice of intention to resign has been served by Unit Operator on all Working Interest Owners ^{THE LAND COMMISSIONER} and the Director, and until all wells are placed in a satisfactory condition for suspension or abandonment whichever is required by the _{LAND COMMISSIONER} Deputy, unless a new Unit Operator shall have been selected and accepted and

shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period. The resignation of Unit Operator, however, shall not release the Unit Operator from any liability for default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by an affirmative vote of the Working Interest Owners of at least ninety percent (90%) of the voting interest remaining after excluding the voting interest of the Unit Operator. Such removal shall be effective upon notice thereof to the Director. In all such instances of resignation or removal, until a successor Unit Operator is selected and accepted as hereinafter provided, the Working Interest Owners shall be jointly responsible for performance of the duties of Unit Operator, but shall not later than thirty (30) days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title, or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the Unit operations and owned by the Working Interest Owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting Unit operations hereunder.

Nothing herein shall be construed as authorizing removal of any material, equipment, and appurtenances needed for the preservation of any wells.

8. Successor Unit Operator. Whenever the Unit Operator shall tender his or its resignation as Unit Operator, or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by Working Interest Owners, a successor Unit Operator shall be selected by Working Interest Owners voting according to their respective Tract Participation in all unitized land by a majority vote; provided, however, that if a majority but less than seventy-five percent (75%) of the Working Interests qualified to vote are owned by one party to this Agreement, a concurring vote of one or more additional Working Interest Owners shall be required to select a new Operator. Such selection shall not become effective until:

(a) A Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator; and

(b) The selection shall have been approved by the Deputy.

E LAND COMMISSIONER

If no successor Unit Operator is selected and qualified as herein provided, ^{*LAND COMMISSIONER*} the Director at his election may declare this Unit Agreement terminated.

9. Accounting Provisions and Unit Operating Agreement. If the Unit Operator is not the sole owner of Working Interests, costs and expenses incurred by Unit Operator in conducting Unit Operations hereunder shall be paid and apportioned among and borne by the owners of Working Interests, all in accordance with the agreement or agreements, whether one or more, separately or collectively, entered into by and between the Unit Operator and the owners of

Working Interests. Any agreement or agreements, whether one or more, entered into by and between the Working Interest Owners and the Unit Operator as provided in this section are herein referred to as the "Unit Operating Agreement".

Such Unit Operating Agreement shall also set forth such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed to either modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this Unit Agreement shall prevail. Three (3) true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the *& 2 true copies with the LAND COMMISSIONER* Deputy prior to approval of this Unit Agreement, and thereafter promptly after any revision or amendment.

10. Rights and Obligations of Unit Operator. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto, including surface rights, which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as provided for herein. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this Agreement, shall constitute and define the rights, privileges, and

obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

11. Plan of Operation. It is recognized and agreed by the parties hereto that the Unit Area is developed and productive, and only such drilling as is necessary and prudent to a secondary recovery or pressure maintenance program is contemplated. Furthermore, inasmuch as the primary purpose of this Unit Agreement is to permit the institution and consummation of a secondary recovery or pressure maintenance program for the maximum economic production of Unitized Substances consistent with good engineering and conservation practices, Unit Operator, concurrently with the filing of this Unit Agreement for final approval by the Deputy, ^{LAND COMMISSIONER} shall submit to the Supervisor, the Land Commissioner, and the Commissioner for approval, a plan of operation for the Unitized Land, and upon approval thereof by the Deputy, such plan shall constitute the future operating obligations of the Unit Operator under this Unit Agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period of operation; said plan or plans shall be modified or supplemented when necessary to meet changed conditions, or to protect the interest of all parties to the Unit Agreement. Reasonable diligence shall be exercised in complying with the obligations of any approved plan of operation.

Unit Operator shall have the right to inject into the Unitized Formation any substances necessary for secondary recover or pressure maintenance purposes in accordance with a plan of operation approved by the Deputy, including the right to drill and maintain injection wells on the Unitized Land and completed in the Unitized Formation, and to use abandoned well or wells producing from the Unitized Formation for said purpose, and the parties hereto, to the extent of their rights and interests, hereby grant to the Unit Operator the right to use as much of the surface of the land within the Unit Area as may be reasonably necessary for the operation and the development of the Unit Area hereunder. Unit Operator shall have free use of water from the Unitized Land for operations hereunder and for operations on adjacent lands except water from surface owner's and Royalty Owner's fresh water wells, private lakes, ponds, or irrigation ditches.

12. Participation and Allocation of Production. Beginning at 7:00 a.m. on the effective date hereof, the Tract Participation of each Tract shall be based upon the following factors and formula:

Thirty-Three and One-Third percent (33.333%) of the proportion, expressed in percentage, that the normal surface acres of each Tract bears to the combined normal surface acres from all Tracts comprising the Unit Area, plus

Thirty-Three and One-Third percent (33.333%) of the

proportion, expressed in percentage, that the current oil production rate based upon the production from July 1, 1982 through December 31, 1982 from each Tract bears to the current oil production based upon the production from all Tracts from July 1, 1982 through December 31, 1982, plus

Thirty-Three and One-Third percent (33.333%) of the proportion, expressed in percentage, that the cumulative oil production to January 1, 1960 from each Tract bears to the cumulative oil production to January 1, 1960 from all Tracts comprising the Unit Area.

The figure set forth opposite each Tract in Exhibit "C" represents the Tract Participation to which such Tract is entitled if all Tracts are committed hereto and qualified as to the effective date of this Agreement.

Promptly after approval of the Unit Agreement, if all Tracts are not qualified hereto, Unit Operator shall revise Exhibit "C" to show the Tracts qualified to this Agreement by setting forth opposite each Tract a revised tract participation therefor, which shall be calculated by using the same Tract factors and formula which were used to arrive at the Tract Participation of each Tract as set out in the original Exhibit "C", but applying the same only to those Tracts which are qualified effective as of the effective date of this Unit Agreement.

If after the effective date of this Agreement any Tract or Tracts are

subsequently committed hereto and qualified because of expansion of the Unit under Section 3, Expansion of Unit Area, or any Tract or Tracts are subsequently qualified under the provisions of Section 5, Tracts Qualified for Participation, and Section 31, Subsequent Joinder, or if any Tract is eliminated from the Unit Agreement as provided in Section 30, Loss of Title, the schedule of participation as shown in Exhibit "C" shall be revised by the Unit Operator to show the new Tract Participations of all the then qualified Tracts; and the revised Exhibit "C", upon approval by the Supervisor, shall govern the allocation of production from the effective date thereof until a new schedule is so approved. In any such revised Exhibit "C", pursuant to this paragraph, the Tract Participation of the previously qualified Tracts shall remain in the same ratio one to the other.

On the effective date of this Agreement, and thereafter, all Unitized Substances produced hereunder (except any part thereof used in conformity with good operating practices for drilling, operating, camp, and other production or development purposes, for pressure maintenance or secondary recovery operations in accordance with a plan of operation approved by the Deputy, or unavoidably lost), shall be deemed to be produced from the several Tracts of Unitized Land, and for the purpose of determining any benefits accruing under this Agreement each such Tract shall have allocated to it that percentage of said production equal to its Tract Participation effective hereunder during the respective period such Unitized Substances were produced, as set out in Exhibit "C".

If, as of the effective date hereof, any Tract is overproduced with respect

to the allowables of the wells on that Tract as established by the State of New Mexico and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as part of the Unitized Substances produced after the effective date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tracts.

The amount of Unitized Substances allocated to each Tract shall be deemed to be produced from such Tract irrespective of the location of the wells from which the same is produced and regardless of depletion of wells or Tracts. In the absence of a controlling contract or agreement to the contrary, when two or more leases, or part or parts thereof, have been combined into a single Tract, the percentage participation assigned to such Tract shall for all purposes be divided among the separate leases, or part or parts thereof, which have been put into such Tract, in proportion to the number of surface acres of the leases, or part or parts thereof, contained in such Tract to the total surface acres contained in said Tract.

13. Royalty Settlement. The United States, the State of New Mexico, and all other Royalty Owners who, under existing contract, are entitled to take in kind a share of the substance now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in

kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws, and regulations on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties or rentals due under their leases.

If gas obtained from lands or formations not subject to this Agreement is introduced into the Unitized Formation hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Deputy, a like amount of gas less appropriate deduction for loss or depletion from any cause, may be withdrawn from the Unitized Formation, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the approved plan of operations or as may otherwise be consented to by the Deputy ^{by LAND COMMISSIONER} as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this Unit Agreement.

If natural gasoline, liquid petroleum gas fractions, or other liquid hydrocarbon substances (herein collectively called "LPGS") which were not extracted from gas produced from the Unitized Formation are injected into the Unitized Formation, which shall be in conformity with a plan of operation first approved by the Deputy ^{by LAND COMMISSIONER}; Working Interest Owners shall be entitled to recover, royalty free, part of all of such "LPGS" pursuant to such conditions and

formulas as may be prescribed or approved by the Deputy. *of L.A. B. COMMISSION*

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

As to non-Federal lands, any royalty or other payment which varies under the terms of the instrument creating it, according to actual production from a Tract or according to the capabilities of wells located thereon to produce, shall, on and after the effective date, be computed upon that portion of the Unitized Substances allocated to the particular Tract and not upon the actual production of oil and gas from the Tract or the capability of the well thereon to produce. If any such royalty or other payment depends on the production or pipeline runs from a well, such production or pipeline run shall be determined by dividing the Unitized Substances allocated to the Tract by the number of wells located thereon that were capable of producing or capable of being used in unit operations as a producing well or otherwise as of the effective date. If any Tract has no such well located thereon as of the effective date, it shall be treated as having one well within the meaning of this section.

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

RENTAL for LANDS of the STATE OF N.M. Subject to this Agreement shall be PAID AT the rate specified in the respective leases from the state of N.M.

15. Conservation. Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to State or Federal law or regulation.

16. Drainage. The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from Unitized Lands by wells on land not subject to this Agreement, or with prior consent of the Director, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Deputy. In event compensatory royalty is so paid, it shall be treated in the same manner as Unitized Substances.

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LAND COMMISSIONER

17. Gauge of Merchantable Oil. Unit Operator shall make a proper and timely gauge of all leases and other tanks within the Unit Area and associated with the operation of Unitized Land in order to ascertain the amount of mer-

chantable oil above the pipeline connections in such tanks at 7:00 a.m. on the effective date hereof. All such oil shall be and remain the property of the parties entitled thereto the same as if the Unit had not been formed; and such parties shall promptly remove said oil from said tanks. Any such oil not so removed shall be sold by Unit Operator for the account of parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the terms and provisions of the applicable lease, leases, or other contracts.

18. Lease and Contracts Conformed and Extended. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas of lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Director shall and by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal ^{& STATE} leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

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COMMISS.

(a) The development and operation of lands subject to this Agreement under the terms hereof shall be deemed full performance of all obligations for

development and operation with respect to each and every part or separately owned Tract subject to this Agreement, regardless of whether there is any development of any particular part or Tract of the Unitized Land, notwithstanding anything to the contrary in any lease, operating agreement, or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any Tract of Unitized Land will be accepted and deemed to be performed upon and for the benefit of each and every Tract of Unitized Land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all Unitized Land pursuant to direction or consent of the Secretary ^{& LAND COMMISSIONER} or ~~his~~ ^{their} duly authorized representative shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every Tract of Unitized Land.

(d) Each lease, sublease, or contract relating to the exploration, drilling, development, or operation for oil or gas of lands committed to this Agreement which, by its terms might expire prior to the termination of this Agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this Agreement.

(e) The segregation of any Federal lease committed to this Agreement is governed by the following provision in the fourth paragraph of Section 17(j) of

the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-781): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization; Provided, however, that any such lease as to the non-unitized portion shall continue in full force and effect for the term thereof, but for not less than two (2) years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(f) Termination of this Agreement shall not affect any lease which, pursuant to the terms thereof or any applicable laws, shall continue in force and effect thereafter.

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

(h) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto, shall be segregated as to the portion committed and that portion not committed, and the terms of such lease shall apply separately as to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this Agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease (whether

within or without the Unit Area), (i) if, and for so long as oil or gas is capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this Agreement; or (ii) if, and for so long as some part of the lands embraced in such State lease are allocated Unitized Substances; or (iii) if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced therein and for so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all the lands embraced therein, as provided in (i) and (ii) above.

19. Mathematical Errors. It is hereby agreed by all parties to this Agreement that Unit Operator is empowered to correct any mathematical errors which might exist in the pertinent exhibits to this Agreement upon approval by the Land Commissioner and the Supervisor.

20. Covenants Run With Land. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this Agreement terminates, and any grant, transfer, or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any Working Interest Owner responsible for payment or settlement thereof, until the first day of the calendar month after Unit Operator or the responsible Working Interest Owner, as the case may

be, is furnished with the original, photostat, or certified copy of the instrument of transfer.

21. Effective Date. This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective on the first day of the calendar month next following the execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners owning a combined Unit Participation of at least eighty-five percent (85%) and the execution or ratification of the Agreement by Royalty Owners owning a combined interest of at least sixty-five percent (65%) of the Royalty Interest in said Unit Area, and the approval of this Agreement by the Secretary of the Interior, or his duly authorized delegate, and the Commissioner.

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

22. Term. The term of this Agreement shall be for and during the time that Unitized Substances can be produced in paying quantities sufficient to pay for the cost of producing same from wells on Unitized Land and for as long thereafter as drilling, reworking, or other operations are prosecuted on Unitized Land without cessation of more than ninety (90) consecutive days, and so long thereafter as Unitized Substances can be produced as aforesaid, unless

sooner terminated by the Director as provided in Section 8, Successor Unit Operator, or by the Working Interest Owners as provided in Section 23, Termination by Working Interest Owners.

23. Termination by Working Interest Owners. This Agreement may be terminated at any time by Working Interest Owners owning ninety percent (90%) or more of the participation percentage in the Unitized Land with the approval of the Deputy. ^{LAND COMMISSIONER} Notice of any such termination shall be given by the Unit Operator to all parties hereto.

Upon termination of this Agreement, the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate Tracts.

If not specified otherwise by the leases unitized under this Agreement, basic Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute, or otherwise dispose of the personal property and facilities used in connection with Unit Operations.

Unit Operator shall, within thirty (30) days after the termination of this Agreement has been determined, pursuant to Sections 8 and 23 hereof, file for record in the office or offices where a counterpart of this Agreement is recorded, a certificate setting forth the fact of such termination and the date thereof.

24. Rate of Prospecting, Development, and Production. All production and the disposal thereof shall be in conformity with allocations and quotas made or

fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, at his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this Agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Land Commissioner and as to any lands of the State of New Mexico or privately-owned lands subject to this Agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

Powers in this section vested in the Director and the Land Commissioner shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen (15) days from notice, and thereafter subject to administrative appeal before becoming final.

25. Appearances. Unit Operator shall, after notice to other parties affected, have the right to appear for and on behalf of any and all interests affected hereby before the Land Commissioner, the Department of the Interior, and the ^{Division} Commission, and to appeal from orders issued under the regulations of said Department or Agencies, or to apply for relief from any of said regulations

or in any proceedings relative to operations before the Department of the Interior, the Land Commissioner, the ^{Division} ~~Commissioner~~, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

26. Notices. All notices, demands, or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given, if given in writing, or personally delivered to the party, or sent by postpaid registered or certified mail addressed to such party at the address such party has furnished to the party sending the notice, demand, or statement. The place for the giving of notice shall be the address used on the signature page until such time as a party who wishes to change its place for receiving notice has advised the Unit Operator in writing of such change.

27. No Waiver of Certain Rights. Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State of New Mexico, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive; provided, however, each party hereto except the United States covenants that during the existence of this Agreement, such party shall not resort to any action at law or in equity to partition the Unitized Land or the facilities used in the development or operation thereof and to that extent waives the benefits of all laws authorizing such partition.

28. Unavoidable Delay. All obligations under this Agreement, except the payment of money, shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

29. Non-Discrimination. In connection with the performance of work under this Agreement, the Unit Operator agrees to comply with all the provisions of Section 202(1) to (7) inclusive, of Executive Order 11246, 30 F.R. 12319, as amended, which are hereby incorporated by reference in this Agreement.

30. New Mexico State Land Provisions. Certain of the Unitized Lands are public lands of the State of New Mexico and in connection with the approval of this Agreement by the Board of Land Commissioners of said State pursuant to the applicable State laws and regulations, and Federal regulations, it is agreed that there shall be filed with the Board of Land Commissioners:

(a) One (1) copy of the complete Unit Agreement and one (1) copy of any revised exhibits concurrently with the filing thereof with the Deputy.

(b) One (1) copy of any executed Unit Operating Agreement.

It is further agreed that:

1. All valid and pertinent Land Board Regulations now in effect governing State of New Mexico lands not inconsistent with the terms hereof or the laws of

the State of New Mexico are hereby accepted as to State lands and made a part of this Agreement.

2. Nothing in this Agreement contained shall relieve lessees of the public lands of the State of New Mexico from their obligation to pay rentals or royalties, either in value or in kind, with respect to Unitized Substances allocated to such lands hereunder, at the rates specified in their respective leases.

3. In the event that a title dispute arises as to State lands or leases, no payment of funds due the State of New Mexico should be withheld, but such funds shall be deposited as directed by the Board of Land Commissioners to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement. However, in the event there is a title dispute between the State of New Mexico and the United States of America, payments deposited as directed by the Deputy as provided hereinabove shall satisfy the requirements of the State of New Mexico with respect to the deposited monies due the State, and no additional payments need be deposited with the State under the provisions hereof with respect to such lands.

4. Each lease on lands of the State of New Mexico committed to this Unit Agreement is hereby extended for as long beyond its expiration date as this Unit Agreement remains in effect.

5. Each party to this Agreement holding any lease or leases from the State of New Mexico subject to this Agreement or holding any interest in or under such

lease or leases or in the production from lands covered thereby, agrees that said Board of Land Commissioners may alter, change, modify, and revoke the drilling, production, and royalty requirements of such lease or leases and the regulations in respect thereto, to conform the provisions of said lease or leases to the provisions of this Agreement only so long as said lease or leases remain subject to this Agreement. Such parties and said Board further agree that except as otherwise specifically provided in this Agreement, no such lease shall be deemed to terminate or expire so long as it shall remain committed hereto.

31. Loss of Title. In the event title to any Tract of Unitized Land shall fail and the true owner cannot be induced to join in this Unit Agreement, such Tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any Royalty, Working Interest, or other interests subject hereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that as to ^{STATE OR} Federal lands or leases, no payments of funds due the ^{STATE OF N.M. OR} United States should be withheld, but such funds shall be deposited as directed by the ^{LAND COMMISSIONER OR THE DEPUTY (AS THE CASE MAY BE)} Deputy to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement. In any event, Unit Operator is relieved from any responsibility for any defect or failure of any title hereunder.

In order to avoid title failure which might incidentally cause the title to

?

a Working Interest or Interests to fail, the owners of (a) the surface rights to land subject to this Agreement, (b) severed Mineral or Royalty Interests in said land, and (c) improvements located on said lands, but not utilized for Unit Operations, shall individually be responsible for the rendition and assessment, for ad valorem tax purposes, of all such property, and for payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner or Owners or in the Unit Operating Agreement. If any ad valorem taxes are not paid by such owners responsible therefor when due, the Unit Operator may, at any time prior to tax sale, pay the same, redeem such property, and discharge such tax liens as may arise through non-payment. In the event the Unit Operator makes any such payment or redeems any such property from tax sale, the Unit Operator shall be reimbursed therefor by the Working Interest Owners in proportion to their respective percentages of Unit Participation; and the Unit Operator shall withhold from the proceeds otherwise due to said delinquent taxpayer or taxpayers, an amount sufficient to defray the costs of such payment or redemption, such withholdings to be distributed among the Working Interest Owners in proportion to their respective contributions toward such payment or redemption.

32. Subsequent Joinder. After the effective date of this Agreement, the commitment of any interest in any Tract within the Unit Area shall be upon such equitable terms as may be negotiated by Working Interest Owners and the owner of such interest. After the effective date hereof, joinder by a Royalty Owner must be consented to in writing by the Working Interest Owner committed hereto and

responsible for the payment of any benefits that may accrue hereunder on behalf of such Royalty Interest. Joinder by any Royalty Owner at any time must be accompanied by appropriate joinder by the Owner of the corresponding Working Interest in order for the interest to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner at any time must be accompanied by appropriate joinder to the Unit Operating Agreement in order for the interest to be regarded as committed to this Unit Agreement. Except as may otherwise herein be provided, subsequent joinder to this Agreement shall be effective as of the first day of the month following the filing with the Deputy ^{and} _{Commissioner} of duly executed counterparts of all or any papers necessary to establish commitment of any Tract to this Agreement unless objection to such joinder is made within sixty (60) days by the Director. ^{of LAND COMMISSIONER}

33. Counterparts. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties, or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above-described Unit Area.

In the event any of the parties hereto own both Working Interests and Royalty Interests, as such interests are shown on Exhibit "B", it shall not be necessary for such party to execute this Agreement in both capacities in order

to commit both classes of interest. Execution hereof by any such party in one capacity shall also constitute execution in the other capacity.

34. Royalty Owners' Taxes. Unless otherwise specifically provided by law, each Royalty Owner shall render and pay all ad valorem taxes, including ad valorem taxes measured by production levied against its royalty or mineral interest. Unit Operator shall pay, as an agent for the Working Interest Owners, each Royalty Owner's share of all taxes other than ad valorem taxes levied on or measured by the Unitized Substances in and under, or that may be produced, gathered, and sold from, the lands subject hereto, or upon the proceeds or net proceeds derived therefrom, and shall pay ad valorem taxes to the extent that the same are made payable by law by any Working Interest Owner. Each Working Interest Owner shall reimburse Unit Operator for taxes so paid on its behalf and such Working Interest Owner shall make proportionate deductions of said amounts in settling with its Royalty Owners in each separately owned Tract. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

35. No Partnership. It is expressly agreed that the relation of the parties hereto is that of joint mineral interest owners only. The duties, obligations, and liabilities of the parties hereto are intended to be several and not joint or collective. This agreement is not intended to create and shall not be construed to create an association or trust, or to impose a partnership duty, obligation, or liability with regard to any one or more of the parties

hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and have set opposite their respective names the date of execution as shown on each of their respective acknowledgements.

ROYALTY OWNERS

OVERRIDING ROYALTY OWNERS

UNIT OPERATOR AND WORKING INTEREST OWNERS

NAME:

J. CLEO THOMPSON AND JAMES CLEO
THOMPSON, JR., A PARTNERSHIP

ADDRESS:

By James Cleo Thompson Jr.
James Cleo Thompson, Jr.
Managing General Partner

THOMPSON PETROLEUM CORPORATION

ADDRESS:

By James Cleo Thompson Jr.

ATTEST:

Lois Kennedy

Toxie E. Heavers
Toxie E. Heavers

ADDRESS:

JEAN CHRISTINE THOMPSON TRUST #2

ADDRESS:

By James Cleo Thompson, Jr.
James Cleo Thompson, Jr.
Trustee

ADDRESS:

Jack M. Myers
Jack M. Myers

ADDRESS:

Sam Lett
Sam Lett

I & L DEVELOPMENT COMPANY

ADDRESS:

By

Thomas W. LelD

ATTEST:

Jean Hood

R 30 E



TOTAL FEDERAL LANDS —
 TOTAL STATE LANDS —
 TOTAL FEDERAL LANDS —

EXHIBIT A
 PROPOSED GRAYBURG
 SAN ANDRES WATER FLOOD
 WEST SQUARE LAKE UNIT

J. CLEO THOMPSON & JAMES CLEO THOMPSON, JR.
 A PARTNERSHIP, UNIT OPERATOR
 EDDY COUNTY, NEW MEXICO
 SCALE 2" = 1 MILE

EXHIBIT B
Participation Area
West Square Lake Unit
Eddy County, New Mexico

TRACT #	DESCRIPTION OF LAND	# OF ACRES	SERIAL # & LEASE DATE	BASIC ROYALTY		LESSEE OF RECORD	OVERRIDING ROYALTY		WORKING INTEREST		PARTICIPATION OF TRACT IN UNIT
				OWNER & PERCENTAGE	PERCENTAGE		OWNER & PERCENTAGE	OWNER & PERCENTAGE			
1	Evans Lease - NE/4 and NE/4 SW/4 Section 4, T-17-S, R-30-E	200	NM 02425 12/31/38	USA - 12 1/2% to 32% on oil, and 12 1/2% to 16 2/3% on gas (Sliding Scale)	Christine Thompson	Grace B. Bockman .75000% Roger H. Davis .25000% Ludora Kille 2.50000% Marshall & Winston .25000% I. J. Marshall .25000% Everett E. Taylor .50000% Ellen W. Wallingford .50000% Harry G. Peterson .12500% J. K. Wallingford, Trust, J. R. Wallingford, Ellen W. Wallingford and Martha West, Co- Trustees under the Will of J. K. Wallingford, Deceased .50000% RepublicBank Dallas Trustee for Gilbert E. Peterson	J. Cleo Thompson & James Cleo Thompson, Jr., A Partnership 36.66700% Thompson Petroleum Corporation 10.00000% Toxie E. Beavers 7.50000% Jean Christine Thompson Trust #2 7.50000% Jack M. Myers' 5.00000% Sam Lett 16.66700% I & L Development 16.66700%				

.06250\$
 Cecile A. Peterson
 .06250\$
 B. Kent Pomeroy,
 Ancillary Prep. of
 the Estate of Howard
 B. Wright, Deceased
 .50000\$

2	Evans "A" Lease - E/2 NE/4 and SW/4 Section 33, T-16-S, R-30-E	240	NM 02425 12/31/38	USA - 12 1/2\$ to 32\$ on oil; and 12 1/2\$ to 16 2/3\$ on gas (Sliding Scale)	Christine Thompson	Grace B. Bockman .75000\$ Roger H. Davis .25000\$ Ludora Kille 2.50000\$ Marshall & Winston .25000\$ I. J. Marshall .25000\$ Everett E. Taylor .50000\$ Ellen W. Wallingford .50000\$ Harry G. Peterson .12500\$ J. K. Wallingford, Trust, J. R. Wallingford, Ellen W. Wallingford and Martha West, Co- Trustees under the Will of J. K. Wallingford, Deceased .50000\$ RepublicBank Dallas Trustee for Gilbert E. Peterson .06250\$ Cecile A. Peterson	J. Cleo Thompson & James Cleo Thompson, Jr., A Partnership 36.66700\$ Thompson Petroleum Corporation 10.00000\$ Toxie E. Beavers 7.50000\$ Jean Christine Thompson Trust #2 7.50000\$ Jack M. Myers 5.00000\$ Sam Lett 16.66700\$ I & L Development 16.66700\$
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.06250%

B. Kent Pomeroy,
Ancillary Prep. of
the Estate of Howard
B. Wright, Deceased
.50000%

J. Cleo Thompson &
James Cleo Thompson,
Jr., A Partnership
66.66700%
Sam Lett
16.66700%
I & L Development
16.66600%

Christine Thompson
USA - 12 1/2%
to 32% on oil;
and 12 1/2% to
16 2/3% on gas
(Sliding Scale)

NM 02425
12/31/38

80

Evans "B" Lease -
W/2 NE/4 Section 33,
T-16-S, R-30-E

3

Grace B. Bockman
.75000%

Roger H. Davis
.25000%

Ludora Kille
2.50000%

Marshall & Winston
.25000%

I. J. Marshall
.25000%

Everett E. Taylor
.50000%

Ellen W. Wallingford
.50000%

Harry G. Peterson
.12500%

J. K. Wallingford
Trust, J. R.
Wallingford, Ellen
W. Wallingford and
Martha West, Co-
Trustees under the
Will of J. K.
Wallingford, Deceased
.50000%

RepublicBank Dallas
Trustee for Gilbert E.
Peterson
.06250%

Cecile A. Peterson
.06250%

B. Kent Pomeroy,

Ancillary Prep. of
the Estate of Howard
B. Wright, Deceased
.50000%

4	Evans "C" Lease - NW/4 of the SW/4 and SE/4 of the SW/4 Section 4, T-16-S, R-30-E	80	NM 02425 12/31/38	USA - 12 1/2% to 32% on oil; and 12 1/2% to 16 2/3% on gas (Sliding Scale)	Christine Thompson	Grace B. Bockman .75000% Roger H. Davis .25000% Ludora Kille 2.50000% Marshall & Winston .25000% I. J. Marshall .25000% Everett E. Taylor .50000% Ellen W. Wallingford .50000% Harry G. Peterson .12500% J. K. Wallingford Trust, J. R. Wallingford, Ellen W. Wallingford and Martha West, Co- Trustees under the Will of J. K. Wallingford, Deceased .50000% RepublicBank Dallas Trustee for Gilbert E. Peterson .06250% Cecile A. Peterson .06250% B. Kent Pomeroy, Ancillary Prep. of the Estate of Howard	J. Cleo Thompson & James Cleo Thompson, Jr., A Partnership 66.66700% Sam Lett 16.66700% I & L Development 16.66600%
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B. Wright, Deceased
.50000%

5	George Etz Lease - NW/4 of Section 35, T-16-S, R-30-E	160	LC 063926 (formerly LC 029431) 12/31/38	USA - 12 1/2% to 32% on oil; and 12 1/2% to 16 2/3% on gas (Sliding Scale)	J. Cleo Thompson	Atlantic Richfield .31250%	J. Cleo Thompson & James Cleo Thompson, Jr., A Partnership Thompson Petroleum Corporation 10.00000%
					Rose M. Cottingham Independent Executor of the Estate of V. E. Cottingham, Deceased .25000%	Toxie E. Beavers 7.50000%	
					Vera Cox Haefs .03125%	Jean Christine Thompson Trust #2 7.50000%	
					Intrawest Bank of Denver, Trustee for a/c Josephine M. Smith .06250%	Jack M. Myers 5.00000%	
					Higgins Trust Inc. .25000%	Sam Lett 16.66700%	
					Marshall & Winston .25000%	I & L Development 16.66600%	
					Tommye June Robinson .09375%		
					J. S. Ward .06250%		
					James Petroleum Trust a/a 2-2-74 David James, Trustee .12500%		
					RepublicBank Dallas, Trustee under the Will of Selma E. Andrews .13426%		
					Max W. Coll II .04688%		
					James N. Coll .04688%		

Charles W. Mulcock
.13021\$
Vera Cox Haefs
.03125\$

6	George Etz "A" Lease - 320 NE/4 and S/2 S/2 Section 35, T-16-S, R-30-E	LC 063926 (formerly LC 029431) 12/31/38	USA - 12 1/2% to 32% on oil; and 12 1/2% to 16 2/3% on gas (Sliding Scale)	J. Cleo Thompson	Atlantic Richfield .31250\$ Rose M. Cottingham Independent Executor of the Estate of V. E. Cottingham, Deceased .25000\$ Intravest Bank of Denver, Trustee for a/c Josephine M. Smith .06250\$ Higgins Trust, Inc. .25000\$ Marshall & Winston .25000\$ Tommye June Robinson .09375\$ J. S. Ward .06250\$ James Petroleum Trust u/a 2-2-74, David James, Trustee .12500\$ RepublicBank Dallas, Trustee under the Will of Selma E. Andrews .13426\$ Max W. Coll II .04687\$ James N. Coll .04687\$ Charles H. Coll	J. Cleo Thompson & James Cleo Thompson, Jr., A Partnership 66.66700\$ Sam Lett 16.66700\$ I & L Development 16.66600\$
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Charles H. Coll
 .04687\$
 Jon F. Coll
 .04687\$
 Braille Institute
 of America Agency
 631-0, RepublicBank
 Dallas, Agent
 .11574\$

7	George Etz "B" Lease - N/2 SW/4 Section 35, T-16-S, R-30-E	80	IC 063926 12/31/38	USA - 12 1/2% to 32% on oil; and 12 1/2% to 16 2/3% on gas (Sliding Scale)	J. Cleo Thompson	Atlantic Richfield .31250\$	J. Cleo Thompson & James Cleo Thompson, Jr., A Partnership 36.66700\$ Thompson Petroleum Corporation 10.00000\$
						Rose M. Cottingham Independent Executor of the Estate of V. E. Cottingham, Deceased .25000\$	Toxie E. Beavers 7.50000\$
						Intrawest Bank of Denver, Trustee for a/c Josephine M. Smith .06250\$	Jean Christine Thompson Trust #2 7.50000\$
						Mrs. Tillie Cleve Grimes .39063\$	Jack M. Myers 5.00000\$ Sam Lett 16.66700\$
						Higgins Trust, Inc. .25000\$	I & L Development 16.66600\$
						Lelia Williams Koger Marshall & Winston .25000\$	
						Ned Martin .39062\$	
						Agnes Williams Mulcock .19532\$	
						J. B. Mulcock 1.17187\$	

Tommye June Robinson
.09375¢
J. S. Ward
.06250¢
Erasmus W. Williams
.19531¢
James Petroleum Trust
u/a 2-2-74, David James,
Trustee
.12500¢
RepublicBank Dallas,
Trustee under the Will
of Selma E. Andrews
.13426¢
Max W. Coll II
.04687¢
James N. Coll
.04688¢
Charles H. Coll
.04688¢
Jon F. Coll
.04688¢
Braille Institute
of American Agency
631-0, RepublicBank
Dallas, Agent
.11574¢
Ernestine Chesser
Williams
.06510¢
Lena Mae Williams
Sparkman
.06510¢
Lelia Koger Williams
Washburn
.06510¢
Georgia Mulcock Lutz
.13021¢
James B. Mulcock, Jr.
.13021¢

.04688%
Jon F. Coll
.04688%
Vera Cox Haefs
.03125%

LC 063926
12/31/38

USA - 12 1/2% J. Cleo Thompson
to 32% on oil;
and 12 1/2% to
16 2/3% on gas
(Sliding Scale)

Atlantic Richfield J. Cleo Thompson &
.31250% James Cleo Thompson,
Rose M. Cottingham Jr., A Partnership
Independent Executor 36.66700%
of the Estate of Sam Lett
V. E. Cottingham, 16.66700%
Deceased I & L Development
.25000% 16.66600%

Intravest Bank of
Denver, Trustee for
a/c Josephine M.
Smith

.06250%
Mrs. Tillie Cleve
Grimes

.39063%
Higgins Trust, Inc.
.25000%

Lelia Williams Roger
.19531%

Marshall & Winston
.25000%

Ned Martin
.39062%

Agnes Williams
Mulcock

.19532%
J. B. Mulcock

1.17187%
Tommye June Robinson
.09375%

J. S. Ward
.06250%

Erasmus W. Williams
.19531†
James Petroleum Trust
u/a 2-2-74, David James,
Trustee
.12500†
RepublicBank Dallas,
Trustee under the Will
of Selma E. Andrews
.13426†
Max W. Coll II
.04687†
James N. Coll
.04688†
Charles H. Coll
.04688†
Jon F. Coll
.04688†
Braille Institute
of American Agency
631-0, RepublicBank
Dallas, Agent
.11574†
Ernestine Chesser
Williams
.06510†
Lena Mae Williams
Sparkman
.06510†
Lelia Koger Williams
Washburn
.06510†
Georgia Mulcock Lutz
.13021†
James B. Mulcock, Jr.
.13021†
Charles W. Mulcock
.13021†
Vera Cox Haefs
.03125†

SE/4
T-16-S,
E/2 NW/4
Section 4,
-30-E

320

LC 060325
12/31/38

USA - 12 1/2%
to 32% on oil,
and 12 1/2% to
16 2/3% on gas
(Sliding Scale)

J. Cleo Thompson

Grace B. Bockman
.75000%

Roger H. Davis
.25000%

First National Bank
Roswell, Trustee of
M.B. Leonard Trust

.50000%

Ludora Kille

1.00000%

Barney E. Leonard

1.00000%

Marshall & Winston

.25000%

I. J. Marshall

.25000%

Everett E. Taylor

.50000%

Harry G. Peterson

.12500%

RepublicBank Dallas
Trustee for Gilbert
E. Peterson Trust
u/w 7975-02

.06250%

Cecile A. Peterson

.06250%

Thomas J. McCroden,
Trustee of the Thomas
J. McCroden Trust dated
3/23/83

1.00000%

B. Kent Pomeroy,
Ancillary Prep. of the
Estate of Howard B.
Wright, Deceased
.50000%

J. Cleo Thompson &
James Cleo Thompson,
Jr., A Partnership
36.66700%

Thompson Petroleum
Corporation

10.00000%

Toxie E. Beavers

7.50000%

Jean Christine

Thompson Trust #2

7.50000%

Jack M. Myers

5.00000%

Sam Lett

16.66600%

I & L Development

16.66700%

10 Leonard "B" -
NW/4 Section 33,
T-16-S, R-30-E

160 LC 060325
12/31/38

USA - 12 1/2% J. Cleo Thompson
to 32% on oil;
and 12 1/2% to
16 2/3% on gas
(Sliding Scale)

Grace B. Bockman	J. Cleo Thompson & James Cleo Thompson, Jr., A Partnership
.75000%	66.66700%
Roger H. Davis	Sam Lett
.25000%	16.66700%
First National Bank	I & L Development
Roswell, Trustee of	16.66600%
M.B. Leonard Trust	
.50000%	
Ludora Kille	
1.00000%	
Barney E. Leonard	
1.00000%	
Marshall & Winston	
.25000%	
I. J. Marshall	
.25000%	
Everett E. Taylor	
.50000%	
Harry G. Peterson	
.12500%	
RepublicBank Dallas	
Trustee for Gilbert	
E. Peterson Trust	
u/w 7975-02	
.06250%	
Cecile A. Peterson	
.06250%	
Thomas J. McCroden,	
Trustee of the Thomas	
J. McCroden Trust dated	
3/23/83	
1.00000%	
B. Kent Pomeroy,	
Ancillary Prep. of the	
Estate of Howard B.	
Wright, Deceased	
.50000%	

Leonard "C" Lease -
/2 SE/4; SW/4 NW/4
and Lot 4, all in
Section 4, T-17-S,
R-30-E

160

LC 060325
12/31/38

USA 12 1/2%
to 32% on oil;
and 12 1/2% to
16 2/3% on gas
(Sliding Scale)

J. Cleo Thompson

Grace B. Bockman .75000%
Roger H. Davis .25000%
First National Bank
Roswell, Trustee of
M.B. Leonard Trust I & L Development
Ludora Kille 1.00000%
Barney E. Leonard 1.00000%
Marshall & Winston .25000%
I. J. Marshall .25000%
Everett E. Taylor .50000%
Harry G. Peterson .12500%
RepublicBank Dallas
Trustee for Gilbert
E. Peterson Trust
u/w 7975-02 .06250%
Cecile A. Peterson .06250%
Thomas J. McCroden,
Trustee of the Thomas
J. McCroden Trust dated
3/23/83 1.00000%
B. Kent Pomeroy,
Ancillary Prep. of the
Estate of Howard B.
Wright, Deceased .50000%

J. Cleo Thompson &
James Cleo Thompson,
Jr., A Partnership
66.66700%
Sam Lett
16.66700%
I & L Development
16.666600%

A. N. Etz - SE/4 and

240

LC 063926

USA - 12 1/2%

J. Cleo Thompson

J. Cleo Thompson &

3/2 NE/4 Section 26,
T-16-S, R-30-E

(formerly
LC 029424)
01/01/40

to 32% on oil,
and 12 1/2% to
16 2/3% on gas
(Sliding Scale)

James Cleo Thompson,
Jr., A Partnership
66.66700%
Sam Lett
16.66700%
I & L Development
16.66600%

Etz "C" - SE/4 Section, 160
34, T-16-S, R-30-E

NM 02427
(formerly
LC 058179 &
LC 029431)
12/31/43
USA - 12 1/2%
to 32% on oil,
and 12 1/2% to
16 2/3% on gas
(Sliding Scale)

Atlantic Richfield .31250%	Christine Thompson	J. Cleo Thompson & James Cleo Thompson, Jr., A Partnership 36.66700%
Rose M. Cottingham Independent Executor of the Estate of V. E. Cottingham, Deceased .25000%		Thompson Petroleum Corporation 10.00000%
Vera Cox Haefs .03125%		Toxie E. Beavers 7.50000%
Evelyn Ann English Administratrix of the Estate of R. B. English, Jr. .11963%		Jean Christine Thompson Trust #2 7.50000%
Leroy English .37085%		Jack M. Myers 5.00000%
Michael L. English .02632%		Sam Lett 16.66700%
Patrick B. English		I & L Development 16.66700%

.02632\$
Stanley G. English
.06620\$
William B. English
.06620\$
Intrawest Bank of
Denver, Trustee for
a/c Josephine M. Smith
.06250\$
James B. Francis
.08374\$
Higgins Trust, Inc.
.25000\$
Joy English Marquez
.06620\$
Marshall & Winston
.25000\$
Patricia Peck
.02631\$
Tommye Jo Robinson
.09375\$
Tenneco Oil Company
1.23045\$
J. S. Ward
.06250\$
James Petroleum Trust
u/a 2-274, David James
Trustee
.12500\$
Dwight V. English
.02632\$
RepublicBank SE
.13426\$
Max W. Coll II
.04688\$
James N. Coll
.04688\$
Charles H. Coll
.04688\$
Jon F. Coll

.04688%

Braille Institute
of America Agency
631-0, RepublicBank
Dallas, Agent

.11574%

Mary English

.02632%

Legal Suspense

.05264%

ion, 160

NM 02427 USA - 12 1/2%
(formerly to 32% on oil;
LC 058179 & and 12 1/2% to
LC 029431) 16 2/3% on gas
12/31/48 (Sliding Scale)

Christine Thompson

Atlantic Richfield

J. Cleo Thompson &

James Cleo Thompson,

.31250%

Rose M. Cottingham

Jr., A Partnership

Independent Executor

38.33400%

of the Estate of

Thompson Petroleum

V. E. Cottingham,

Corporation

Deceased

15.00000%

.25000%

Toxie E. Beavers

Vera Cox Haefs

7.50000%

.03125%

Jean Christine

Intrawest Bank of

Thompson Trust #2

Denver, Trustee for

7.50000%

Josephine M. Smith

Jack M. Myers

.06250%

5.00000%

Higgins Trust, Inc. Sam Lett

16.66700%

.25000%

Marshall & Winston I & L Development

Tommye June Robinson

16.66700%

.25000%

J. S. Ward

.09375%

James Petroleum Trust

u/a 2-2-74, David James,

Trustee

.12500%

RepublicBank Dallas,

Trustee under the Will

of Selma E. Andrews
 TR 5188
 .13425%
 Max W. Coll II
 .04688%
 James N. Coll
 .04688%
 Charles H. Coll
 .04687%
 Jon F. Coll
 .04687%
 Braille Institute
 of America Agency
 631-0, RepublicBank
 Dallas, Agent
 .11575%

1 - W/2 Section, 320
 16-S, R-30-E

NM 02427
 (formerly
 LC 058179)
 11/26/46

USA - 12 1/2%
 to 32% on oil;
 and 12 1/2% to
 16 2/3% on gas
 (Sliding Scale)

Christine Thompson

Atlantic Richfield

J. Cleo Thompson &
 James Cleo Thompson,
 Jr., A Partnership
 38.33400%
 Thompson Petroleum
 Corporation
 15.00000%

.31250%
 Rose M. Cottingham
 Independent Executor
 of the Estate of
 V. E. Cottingham,
 Deceased
 .25000%

Vera Cox Haefs
 .03125%
 First National Bank
 Roswell, Trustee of
 M.B. Leonard Trust
 .87500%
 Intrawest Bank of
 Denver, Trustee for
 a/c Josephine M.
 Smith
 .06250%
 Higgins Trust, Inc.
 .25000%
 Barney E. Leonard

Toxie E. Beavers
 7.50000%
 Jean Christine
 Thompson Trust #2
 7.50000%
 Jack M. Myers
 5.00000%
 Sam Lett
 16.66700%
 I & L Development
 16.66700%

0103125

2760

707A
 1000

3 of 1000

1.75000\$
 Marshall & Winston
 .25000\$
 Tommye June Robinson
 .09375\$
 J. S. Ward
 .06250\$
 James Petroleum Trust
 u/a 2-2-74, David James,
 Trustee
 .12500\$
 RepublicBank Dallas
 Trustee under the Will
 of Selma E. Andrews
 TR 5188
 .13426\$
 Max W. Coll II
 .04688\$
 James N. Coll
 .04688\$
 Charles H. Coll
 .04687\$
 Jon F. Coll
 .04687\$
 Thomas J. McCroden,
 Trustee of the Thomas
 J. McCroden Trust dated
 3-23-82
 1.75000\$
 Braille Institute
 of America 631-0
 RepublicBank Dallas,
 Agent
 .11574\$

J. Cleo Thompson &
 James Cleo Thompson,
 Jr., A Partnership
 38.33400\$

Tenneco Oil Company
 5.46875\$

J. Cleo Thompson ✓

State of New
 Mexico -
 12 1/2% on all
 oil and gas

B-2175-10
 10/10/33-

O.S.

80

Leonard State Lease /
 E/2 SE/4 Section 32 /
 T-16-S, R-30-E, N.M.P.M.

produced

Thompson Petroleum Corporation
 15.00000\$
 Toxie E. Beavers
 7.50000\$
 Jean Christine Thompson Trust #2
 7.50000\$
 Jack M. Myers
 5.00000\$
 Sam Lett
 16.66700\$
 I & L Development
 16.66700\$

C.S.
 40
 Leonard State "A" Lease - SE/4 NE/4 Section 32, T-16-S, R-30-E, N.M.P.M.

State of New Mexico -
 12 1/2% on all oil and gas produced

B-2175-10
 10/10/33

J. Cleo Thompson & James Cleo Thompson, Jr., A Partnership
 66.66700\$
 Sam Lett
 16.66700\$
 I & L Development
 16.66600\$

C.S.
 40
 Overton State Lease - NE/4 of SE/4 Section 36, T-16-S, R-30-E, N.M.P.M.

State of New Mexico -
 12 1/2% on all oil and gas produced

B-3006-24
 06/11/34

J. Cleo Thompson & James Cleo Thompson, Jr., A Partnership
 66.66700\$
 Sam Lett
 16.66700\$
 I & L Development
 16.66600\$

C.S.
 40
 Jackson State Lease - NE/4 of SW/4 Section 36, T-17-S, R-30-E, N.M.P.M.

State of New Mexico -
 12 1/2% on all oil and gas produced

B-3006-24
 06/11/34

J. Cleo Thompson & James Cleo Thompson, Jr., A Partnership
 66.66700\$
 Sam Lett
 16.66700\$
 I & L Development
 16.66600\$

T-16-S

Produced

20 State - Hover "A" - 40
NE/4 NE/4 Section 2,
T-17-S, R-30-E, N.M.P.M.

B-3635-39
12/10/34

State of New Mexico
12 1/2% on all
oil and gas
produced

J. Cleo Thompson ^{SA}

Mary E. Hockett

3.12500%

John Hanson

2.08333%

Joseph Wm. Foran

.79167%

Marilyn Wright

.25000%

Helen Hudson

1.25000%

Mrs. Tillie

Cleve Grimes

.39063%

Lelia Williams

Koger

.19531%

Ned Martin

.39063%

Agnes Williams

Mulcock

.19531%

J. B. Mulcock

1.17187%

Erasmus W. Williams

.19531%

Georgia Mulcock

Lutz

.13021%

James B. Mulcock

.13021%

Charles W. Mulcock

.13021%

Ernestine Chesser

Williams

Sam Lett
16.66700%
I & L Development
16.66600%

J. Cleo Thompson &
James Cleo Thompson,
Jr., A Partnership
66.66700%
Sam Lett
16.66700%
I & L Development
16.66600%

.06510\$
Lena Mae Sparkman
.06510\$
Lelia Koger
Williams
.06510\$

21 State - Hover "B" - 40 C.S. B-3635-39 12/10/34 J. Cleo Thompson & R. Mary E. Hockett J. Cleo Thompson &
NW/4 NE/4 Section 2, Mexico - 3.12500\$ James Cleo Thompson,
T-17-S, R-30-B, N.M.P.M. 12 1/2% on all oil and gas produced 2.08333\$ Jr., A Partnership
Joseph Wm. Foran .79167\$ Sam Lett 66.66700\$
Marilou Wright .25000\$ I & L Development 16.66700\$
Helen Hudson 1.25000\$ 16.66600\$
J. B. Mulcock 1.17187\$
Lelia Williams Kroger .19531\$
Erasmus W. Williams .19531\$
Agnes Williams Mulcock .19531\$
Ned Martin .39063\$

22 Merrill State "A" - 40 C.S. B-3635-39 12/10/34 J. Cleo Thompson & R. J. B. Mulcock J. Cleo Thompson &
NE/4 NW/4 Section 2, Mexico - 1.17187\$ James Cleo Thompson,
T-17-S, R-30-E, N.M.P.M. 12 1/2% on all oil and gas produced .19531\$ Jr., A Partnership
Lela Williams Kroger Sam Lett 66.66700\$
Erasmus W. Williams .19531\$ 16.66700\$
Agnes Williams Mulcock .19531\$ I & L Development 16.66600\$
Ned Martin .39063\$

CS.

Merrill State "B" 40
NW/4 NW/4 Section 2,
T-17-E, R-30-E, N.M.P.M.

B-3635-39
12/10/34

State of New Mexico -
12 1/2% on all
oil and gas
produced

J. Cleo Thompson

J. B. Mulcock

J. Cleo Thompson &
James Cleo Thompson,

Barnard Clove
.39063%
Evans T. Williams
.39063%
Ned Martin
.39063%
Irene Cowell
3.12500%
Roy Williams and
Letha May Williams,
as Joint Tenants
3.12500%

Boyd Williams, Jr.
.19531%
Lelia Williams Koger Sam Lett
.19531%
Erasmus W. Williams I & L Development
.19531%
Agnes Williams Mulcock
.19531%
Barnard Clove
.39063%
Evans T. Williams
.39063%
Ned Martin
.39063%
W. S. Merrill and
Cleo Merrill
6.25000%
T. E. Brown
.46875%
C. W. Brown
.15625%

66.66700%
16.66700%
16.66600%

CS.
B-6672-6

State - Tidewater

State of New

J. Cleo Thompson

NONE

J. Cleo Thompson &

WYSEYSEY
1.16-9

Cy.

New Jackson State -
NW/4 SW/4 Section 36,
T-17-S, R-30-E, N.M.P.M.

Mexico -
12 1/2% on all
oil and gas
produced

09/10/36

James Cleo Thompson,
Jr., A Partnership
66.66700%
Sam Lett
16.66700%
I & L Development
16.66600%

Cy.

New Jackson State -
NE/4 of the SW/4
Section 36, T-16-S,
R-30-E, N.M.P.M.

State of New
Mexico ^{1/2%} on all
oil and gas
produced

V-733
05/17/83

J. Cleo Thompson
& James Cleo
Thompson, Jr., A
Partnership

NONE

J. Cleo Thompson &
James Cleo Thompson,
Jr., A Partnership
66.66700%
Sam Lett
16.66700%
I & L Development
16.66600%

116

of unit

707 AK STATE LAMPS

EXHIBIT C
TRACT AND TRACT PARTICIPATION
Proposed West Square Lake Grayburg-San Andres Water Flood Unit

TRACT #	DESCRIPTION OF LEASES AND WELLS	# OF ACRES	PER CENT	CUM. PROD. TO 1-1-60	PER CENT -- LAST 6 MOS. '82	CURRENT PRODUCTION	PER CENT	TRACT PARTICIPATION
1	Evans 1-2-3-4-13	200	.060241	131264	.056591	1968	.067374	.061402
2	Evans "A" 5-6-7-8-10-11	240	.072288	181123	.078087	396	.013557	.054644
3	Evans "B" 9-12	80	.024096	48867	.021068	940	.032181	.025782
4	Evans "C" 14-15	80	.024096	36811	.015871	100	.003423	.014463
5	George Etz 1-8-14-15	160	.048194	80687	.034786	288	.009859	.030946
6	George Etz "A" 2-3-4-5-6-7-13-16-17	320	.096385	221861	.095651	4081	.139712	.110582
7	George Etz "B" 9-10	80	.024096	36071	.015551	80	.002738	.014128
8	George Etz "C" 11-12	80	.024096	29360	.012658	0	0	.012251
9	Leonard "E" 1-2-3-4-5-8-13-14	320	.096385	251777	.108548	3011	.103081	.102669
10	Leonard "B" 7-9	160	.048194	5329	.002297	95	.003252	.017914
11	Leonard "C" 6-15-16-17	160	.048194	94296	.040653	1080	.036978	.041941
12	A. N. Etz 1-4-7-8	240	.072288	81813	.035271	225	.007703	.038421
13	Etz "C" 1-2-3-4	160	.048194	241179	.103978	1253	.042896	.065022

14	Etz "E" 1-2-3-4	160	.048194	200863	.086597	593	.020301	.051697
15	Leonard 1-2-3-4-5-6-7-8-9-10-11	320	.096385	385883	.166364	655	.022423	.095057
16	Leonard State 1-2	80	.024096	35170	.015163	77	.002636	.013965
17	Leonard State "A"	40	.012048	----	----	----	----	.004016
18	Overton State 9	40	.012048	36519	.015745	0	0	.009265
19	Jackson State 6	40	.012048	33782	.014565	0	0	.008872
20	Hover State "A" 1-2-6	40	.012048	27238	.011744	4430	.151660	.058485
21	Hover State "B" 3-4-5	40	.012048	24238	.010449	4433	.151763	.058087
22	Merrill State "A"	40	.012048	17628	.007599	1418	.048545	.022732
23	Merrill State "B"	40	.012048	15569	.006713	1418	.048545	.022436
24	Tidewater State 5-7-10-11	160	.048194	70778	.030515	2669	.091373	.056695
25	New Jackson State 8	40	.012048	31394	.013536	0	0	.008528
TOTALS		3320	1.000000	2319500	1.000000	29210	1.000000	1.000000

20 State - Hover "A"
NE/4 NE/4 Section 2,
T-17-S, R-30-E, N.M.P.M.

40 B-3635-39
12/10/34

State of New Mexico
12-1/2% on all oil
and gas produced

J. Cleo Thompson, Sr.

John Hanson	2.08333%	J. Cleo Thompson & James Cleo Thompson, Jr., a partnership
Marilou Wright	.25000%	66.66700%
Joseph Wm. Foran	4.41667%	Sam Lett 16.66700%
Wendene Foran, for life, with remainder to Joseph Wm. Foran	.25000%	I & L Development 16.66600%
Ronda Pulliam, for life, with remainder to Joseph Wm. Foran	.25000%	
Donda Thomasson, for life, with remainder to Joseph Wm. Foran	.25000%	
Tillie Cleve Grimes	.39063%	
Lelia Williams Kroger	.19531%	
Ned Martin	.39063%	
Agnes Williams Mulcock	.19531%	
J. B. Mulcock	1.17187%	
Erasmus W. Williams	.19531%	
Georgia Mulcock Lutz	.13021%	
James B. Mulcock	.13021%	
Charles W. Mulcock	.13021%	
Ernestine Chesser Williams	.06510%	
Lena Mae Sparkman	.06510%	
Lelia Williams Kroger	.06510%	

21 State - Hover "B" 40 B-3635-39 State of New Mexico J. Cleo Thompson, Sr. John Hanson
NW/4 NE/4 Section 2, 12/10/34 12-1/2% on all oil 2.08333% James Cleo Thomp
T-17-S, R-30-E, N.M.P.M. and gas produced Marilou Wright Jr., a partnersl
.25000% 66.66700%

Joseph Wm. Foran Sam Lett
4.41667% 16.66700%
Wendene Foran, for I & L Developmen
life, with remainder 16.66600%
to Joseph Wm. Foran

.25000%
Ronda Pulliam, for
life, with remainder
to Joseph Wm. Foran
.25000%

Donda Thomasson, for
life, with remainder
to Joseph Wm. Foran
.25000%
J. B. Mulcock
1.17187%

Lelia Williams Kroger
.19531%
Erasmus W. Williams
.19531%
Agnes Williams Mulcock
.19531%

Ned Martin
.39063%
J. B. Mulcock
1.17187%
Boyd Williams
.19531%
Leila Williams Kroger
.19531%
Erasmus W. Williams
.19531%
Agnes Williams Mulcock
.19531%

Bernard Cleve
.39063%
Evans T. Williams
.39063%
Ned Martin
.39063%
J. Cleo Thompson
James Cleo Thomp
Jr., a partnersl
66.66700%
Sam Lett
16.66700%
I & L Developmen
16.66600%

22 Merrill State "A" 40 B-3635-39 State of New Mexico J. Cleo Thompson, Sr. J. B. Mulcock
NE/4 NW/4 Section 2, 12/10/34 12-1/2% on all oil 1.17187% James Cleo Thomp
T-17-S, R-30-E, N.M.P.M. and gas produced and gas produced Boyd Williams Jr., a partnersl
.19531% 66.66700%

Leila Williams Kroger
.19531%
Erasmus W. Williams
.19531%
Agnes Williams Mulcock
.19531%

Bernard Cleve
.39063%
Evans T. Williams
.39063%
Ned Martin
.39063%

Irene Cowell
 3.12500%
 Roy Williams and Letha
 May Williams, as joint
 tenants
 3.12500%

23 Merrill State "B"
 NW/4 NW/4 Section 2,
 T-17-E, R-30-E, N.M.P.M.

40 B-3635-39
 12/10/34

State of New Mexico
 12-1/2% on all oil
 and gas produced

J. Cleo Thompson, Sr.

J. B. Mulcock
 1.17187%
 Boyd Williams, Jr.
 .19531%
 Lelia Williams Krogger
 .19531%
 Erasmus W. Williams
 .19531%
 Agnes Williams Mulcock
 .19531%
 Bernard Cleve
 .39063%
 Evans T. Williams
 .39063%
 Ned Martin
 .39063%
 Joseph Wm. Foran
 3.12500%
 Vera Merrill Stoneham
 1.04167%
 M. H. Harvey, Trustee
 1.04166%
 John S. Merrill
 1.04167%
 T. E. Brown
 .46875%
 C. W. Brown
 .15625%

J. Cleo Thompson
 James Cleo Thomps
 Jr., a partnershi
 66.66700%
 Sam Lett
 16.66700%
 I & L Development
 16.66600%

24 State - Tidewater
 W/2 SE/4, SE/4 SE/4,
 NW/4 SW/4 Section 36,
 T-16-S, R-30-E, N.M.P.M.

160 B-6672-6
 09/10/36

State of New Mexico
 12-1/2% on all oil
 and gas produced

J. Cleo Thompson, Sr.

NONE

J. Cleo Thompson
 James Cleo Thomps
 Jr., a partnershi
 66.66700%
 Sam Lett
 16.66700%
 I & L Development
 16.66600%

25	New Jackson State SE/4 SW/4 Section 36, T-16-S, R-30-E, N.M.P.M.	40	V-733 05/17/83	State of New Mexico 16.6% on all oil and gas produced	J. Cleo Thompson & James Cleo Thompson, Jr., a partnership	NONE
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TOTAL STATE LANDS 560 acres 16.867470% of Unit

J. CLEO THOMPSON AND JAMES
 CLEO THOMPSON, JR., a partnership
 Case No. 7945

4/11/84 Examiner Hearing
 Exhibit No. 3

ROYALTY, OVERRIDING ROYALTY AND PRODUCTION PAYMENT PARTICIPATION SCHEDULE

TRACT	TOTAL RI/ORI/PPI	TRACT PARTICIPATION	RATIFIED	NOT		TOTAL PARTICIPATION	RATIFIED	NOT RATIFIED
				RATIFIED	RATIFIED			
1	.187500000	.061402	.157500000	.030000000	.030000000	.011512875	.009670815	.00184206
2	.187500000	.054644	.157500000	.030000000	.030000000	.010245750	.008606430	.00163932
3	.187500000	.025782	.157500000	.030000000	.030000000	.004834125	.004060665	.00077346
4	.187500000	.014463	.157500000	.030000000	.030000000	.002711812	.002277922	.00043389
5	.143269800	.030946	.138426000	.004843800	.004843800	.004433627	.004283731	.00014989
6	.143437300	.110582	.138593600	.004843700	.004843700	.015861583	.015325957	.00053562
7	.174635500	.014128	.169323000	.005312500	.005312500	.002467250	.002392195	.000075055
8	.175000000	.012251	.170156300	.004843700	.004843700	.002143925	.002084584	.00005934
9	.187500000	.102669	.172500000	.015000000	.015000000	.019250437	.017710402	.001540035
10	.187500000	.017914	.172500000	.015000000	.015000000	.003358875	.003090165	.00026871
11	.187500000	.041941	.172500000	.015000000	.015000000	.007863937	.007234822	.000629115
12	.126738282	.038421	.125326563	.001411719	.001411719	.004869411	.004815172	.000054235
13	.165625200	.065022	.152165100	.013460100	.013460100	.010769281	.009894079	.000875202
14	.143750000	.051697	.138906200	.004843800	.004843800	.007431443	.007181034	.000250409
15	.187500000	.095057	.182656200	.004843800	.004843800	.017823187	.017362750	.000460437
16	.179687500	.013965	.179687500	--	--	.002509335	.002509335	--
17	.179687500	.004016	.179687500	--	--	.000721625	.000721625	--
18	.125000000	.009265	.125000000	--	--	.001158125	.001158125	--
19	.125000000	.008872	.125000000	--	--	.001109000	.001109000	--
20	.231249900	.058485	.177083200	.054166700	.054166700	.013524650	.010356711	.003167939
21	.221484300	.058087	.167317600	.054166700	.054166700	.012865358	.009718977	.003146381
22	.218750000	.022732	.146484300	.072265700	.072265700	.004972625	.003325882	.001642743

TRACT	TOTAL RI/ORI/PPI	TRACT PARTICIPATION	RATIFIED	NOT RATIFIED	
				RATIFIED	PARTICIPATION
23	.225000000	.022436	.146484300	.078515700	.005048100
24	.125000000	.056695	.125000000	--	.007086875
25	.125000000	.008528	.125000000	--	.001066000
TOTALS			.175639211	.156333775	*.019305436

Percentage Ratified: 89.00847%
Percentage Not Ratified: 10.99153%

100.00000%

*Although diligent search and inquiry has been made, the following parties whereabouts are unknown, and their interests in the unit area are as follows:

Name	Tract	Interest	Tract Participation	Total	
Judora Kille	1	.0250000	.061402	.001535050	
	2	.0250000	.054644	.001366100	
	3	.0250000	.025782	.000644550	
	4	.0250000	.014463	.000361575	
	9	.0100000	.102669	.001026690	
	10	.0100000	.017914	.000179140	
	11	.0100000	.041941	.000419410	
	Roy A. Williams	22	.0312500	.022732	.000710375
	Joy English Marquez	13	.0006620	.065022	.000043045
	Michael L. English	13	.0002632	.065022	.000017114
					<u>.006303049</u>

Therefore, the total of non-ratified interests would be .013002387, representing 7.4028954%, rather than 10.99153%, and the ratified interest would equal .162636824, or 92.5971046%.