

CASE 4394: Application of PHILLIPS
PETROLEUM CO. FOR APPROVAL OF THE
PLATA DEEP UNIT AGREEMENT.

Case Number

4394

Application
Transcripts.

Small Exhibits

ETC.

8-18-70

Unit Name Plata Deep Unit (Exploratory)
Operator Phillips Petroleum Company
County Lea

OCC

43

DATE APPROVED	OCC CASE NO. 4394 OCC ORDER NO. R-4003	EFFECTIVE DATE	TOTAL ACREAGE	STATE	FEDERAL	INDIAN-FEE	SECRECY CLASS
Commissioner 8-18-70	OCC 8-6-70	8-24-70	5,600.00	760.00	4,840.00	-0-	Yes

UNIT AREA

TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM

Section 8: E/2W/2 and E/2
Sections 9, 10, and 11: All
Sections 14, 15, and 16: All
Sections 22 and 23: All

TERMINATED

EM 6-1-71

Unit Name Plata Deep Unit (Exploratory)
Operator Phillips Petroleum Company
County Lea

0cc

4394

CC CASE NO.	EFFECTIVE	TOTAL	STATE	FEDERAL	INDIAN-FEE	SEGREGATION	TERM
ORDER NO.	DATE	ACREAGE				CLAUSE	
CC 8-6-70	8-24-70	5,600.00	760.00	4,840.00	-0-	Yes	5 yrs.

RANGE 32 EAST, NMPM

and E/2

11: All

16: All

All

TERMINATED

EM: 6-1-71

8-18-70

Unit Name Plata Deep Unit (Exploratory)
 Operator Phillips Petroleum Company
 County Lea

STATE TRACT NO.	LEASE NO.	INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE NOT RATIFIED	LE
16	E-5230-2	C.S.	16	20S	32E	NW/4, E/2NE/4	7-7-70	240.00		Richardson
17	OG-1436-4	C.S.	16	20S	32E	NW/4NE/4	6-29-70	40.00		Phillips
18	E-6568-1	C.S.	16	20S	32E	SW/4NE/4	6-29-70	40.00		Phillips
19	L-575-0	C.S.	16	20S	32E	S/2	6-29-70	320.00		Phillips
20	L-3795-0	C.S.	8	20S	32E	E/2NE/4, NE/4SE/4	6-29-70	120.00		Phillips

TERMINATED

eff: 6-1-71

Unit Name Plata Deep Unit (Exploratory)
 Operator Phillips Petroleum Company
 County Lea

INSTI- TUTION	SEC.	TWP.	RGE.	SUBSECTION	RATIFIED DATE	ACRES	ACREAGE	LESSEE
							NOT RATIFIED	
2 C.S.	16	20S	32E	NW/4, E/2NE/4	7-7-70	240.00		Richardson Oil Inc.
4 C.S.	16	20S	32E	NW/4NE/4	6-29-70	40.00		Phillips Petroleum Co.
1 C.S.	16	20S	32E	SW/4NE/4	6-29-70	40.00		Phillips Petroleum Co.
C.S.	16	20S	32E	S/2	6-29-70	320.00		Phillips Petroleum Co.
0 C.S.	8	20S	32E	E/2NE/4, NE/4SE/4	6-29-70	120.00		Phillips Petroleum Co.

TERMINATED

eff: 6-1-71

August 18, 1979

4394

C
O
P
Y

Phillips Petroleum Company
P. O. Box 791
Midland, Texas 79701

Re: Phillips Petroleum Company
Plata Deep Unit
Lee County, New Mexico

Gentlemen:

The Commissioner of Public Lands has this date given final approval to your proposed Plata Deep Unit, Lee County, New Mexico, subject to like approval by the United States Geological Survey.

Enclosed are seven (7) Certificates of Approval.

Please advise this office when the United States Geological Survey approves this unit so that we may finish processing this unit.

Very truly yours,

GORDON G. MARCUM II, Director
Oil & Gas Department

GGM/ML/s

encls.

cc:

USGS-Roswell, New Mexico
OCC- Santa Fe, New Mexico

August 18, 1970

4394

Phillips Petroleum Company
P. O. Box 791
Midland, Texas 79

Don Fraser
Box 791
Midland, Texas

Gentlemen:

The Commission
final approval to
New Mexico, subject
Geological Survey.

Enclosed are

Please advise this office when the United States
Geological Survey approves this unit so that we may finish
processing this unit.

Very truly yours,

GORDON G. MARCUM II, Director
Oil & Gas Department

GGM/ML/s
encls.

cc: USGS-Bowwell, New Mexico
OCC- Santa Fe, New Mexico

C
O
P
Y



PHILLIPS PETROLEUM COMPANY

ODESSA, TEXAS 79760
PHILLIPS BUILDING, FOURTH & WASHINGTON

EXPLORATION & PRODUCTION DEPARTMENT

71 JUN 11 1971

June 2, 1971

4394

State of New Mexico
Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87501
Attention: Mr. A. L. Porter, Jr.

Units Division
Commissioner of Public Lands
State of New Mexico
P. O. Box 1148
Santa Fe, New Mexico 87501
Attention: Mr. Malcom Long

Atlantic Richfield Company
P. O. Box 1610
Midland, Texas 79701
Attention: Mr. Jack Biard

Helbing & Podpechan
P. O. Box 568
Roswell, New Mexico 88201
Attention: Mr. Stephen C. Helbing

Kerr-McGee Corporation
P. O. Box 600
Amarillo, Texas 79105
Attention: Mr. James P. Ryan

Perry R. Bass
P. O. Box 171
Midland, Texas 79701
Attention: Mr. Bill Seltzer

Re: G.F. 16361 - PLATA DEEP UNIT -
Lea County, New Mexico

Gentlemen:

We enclose to each of you copies of the Certificate of Approval showing approval by the Commissioner of Public Lands of the State of New Mexico and the Supervisor of the United States Geological Survey.

We additionally enclose to Kerr-McGee, Atlantic and Bass Enterprises, copies of the Termination of Unit Agreement showing the execution by all working interest owners therein, each carrying the stamp showing received by the State Land Office.

The Plata Deep Unit was terminated by these instruments effective June 1, 1971.

Very truly yours,

PHILLIPS PETROLEUM COMPANY

S. A. Rever
S. A. Rever

SAR:jhd
Enclosures

RECEIVED

MAY 26 1971

CERTIFICATE OF APPROVAL
OF
TERMINATION OF PLATA DEEP UNIT AGREEMENT
BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

U. S. GEOLOGICAL SURVEY
MCCALL, NEW MEXICO

The undersigned Commissioner of Public Lands, State of New Mexico, does hereby approve the attached Termination of Unit Agreement for the Development and Operation of the Plata Deep Unit Area, Lea County, New Mexico, No. 14-08-0001-11583.

Dated this the 19th. day of May, 1971

Alfred J. Amery
Commissioner of Public Lands

CERTIFICATE OF APPROVAL
OF
TERMINATION OF PLATA DEEP UNIT AGREEMENT
BY SUPERVISOR, UNITED STATES GEOLOGICAL SURVEY

The undersigned Supervisor of the United States Geological Survey does hereby approve the attached Termination of Unit Agreement for the Development and Operation of the Plata Deep Unit Area, Lea County, New Mexico, No. 14-08-0001-11583.

Dated this the 26th day of May, 1971

W. J. Redden
Supervisor, United States Geological Survey

PHIL
MAY 20 1971

4394

May 19, 1971

Phillips Petroleum Company
Phillips Building, Fourth & Washington
Odessa, Texas 79760

Re: Termination of the Plata Deep Unit
Agreement No. 14-08-0001-11563
La Brea County, New Mexico

ATTENTION: Mr. S. A. Meyer

Gentlemen:

We are in receipt of your Termination Instruments for
the Plata Deep Unit Agreement, La Brea County, New Mexico, as per
Section 20 of the Unit Agreement. The Commissioner of Public
Lands has this date given approval to your Termination, subject
to like approval by the United States Geological Survey.

Enclosed are five (5) Certificates of Termination
reflecting the Commissioner's approval.

Sincerely yours,

GORDON G. MARCUM, II, Director
Oil and Gas

AJA/GCM/s
encls.

cc: USGS-Roswell, New Mexico (ltr. only)
OCC- Santa Fe, New Mexico (ltr. only)



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY

Drawer 1857
Roswell, New Mexico 88201

71 MAY 28 PM 1 12

IN REPLY REFER TO:

4394

May 26, 1971

Phillips Petroleum Company
Phillips Building
Fourth and Washington
Odessa, Texas 79760

Attention: Mr. S. A. Raver

Gentlemen:

Your application for termination of the Plata Deep unit agreement, Lea County, New Mexico, pursuant to the last paragraph of Section 20 thereof, was approved on May 26, 1971, effective as of June 1, 1971, the first day of the month following the date of filing in this office.

Copies of the request are being furnished to the appropriate Federal offices, and one approved copy is enclosed. It is requested that you furnish copies of the approval of this termination to each party affected by the terms of the Plata Deep unit agreement.

Sincerely yours,

(ORIG. SGD.) N. O. FREDERICK

N. O. FREDERICK
Regional Oil and Gas Supervisor

cc:
Washington (w/cy of application)
BLM, Santa Fe (w/cy of application)
Hobbs (w/cy of application)
BOMC, Roswell (ltr. only)
BOMC, Carlsbad (ltr. only)
NMOCG, Santa Fe (ltr. only) ✓
Com. Pub. Lands, Santa Fe (ltr. only)



OIL CONSERVATION COMMISSION

STATE OF NEW MEXICO
P. O. BOX 2088 - SANTA FE
87501

GOVERNOR
DAVID F. CARGO
CHAIRMAN

**LAND COMMISSIONER
ALEX J. ARMIJO
MEMBER**

STATE GEOLOGIST
A. L. PORTER, JR.
SECRETARY - DIRECTOR

August 6, 1970

AIR MAIL

Mr. Don Fraser
Phillips Petroleum Company
Box 791
Midland, Texas 79701

Re: Case No. 4394
Order No. R-4003
Applicant:
Phillips Petroleum Corp.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Commission order recently entered in the subject case.

Very truly yours,

G. L. Parker, Jr.

A. L. PORTER, Jr.
Secretary-Director

ALP/1E

Copy of order also sent to:

Hobbs OCC x

Artesia OCC

Aztec OCC

Other Unit Division - State Land Office



PHILLIPS PETROLEUM COMPANY

MIDLAND, TEXAS 79701
BOX 791 PERMIAN BUILDING

EXPLORATION AND PRODUCTION DEPARTMENT

August 28, 1970

State of New Mexico
Oil Conservation Commission
State Land Office Building
Santa Fe, New Mexico 87501

Attention: Mr. A. L. Porter, Jr.

Re: G.F. 16361 - PLATA DEEP UNIT -
Case No. 4394
Order No. R-4003
Lea County, New Mexico

Gentlemen:

In compliance with paragraph 3 of the subject order, we are enclosing executed originals of Consent and Ratifications by the working interest owners and overriding royalty owners to the Plata Deep Unit.

Also enclosed is a copy of Certification — Determination which was approved by Carl C. Traywick, Acting Oil and Gas Supervisor of the United States Geological Survey, on August 24, 1970, and designated Contract Number 14-08-0001-11583.

Also enclosed is a copy of the approval of the unit by the Commissioner of Public Lands, State of New Mexico.

All working interest owners except Stephen C. Helbing and Frank W. Podpechan have executed Consent and Ratification forms to the Unit and Unit Operating Agreement and all overriding royalty owners known to us have ratified the Unit Agreement.

Your cooperation in this matter is appreciated and if further information is required, we will be happy to supply it.

Yours very truly,

DLF:jhd
Attach.

cc: Mr. Jason Kellahin
Kellahin and Fox
P. O. Box 1769
Santa Fe, New Mexico 87501


D. L. Fraser
District Contractman

CONSENT AND RATIFICATION
PLATA DEEP UNIT AND UNIT OPERATING AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico and also a copy of the Unit Operating Agreement for said unit area, both of which are dated June 19, 1970 and further acknowledges that the undersigned is familiar with the terms and conditions thereof. The undersigned, being the owner of certain leasehold or other interests in the lands or minerals embraced in said unit area as set forth on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of its said interests to the Plata Deep Unit Agreement and does hereby consent to said Unit Agreement and the Unit Operating Agreement and ratifies all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement, or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth opposite its signatures.

Perry R. Bass
PERRY R. BASS

Nancy Lee Bass
NANCY LEE BASS

Date 7-7-70

Attest:
Marguerite Wright
Date July 7, 1970 Secretary

BASS ENTERPRISES PRODUCTION CO.

By E. W. Sampson
President

Attest:
E. W. Sampson
Date 7-7-70 Secretary

DELBASIN CORPORATION

By E. W. Sampson
Vice President

STATE OF TEXAS)
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 7th day of July, 1970 by PERRY R. BASS and wife NANCY LEE BASS.

My Commission Expires

June 1, 1971

Joan Barnhart
Notary Public in and for
Tarrant County, Texas

STATE OF TEXAS)
COUNTY OF TARRANT)

The foregoing instrument was acknowledged before me this 7th day of July, 1970 by E. W. Sampson, President of BASS ENTERPRISES PRODUCTION CO., and Vice President of DELBASIN CORPORATION, both Texas corporations, on behalf of said corporations.

My Commission Expires

June 1, 1971

Joan Barnhart
Notary Public in and for
Tarrant County, Texas

CONSENT AND RATIFICATION
PLATA DEEP UNIT AND UNIT OPERATING AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico and also a copy of the Unit Operating Agreement for said unit area, both of which are dated June 19, 1970 and further acknowledges that the undersigned is familiar with the terms and conditions thereof. The undersigned, being the owner of certain leasehold or other interests in the lands or minerals embraced in said unit area as set forth on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of its said interests to the Plata Deep Unit Agreement and does hereby consent to said Unit Agreement and the Unit Operating Agreement and ratifies all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement, or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth opposite its signature.

ATTEST:

ATLANTIC RICHFIELD COMPANY

Secretary

By

J. J. Smith
ATTORNEY-IN-FACT

DATE: _____

STATE OF _____ I

COUNTY OF _____ I

The foregoing instrument was acknowledged before me this _____ day
of _____, 1970 by _____,
of _____,
a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

RECEIVED

AUG 17 1970

J. S. GILGILLAN, Notary
TOSWELL, NEW MEXICO

CONSENT AND RATIFICATION
PLATA DEEP UNIT AND UNIT OPERATING AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned hereby acknowledges receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico and also a copy of the Unit Operating Agreement for said unit area, both of which are dated June 19, 1970 and further acknowledges that the undersigned is familiar with the terms and conditions thereof. The undersigned, being the owner of certain leasehold or other interests in the lands or minerals embraced in said unit area as set forth on the schedule attached to said Unit Agreement as Exhibit "B", does hereby commit all of its said interests to the Plata Deep Unit Agreement and does hereby consent to said Unit Agreement and the Unit Operating Agreement and ratifies all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement, or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth opposite its signature.

ATTEST:

KERR-MCGEE CORPORATION

Paul S. Smith
Ass't. Secretary

By *C. F. Miller*
Vice President *John R. Lee*

DATE: AUG 11 1970

STATE OF Oklahoma I
COUNTY OF Oklahoma I

The foregoing instrument was acknowledged before me this 11 day
of August, 1970 by C. F. Miller,
Vice President of Kerr-McGee Corporation,
a Delaware corporation, on behalf of said corporation.

My Commission Expires:

May 20, 1972

Sylvia Foster
Notary Public

CONSENT AND RATIFICATION
PLATA DEEP UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners 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", do hereby commit all of their said interest to the Plata Deep Unit Agreement and do 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 their respective acknowledgments.

ADDRESS

SIGNATURE

P. O. Box 396

Artesia, New Mexico 88210

Ruby P. Fior
Ruby P. Fior, Sole Devisee under
the will of Ben F. Fior

STATE OF

COUNTY OF

New Mexico
Eddy

The foregoing instrument was acknowledged before me this 5th day
of July, 1970, by Ruby P. Fior

My Commission Expires:

7-5-71

Marion Chapman
Notary Public in and for Eddy
County, N.M.

STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this _____ day
of _____, 1970, by _____

My Commission Expires:

Notary Public in and for _____
County, _____

CONSENT AND RATIFICATION

PLATA DEEP UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners 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", do hereby commit all of their said interest to the Plata Deep Unit Agreement and do 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 their respective acknowledgments.

ADDRESS

SIGNATURE

3817 Crestwood Terrace

Fort Worth, Texas 76107

Dorothy B. Perry
Dorothy B. Perry
Eugene H. Perry
Eugene H. Perry

STATE OF Texas I

COUNTY OF Tarrant I

The foregoing instrument was acknowledged before me this 7th day of July, 1970, by Dorothy B. Perry and husband Eugene H. Perry.

My Commission Expires:

June 1, 1971

Joan Barnhart
Notary Public in and for Tarrant
County, Texas

STATE OF _____ I

COUNTY OF _____ I

The foregoing instrument was acknowledged before me this _____ day of _____, 1970, by _____.

My Commission Expires:

Notary Public in and for _____
County, _____

CONSENT AND RATIFICATION

PLATA DEEP UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners 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", do hereby commit all of their said interest to the Plata Deep Unit Agreement and do 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 their respective acknowledgments.

ADDRESS

SIGNATURE

255 Easy Way

El Paso, Texas 79932

J. W. Rutledge
J. W. Rutledge
Lucile Rutledge
Lucile Rutledge

STATE OF TEXAS

COUNTY OF EL PASO

The foregoing instrument was acknowledged before me this 2nd day of July, 1970, by J. W. Rutledge
Lucile Rutledge.

My Commission Expires:

June 1, 1971

Dwight Johnson
Notary Public in and for EL PASO
County, TEXAS

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1970, by _____

My Commission Expires:

Notary Public in and for _____
County, _____

CONSENT AND RATIFICATION
PLATA DEEP UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners 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", do hereby commit all of their said interest to the Plata Deep Unit Agreement and do 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 their respective acknowledgments.

ADDRESS

P. O. Box 83

Orla, Texas 79770

SIGNATURE

Paul Wallach
Paul Wallach, dealing in his sole and separate property

STATE OF New Mexico

COUNTY OF Lea

The foregoing instrument was acknowledged before me this 22 day of July, 1970, by Paul Wallach, dealing in his sole and separate property.

My Commission Expires:

June 22 1971

Luella Hauke
Notary Public in and for Lea
County, New Mexico

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1970, by _____.

My Commission Expires:

Notary Public in and for _____
County, _____

CONSENT AND RATIFICATION
PLATA DEEP UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners 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", do hereby commit all of their said interest to the Plata Deep Unit Agreement and do 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 their respective acknowledgments.

ADDRESS

SIGNATURE

2202 Seaboard, Midland, Texas 79701

Patricia L. House
Patricia L. House

Box 958, Eunice, New Mexico 88231

R. P. Wallach
R. P. Wallach

311 W. St. Anne, Hobbs, New Mexico 88240

Ray A. Wallach
Ray A. Wallach (all three persons
dealing in their sole and separate
property)

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 8th day of July, 1970, by Patricia L. House, a married woman, dealing in her sole and separate property.

My Commission Expires:

June 1, 1971

Marjorie Gibbs
Notary Public in and for Midland
County, Texas

STATE OF NEW MEXICO

COUNTY OF LEA

The foregoing instrument was acknowledged before me this 9th day of July, 1970, by R. P. Wallach and Ray A. Wallach, both dealing in their sole and separate property.

My Commission Expires:

June 22, 1971

Lucille Haulds
Notary Public in and for Lea
County, New Mexico

CONSENT AND RATIFICATION

PLATA DEEP UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners 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", do hereby commit all of their said interest to the Plata Deep Unit Agreement and do 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 their respective acknowledgments.

ADDRESS

Route 3 Box 23

Floresville, Texas 78114

SIGNATURE

Merrill L. Connally
Merrill L. Connally
Mary Howard Connally
Mary Howard Connally

STATE OF Texas

COUNTY OF Wilson

The foregoing instrument was acknowledged before me this 10th day
n of July, 1970, by Merrill L. Connally

RUTH N. McBRIDE

Notary Public, Wilson County, Texas

My Commission Expires:

June 1, 1971

Ruth N. McBride
Notary Public in and for Wilson
County, Texas

STATE OF Texas

COUNTY OF Wilson

The foregoing instrument was acknowledged before me this 11 day
of July, 1970, by Mary Howard Connally

My Commission Expires:

June 1, 1971

Ruth N. McBride
Notary Public in and for Wilson
County, Texas

RUTH N. McBRIDE
Notary Public, Wilson County, Texas

CONSENT AND RATIFICATION

PLATA DEEP UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners 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", do hereby commit all of their said interest to the Plata Deep Unit Agreement and do 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 their respective acknowledgments.

ADDRESS

Suite 415
Perry Brooks Bldg.
Austin, Texas

SIGNATURE

Ewell H. Muse, Jr.
Ewell H. Muse, Jr.
Mary T. Muse
Mary T. Muse

STATE OF TEXAS

COUNTY OF TRAVIS

The foregoing instrument was acknowledged before me this 6th day of July, 1970, by Ewell H. Muse, Jr. and wife, Mary T. Muse

My Commission Expires:

June 1, 1971

Louise Brady
Notary Public in and for Travis
County, Texas

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1970, by _____

My Commission Expires:

Notary Public in and for _____
County, _____

CONSENT AND RATIFICATION

PLATA DEEP UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners 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", do hereby commit all of their said interest to the Plata Deep Unit Agreement and do 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 their respective acknowledgments.

ADDRESS

SIGNATURE

609 South Lea Avenue

Mrs. W. H. Milner

Mrs. W. H. Milner

Reswell, New Mexico 88201

W. H. Milner
W. H. Milner

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this 7 day of July, 1970, by _____

My Commission Expires:

Sept 17, 1970

Lessa H. Winkler
Notary Public in and for Chaves
County, New Mexico

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1970, by _____

My Commission Expires:

Notary Public in and for _____
County, _____

CONSENT AND RATIFICATION

PLATA DEEP UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners 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", do hereby commit all of their said interest to the Plata Deep Unit Agreement and do 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 their respective acknowledgments.

ADDRESS

SIGNATURE

P. O. Box

Roswell, New Mexico 88201

G. Dee Williamson

G. Dee Williamson

Lanita C. Williamson

Lanita C. Williamson

STATE OF NEW MEXICO

COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 3rd day of July, 1970, by G. Dee Williamson and Lanita C. Williamson, husband and wife.

My Commission Expires:

3-10-73

Arac Davis
Notary Public in and for Chaves
County, New Mexico

STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____, 1970, by _____

My Commission Expires:

Notary Public in and for _____
County, _____

CONSENT AND RATIFICATION

PLATA DEEP UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

ADDRESS

SIGNATURE

P. O. Box 1610

ATLANTIC RICHFIELD COMPANY

Midland, Texas 79701

By S. L. Smith *8/15/70 BB*

STATE OF TEXAS I

COUNTY OF MIDLAND I

The foregoing instrument was acknowledged before me this 31st day of July, 1970, by S. L. SMITH, Attorney in Fact, on behalf of Atlantic Richfield Company, a Pennsylvania corporation.

My Commission Expires:

June 1, 1971

Eileen Morrow
Notary Public in and for Midland
County, Texas

EILEEN MORROW

STATE OF _____ I

COUNTY OF _____ I

The foregoing instrument was acknowledged before me this _____ day of _____, 1970, by _____

My Commission Expires:

Notary Public in and for _____
County, _____

CONSENT AND RATIFICATION
PLATA DEEP UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

ADDRESS

SIGNATURE

No. 10 Sunset Drive
Cherry Hill Village
Englewood, Colorado 80110

Joy S. Burns
Joy S. Burns

STATE OF Colorado
COUNTY OF Denver

The foregoing instrument was acknowledged before me this 6th day of August, 1970, by Joy S. Burns

My Commission Expires:

Sept. 9, 1972

Rita C. Ensign
Notary Public in and for Denver
County, Colorado

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1970, by _____

My Commission Expires:

Notary Public in and for _____
County, _____

CONSENT AND RATIFICATION

PLATA DEEP UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

AMERICAN NATIONAL BANK OF AMARILLO,
AMARILLO, TEXAS, as Administrator
of the Estate of Dorothy Price

ATTEST:

Jim W. Oden
Cashier

By Carl E. Barget
Senior Vice President & Trust Officer

2718 55th Street,
Lubbock, Texas 79413

Floyd H. Wellman
W. W. WELLMAN, by Floyd H. Wellman,
Agent and Attorney in Fact

Floyd H. Wellman
ELSIE WELLMAN, by Floyd H. Wellman
Agent and Attorney in Fact

THE STATE OF TEXAS

I

COUNTY OF POTTER

I

The foregoing instrument was acknowledged before me this 3rd day of August, 1970, by Carl E. Barget, Senior Vice-President & Trust Officer of AMERICAN NATIONAL BANK OF AMARILLO, AMARILLO, TEXAS, a corporation, on behalf of said corporation.

My Commission Expires:

June 1, 1971

Beth Holcombe
Notary Public in and for Potter
County, Texas

THE STATE OF TEXAS

I

POTTER
COUNTY OF ~~LUBBOCK~~

I

The foregoing instrument was acknowledged before me this 3rd day of August, 1970, by Floyd H. Wellman, as Agent and Attorney in Fact for W. W. Wellman and Elsie Wellman.

My Commission Expires

June 1, 1971

Beth Holcombe
Notary Public in and for ~~Lubbock~~ Potter
County, Texas

CONSENT AND RATIFICATION

PLATA DEEP UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

ADDRESS

SIGNATURE

622 Amarillo Building

WIN, INC.

Amarillo, Texas 79101

By W. L. Price
W. L. Price, President

STATE OF Texas

ATTEST:

COUNTY OF Patten

James P. Whitcomb
Secretary

The foregoing instrument was acknowledged before me this 27 day of August, 1970, by W. L. Price

My Commission Expires:

6/1/71

Sharon J. Saunders
Notary Public in and for Patten
County, Texas

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1970, by _____

My Commission Expires:

Notary Public in and for _____
County, _____

CONSENT AND RATIFICATION
PLATA DEEP UNIT AGREEMENT
LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

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

ADDRESS

SIGNATURE

822 Amarillo Building

DAPCO, INC.

Amarillo, Texas 79101

By H. L. Price, Pres.

STATE OF Texas I

COUNTY OF Patten I

ATTEST:

James F. McKittrick
Secretary

The foregoing instrument was acknowledged before me this 5th day of August, 1970, by H. L. Price

My Commission Expires:

6/1/71

Shawna J. Shindler
Notary Public in and for Patten
County, Texas

STATE OF _____ I

COUNTY OF _____ I

The foregoing instrument was acknowledged before me this _____ day of _____, 1970, by _____

My Commission Expires:

Notary Public in and for _____
County, _____

CONSENT AND RATIFICATION

PLATA DEEP UNIT AGREEMENT

LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Plata Deep Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 19th day of June, 1970, acknowledge that they have read the same and are familiar with the terms and conditions thereof.

The undersigned also being the owners 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", do hereby commit all of their said interest to the Plata Deep Unit Agreement and do 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 their respective acknowledgments.

ADDRESS

SIGNATURE

P. O. Box 1733

J. Hiram Moore
J. Hiram Moore

Midland, Texas 79701

Betty Moore
Betty Moore

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 2nd day of July, 1970, by J. Hiram Moore and wife, Betty Moore

My Commission Expires:

6-1-71

Charles J. Ford
Notary Public in and for Midland
County, Texas

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1970, by _____

My Commission Expires:

Notary Public in and for _____
County, _____

CERTIFICATION--DETERMINATION


Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1940, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F.R. 5812), I do hereby:

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

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

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

Dated AUG 24 1970


Acting Oil and Gas Supervisor
United States Geological Survey

Contract Number 14-08-0001-11583

CERTIFICATE OF APPROVAL

COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

PLATA DEEP UNIT

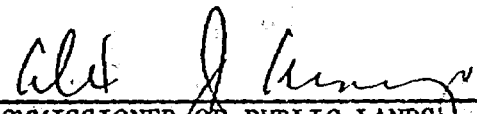
LEA COUNTY, NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated June 19, 1970, which said Agreement has been 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, and 7-11-48, New Mexico Statutes Annotated, 1953 Compilation, I, the undersigned Commissioner of Public Lands of the State of New Mexico, do hereby consent to and approve the said Agreement, however, such consent and approval being limited and restricted to such lands within the Unit Area, which are effectively committed to the Unit Agreement as of this date, and, further, that leases insofar as the lands covered thereby committed to this Unit Agreement shall be and the same are hereby amended to conform with the terms of such Unit Agreement, and said leases shall remain in full force and effect in accordance with the terms and conditions of said Agreement. This approval is subject to all of the provisions and requirements of the afore-said statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 18th day of August, 19 70.


COMMISSIONER OF PUBLIC LANDS
of the State of New Mexico

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 4394
Order No. R-4003

APPLICATION OF PHILLIPS PETROLEUM
COMPANY FOR APPROVAL OF THE PLATA
DEEP UNIT AGREEMENT, LEA COUNTY,
NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 a.m. on August 5, 1970,
at Santa Fe, New Mexico, before Examiner Elvis A. Utz.

NOW, on this 6th day of August, 1970, the Commission, a
quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Phillips Petroleum Company, seeks
approval of the Plata Deep Unit Agreement covering 5,600 acres,
more or less, of State and Federal lands described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM
Section 8: E/2 W/2 and E/2
Sections 9, 10, and 11: All
Sections 14, 15, and 16: All
Sections 22 and 23: All

(3) That approval of the proposed unit agreement should
promote the prevention of waste and the protection of correlative
rights within the unit area.

-2-

CASE No. 4394
Order No. R-4003

IT IS THEREFORE ORDERED:

(1) That the Plata Deep Unit Agreement is hereby approved.

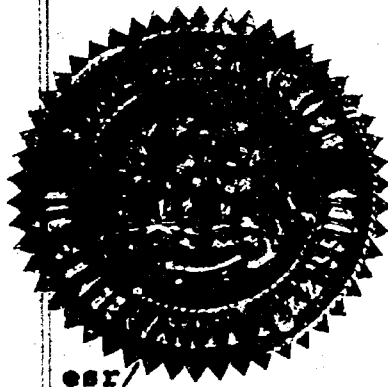
(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

David F. Cargo
DAVID F. CARGO, Chairman

Alex J. Armiijo
ALEX J. ARMIJO, Member

A. L. Porter, Jr.
A. L. PORTER, Jr., Member & Secretary

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C. secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F.R. 581), I do hereby:

A. Approve the attached agreement for the development and operation of the Plata Deep Unit Area, Lea County, State of New Mexico.

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

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

Dated _____.

Oil and Gas Supervisor, United States Geological Survey

Contract Number _____

BEFORE EXAMINER UTZ	
OIL CONSERVATION	
Phillips	1
CASE NO.	4394

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
PLATA DEEP UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

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EXHIBITS

- Exhibit "A" - Map of Unit Area
Exhibit "B" - Schedule of Ownership in Lands

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
PLATA DEEP UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 19th day of June, 1970,
by and between the 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 and gas interests in the unit area subject to this agreement; and

WHEREAS the Mineral Leasing Act of February 25, 1920, 41 Stat. 437,
as amended, 30 U. S. C. Secs. 181 et seq., authorizes 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 purpose 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. 7-11-39 N. M. Statutes 1953
Annotated) to consent to or approve this Agreement on behalf of the State of
New Mexico, in so far as it covers and includes lands and mineral interests
of the State of New Mexico, and

WHEREAS, the Oil Conservation Commission of the State of New Mexico
is authorized by an act of the Legislature (ART. III, CH. 65, VOL. 9, Part 2,
Statutes 1953 Annotated) to approve this agreement and the conservation
provisions hereof; and

WHEREAS the parties hereto hold sufficient interests in the Plata
Deep Unit Area 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, 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, supra, 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 State of New Mexico 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 of New Mexico, are hereby accepted and made a part of this agreement.

2. UNIT AREA. The area specified on the map attached hereto marked exhibit A is hereby designated and recognized as constituting the unit area, containing 5,600.00 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 and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto 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 Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less than five (5) copies of the revised exhibits shall be filed with the Supervisor, and two (2) copies

thereof shall be filed with the Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

The above-described unit area shall when practicable be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," or on demand of the Commissioner, but only after preliminary concurrence by the Director and the Commissioner shall prepare a notice of proposed expansion or contraction 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 Supervisor, The Commissioner and the State Commission, and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

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

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

(e) All legal subdivisions of land (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples

of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid 5-year period shall become participating in the same manner as during said 5-year period. However, when such diligent drilling operations cease, all nonparticipating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 5 and 10-year periods specified in this subsection 2(e), a single extension of each period of not to exceed 2 years may be accomplished by consent of the owners of 90% of the working interests in the current nonparticipating unitized lands and the owners of 60% of the basic royalty interests (exclusive of the basic royalty interests of the United States) in nonparticipating unitized lands with approval of the Director, provided such extension application is submitted to the Director not later than 60 days prior to the expiration of said 5 year or 10-year periods.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be

considered automatic commitment or recommitment of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil and gas in the hereinabove specified lands committed to this agreement as to all formations below 100 feet above the top of the Delaware Mountain Group, which for the purpose of this agreement, is identified at 4,390 feet on the Schlumberger Electric Log run No. 2 of April 14, 1957, in Shell Oil Company's No. 1 Perry Federal located 330 feet from the North line and 990 feet from the West line of Section 10, Township 20 South, Range 32 East, N.M.P.M., are unitized under the terms of this Agreement and herein are called "unitized substances." All lands committed to this Agreement as to the unitized formation shall constitute land referred to herein as "unitized land" or "land subject to this Agreement."

4. UNIT OPERATOR. Phillips Petroleum Company, with offices in Midland, Texas, 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 discovery, 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.

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

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

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

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

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 to the new duly qualified successor Unit Operator or to the common agent, 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.

6. 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, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests

in all unitized land, shall by majority vote select a successor Unit Operator: Provided, that, if a majority but less than 75 per cent 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 Supervisor and the Commissioner.

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

7. 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 entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and 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 either to 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 this unit agreement and the unit operating agreement, this unit agreement shall govern. Three (3) true copies of any unit operating agreement executed pursuant to this

section should be filed with the Supervisor and one (1) true copy with the Commissioner prior to approval of this unit agreement.

8. 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 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 herein provided. 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.

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on federal land or by the Commissioner if on state land, or by the State Commission if on privately owned land, if any, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Morrow formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on federal land, of the Commissioner if on state land, or of the State Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess 13,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than 6 months between the completion of one well and

and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on federal land, or of the Commissioner if on state land, or the State Commission if on privately owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5, hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Supervisor and Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized

substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

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

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

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Supervisor and the Commissioner, a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor and the Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate

computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor and the Commissioner. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor and the Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor and the Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

In the absence of agreement at any time between the Unit Operator and the Supervisor and the Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands and the Commissioner for State lands and the State Commission as to privately owned lands and the amount thereof shall be deposited, as directed by the Supervisor and the Commissioner respectively to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land and of the Commissioner as to wells drilled on State land and the State Commission as to wells drilled on privately owned lands, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor and Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and,

for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was last defined at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the Commissioner as to State land and the State Commission as to privately owned land, and subject to the non-conflicting provisions of the Unit Operating Agreement, at such party's sole risk, costs, and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT: The United States, the State of New Mexico and any other royalty owner who, is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases, 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, or by the Unit Operator 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 due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Supervisor and the Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any

cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be 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 Supervisor and the Commissioner as conforming to good petroleum engineering practices; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

Royalty due the State of New Mexico shall be computed and paid on the basis of the amounts allocated to unitized State land as provided herein at the rate specified in the State oil and gas lease.

Royalty due on account of privately owned lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

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

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or until some portion of such land is included within a participating area.

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

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

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas on 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 Secretary as to Federal leases and the Commissioner as to State leases 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 and 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:

- (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 separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of the unit area.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands 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 lands pursuant to direction or consent of the Secretary and the Commissioner or 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. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in

accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, 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 the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, subject to the provisions of subsection (e) of Section 2, and subsection (i) of this Section 18.

(h) 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. 781-784): "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 nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(i) 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 the portion not committed, and the provisions of

such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event such lease provides for a lump-sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

19. 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, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the Commissioner or their duly authorized representatives and shall terminate five (5) years from said effective date unless

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

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

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should

production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered can be produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the Supervisor and Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, 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. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; 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 developing in the absence of the specific written approval thereof by the 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 State Commission.

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

22. PROTECTION OF POTASH DEPOSITS. No wells will be drilled for oil or gas at a location on Federal lands which in the opinion of the Supervisor or at a location on State lands which in the opinion of the Commissioner would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits.

The drilling or abandonment of any well on unitized land shall be done in accordance with applicable oil and gas regulations, including such requirements as to Federal lands as may be prescribed by the Supervisor and as to State lands by the Commissioner, as necessary to prevent the infiltration of oil, gas or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.

Well records and survey plats that an oil and gas lessee of Federal lands must file pursuant to applicable operating regulations (30 CFR Part 221) shall be available for inspection at the Office of the Supervisor to any party holding a potash permit or lease on the Federal land on which the well is situated insofar as such records are pertinent to the mining and protection of potash deposits.

23. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Commission, agree that all powers and authority vested in the State Commission in and by any provisions of this agreement are vested in the State Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial

review as may now or hereafter be provided by the laws of the State of New Mexico.

24. 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 Department of the Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of said Department, The State Commission or Commissioner, or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the Commissioner, or State Commission, 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.

25. 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 and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

26. 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 wherein said unitized lands are located, 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.

27. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while 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. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the unit operator subject to approval of the Supervisor and the Commissioner.

28. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all the provisions of section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), which are hereby incorporated by reference in this agreement.

29. 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 thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Commissioner 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.

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

30. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice delivered to the Supervisor, the Commissioner and the Unit Operator prior to the approval of this agreement by the Supervisor and the Commissioner. Any oil or gas

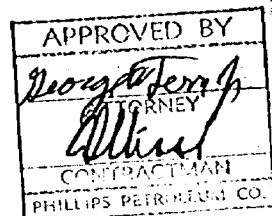
interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest 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 in behalf of such non-working interest. A non-working interest may not be committed to this unit agreement unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Supervisor or the Commissioner, provided, that as to State lands all subsequent joinders must be approved by the Commissioner.

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

UNIT OPERATOR AND WORKING INTEREST OWNER

PHILLIPS PETROLEUM COMPANY



By Fred Forward
Fred Forward, Attorney-in-Fact
Address: P. O. Box 791
Midland, Texas 79701

DATE: June 29, 1970

OTHER WORKING INTEREST OWNERS

ATTEST:

PERRY R. BASS

Secretary
DATE: _____

By _____
Address: _____

ATTEST:

BASS ENTERPRISES PRODUCTION CO.

Secretary
DATE: _____

By _____
Address: _____

ATTEST:

DELBASIN CORPORATION

Secretary
DATE: _____

By _____
Address: _____

ATLANTIC RICHFIELD CORPORATION

DATE: _____

By _____ Attorney-in-Fact
Address: _____

ATTEST:

KERR McGEE CORPORATION

Secretary

DATE: _____

By _____

Address: _____

DATE: _____

Stephen C. Helbing

Address: _____

DATE: _____

Frank W. Podpechan

Address: _____

THE STATE OF TEXAS I

COUNTY OF MIDLAND I

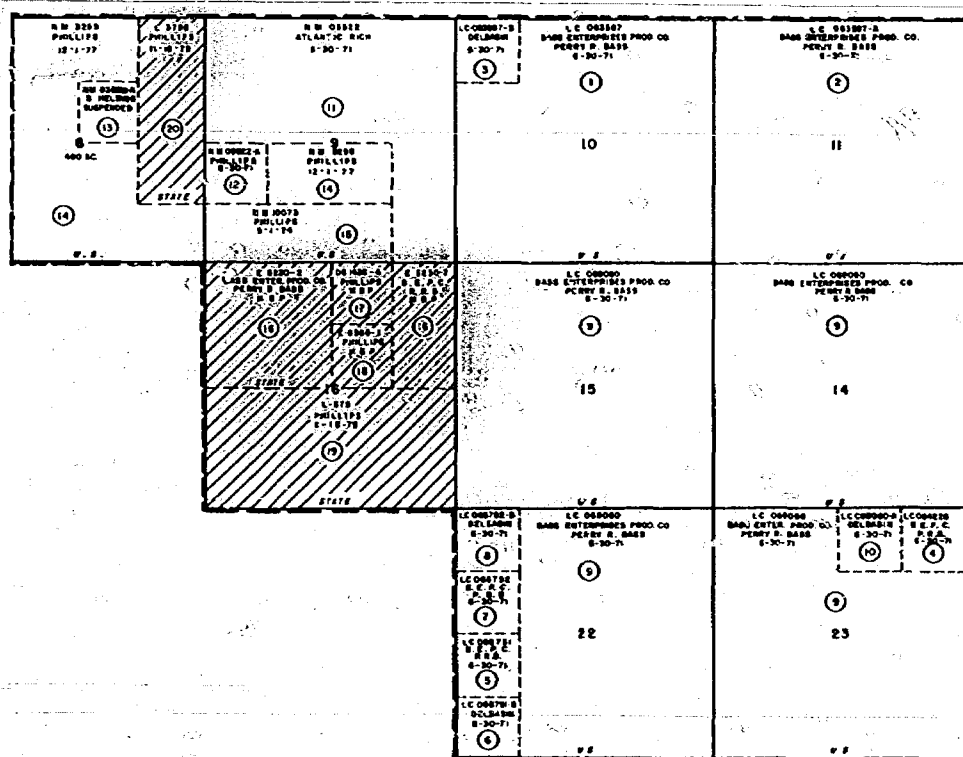
BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared FRED FORWARD, Attorney-in-Fact for PHILLIPS PETROLEUM COMPANY, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was the act of the said PHILLIPS PETROLEUM COMPANY, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 29th day of

June, 1970.

Norma C. Cuthrell
Notary Public in and for Midland
County, Texas

R-32-E



T
20
S

LEGEND

- Tract Number
- Unit Outline, 5,600.00 Acres
- Federal Land, 4,840.00 Acres
- ▨ State Land, 760.00 Acres

EXHIBIT "A"

PLATA DEEP UNIT AREA
LEA COUNTY, NEW MEXICO

EXHIBIT "B"
SCHEDULE SHOWING ALL LANDS AND OWNERSHIP
WITHIN THE UNIT AREA
PLATA DEEP UNIT - LEA COUNTY, NEW MEXICO

F E D E R A L L A N D

TRACT NO.	DESCRIPTION OF LAND	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1.	T-20-S, R-32-E Sec. 10: E/2, SW/4 S/2 NW/4, NE/4 NW/4	600.00	LC-063587 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Ben F. Pior - 3% Dorothy B. Perry - 0.5%	Bass Enterprises Perry R. Bass
2.	T-20-S, R-32-E Sec. 11: All	640.00	LC-063587-A 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Ben F. Pior - 3% Dorothy B. Perry - 0.5%	Bass Enterprises Perry R. Bass
3.	T-20-S, R-32-E Sec. 10: NW/4 NW/4	40.00	LC-063587-B 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Ben F. Pior - 3% Dorothy B. Perry - 0.5%	Delbasin Corpora
4.	T-20-S, R-32-E Sec. 23: NE/4 NE/4	40.00	LC-064228 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	J. W. Rutledge - 3% Dorothy B. Perry - 0.5%	Bass Enterprises Perry R. Bass
5.	T-20-S, R-32-E Sec. 22: NW/4 SW/4	40.00	LC-065751 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Paul Wallach - 3% Merrill L. Connally - 0.5%	Bass Enterprises Perry R. Bass
6.	T-20-S, R-32-E Sec. 22: SW/4 SW/4	40.00	LC-065751-B 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Paul Wallach - 3% Merrill L. Connally - 0.5%	Delbasin Corpora
7.	T-20-S, R-32-E Sec. 22: SW/4 NW/4	40.00	LC-065752 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Paul Wallach - 3% Merrill L. Connally - 0.5%	Bass Enterprises Perry R. Bass
8.	T-20-S, R-32-E Sec. 22: NW/4 NW/4	40.00	LC-065752-B 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Paul Wallach - 3% Merrill L. Connally - 0.5%	Delbasin Corpora

EXHIBIT "B"
SCHEDULE SHOWING ALL LANDS AND OWNERSHIP
WITHIN THE UNIT AREA
PLATA DEEP UNIT - LEA COUNTY, NEW MEXICO

F E D E R A L L A N D

LEASE NO. AND EXP. DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
063587 0-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Ben F. Pior - 3% Dorothy B. Perry - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass 75% 25%
063587-A 0-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Ben F. Pior - 3% Dorothy B. Perry - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass 75% 25%
063587-B 0-71	U.S.A. (12-1/2%)	Delbasin Corporation	Ben F. Pior - 3% Dorothy B. Perry - 0.5%	Delbasin Corporation All
64228 -71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	J. W. Rutledge - 3% Dorothy B. Perry - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass 75% 25%
65751 -71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Paul Wallach - 3% Merrill L. Connally - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass 75% 25%
65751-B -71	U.S.A. (12-1/2%)	Delbasin Corporation	Paul Wallach - 3% Merrill L. Connally - 0.5%	Delbasin Corporation All
65752 71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Paul Wallach - 3% Merrill L. Connally - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass 75% 25%
65752-B 71	U.S.A. (12-1/2%)	Delbasin Corporation	Paul Wallach - 3% Merrill L. Connally - 0.5%	Delbasin Corporation All

TRACT NO.	DESCRIPTION OF LAND	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDE ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
9.	T-20-S, R-32-E Sec. 14: All Sec. 15: All Sec. 22: E/2, E/2 W/2 Sec. 23: S/2 NE/4, W/2, SE/4	2,320.00	LC-069060 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Ewell H. Muse, Jr. - 0.5% Mrs. W. H. Milner - Production Payment \$500.00 per acre out of 3%.	Bass Enterprises Pr Perry R. Bass
10.	T-20-S, R-32-E Sec. 23: NW/4 NE/4	40.00	LC-069060-A 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Ewell H. Muse, Jr. - 0.5% Mrs. W. H. Milner - Production Payment \$500.00 per acre out of 3%.	Delbasin Corporation
11.	T-20-S, R-32-E Sec. 9: N/2, E/2 SE/4	400.00	NM-05522 6-30-71	U.S.A. (12-1/2%)	Atlantic-Richfield Co.	None	Atlantic-Richfield
12.	T-20-S, R-32-E Sec. 9: NW/4 SW/4	40.00	NM-05522-A 6-30-71	U.S.A. (12-1/2%)	Phillips Petroleum Co.	G. Dee Williamson - 5%	Phillips Petroleum
13.	T-20-S, R-32-E Sec. 8: SW/4 NE/4	40.00	NM-036261-A (H.B. Suspension)	U.S.A. (12-1/2%)	Stephen C. Helbing and Frank W. Podpechan	Atlantic-Richfield Co. - 5%	Stephen C. Helbing Frank W. Podpechan
14.	T-20-S, R-32-E Sec. 8: E/2 W/2, NW/4 NE/4, W/2 SE/4, SE/4 SE/4 Sec. 9: NE/4 SW/4, NW/4 SE/4	400.00	NM-3289 11-30-77	U.S.A. (12-1/2%)	Phillips Petroleum Co.	Joy S. Burns - 6.25%	Phillips Petroleum
15.	T-20-S, R-32-E Sec. 9: S/2 SW/4, SW/4 SE/4	120.00	NM-10073 8-30-74	U.S.A. (Schedule B)	Phillips Petroleum Co.	None	Phillips Petroleum

TOTAL 15 TRACTS FEDERAL LANDS - 4,840.00 ACRES, 86.4285% OF UNIT AREA

ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	
2,320.00	LC-069060 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Ewell H. Muse, Jr. - 0.5% Mrs. W. H. Milner - Production Payment \$500.00 per acre out of 3%.	Bass Enterprises Prod. Co. Perry R. Bass	75% 25%
W/2,						
40.00	LC-069060-A 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Ewell H. Muse, Jr. - 0.5% Mrs. W. H. Milner - Production Payment \$500.00 per acre out of 3%.	Delbasin Corporation	All
400.00 E/4	NM-05522 6-30-71	U.S.A. (12-1/2%)	Atlantic-Richfield Co.	None	Atlantic-Richfield Co.	All
40.00	NM-05522-A 6-30-71	U.S.A. (12-1/2%)	Phillips Petroleum Co.	G. Dee Williamson - 5%	Phillips Petroleum Co.	All
40.00	NM-036261-A (H.B. Suspension)	U.S.A. (12-1/2%)	Stephen C. Helbing and Frank W. Podpechan	Atlantic-Richfield Co. - 5%	Stephen C. Helbing Frank W. Podpechan	50% 50%
400.00	NM-3289 11-30-77	U.S.A. (12-1/2%)	Phillips Petroleum Co.	Joy S. Burns - 6.25%	Phillips Petroleum Company	All
120.00	NM-10073 8-30-74	U.S.A. (Schedule B)	Phillips Petroleum Co.	None	Phillips Petroleum Co.	All

TOTAL 15 TRACTS FEDERAL LANDS - 4,840.00 ACRES, 86.4285% OF UNIT AREA

STATE OF NEW MEXICO LANDS

TRACT NO.	DESCRIPTION OF LAND	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENT
16.	T-20-S, R-32-E Sec. 16: NW/4, E/2 NE/4	240.00	E-5230-2 H.B.P.	State of New Mexico - 12-1/2%	Bass Enterprises Prod. Co. and Perry R. Bass	None	Bass Enterprises Perry R. Bass
17.	T-20-S, R-32-E Sec. 16: NW/4 NE/4	40.00	OG 1436-4 H.B.P.	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	Dorothy Price Estate - 0.3125% Win, Inc. - 1.25% Dapco, Inc. - 0.9375% J. Hiram Moore - 3.125%	Phillips Petroleum Co.
18.	T-20-S, R-32-E Sec. 16: SW/4 NE/4	40.00	E-6566-1 H.B.P.	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	None	Phillips Petroleum Co. Kerr-McGee Co.
19.	T-20-S, R-32-E Sec. 16: S/2	320.00	L-575 1-16-75	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	None	Phillips Petroleum Co.
20.	T-20-S, R-32-E Sec. 8: E/2 NE/4, NE/4 SE/4	120.00	L-3795 11-18-79	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	None	Phillips Petroleum Co.

TOTAL 5 TRACTS, STATE OF NEW MEXICO LANDS - 760.00 ACRES, 13.5715% OF UNIT AREA

RECAPITULATION

FEDERAL LANDS	4,840.00 Acres	86.4285% Unit Area
STATE LANDS	<u>760.00 Acres</u>	<u>13.5715% Unit Area</u>
TOTAL LANDS	<u>5,600.00 Acres</u>	<u>100.0000% Unit Area</u>

STATE OF NEW MEXICO LANDS

LEASE NO. AND EXP. DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
E-5230-2 H.B.P.	State of New Mexico - 12-1/2%	Bass Enterprises Prod. Co. and Perry R. Bass	None	Bass Enterprises Prod. Co. 75% Perry R. Bass 25%
OG 1436-4 H.B.P.	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	Dorothy Price Estate - 0.3125% W.H. Inc. - 1.25% Dapco, Inc. - 0.9375% J. Hiram Moore - 3.125%	Phillips Petroleum Co. All
E-6568-1 H.B.P.	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	None	Phillips Petroleum Co. 50% Kerr-McGee Corporation 50%
L-575 1-16-75	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	None	Phillips Petroleum Co. All
L-3795 11-18-79	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	None	Phillips Petroleum Co. All

TOTAL 5 TRACTS, STATE OF NEW MEXICO LANDS - 760.00 ACRES, 13.5715% OF UNIT AREA

RECAPITULATION

FEDERAL LANDS	4,840.00 Acres	86.4285% Unit Area
STATE LANDS	<u>760.00 Acres</u>	<u>13.5715% Unit Area</u>
TOTAL LANDS	<u>5,600.00 Acres</u>	<u>100.0000% Unit Area</u>

CERTIFICATION--DETERMINATION

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

A. Approve the attached agreement for the development and operation of the Plata Deep Unit Area, Lea County, State of New Mexico.

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

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

Dated _____.

Oil and Gas Supervisor, United States Geological Survey

Contract Number _____

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
PLATA DEEP UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

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EXHIBITS

- Exhibit "A" - Map of Unit Area
Exhibit "B" - Schedule of Ownership in Lands

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
PLATA DEEP UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

NO. _____

THIS AGREEMENT, entered into as of the 19th day of June, 1970,
by and between the 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 and gas interests in the unit area subject to this agreement; and

WHEREAS the Mineral Leasing Act of February 25, 1920, 41 Stat. 437,
as amended, 30 U. S. C. Secs. 181 et seq., authorizes 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 purpose 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. 7-11-39 N. M. Statutes 1953
Annotated) to consent to or approve this Agreement on behalf of the State of
New Mexico, in so far as it covers and includes lands and mineral interests
of the State of New Mexico, and

WHEREAS, the Oil Conservation Commission of the State of New Mexico
is authorized by an act of the Legislature (ART. III, CH. 65, VOL. 9, Part 2,
Statutes 1953 Annotated) to approve this agreement and the conservation
provisions hereof; and

WHEREAS the parties hereto hold sufficient interests in the Plata
Deep Unit Area 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, 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, supra, 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 State of New Mexico 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 of New Mexico, are hereby accepted and made a part of this agreement.

2. UNIT AREA. The area specified on the map attached hereto marked exhibit A is hereby designated and recognized as constituting the unit area, containing 5,600.00 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 and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto 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 Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less than five (5) copies of the revised exhibits shall be filed with the Supervisor, and two (2) copies

thereof shall be filed with the Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "State Commission."

The above-described unit area shall when practicable be expanded to include therein any additional lands or shall be contracted to exclude lands whenever such expansion or contraction is deemed to be necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," or on demand of the Commissioner, but only after preliminary concurrence by the Director and the Commissioner shall prepare a notice of proposed expansion or contraction 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 Supervisor, The Commissioner and the State Commission, and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

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

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

(e) All legal subdivisions of land (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples

of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary. All lands proved productive by diligent drilling operations after the aforesaid 5-year period shall become participating in the same manner as during said 5-year period. However, when such diligent drilling operations cease, all nonparticipating lands shall be automatically eliminated effective as of the 91st day thereafter. The unit operator shall within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Supervisor and the Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 5 and 10-year periods specified in this subsection 2(e), a single extension of each period of not to exceed 2 years may be accomplished by consent of the owners of 90% of the working interests in the current nonparticipating unitized lands and the owners of 60% of the basic royalty interests (exclusive of the basic royalty interests of the United States) in nonparticipating unitized lands with approval of the Director, provided such extension application is submitted to the Director not later than 60 days prior to the expiration of said 5 year or 10-year periods.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2(e) shall not be

considered automatic commitment or recommitment of such lands.

3. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil and gas in the hereinabove specified lands committed to this agreement as to all formations below 100 feet above the top of the Delaware Mountain Group, which for the purpose of this agreement, is identified at 4,390 feet on the Schlumberger Electric Log run No. 2 of April 14, 1957, in Shell Oil Company's No. 1 Perry Federal located 330 feet from the North line and 990 feet from the West line of Section 10, Township 20 South, Range 32 East, N.M.P.M., are unitized under the terms of this Agreement and herein are called "unitized substances." All lands committed to this Agreement as to the unitized formation shall constitute land referred to herein as "unitized land" or "land subject to this Agreement."

4. UNIT OPERATOR. Phillips Petroleum Company, with offices in Midland, Texas, 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 discovery, 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.

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

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

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

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

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 to the new duly qualified successor Unit Operator or to the common agent, 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.

6. SUCCESSION 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, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests

in all unitized land, shall by majority vote select a successor Unit Operator: Provided, that, if a majority but less than 75 per cent 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 Supervisor and the Commissioner.

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

7. 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 entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and 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 either to 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 this unit agreement and the unit operating agreement, this unit agreement shall govern. Three (3) true copies of any unit operating agreement executed pursuant to this

section should be filed with the Supervisor and one (1) true copy with the Commissioner prior to approval of this unit agreement.

8. 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 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 herein provided. 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.

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor if on federal land or by the Commissioner if on state land, or by the State Commission if on privately owned land, if any, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Morrow formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on federal land, of the Commissioner if on state land, or of the State Commission if on privately owned land, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess 13,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than 6 months between the completion of one well and

and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor if it be on federal land, or of the Commissioner if on state land, or the State Commission if on privately owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5, hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Supervisor and Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

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

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner a plan for an additional specified period for the development and operation of the unitized land.

Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized

substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

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

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

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

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Supervisor and the Commissioner, a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor and the Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate

computations from the courses and distances shown on the last approved public-land survey as of the effective date of each initial participating area. Said schedule shall also set forth the percentage of unitized substances to be allocated as herein provided to each tract in the participating area so established, and shall govern the allocation of production commencing with the effective date of the participating area. A separate participating area shall be established for each separate pool or deposit of unitized substances or for any group thereof which is produced as a single pool or zone, and any two or more participating areas so established may be combined into one, on approval of the Supervisor and the Commissioner. When production from two or more participating areas, so established, is subsequently found to be from a common pool or deposit said participating areas shall be combined into one effective as of such appropriate date as may be approved or prescribed by the Supervisor and the Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, to include additional land then regarded as reasonably proved to be productive in paying quantities or necessary for unit operations, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the schedule of allocation percentages shall be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Supervisor and the Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances, except that any participating area established under the provisions of this unit agreement shall terminate automatically whenever all completions in the formation on which the participating area is based are abandoned.

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

In the absence of agreement at any time between the Unit Operator and the Supervisor and the Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby shall be impounded in a manner mutually acceptable to the owners of working interests and the Supervisor and the Commissioner. Royalties due the United States shall be determined by the Supervisor for Federal lands and the Commissioner for State lands and the State Commission as to privately owned lands and the amount thereof shall be deposited, as directed by the Supervisor and the Commissioner respectively to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, as to wells drilled on Federal land and of the Commissioner as to wells drilled on State land and the State Commission as to wells drilled on privately owned lands, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located unless such land is already within the participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor and Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and,

for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as such area was last defined at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS.

Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the Commissioner as to State land and the State Commission as to privately owned land, and subject to the non-conflicting provisions of the Unit Operating Agreement, at such party's sole risk, costs, and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

14. ROYALTY SETTLEMENT: The United States, the State of New Mexico and any other royalty owner who, is entitled to take in kind a share of the substances now unitized hereunder shall hereafter be entitled to the right to take in kind its share of the unitized substances, and Unit Operator, or the working interest owner in case of the operation of a well by a working interest owner as herein provided for in special cases, 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, or by the Unit Operator 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 due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, in conformity with a plan of operations approved by the Supervisor and the Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with appropriate deduction for loss from any

cause, may be withdrawn from the formation into which the gas is introduced, royalty free as to dry gas, but not as to any products which may be 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 Supervisor and the Commissioner as conforming to good petroleum engineering practices; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

Royalty due the State of New Mexico shall be computed and paid on the basis of the amounts allocated to unitized State land as provided herein at the rate specified in the State oil and gas lease.

Royalty due on account of privately owned lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

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

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or until some portion of such land is included within a participating area.

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

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

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas on 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 Secretary as to Federal leases and the Commissioner as to State leases 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 and 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:

- (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 separately owned tract subject to this agreement, regardless of whether there is any development of any particular tract of the unit area.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands 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 lands pursuant to direction or consent of the Secretary and the Commissioner or 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. A suspension of drilling or producing operations limited to specified lands shall be applicable only to such lands.

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in

accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, 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 the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof, subject to the provisions of subsection (e) of Section 2, and subsection (i) of this Section 18.

(h) 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. 781-784): "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 nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

(i) 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 the portion not committed, and the provisions of

such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event, ^{may} such lease provides for a lump-sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

19. 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, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary and the Commissioner or their duly authorized representatives and shall terminate five (5) years from said effective date unless

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

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

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should

production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as unitized substances so discovered can be produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the working interest owners signatory hereto, with the approval of the Supervisor and Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, 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. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; 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 developing in the absence of the specific written approval thereof by the 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 State Commission.

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

22. PROTECTION OF POTASH DEPOSITS. No wells will be drilled for oil or gas at a location on Federal lands which in the opinion of the Supervisor or at a location on State lands which in the opinion of the Commissioner would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits.

The drilling or abandonment of any well on unitized land shall be done in accordance with applicable oil and gas regulations, including such requirements as to Federal lands as may be prescribed by the Supervisor and as to State lands by the Commissioner, as necessary to prevent the infiltration of oil, gas or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.

Well records and survey plats that an oil and gas lessee of Federal lands must file pursuant to applicable operating regulations (30 CFR Part 221) shall be available for inspection at the Office of the Supervisor to any party holding a potash permit or lease on the Federal land on which the well is situated insofar as such records are pertinent to the mining and protection of potash deposits.

23. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Commission, agree that all powers and authority vested in the State Commission in and by any provisions of this agreement are vested in the State Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial

review as may now or hereafter be provided by the laws of the State of New Mexico.

24. 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 Department of the Interior, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission, and to appeal from orders issued under the regulations of said Department, The State Commission or Commissioner, or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the Commissioner, or State Commission, 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.

25. 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 and personally delivered to the party or sent by postpaid registered or certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

26. 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 wherein said unitized lands are located, 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.

27. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while 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. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the unit operator subject to approval of the Supervisor and the Commissioner.

28. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all the provisions of section 202 (1) to (7) inclusive of Executive Order 11246 (30 F.R. 12319), which are hereby incorporated by reference in this agreement.

29. 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 thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Commissioner 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.

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

30. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice delivered to the Supervisor, the Commissioner and the Unit Operator prior to the approval of this agreement by the Supervisor and the Commissioner. Any oil or gas

interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof, joinder by a non-working interest 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 in behalf of such non-working interest. A non-working interest may not be committed to this unit agreement unless the corresponding working interest is committed hereto. Joinder to the unit agreement by a working-interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working-interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Supervisor or the Commissioner, provided, that as to State lands all subsequent joinders must be approved by the Commissioner.

31. 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.

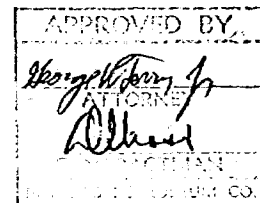
IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed and have set opposite their respective names the date of execution.

UNIT OPERATOR AND WORKING INTEREST OWNER

PHILLIPS PETROLEUM COMPANY

By Fred Forward

Fred Forward, Attorney-in-Fact
Address: P. O. Box 791
Midland, Texas 79701



DATE: June 29, 1970

OTHER WORKING INTEREST OWNERS

ATTEST:

PERRY R. BASS

Secretary

By _____

Address: _____

DATE: _____

ATTEST:

BASS ENTERPRISES PRODUCTION CO.

Secretary

By _____

Address: _____

DATE: _____

ATTEST:

DELBASIN CORPORATION

Secretary

By _____

Address: _____

DATE: _____

ATLANTIC RICHFIELD CORPORATION

By _____

Attorney-in-Fact
Address: _____

DATE: _____

ATTEST:

KERR McGEE CORPORATION

Secretary
DATE: _____

By _____
Address: _____

DATE: _____

Stephen C. Helbing
Address: _____

DATE: _____

Frank W. Podpechian
Address: _____

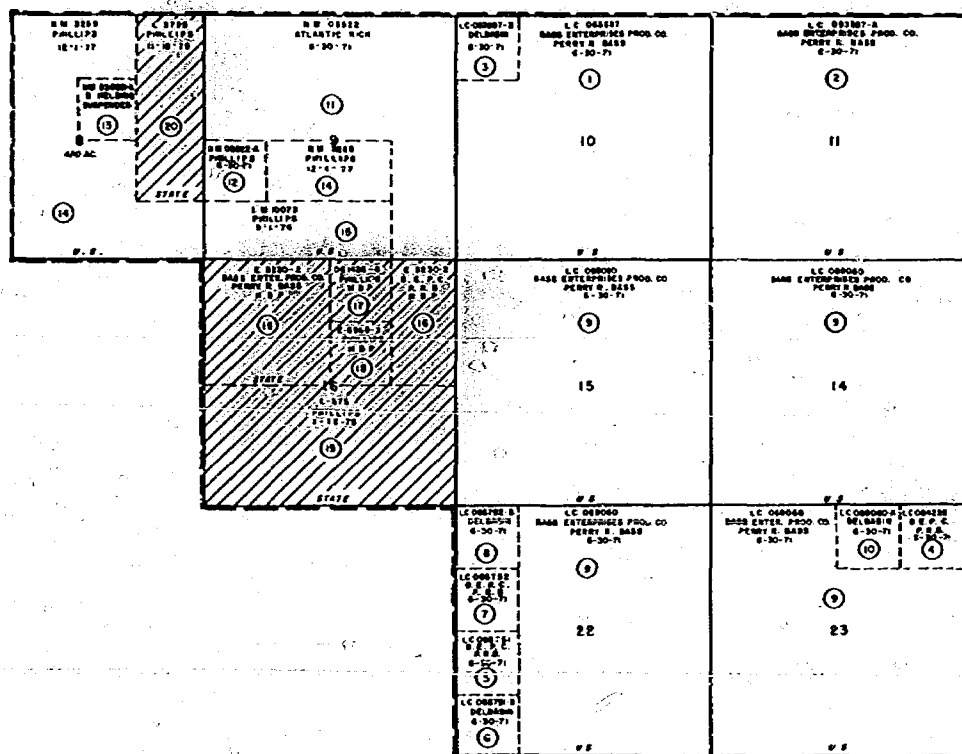
THE STATE OF TEXAS I
COUNTY OF MIDLAND I

BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared FRED FORWARD, Attorney-in-Fact for PHILLIPS PETROLEUM COMPANY, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was the act of the said PHILLIPS PETROLEUM COMPANY, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 29th day of June, 1970.

Naoma Cutshall
Notary Public in and for Midland
County, Texas Naoma Cutshall

R-32-E



T
20
S

LEGEND

- Tract Number
- Unit Outline, 5,600.00 Acres
- Federal Land, 4,840.00 Acres
- ▨ State Land, 760.00 Acres

EXHIBIT "A"

PLATA DEEP UNIT AREA
LEA COUNTY, NEW MEXICO

EXHIBIT "B"
SCHEDULE SHOWING ALL LANDS AND OWNERSHIP
WITHIN THE UNIT AREA
PLATA DEEP UNIT - LEA COUNTY, NEW MEXICO

F E D E R A L L A N D

TRACT NO.	DESCRIPTION OF LAND	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
1.	T-20-S, R-32-E Sec. 10: E/2, SW/4 S/2 NW/4, NE/4 NW/4	600.00	LC-063587 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Ben F. Pior - 3% Dorothy B. Perry - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass
2.	T-20-S, R-32-E Sec. 11: All	640.00	LC-063587-A 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Ben F. Pior - 3% Dorothy B. Perry - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass
3.	T-20-S, R-32-E Sec. 10: NW/4 NW/4	40.00	LC-063587-B 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Ben F. Pior - 3% Dorothy B. Perry - 0.5%	Delbasin Corporation
4.	T-20-S, R-32-E Sec. 23: NE/4 NE/4	40.00	LC-064228 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	J. W. Rutledge - 3% Dorothy B. Perry - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass
5.	T-20-S, R-32-E Sec. 22: NW/4 SW/4	40.00	LC-065751 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Paul Wallach - 3% Merrill L. Connally - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass
6.	T-20-S, R-32-E Sec. 22: SW/4 SW/4	40.00	LC-065751-B 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Paul Wallach - 3% Merrill L. Connally - 0.5%	Delbasin Corporation
7.	T-20-S, R-32-E Sec. 22: SW/4 NW/4	40.00	LC-065752 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Paul Wallach - 3% Merrill L. Connally - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass
8.	T-20-S, R-32-E Sec. 22: NW/4 NW/4	40.00	LC-065752-B 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Paul Wallach - 3% Merrill L. Connally - 0.5%	Delbasin Corporation

EXHIBIT "B"
SCHEDULE SHOWING ALL LANDS AND OWNERSHIP
WITHIN THE UNIT AREA
PLATA DEEP UNIT - LEA COUNTY, NEW MEXICO

F E D E R A L L A N D

ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
600.00	LC-063587 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Ben F. Pior - 3% Dorothy B. Perry - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass 75% 25%
640.00	LC-063587-A 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Ben F. Pior - 3% Dorothy B. Perry - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass 75% 25%
40.00	LC-063587-B 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Ben F. Pior - 3% Dorothy B. Perry - 0.5%	Delbasin Corporation All
40.00	LC-064228 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	J. W. Rutledge - 3% Dorothy B. Perry - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass 75% 25%
40.00	LC-065751 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Paul Wallach - 3% Merrill L. Connally - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass 75% 25%
40.00	LC-065751-B 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Paul Wallach - 3% Merrill L. Connally - 0.5%	Delbasin Corporation All
40.00	LC-065752 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Paul Wallach - 3% Merrill L. Connally - 0.5%	Bass Enterprises Prod. Co. Perry R. Bass 75% 25%
40.00	LC-065752-B 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Paul Wallach - 3% Merrill L. Connally - 0.5%	Delbasin Corporation All

TRACT NO.	DESCRIPTION OF LAND	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
9.	T-20-S, R-32-E Sec. 14: All Sec. 15: All Sec. 22: E/2, E/2 W/2, Sec. 23: S/2 NE/4, W/2, SE/4	2,320.00	LC-069060 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Ewell H. Muse, Jr. - 0.5% Mrs. W. H. Milner - Production Payment \$500.00 per acre out of 3%.	Bass Enterprises Pr Perry R. Bass
10.	T-20-S, R-32-E Sec. 23: NW/4 NE/4	40.00	LC-069060-A 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Ewell H. Muse, Jr. - 0.5% Mrs. W. H. Milner - Production Payment \$500.00 per acre out of 3%.	Delbasin Corporatio
11.	T-20-S, R-32-E Sec. 9: N/2, E/2 SE/4	400.00	NM-05522 6-30-71	U.S.A. (12-1/2%)	Atlantic-Richfield Co.	None	Atlantic-Richfield
12.	T-20-S, R-32-E Sec. 9: NW/4 SW/4	40.00	NM-05522-A 6-30-71	U.S.A. (12-1/2%)	Phillips Petroleum Co.	G. Dee Williamson - 5%	Phillips Petroleum
13.	T-20-S, R-32-E Sec. 8: SW/4 NE/4	40.00	NM-036261-A (H.B. Suspension)	U.S.A. (12-1/2%)	Stephen C. Helbing and Frank W. Podpechan	Atlantic-Richfield Co. - 5%	Stephen C. Helbing Frank W. Podpechan
14.	T-20-S, R-32-E Sec. 8: E/2 W/2, NW/4 NE/4, W/2 SE/4, SE/4 SE/4 Sec. 9: NE/4 SW/4, NW/4 SE/4	400.00	NM-3289 11-30-77	U.S.A. (12-1/2%)	Phillips Petroleum Co.	Joy S. Burns - 6.25%	Phillips Petroleum
15.	T-20-S, R-32-E Sec. 9: S/2 SW/4, SW/4 SE/4	120.00	NM-10073 8-30-74	U.S.A. (Schedule B)	Phillips Petroleum Co.	None	Phillips Petroleum

TOTAL 15 TRACTS FEDERAL LANDS - 4,840.00 ACRES, 86.4285% OF UNIT AREA

ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE		
2,320.00	LC-069060 6-30-71	U.S.A. (12-1/2%)	Bass Enterprises Prod. Co. and Perry R. Bass	Ewell H. Muse, Jr. - 0.5% Mrs. W. H. Milner - Production Payment \$500.00 per acre out of 3%.	Bass Enterprises Prod. Co. Perry R. Bass	75% 25%	
1/2 W/2, 1/4, E/4	40.00	LC-069060-A 6-30-71	U.S.A. (12-1/2%)	Delbasin Corporation	Ewell H. Muse, Jr. - 0.5% Mrs. W. H. Milner - Production Payment \$500.00 per acre out of 3%.	Delbasin Corporation	All
E/4	400.00	NM-05522 6-30-71	U.S.A. (12-1/2%)	Atlantic-Richfield Co.	None	Atlantic-Richfield Co.	All
2 SE/4	40.00	NM-05522-A 6-30-71	U.S.A. (12-1/2%)	Phillips Petroleum Co.	G. Dee Williamson - 5%	Phillips Petroleum Co.	All
1/4	40.00	NM-036261-A (H.B.Suspension)	U.S.A. (12-1/2%)	Stephen C. Helbing and Frank W. Podpechan	Atlantic-Richfield Co. - 5%	Stephen C. Helbing Frank W. Podpechan	50% 50%
1/4	400.00	NM-3289 11-30-77	U.S.A. (12-1/2%)	Phillips Petroleum Co.	Joy S. Burns - 6.25%	Phillips Petroleum Company	All
1/4, 1/4, 1/4, 1/4	120.00	NM-10073 8-30-74	U.S.A. (Schedule B)	Phillips Petroleum Co.	None	Phillips Petroleum Co.	All

TOTAL 15 TRACTS FEDERAL LANDS - 4,840.00 ACRES, 86.4235% OF UNIT AREA

STATE OF NEW MEXICO LANDS

TRACT NO.	DESCRIPTION OF LAND	ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
16.	T-20-S, R-32-E Sec. 16: NW/4, E/2 NE/4	240.00	E-5230-2 H.B.P.	State of New Mexico - 12-1/2%	Bass Enterprises Prod. Co. and Perry R. Bass	None	Bass Enterprises Perry R. Bass
17.	T-20-S, R-32-E Sec. 16: NW/4 NE/4	40.00	OG 1436-4 H.B.P.	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	Dorothy Price Estate - 0.3125% Win, Inc. - 1.25% Dapco, Inc. - 0.9375% J. Hiram Moore - 3.125%	Phillips Petrol
18.	T-20-S, R-32-E Sec. 16: SW/4 NE/4	40.00	E-6568-1 H.B.P.	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	None	Phillips Petro Kerr-McGee Cor
19.	T-20-S, R-32-E Sec. 16: S/2	320.00	L-575 1-16-75	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	None	Phillips Petro
20.	T-20-S, R-32-E Sec. 8: E/2 NE/4, NE/4 SE/4	120.00	L-3795 11-18-79	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	None	Phillips Petro

TOTAL 5 TRACTS, STATE OF NEW MEXICO LANDS - 760.00 ACRES, 13.5715% OF UNIT AREA

	<u>RECAPITULATION</u>	
FEDERAL LANDS	4,840.00 Acres	86.4285% Unit Area
STATE LANDS	<u>760.00 Acres</u>	<u>13.5715% Unit Area</u>
TOTAL LANDS	<u>5,600.00 Acres</u>	<u>100.0000% Unit Area</u>

STATE OF NEW MEXICO LANDS

ACRES	LEASE NO. AND EXP. DATE	BASIC ROYALTY AND PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE
0.00	E-5220-2 H.B.P.	State of New Mexico - 12-1/2%	Bass Enterprises Prod. Co. and Perry R. Bass	None	Bass Enterprises Prod. Co. 75% Perry R. Bass 25%
0.00	OG 1436-4 H.B.P.	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	Dorothy Price Estate - 0.3125% Win, Inc. - 1.25% Dapco, Inc. - 0.9375% J. Hiram Moore - 3.125%	Phillips Petroleum Co. All
0.00	E-6568-1 H.B.P.	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	None	Phillips Petroleum Co. 50% Kerr-McGee Corporation 50%
0.00	L-575 1-16-75	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	None	Phillips Petroleum Co. All
0.00	L-3795 11-18-79	State of New Mexico - 12-1/2%	Phillips Petroleum Co.	None	Phillips Petroleum Co. All

TOTAL 5 TRACTS, STATE OF NEW MEXICO LANDS - 760.00 ACRES, 13.5715% OF UNIT AREA

RECAPITULATION

FEDERAL LANDS	4,840.00 Acres	86.4285% Unit Area
STATE LANDS	<u>760.00 Acres</u>	<u>13.5715% Unit Area</u>
TOTAL LANDS	<u>5,600.00 Acres</u>	<u>100.0000% Unit Area</u>

UNIT OPERATING AGREEMENT
FOR THE PLATA DEEP UNIT AREA
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, made and entered into as of the 19th day of June, 1970, by and between PHILLIPS PETROLEUM COMPANY, a Delaware corporation, with an office in Midland, Texas, hereinafter referred to as "Unit Operator," and such other working interest owners who subscribe to this agreement who have working interests subject to the Unit Agreement for the operation and development of the Plata Deep Unit Area, which said parties are hereinafter referred to as "Working Interest Owners" or as "Nonoperators,"

W I T N E S S E T H:

WHEREAS, the parties hereto have concurrently herewith as of the date hereof, entered into a certain Unit Agreement for the development and operation of the Plata Deep Unit Area, which is hereinafter referred to as "Unit Agreement," embracing lands situated in Lea County, State of New Mexico, described in Section 1 hereof; and

WHEREAS, Phillips Petroleum Company has been designated as the Unit Operator under the terms of said Unit Agreement and is also a Working Interest Owner under said Unit Agreement and enters into this agreement in both capacities; and

WHEREAS, the undersigned Working Interest Owners have committed certain oil and gas leasehold interests to said Unit Agreement which are to be subject to the terms and conditions thereof; and

WHEREAS, the parties hereto enter into this agreement pursuant to Section 7 of the Unit Agreement;

NOW, THEREFORE, it is mutually agreed between the parties hereto as follows:

1. DESCRIPTION OF UNIT AREA: The term "Unit Area" as used herein shall mean and include the following described land:

Township 20 South, Range 32 East, N.M.P.M.

Section 8: E/2 W/2, E/2
Section 9: All
Section 10: All
Section 11: All
Section 14: All
Section 15: All
Section 16: All
Section 22: All
Section 23: All

Containing 5,600 acres, as to all depths below 100 feet above the top of the Delaware Mountain Group as that depth is defined in the Unit Agreement.

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

Phillips EXHIBIT NO. 2

CASE NO. 4394

OIL CONSERVATION COMMISSION

CASE NO. _____

2. UNIT OPERATOR AND EMPLOYEES: Phillips Petroleum Company, a corporation, the party hereto named as Unit Operator of the Unit Area under the provisions of the Unit Agreement, or its duly appointed successor Unit Operator, shall have the exclusive right to develop and operate the Unit Area subject to the provisions of this agreement and the Unit Agreement. 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.

3. UNIT OPERATOR - DUTIES: Unit Operator shall in the conduct of operations:

(a) Consult freely with Working Interest Owners concerning unit operations, and keep Working Interest Owners informed of all matters arising during the operation of the Unit Area which Unit Operator, in the exercise of its best judgment, considers important;

(b) Keep full and accurate records of all costs incurred, rentals and royalties paid, and controllable materials and equipment, which records, receipts and vouchers in support thereof shall be available for inspection by authorized representatives of the Working Interest Owners at reasonable intervals during usual business hours, at the office of the Unit Operator;

(c) Permit each of the Working Interest Owners, through its duly authorized representatives, but at its 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 jointly owned materials, equipment and other property, and to have access at reasonable times to information and data in the possession of Unit Operator concerning the Unit Area;

(d) Furnish to each of the other parties who makes timely written request therefor, copies of Unit Operator's authorization for expenditures of itemizations thereof in excess of Ten Thousand Dollars (\$10,000.00), and copies of all drilling reports, well logs, basic engineering data, tank tables, gauge reports and run tickets, and reports of stock on hand at the first of each month, if available, and samples of cores or cuttings taken from wells drilled hereunder, containers therefor to be furnished by the party requesting such samples;

(e) Comply with the terms and conditions of the Unit Agreement and all valid applicable Federal and State laws and regulations;

(f) Keep the land in the Unit Area free from liens and encumbrances occasioned by its operations, except such liens as the Working Interest Owners elect to contest, and save only the lien granted the Unit Operator under this agreement.

4. UNIT OPERATOR - RESTRICTIONS: The Unit Operator shall not do any of the following things without the consent of the Working Interest Owners obtained as herein provided:

(a) Locate, drill, deepen, or plug back any well or let any contract therefor, except as otherwise permitted under this agreement. The approval of the drilling, deepening or plugging back of any well shall be construed to mean and include the approval of any reasonably necessary expenditures for the approved operation, including the completing and equipping of such well, and the necessary lines, separators and necessary tankage if a producer, and if a dry hole, the plugging and abandonment thereof, except as otherwise provided herein;

(b) Make any other expenditures in excess of Ten Thousand Dollars (\$10,000.00) for any one single item;

(c) Make any partial relinquishment of the rights of the Unit Operator;

(d) Abandon any well or wells;

(e) Enter into any plans for development of the Unit Area or any participating area or amendment thereof, or any expansion or contraction of the Unit Area or any designation or enlargement of a participating area;

(f) Drill or abandon any injection wells or convert any well into an injection well;

(g) Determine whether to drill a demanded offset well or pay compensatory royalty;

(h) Make any arrangement for repressuring, cycling or pressure maintenance, or approve or disapprove any change in the existing method of operation;

(i) Contest any encumbrance or lien.

In case of blowout, explosion, fire, flood or other sudden emergency, Unit Operator may take such steps and incur such expense as, in its opinion, are required to deal with the emergency and to safeguard life and property; provided that Unit Operator shall, as promptly as reasonably possible, report the emergency to the other parties and shall endeavor to secure any sanction that might otherwise have been required.

Subject to the provisions hereof, Unit Operator shall have full control of the premises subjected hereto and shall conduct and manage the development and operation of unitized lands for the production of unitized substances therefrom for the account of the parties hereto.

5. CONSENT OF WORKING INTEREST OWNERS: In connection with operations conducted by Unit Operator for which consent of Nonoperators is required under this agreement, the Working Interest Owners shall have the right to vote thereon in proportion to their respective participation percentages under this agreement, except that with respect to such operations as are being conducted at the cost of less than all of the Working Interest Owners those Working Interest Owners bearing the cost of such operations shall have the right to vote whenever their consent is required in the proportion that their respective participation percentages under this agreement bear to the total of such percentages of such Working Interest Owners. Except as otherwise specified herein or in the Unit Agreement, an affirmative vote of 60% of the voting power of the Working Interest Owners involved shall constitute the decision of the Working Interest Owners, which decision shall be binding upon all; provided, however, that should any Working Interest Owner own as much as 60% but less than 100% voting interest, his vote must be supported by the affirmative vote of at least one additional Working Interest Owner; and provided, further, that if any party owns 30% or more voting interest, but less than 50%, the vote of such party shall not serve to defeat or disapprove any matters approved by the majority (over 50%) unless supported by at least one additional voting interest. Provided, however, if only one Working Interest Owner is entitled to vote, such party's vote shall control. If only two parties are entitled to vote, the vote of the one with the greater interest shall prevail.

The Working Interest Owners shall meet in regular or special meetings for the purpose of discussing unit business and of voting on matters in connection therewith, and of exercising any other powers by this agreement or by the Unit Agreement committed to the Working Interest Owners. A special meeting may be called by Operator at any time and shall be called by Operator promptly upon the request of any Working Interest Owner or Owners whose participation percentage totals twenty per cent (20%) or more. Each Working Interest Owner shall designate a representative and an alternate to represent him at such meeting, who shall have such powers as are conferred on him

by his principal, which powers shall be sufficiently broad to enable the representative to vote on matters coming before said meeting. Notices of meetings and place of holding same shall be served on such representative by the Unit Operator. The representatives of the Unit Operator shall act as Chairman at all meetings. Each Working Interest Owner shall have the right, from time to time, on notice to the Unit Operator, to change the representative or the alternate. With respect to the drilling of wells, other than the initial test well, approval of proposed plans of development or modifications or amendments thereof or the designation of participating areas or revisions thereof, Unit Operator shall submit to the Nonoperators entitled to vote thereon an agenda setting forth the matters to be determined at least fifteen (15) days prior to the date of the meeting; provided, however, that whenever a determination is to be made as to the deepening, plugging back or reworking of a well where a drilling rig is on location, Operator shall give Nonoperator at least forty-eight (48) hours' notice thereof, exclusive of Saturdays, Sundays and holidays. It shall be sufficient for the Unit Operator to poll all of the affected Working Interest Owners on all such matters without calling a meeting and any vote so taken pursuant to such poll shall be as binding on the Working Interest Owners as if done at a regular or special meeting at which a quorum was present. Unit Operator shall advise all Working Interest Owners the results of any poll so taken.

6. UNIT OPERATOR - LIABILITIES: In the conduct of operations hereunder, Unit Operator shall be obligated to use only the care and diligence customarily exercised by a prudent operator in the area in which said lands are located, and Unit Operator shall not be liable for the result of any error of judgment or for the loss of or damage to any joint property not resulting from the gross negligence or willful misconduct of Unit Operator or its employees. Unit Operator shall not be responsible for the neglect or default of any drilling contractor or other contractor engaged by Unit Operator in operations hereunder.

7. ALLOCATION OF UNITIZED SUBSTANCES: All unitized substances produced and saved from each participating area established pursuant to the Unit Agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes or for repressuring or recycling in accordance with an approved plan of development, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area

established for such production and for the purpose of computing and paying all royalties, overriding royalties or obligations payable out of production of the respective Working Interest Owners, each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of each such tract included in said participating area bears to the total number of acres of unitized land in said participating area in conformity with Section 12' of the Unit Agreement.

All production remaining after allocating the production for the purpose of paying royalty as above provided (and being the working interest) shall be allocated to the respective Working Interest Owners in accordance with the percentages reflecting their respective interests as shown in Exhibit "D" attached hereto. Any Working Interest Owner who has committed to the Unit Agreement any lease burdened with royalty, overriding royalty, and/or obligations payable out of production which are in excess of the usual one-eighth (1/8) royalty shall bear and assume the same out of the unitized substances allocated to the lands embraced in such lease.

Except as hereinafter provided, the percentages of participation of the parties hereto shall remain the same regardless of any contraction of the Unit Area or automatic elimination of lands therefrom in accordance with Section 2 of the Unit Agreement but shall be revised upon commitment of any uncommitted acreage within the Unit Area, upon expansion of the Unit Area, upon loss or failure of title to any tract within the Unit Area, upon transfer of title to working interests subject to this agreement, or as provided in Section 18 upon assignment of leases in lieu of the designated payments or loss of a lease for failure to pay such payments.

If any tract committed to the Unit Agreement becomes burdened by any additional overriding royalties, obligations payable out of production, or like obligations, other than those shown on Exhibit "B" attached to the Unit Agreement, the burden thereof shall be borne exclusively by the owner or owners of such tract.

8. COST OF OPERATIONS: The actual cost of the Unit Operator of performing its obligations as Unit Operator hereunder shall be apportioned among the Working Interest Owners in proportion to their participation percentages under this agreement and shall be paid by the Working Interest Owners as hereinafter provided. The cost of each operation not participated in by all Working Interest Owners shall be separately kept and charged to the Working Interest Owners affected in the proportions required by other applicable provisions of this agreement or in such other manner as such owners may agree. All materials, equipment and other property, whether real or

personal, charged as a part of the cost of operations hereunder shall be owned by the Working Interest Owners in the same proportion that they were charged therefor. All such costs, expenses, credits and related matters and the method of handling the accounting with respect thereto shall be in accordance with the provisions of the Accounting Procedure attached hereto, made a part hereof and marked Exhibit "C."

In the event of any conflict between the provisions contained either in the body of this instrument or in the Unit Agreement or in the Accounting Procedure, the provisions of the Unit Agreement shall govern to the extent of such conflict unless otherwise provided for therein. In the event of any conflict between the provisions contained in the body of this instrument and those contained in the Accounting Procedure, the provisions in the body of this instrument shall govern. The term "Operator" as used in Exhibit "C" shall be deemed to refer to the Unit Operator, and the term "Nonoperators" as used in Exhibit "C" shall be deemed to refer to the Working Interest Owners herein.

9. OPERATOR'S LIEN: Unit Operator is hereby granted a prior lien on the rights and interest of each Working Interest Owner in the Unit Area and the unitized substances allocated to each such Working Interest Owner, and the material and equipment thereon, to secure the payment of its proportionate part of the said costs and expenses. Should any Working Interest Owner fail to pay its proportionate part of said costs and expenses within thirty (30) days after being billed therefor as provided in the referred to Accounting Procedure, Exhibit "C," Unit Operator shall have the right at its option at any time thereafter, such default continuing, to foreclose said lien on the respective interests of such Working Interest Owners. In lieu of or in addition to such remedy, the parties hereto agree that in the event of default, except in cases of a bona fide dispute, the Unit Operator may notify the purchaser of the defaulting party's share of unitized substances (the purchaser not to be bound by the provisions hereof unless so notified) and such purchaser shall, without liability to the defaulting party, pay all proceeds accruing on account thereof to Unit Operator until said obligation is extinguished. In lieu of or in addition to the remedy above specified for such default, Unit Operator may have any other remedy afforded by law or equity against the defaulting party for such default.

Likewise, Nonoperators are hereby granted a prior lien on the rights and interests of the Unit Operator as a Working Interest Owner in the Unit Area and unitized substances and upon the interest of the Unit Operator in all materials and

equipment to secure the payment of any amounts which may become due and owing from Unit Operator to any of the Nonoperators, which lien shall be subject to all of the terms and conditions provided for in the preceding paragraph.

10. ADVANCES: Unit Operator, at its election, may require each Working Interest Owner hereto to advance its respective portion of development costs hereunder in accordance with an estimate by Unit Operator to be made not less than fifteen (15) days in advance of the month in which the costs and expenses are to be incurred. If any party fails to pay its share of said estimate within said time, the amount due shall bear interest at the rate of 10% per annum from the date of expenditure until paid. Adjustment between estimates and actual costs shall be made by the Unit Operator at the close of each calendar month and the accounts of the Working Interest Owners adjusted accordingly.

11. TAXES: Unit Operator shall render for ad valorem taxes all jointly owned personal property acquired for or used in operations under this agreement. Such taxes shall be initially paid by Unit Operator and charged to the joint account for payment by the parties who own the taxed property.

12. INSURANCE: Unit Operator at all times while conducting operations hereunder shall purchase or provide for the protection and benefit of the parties hereto protection comparable to that afforded under standard form policies of insurance for:

(a) Workmen's compensation insurance to comply with the applicable federal and state workmen's compensation laws;

(b) General public liability insurance with bodily injury limits of \$50,000 any one person, \$100,000 any one accident and property damage limit of \$50,000 any one accident;

(c) Automobile public liability insurance with bodily injury limits of \$50,000 any one person, \$100,000 any one accident and property damage limit of \$50,00 any one accident.

Unit Operator shall charge to the joint account an amount equal to the premium applicable to the protection provided.

All losses not covered by standard form policies of insurance for the hazards set out above shall be borne by the parties hereto as their interests appear at the time of any loss.

Unit Operator shall notify nonoperators in writing of any occurrences wherein liability may exceed the limits of the insurance if covered by insurance or \$5,000 if not covered by insurance.

13. INITIAL TEST WELL: Unit Operator is hereby authorized to drill the test well provided for in Section 9 of the Unit Agreement, at a location approved by the Supervisor in the NE/4 SW/4 of Section 15, Township 20 South, Range 32 East, Lea County, New Mexico, and in accordance with all applicable governmental rules and regulations. Said well shall be commenced by Unit Operator on or before September 1, 1970. After said well is commenced, Unit Operator shall prosecute the drilling of the well with reasonable diligence in a good and workmanlike manner, to a depth of 13,000 feet, or to a depth at which conclusive fluid is encountered in the Morrow formation, or to a depth at which the parties agree and Unit Operator is satisfied, that further drilling of the well would be unwarranted or impracticable, whichever depth is lesser. In the event said well proves to be a dry hole or a well not capable of producing unitized substances in paying quantities, the same shall be plugged and abandoned in accordance with the applicable rules and regulations, and in such event Unit Operator shall make a diligent effort to salvage as much of the casing, equipment and other materials used in the drilling of such well as may prove economically feasible. The Working Interest Owners shall be responsible for the cost of drilling, completing and plugging said well in proportion to their respective participation percentages as shown in Column No. 1 on page 3 of Exhibit "D." It is agreed that in the event said well is not completed as a producer the Working Interest Owners who have participated in the cost of drilling the same shall own all casing materials and other equipment which may be salvaged in connection therewith in the same proportion that they participated in the cost of drilling such well.

14. WELL CONTRACTS: All wells drilled in the Unit Area shall be drilled on a competitive contract basis at the usual rates prevailing in the area. Unit Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but its charges therefor shall not exceed the prevailing rates in the field, and the rate of such charges shall be agreed upon by the parties in writing before drilling operations are commenced, and such work shall be performed by Unit Operator under a written contract containing the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of a similar nature.

15. OPERATIONS BY LESS THAN ALL PARTIES: If all the parties cannot mutually agree upon the drilling of any development well on the unit area (being any well proposed after production is established on the Unit Area) other than the test well provided for in Section 13 hereof and other than "forced" wells provided for in Section 16 hereof, or upon the re-working, deepening or plugging back of a dry hole drilled at the joint expense of all parties or a well jointly owned by all the parties and not then producing in paying quantities (i.e., in quantities sufficient to pay the cost of producing same) on the Unit Area, any party or parties wishing to drill, re-work, deepen or plug back such a well may give the other parties written notice of the proposed operation, specifying the work to be performed, the location, proposed depth, objective formation and the estimated cost of the operation. The parties receiving such a notice shall have thirty (30) days (except that as to re-working, plugging back or drilling deeper, where a drilling rig is on location, the notice shall be given by telegram, and the period shall be limited to forty-eight (48) hours exclusive of Saturday, Sunday or holidays) after receipt of the notice within which to notify the parties wishing to do the work whether they elect to participate in the cost of the proposed operation. Failure of a party receiving such a notice to so reply to it within the period above fixed shall constitute an election by that party not to participate in the cost of the proposed operation.

If any party receiving such a notice elects not to participate in the proposed operation (such party or parties being hereafter referred to as the "Non-Consenting Parties"), then in order to be entitled to the benefits of this Section, the party or parties giving the notice and such other parties as shall elect to participate in the operation (all such parties being hereafter referred to as the "Consenting Parties") shall, within sixty (60) days after the expiration of the notice period of thirty (30) days (or as promptly as possible after the expiration of the forty-eight (48) hour period where the drilling rig is on location, as the case may be), actually commence work on the proposed operation and complete it with due diligence.

The entire cost and risk of conducting such operations shall be borne by the Consenting Parties in the proportions that their respective participation percentages bear to the total interest of all Consenting Parties. Consenting Parties shall keep the leasehold estates involved in such operations free and clear of all

liens and encumbrances of every kind created by or arising from the operations of the Consenting Parties. If such an operation results in a dry hole, the Consenting Parties shall plug and abandon the well at their sole cost, risk and expense. If any well drilled, re-worked, deepened or plugged back under the provisions of this Section results in a producer of oil and/or gas in paying quantities (i.e., in quantities sufficient to pay the cost of producing same), the Consenting Parties shall complete and equip the well to produce at their sole cost and risk, and the well shall then be turned over to Unit Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, re-working, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Section, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well, its leasehold operating rights, and share of production therefrom until the proceeds or market value thereof (after deducting production taxes, royalty, overriding royalty and other interests payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) One hundred per cent (100%) of such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the well-head connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus one hundred per cent (100%) of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under the provisions of this Section, it being agreed that each Non-Consenting Party's share of such cost and equipment will be that interest which would have been chargeable to each Non-Consenting Party had all participated in the well from the beginning of the operation; and,

(b) Two hundred per cent (200%) of that portion of the costs and expenses of drilling, re-working, deepening or plugging back, testing and completing, after deducting any cash contributions received, and two hundred per cent (200%) of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections) which would have been chargeable to such Non-Consenting Party if all had participated therein.

Before any re-working, plugging back or deeper drilling operation is undertaken on any well which has been completed as a producer the Consenting Party shall first obtain the permission of all parties then owning an interest in said well to carry on such operation and the Consenting Party shall then be entitled to purchase each Non-Consenting Party's share of the value of the well's salvagable material and equipment, determined in accordance with the provisions of Exhibit "C," less the estimated cost of salvaging and the estimated cost of plugging and abandoning. The material and equipment shall thereafter, for the purposes of this Section 15, be deemed newly acquired material and equipment of the Consenting Parties and the Consenting Parties shall in a successful operation be entitled to receive one hundred per cent (100%) or two hundred per cent (200%) as the case may be (depending upon whether the material and equipment is before or beyond the wellhead connection), of the entire net salvage value of said material and equipment before the reversion of the interest in the well, the material and equipment thereon to any Non-Consenting Party as hereinafter in this Section 15 provided.

Within sixty (60) days after the completion of any operation under this Section, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such cost of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all cost and liabilities incurred in the operation of the well, together with the statement of quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. Any amount realized from the sale or other disposition of equipment newly acquired in connection with such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased, in determining when the interest of such Non-Consenting Party shall revert to it as above provided; if there is a credit balance it shall be paid to such Non-Consenting Party.

If and when the Consenting Parties recover from a Non-Consenting Party's relinquished interest the amounts provided for above, the relinquished interests of such Non-Consenting Party shall automatically revert to it and from and after such reversion such Non-Consenting Party shall own the same interest in such well, the operating rights and working interest therein, the material and equipment in or pertaining thereto, and the production therefrom as such Non-Consenting Party would have owned had it participated in the drilling, re-working, deepening or plugging back of said well. Thereafter, such Non-Consenting Party shall be charged with and shall pay its proportionate part of the further cost of the operation of said well in accordance with the terms of this agreement and the Accounting Procedure Schedule, Exhibit "C," attached hereto.

Notwithstanding the provisions of this Section 15, it is agreed that without the mutual consent of all parties, no wells shall be completed in or produced from a source of supply from which a well located elsewhere on the Unit Area is producing, unless such well conforms to the then-existing well spacing pattern for such source of supply.

The provisions of this Section shall have no application whatsoever to the drilling, plugging or completion at any depth of the Initial Test Well on the Unit Area, but shall apply to the re-working, deepening or plugging back of the Initial Test Well after it has been completed as a producer of oil and gas in paying quantities, if it is, or thereafter shall prove to be, a dry hole or non-commercial well, and to all other development wells drilled, re-worked, deepened or plugged back, upon the Unit Area subsequent to the drilling of the Initial Test Well.

16. FORCED WELLS: In the event Unit Operator is required to drill any well upon the Unit Area by governmental order or demand (including any Federal or State Agency), the cost of drilling and completing said well if a producer, and of plugging and abandoning the well if a dry hole, shall except as otherwise herein provided be borne by all of the Working Interest Owners as though they had all agreed to the drilling of the well pursuant to this agreement. The foregoing shall include, without limitation, an exploratory well or an extension well to determine the limits of any producing formation, or a well to meet any offset well drilled on lands contiguous to the Unit Area which are required to be drilled by such governmental order or demand.

As in the case of any well to be drilled pursuant to this agreement, a vote shall be taken on whether the parties desire to drill any well so required by governmental order or demand. If any party votes against drilling the well, it shall not be drilled at the cost of all Working Interest Owners unless and until the governmental order or demand becomes final, and any party or parties voting against drilling such well shall have the right, at its or their sole cost, risk and expense, to prosecute an appeal from such order or demand. If less than all of the parties consent to the drilling of the well, said well shall be commenced when said order or demand becomes final and shall thereafter be drilled to the required depth at the sole cost, risk and expense of the Consenting Parties in consideration for which the Non-Consenting Parties shall each assign to the Consenting Parties in proportion to their respective interests and without warranty of title all of Non-Consenting Parties respective interests in and under the drillsite, the area of which shall be the same as the spacing unit to be dedicated to said required well.

17. ABANDONMENT OF PRODUCING WELLS: If some but not all of the affected Working Interest Owners determine to abandon any well or wells completed as a producer but any other party or parties having an interest therein object thereto, then such party or parties not desiring to abandon the same well, within ten (10) days after receipt of written notice of the proposed abandonment, notify the other parties of their desire to take over and operate said well and shall tender to such other affected Working Interest Owner or Owners a sum equal to the value of the last named parties' proportionate share of the salvagable material and equipment in said well or wells determined in accordance with the Accounting Procedure Exhibit "C" attached hereto less the reasonable cost of salvaging the material and equipment and plugging and abandoning the well, and on receipt of said sum the said parties having any interest in the well and wishing to abandon said well shall within twenty-five (25) days thereafter assign without warranty to the other Working Interest Owners, in the proportions that such Owners' respective participation percentages under this agreement bear to the total of such percentages of such Owners, the rights of the abandoning parties in the well and well property as to the producing formation only and any interest they have in the land on which said well is situated, and in the leasehold estate in a tract surrounding said well of an area equal to that prescribed by the applicable spacing rule of State or Federal authority, but if there is no such

established rule, then said assignment shall cover the working interest and leasehold estate in the producing formation only in 40 acres surrounding the well, or 160 acres if a gas well. Said well may thereafter be operated by the Unit Operator for the separate account of the Working Interest Owners retaining interests in the well; however, nothing done pursuant to this Section shall otherwise at any time affect the participation percentages of the parties under this agreement. Proper bills of sale and division orders shall be executed by the assigning parties to accomplish the purposes hereof.

18. RENTALS AND SHUT-IN WELL PAYMENTS: The Working Interest Owners in each tract shall pay all rentals, and shut-in well payments which may become due under the lease thereon and shall, at least ten (10) days prior to the due date thereof, notify the Unit Operator of such payment. Evidence of such payment shall be submitted to Unit Operator promptly after payment is made. If the Working Interest Owners in any tract determine not to pay any such rental or shut-in well payment, they shall notify Unit Operator at least sixty (60) days before the due date and they shall, upon request, thereupon assign to all other Working Interest Owners (in the proportion that such owners' respective participation percentages under this agreement bear to the total of such percentages of such owners) all of their right, title and interest under said lease; provided, however, all such assignments shall be subject to all obligations with respect to reassignments, if any, of the parties making such assignments theretofore created in favor of parties who are not parties to this agreement. As of the effective date of each such assignment, the participation percentages of the parties under this agreement shall be revised to reflect the change in working interest ownership on an adjusted acreage basis as described in Section 7 hereof. In the event of failure of any Working Interest Owner to make proper payment of any delay rental or shut-in well payment through mistake or oversight where such rental or payment is required to continue the lease in force, there shall be no money liability on the part of the party failing to pay such rental or payment, but such party shall make a bona fide effort to secure a new lease covering the same interest and commit such lease to the Unit Agreement and this agreement, and in the event of failure to secure a new lease within a reasonable time, the participation percentages of the parties hereto shall be revised to reflect the change in working interest ownership on an adjusted acreage basis as provided in Section 7 hereof and the party failing to pay any such rental or shut-in well payment shall not be credited with the ownership

of any lease on which rental or payment was required but was not paid. In the event of loss of title to a lease for failure to pay rental or shut-in well payment, all loss occasioned thereby shall be that of the Working Interest Owners who should have paid the same.

Unit Operator will use its best efforts in good faith to furnish all Working Interest Owners prior notice at any time a gas well is to be shut-in and notice of the date or dates it is reopened for production; provided, however, Unit Operator will suffer no liability because of failure through mistake, inadvertance or oversight so to notify any other Working Interest Owner.

19. DISPOSAL OF PRODUCTION: Each of the parties hereto shall own and, at its own expense, shall take in kind and separately dispose of its proportionate part of all the unitized substances produced and saved from the lease acreage covered hereby, exclusive of the production that the Unit Operator may use in developing and producing operations and in preparing and treating oil for market purposes and of production unavoidably lost; provided that each party shall pay or secure the payment of the royalty interests payable by or chargeable to such party under the provisions of this agreement. At such time or times as a Working Interest Owner shall fail or refuse to take in kind or separately dispose of its proportionate part of said production, Unit Operator shall have the authority, revocable by Working Interest Owner at will, to sell all or part of such production to others or to purchase same for its own account. Any such sale or purchase by Unit Operator shall be for a price at not less than the prevailing market price in the area and at not less than the price which Unit Operator receives for its proportionate part of said production. All such sales or purchases by Unit Operator of Working Interest Owner's production shall be only for such reasonable periods of time as are consistent with the minimum needs of the industry under the circumstances, but in no event shall any such sale be for a period in excess of one (1) year. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any other Working Interest Owner's share of gas production without first securing such Working Interest Owner's written consent. This Agreement shall not be construed to mean that any party or parties are obligated to represent any other party or parties hereto before the Federal Power Commission.

20. EXAMINATION AND LOSS OF TITLE:

(a) Title Examination: There shall be no examination of title to leases, or to oil and gas interests, except that title to the drillsite on which the

Initial Test Well is to be drilled in accordance with Section 13 hereof shall be examined by a reputable attorney, using any available title opinion previously prepared by a reputable attorney, such abstracts of title as the examining attorney deems necessary, and any title papers in possession of the Working Interest Owner committing the land on which the drillsite is located. A copy of the examining attorney's opinion shall be sent to each party and, also, each party shall be given a copy of all subsequent supplemental attorney's reports. A good faith effort to satisfy any title requirements shall be made and the cost of any curative work and any necessary title examination shall be charged to the joint account.

If title to the proposed drillsite is not acceptable for a material reason, and all the parties do not accept the title, the parties shall by vote select a new drillsite for the Initial Test Well, subject to approval of the Supervisor, United States Geological Survey, Roswell, New Mexico; provided, if the parties are unable to select another drillsite, such drillsite may be selected by said Supervisor at the request of any party hereto. When a new drillsite is selected, title to the oil and gas lease covering it and to the fee title of the lessor shall be examined, and title shall be accepted or rejected in like manner as provided above concerning the drillsite first selected. If title to the oil and gas lease covering the second choice drillsite is not accepted, other drillsites shall be successively selected and title examined as in the case of the first drillsite until a drillsite is chosen to which title is accepted.

No well other than the first test shall be drilled in the Unit Area until after (1) the title to the drilling unit has been examined by an attorney, and (2) the title has been accepted by all of the parties who are to participate in the drilling of the well. The Working Interest Owner committing the land on which such drilling unit is located shall furnish such abstracts of title thereon as are in such party's possession, with any title opinion and other title papers in such party's possession. Any further title examination, curative work or abstracts shall be at the expense of parties who are to participate in the drilling of the well.

(b) Failure of Title: Should any oil and gas lease, or interest therein, be lost through failure of title, this agreement shall, nevertheless, continue in force as to all remaining leases and interests, and,

(1) The party whose title or interest is affected by the title failure shall bear alone the entire loss and it shall not be entitled to recover from

Operator or the other parties any development or operating costs which it may have theretofore paid, but there shall be no monetary liability on its part to the other parties hereto by reason of such title failure; and

(2) There shall be no retroactive adjustment of expense incurred or revenues received from the operation of the interest which has been lost, but as of the time it is determined finally that title failure has occurred the interests of the parties shall be revised to reflect the change in working interest ownership and the party whose title or interest is lost by the title failure will not be credited with ownership of that to which title is lost; and

(3) If the proportionate interests of the other parties hereto in any producing well theretofore drilled on the Unit Area are increased by reason of the title failure, the party whose title has failed shall receive the proceeds attributable to the increase in such interests (less operating costs attributable thereto) until it has been reimbursed for any unrecovered costs paid by it in connection with such well; and

(4) 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; and

(5) Any liability to account to a third party for prior production of oil and gas which arises by reason of title failure shall be borne by the parties in the same proportions in which they shared in such prior production. Each party whose title fails shall hold other parties harmless from loss resulting from payment of proceeds of production to the losing party.

(6) The expiration of any lease because of the failure of the parties to extend same, in accordance with the provisions thereof, beyond its primary term shall not be considered as a loss or failure of title within the meaning of this Article 20. Any loss of a lease because of its expiration under its own terms at or after the expiration of its primary term shall be a common loss of the parties. Likewise, where all of the parties consent to a surrender of a lease (whether during or after its primary term) such loss shall be a common loss of the parties. "Primary term," as used herein, shall mean the term a lease may be held by paying rentals or by other means in absence of production.

21. MAINTENANCE OF UNIT OWNERSHIP: Should a sale be made by Unit Operator of all of its rights and interests, the other parties shall have the right within sixty (60) days after the date of such sale, by majority vote in interest, to select a new Operator. If a new Operator is not so selected, the transferee of the present Operator shall assume the duties of and act as Operator. In either case, the retiring Operator shall continue to serve as Operator, and discharge its duties in that capacity under this agreement, until its successor Operator is selected and begins its functions, but the present Operator shall not be obligated to continue the performance of its duties for more than one hundred twenty (120) days after the sale of its rights and interests has been completed.

For the purpose of maintaining uniformity of ownership in the oil and gas leasehold interest covered by this contract, and notwithstanding any other provisions to the contrary, no party shall sell, encumber, transfer or make any other disposition of its interest in the leases embraced within the Unit Area and in wells, equipment and production unless such disposition covers either:

(a) The entire interest of the party in all leases and equipment and production; or

(b) An equal undivided interest in all leases and equipment and production in the Unit Area.

Every such sale, encumbrance, transfer or other disposition made by any party shall be made expressly subject to this agreement, and shall be made without prejudice to the rights of the other parties.

If at any time the interest of any party is divided among and owned by four or more co-owners, Unit Operator may, at its discretion, require such co-owners to appoint a single trustee or agent with full authority to receive notices, approve expenditures, receive billings for and approve and pay such party's share of the joint expenses, and to deal generally with - with power to bind - the co-owners of such party's interests within the scope of the operations embraced in this contract; however, all such co-owners shall enter into and execute all contracts or agreements for the disposition of their respective shares of the oil and gas produced from the Unit Area and they shall have the right to receive, separately, payment of the sale proceeds thereof.

22. COVENANTS RUNNING WITH THE LAND: This agreement shall be deemed a covenant running with the leases and the lands subject hereto and shall be binding

upon and inure to the benefit of the heirs, personal representatives, successors and assigns of the parties respectively.

23. SUBSEQUENT JOINDER: Prior to commencement of operations under the Unit Agreement, all owners of working interests in the Unit Area who have not joined in the Unit Agreement shall be privileged to join in this agreement by subscribing to the Unit Agreement and this agreement. After commencement of operations under the Unit Agreement, however, subsequent joinder in the Unit Agreement and in this agreement by any party owning a working interest in the Unit Area shall be on such reasonable terms and conditions as the parties who are then committed to this agreement may require in view of the circumstances existing at the time such subsequent joinder is sought.

24. SURRENDER OR TERMINATION OF INTERESTS: No lease committed to the Unit Agreement shall be surrendered in whole or in part, unless the parties hereto mutually consent thereto. Should any party at any time desire to surrender any lease committed to the Unit Agreement insofar as it applies to the lands covered by said Unit Agreement and the other parties should not agree or consent to such surrender, the party desiring so to surrender shall assign, without express or implied warranty of title, subject to the approval of the Director of the Bureau of Land Management, Department of the Interior or the Commissioner of Public Lands as the case may be, if Federal or State lands are involved, all of such party's interest in such lease to the other parties hereto in proportion to the participation percentages of such parties under this agreement. If all of the parties are not willing to accept the assignment of such interest, the assignment shall be made to those willing to accept such interest in the proportions that their respective participation percentages under this agreement bear to the aggregate of such percentages of such parties. Such assignment shall be free and clear of all liens and encumbrances and upon delivery thereof the assigning party shall be relieved of all further obligations with respect to the lease or leases so assigned, but such assignment shall not relieve the assigning party of any obligation or liability approved, accrued or incurred with respect to such lease or leases or the interest referable thereto prior to the assignment thereof.

If any party hereto so desires, it may withdraw from this agreement by conveying, assigning and transferring, without warranty, either express or implied, to the other parties hereto who do not desire to withdraw, all of its right, title and interest in and under the leases included in the Unit Area, together with the

withdrawing party's interest in all wells, casing material, equipment, fixtures and other personal property acquired for or used in operations under this agreement, but such conveyance or assignment shall not relieve said party from any obligation or liability in connection with a drilling or reworking operation theretofore approved or from any obligation or liability accrued or incurred prior to the date of such assignment. The interest so conveyed and assigned shall be held and owned by the Assignees in proportion to their participation percentages under this agreement, and thereupon the withdrawing party shall be relieved from all obligations and liabilities thereafter to accrue under this agreement except as above provided and the right of such party to any benefits subsequently accruing hereunder shall cease; but Assignees shall pay Assignor for its interest in all casing, material, equipment, fixtures and other personal property assigned to them at the salvage value thereof computed in accordance with the Accounting Procedure, Exhibit "C," hereto attached, less the estimated cost of salvaging and estimated cost of plugging and abandoning. If all of the parties are not willing to accept the assignment from the withdrawing party, the assignment shall be made to those parties willing to accept such assignment in the proportions that their respective participation percentages under this agreement bear to the aggregate of such percentages of such parties.

25. NOTICES: Except as herein otherwise expressly provided, all notices, reports or other communications required or permitted hereunder shall be deemed to have been properly given or delivered when sent by first class mail or telegraph with all postage or charges fully prepaid, and addressed to the parties hereto, at the addresses set opposite their respective names, or at such other address as may be thereafter furnished to Unit Operator in writing by the respective parties. The date of service by mail shall be the date on which such written notice or other communication is deposited in the United States Post Office, addressed as above provided.

26. RELATION OF PARTIES: The rights, duties, obligations and liabilities of the parties hereto under this agreement and the Unit Agreement shall be several and not joint or collective, it being the express purpose and intention of the parties hereto that nothing contained in this agreement or the Unit Agreement or any operation under either agreement shall ever be construed as creating a partnership of any kind, joint venture, an association or a trust, or any legal entity for any purpose or as imposing upon any one or more of the parties hereto any partnership duty, obligation or liability. Each party hereto shall be individually responsible only for its obligations as set out in this agreement and in the Unit Agreement.

27. INTERNAL REVENUE CODE ELECTION: While each of the parties hereto recognizes and intends that its rights and liabilities under this agreement and the Unit Agreement are several and not joint or collective, if, for income tax purposes, the parties should be regarded as partners or joint venturers, or if this agreement, the Unit Agreement, or any operations carried on under either agreement be treated as a partnership for income tax purposes, each and all of the parties hereto do fully and finally elect to exclude themselves, this agreement, the Unit Agreement and all such operations from the application of all of Subchapter K of Chapter 1, of Subtitle A, of the Internal Revenue Code of 1954 as provided in Section 761 (a) thereof. Each party hereto further agrees not to give any notices or take any other action inconsistent with the election made hereby. If any present or future income tax laws of the State in which the property covered by this agreement is located, or any future income tax laws of the United States, contain, or shall hereafter contain, any other provisions under which an election similar to that provided by Section 761 of said Subchapter K is permitted, each of the parties hereto hereby makes such election with the same purpose and effect as the election made above and each party agrees to take such action as may be necessary to make such election as may be permitted by such laws.

28. FORCE MAJEURE: In the event any party hereto is rendered unable, wholly or in part, by force majeure to carry out its obligations under this contract other than the obligation to make payments of amounts due hereunder, it is agreed that upon such party's giving notice and reasonably full particulars of force majeure in writing or by telegraph to the other parties hereto within a reasonable time after the occurrence of the cause relied upon, then the obligations of the party giving the notice, so far as they are affected by force majeure, shall be suspended during the continuance of any inability so caused, but for no longer period; and the cause of the force majeure shall, so far as possible, be remedied with all reasonable dispatch. The term "force majeure" as employed herein shall mean delay or loss resulting from fire, flood, action of the elements, strikes or other labor difficulties, acts or orders of civil or military authorities, restrictions or restraints imposed by law or ordinance, or by order or regulation of public authority, whether Federal, State or local, inability to procure necessary materials or labor in the open market and on usual and lawful terms, or any other cause reasonably beyond the control of the party claiming suspension.

The settlement of strikes and lockouts shall be entirely within the discretion of the party having the difficulty and the above mentioned requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demands of opposing party when such course is inadvisable in the discretion of the party having the difficulty.

29. ASSIGNMENTS OF PARTIAL INTERESTS: Under various provisions of this agreement, a party hereto is permitted, or may be obligated, to assign to another party or parties hereto, all or a part of such party's interest in its oil and gas leases subject to this agreement. In the event assignment of record title is not permitted under the rules and regulations of the Bureau of Land Management or of the Commissioner of Public Lands of the State of New Mexico, as the case may be, then the interest to be assigned shall be conveyed by appropriate operating agreements or by any other valid instrument that will carry out the intention of such provision or provisions or in case of a State lease or leases where undivided interests are to be assigned, the same may be assigned to the Unit Operator to be held in trust for the parties entitled to participation therein in proportion to their respective interests.

30. PROVISIONS CONFORMED WITH LAWS AND REGULATIONS: All of the provisions of this agreement are hereby expressly made subject to all applicable Federal or State laws, orders, rules and regulations, and in the event this contract or any provision hereof is found to be inconsistent with or contrary to any such law, order, rule or regulation, the latter shall be deemed to control and this contract shall be regarded as modified accordingly and as so modified shall continue in full force and effect.

31. EFFECTIVE DATE AND TERM: This agreement shall become effective as of the effective date of the Unit Agreement and shall remain in full force and effect during the term of said Unit Agreement and any and all extensions or renewals thereof, and, in the event of the termination of the Unit Agreement for any reason as to all or any part of the land now or hereafter included in the Unit Area, this agreement shall continue in full force and effect with respect to any land as to which the Unit Agreement terminates which is included in any drilling unit or proration unit for any unabandoned well which has been drilled or commenced pursuant to this agreement. After such termination the royalties reserved in the lease covering any such drilling or proration unit and the overriding royalties and production payments specified in Exhibit "B" which are applicable to production from such unit shall be paid and satisfied with the actual production from such unit by the owner of the lease covering such

unit, and the remaining production therefrom and the cost of all subsequent operations thereon shall be allocated among the parties to this agreement in accordance with the other provisions of this agreement; such remaining production being in lieu of any other working interest production from or allocated to such unit to which any working interest owner or owners might otherwise be entitled under this agreement. Any additional overriding royalties or burdens on production from such drilling or proration unit shall be paid and satisfied by the owner of the lease covering such unit and such owner shall hold the other parties harmless from any such additional overriding royalties and burdens on production. The rights and interests of the parties hereto in such drilling or proration units, the wells thereon and their participation in the production therefrom and in the costs of operations thereon, shall be governed by the provisions hereof and this agreement with respect to each such well and its drilling unit or proration unit shall remain in full force and effect so long as any well thereon is being drilled or re-worked or is capable of producing oil or gas in paying quantities and until same is plugged and abandoned and the accounts of all parties hereto are settled.

No termination of the Unit Agreement as to any land (except as a result of loss or failure of title or loss of a lease through failure to pay rental or shut-in well payment) shall cause a revision of the participation percentages of the parties under this agreement.

32. MODIFICATIONS OF DRILLING REQUIREMENTS OF UNIT AGREEMENT: The Unit Operator may apply for and obtain a modification of the drilling requirements of said unit agreement or an extension or extensions of time within which to comply therewith as provided by the terms of said unit agreement and any such application or applications may be made without the consent of any of the working interest owners subscribing hereto.

33. EXHIBITS: Exhibit "A" (map of the Unit Area) and Exhibit "B" (Schedule of Ownership of Oil and Gas Interests in the Unit Area) which are attached to the Unit Agreement, are hereby confirmed and by reference made a part hereof. Exhibit "C" (Accounting Procedure) and Exhibit "D" (Schedule of Participation Percentages in Costs and Working Interest Production and Schedule as to Participation in the Initial Test Well) are attached hereto and made a part hereof.

It is recognized that the Exhibits attached hereto will need to be revised from time to time, as provided in the Unit Agreement and as necessary due to changes

in ownership, retirements of production payments and as required by the Commissioner of Public Lands and the United States Geological Survey, and may need to be revised to correct any arithmetical mistakes that may be discovered after the execution of this Agreement. Unit Operator will make such changes or revisions as are necessary and promptly thereafter furnish the parties hereto such revised or changed Exhibits.

34. SPECIAL AGREEMENTS COVERING DRILLING AND COMPLETING THE INITIAL TEST WELL:

(a) Rights to be earned: In the event the initial test well is completed as a well capable of producing unitized substances in paying quantities, it is understood and agreed between the respective parties named in this Section 34 that, subject only to the provisions of this Section, Phillips Petroleum Company, hereinafter referred to as "Acquiring Party," shall have and is hereby granted the right to acquire the following described leasehold interests from the respective parties hereinafter designated "Non-participating Parties" named below.

(1) From Kerr-McGee Corporation, all of its leasehold interest as it appears in Exhibit "B" to the Unit Agreement. Such interest appears in Exhibit "B" in Tract 18 and is shown to contain 40.00 leasehold acres, more or less. Kerr-McGee Corporation shall reserve unto itself an overriding royalty equal to one-eighth ($1/8$) of eight-eighths ($8/8$) of all unitized substances produced and saved from said tract proportionately reduced as to its working interest percentage as it also appears in Exhibit "B" in Tract 18.

(2) From Atlantic Richfield Company, all of its leasehold interest as it appears in Exhibit "B" to the Unit Agreement from a depth of below 100 feet above the top of the Delaware Mountain Group, identified at 4,390 feet on the Schlumberger Electric Log run No. 2 of April 14, 1957, in Shell Oil Company's No. 1 Perry Federal located 330 feet from the North Line and 990 feet from the West Line of Section 10-T20S-R32E, N.M.P.M., Lea County, New Mexico, down to and including one hundred (100) feet below the deepest depth drilled in the test well provided for in Section 13 of this agreement. Such interest appears in said Exhibit "B" in Tract 11 and is shown to contain 400.00 leasehold acres, more or less. Atlantic Richfield Company shall reserve unto itself an overriding royalty equal to one-eighth ($1/8$) of eight-eighths ($8/8$) of all unitized substances produced and saved from the assigned depths.

(3) From Bass Enterprises Production Co., Perry R. Bass and Delbasin Corporation, hereinafter referred to as Bass, Bass and Delbasin, all of their

leasehold interest in and to the acreage placed in the approved participating area for the initial test well from a depth of 2,784 feet below the surface of the ground down to and including one hundred (100) feet below the deepest depth drilled in said well, reserving unto themselves an overriding royalty equal to one-sixteenth ($1/16$) of eight-eighths ($8/8$) of all oil, gas and casinghead gas produced and saved from the assigned depths, out of which overriding royalty shall be borne all presently existing overriding royalties or production payments as such overriding royalties and production payments appear in Exhibit "B" to the Unit Agreement, until such time as Acquiring Party shall have produced and saved from the test well provided for in Section 13 above unitized substances of total "Market Value" equal to 99.285714% of the costs and expenses of drilling, testing and completing said test well, plus 99.285714% of the costs of operation of said test well, Acquiring Party shall immediately notify Bass, Bass and Delbasin in writing, and Bass, Bass and Delbasin shall have thirty (30) days following the receipt of such notice to jointly notify Acquiring Party whether or not they elect to receive from Acquiring Party a reassignment of an undivided one-half ($1/2$) interest in the lease previously assigned to Acquiring Party insofar as same covers the participating area. In the event Bass, Bass and Delbasin, within the thirty (30) day period hereinabove specified, shall notify Acquiring Party that they elect to receive such reassignment, then and thereupon Acquiring Party agrees to forthwith reassign to Bass, Bass and Delbasin an undivided one-half ($1/2$) interest in the leasehold placed in the participating area for the original producing well in the same manner in the same depth as assigned to Acquiring Party, together with a 36.428571% interest in all lease equipment and all personal property located thereon or appurtenant thereto and used in connection with the development and operation of same for oil and gas purposes, warranting the same to be free of all liens, clouds, claims and encumbrances caused, suffered or created by, through or under Acquiring Party. Said reassignment to be effective as of 7:00 A.M. on the date Acquiring Party has been reimbursed from the proceeds of production as herein provided, and upon the effective date of such reassignment the overriding royalty reserved to Bass, Bass and Delbasin in this Section 34(a)(3) shall terminate. If Bass, Bass and Delbasin shall notify Acquiring Party that they elect not to receive a reassignment of such interest in said initial test well and participating area, or if Bass, Bass and Delbasin

shall fail or neglect to notify Acquiring Party within the thirty (30) day period hereinabove specified, then, and in either event, it shall be deemed that Bass, Bass and Delbasin do not elect to receive such reassignment and the overriding royalty hereinabove reserved to Bass, Bass and Delbasin herein and all other terms and provisions of this agreement shall continue in full force and effect as to such initial test well and the participating area leasehold assigned the same as before such election.

In determining the "market value" of production from said test well for the purposes of this Section 34(a)(3), there shall be deducted the value of all royalties paid to lessors under the oil and gas leases described in Exhibit "A," the value of the overriding royalty paid to Bass, Bass and Delbasin under the provisions of this Section 34(a)(3) and all ad valorem and gross production taxes paid by Acquiring Party on such production but no other deduction of any kind or character shall be made.

During the time Acquiring Party is being reimbursed as aforesaid, Acquiring Party shall furnish Perry R. Bass, Attention Mr. W. P. Duncan, Jr., 1200 Fort Worth National Bank Building, Fort Worth, Texas 76102, with a monthly itemized statement reflecting the costs and expenses incurred in the development, operation and maintenance of said initial test well, the production sold, production on hand and run tickets fully disclosing the type, quality and quantity of production and the disposition thereof. The costs incurred by Acquiring Party in the development, operation and maintenance of said test well shall be determined in accordance with the provisions of the Accounting Procedure attached as Exhibit "C" attached hereto and made a part hereof.

(4) Additionally from Bass, Bass and Delbasin, an undivided one-half (1/2) interest in the remaining leasehold interest not included in the participating area of the initial test well, from a depth of 2,784 feet below the surface of the ground down to and including one hundred (100) feet below the deepest depth drilled in the initial test well, all of the above interests appearing in Exhibit "B" in Tracts 1, 2, 3, 4, 5, 6, 7, 8, 9, 10 and 16 and are shown to contain 4,080.00 acres, more or less.

The Acquiring Party shall bear and pay its participation percentage as shown in Column 1 on Page 3 of Exhibit "D," all costs and expenses which would otherwise be chargeable to said Non-participating Parties' respective interests under

this agreement in connection with drilling and completing into the tanks the initial test well provided for in Section 13 of this agreement, and if no completion attempt is made after reaching the depth specified in Section 13, the plugging and abandoning of said well.

When the test well has been drilled to the depth required by Section 13 and completed as a producer of oil and/or gas, the Non-participating Parties described above shall promptly execute and deliver to the Acquiring Party a good and valid assignment, without warranty of title, vesting in said Acquiring Party the legal title to the interests above provided for in the tracts of the respective Non-participating Parties as shown above. After the assignments by Non-participating Parties as herein provided for have been made, Unit Operator shall revise Exhibit "B" to the Unit Agreement and Exhibit "D" of the Unit Operating Agreement to reflect the then true status of leasehold ownership. The proportionate shares of costs of drilling and completing the initial test well which are to be borne by the parties hereto are more clearly shown in Column 1 on Page 3 of Exhibit "D" attached hereto.

35. ADDITIONAL ENCUMBRANCES: If any Working Interest Owner hereafter creates any overriding royalty, production payment or other burden against its working interest production, and if the other party conducts operations hereunder in which the party so creating said burden against its working interest production elects not to participate under any provision of this agreement, and, as a result, the party conducting such operations becomes entitled to receive the working interest production otherwise belonging to such other party, said party conducting such operations shall receive such production free and clear of any burden so created by the other party, and the latter shall save the party conducting such operations completely harmless with respect to the receipt of such working interest production.

36. COUNTERPARTS: This agreement may be executed in any number of counterparts, no one of which needs to be executed by the other parties hereto, and the same shall be binding upon all those parties who have executed such a counterpart, regardless of whether the same shall have been executed by all of the parties owning oil and gas leasehold interests within the Unit Area, and such counterpart shall have the same force and effect as if all parties signing such counterparts had signed the same

document; or this agreement may be ratified with like force and effect by a separate instrument in writing specifically referring hereto.

37. NONDISCRIMINATION: In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 202 (1) to (7) inclusive, of Executive Order 11246, as amended, (30 FR 12319), which are hereby incorporated by reference in this agreement.

38. HEADINGS AND SUBHEADINGS: The headings and subheadings used in this agreement are inserted for convenience only and shall be disregarded in construing this agreement.

IN WITNESS WHEREOF this Agreement was executed by the undersigned parties hereto on the respective dates hereinafter shown with the effective date to be the day and year first hereinabove written or as otherwise controlled by Section 31 hereof; provided, however, that each party executing this Agreement expressly agrees to remain bound to any authority for expenditure or separate agreement concerning the initial test well which may have been executed or entered into previous to said effective date to the extent that authorized costs incurred prior to the effective date hereof shall be deemed to have accrued under the terms and provisions of this Operating Agreement.

PHILLIPS PETROLEUM COMPANY

Date: June 19, 1970

By Fred Forward
Fred Forward
Attorney-in-Fact

THE STATE OF TEXAS §

COUNTY OF MIDLAND §

BEFORE ME, the undersigned authority, a Notary Public in and for said County and State, on this day personally appeared FRED FORWARD, Attorney-in-Fact for PHILLIPS PETROLEUM COMPANY, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that the same was the act of the said PHILLIPS PETROLEUM COMPANY, a corporation, and that he executed the same as the act of such corporation for the purposes and consideration therein expressed, and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this the 29th day of June, 1970.

Naoma Cutshall
Notary Public in and for Midland
County, Texas

Attached to and made a part of Plata Deep Unit Area Operating Agreement,
 Lea County, New Mexico.

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. Advances and Payments by Non-Operators

Unless otherwise provided for in the agreement, the Operator may require the Non-Operators to advance their share of estimated cash outlay for the succeeding month's operation. Operator shall adjust each monthly billing to reflect advances received from the Non-Operators.

Each Non-Operator shall pay its proportion of all bills within fifteen (15) days after receipt. If payment is not made within such time, the unpaid balance shall bear interest monthly at the rate of ten per cent (10%) per annum or the maximum contract rate permitted by the applicable usury laws in the state in which the Joint Property is located, whichever is the lesser.

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 ^{11.66%} 22 percent (22%) 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. ^{barge terminal}
 - 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. ^{barge terminal}
 - 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.)

1. 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' - 5,000'	\$598	\$106	\$ 94	\$ 81
5,001' - 8,000'	662	119	106	88
8,001' - 12,000'	788	140	126	101
Over 12,000'	980	156	140	106

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:

- 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.
- The status of wells shall be as follows:
 - 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.
 - 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.
 - 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.
 - 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.
 - 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.
 - Wells completed in multiple horizons, shall be considered as a producing well for each separately producing horizon, providing each completion is considered a separate well by governmental or other state-wide regulatory authority.
- The well rates for producing wells shall be applied to the individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project, the well rates shall be applied to the total number of producing wells, irrespective of individual leases.
- 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. Construction Overhead

To be negotiated as required. Percentage rates will vary depending upon complexity of the project, whether design is by contract or by Operator's personnel, etc.

- 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")

- Tubular goods, except line pipe, shall be priced on a maximum carload and/or barge load weight basis regardless of quantity transferred and equalized to the lowest prevailing price f.o.b. railway receiving point or recognized barge terminal nearest the Joint Property where such Material is normally available effective at date of transfer.
Line pipe shall be priced at the current replacement cost effective at date of transfer from a reliable supply store nearest the Joint Property where such Material is normally available if the movement is less than 30,000 pounds. If the movement is 30,000 pounds or more, it shall be priced on the same basis as casing and tubing under Subparagraph (1) of this paragraph.
- 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.
- 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")

- 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.
- Material which cannot be classified as Condition "B" but which:
 - After reconditioning will be further serviceable for original function as good secondhand Material (Condition "B"), or
 - 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.
- 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. In lieu of rates based on costs of ownership and operation of equipment, other than automotive, Operator may elect to use commercial rates prevailing in the area of the Joint Property less 20%; for automotive equipment, rates as published by the Petroleum Motor Transport Association may be used. 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.

PLATA DEEP UNIT, LEA COUNTY, NEW MEXICO

EXHIBIT "D" - - - Page 1

SCHEDULE SHOWING COMMITTED ACRES, PARTICIPATION PERCENTAGE,
AND BURDENS OF EACH WORKING INTEREST OWNER IN THE UNIT AREA
PRIOR TO COMPLETION OF THE INITIAL TEST WELL

(1) Working Interest Owner and Tract Numbers	(2) Committed Acres and Percent	(3)	(4) Royalty and Percent Basic	(5) Excess
<u>Phillips Petroleum Company</u>				
12	40.00		12.50	5.00
14	400.00		12.50	6.25
15	120.00		Schedule "B"	None
17	40.00		12.50	5.625
18 50% of 40.00	20.00		12.50	None
19	320.00		12.50	None
20	120.00		12.50	None
	<u>1,060.00</u>	18.928572		
<u>Bass Enterprises Production Co. and Perry R. Bass</u>				
1	600.00		12.50	3.50
2	640.00		12.50	3.50
4	40.00		12.50	3.50
5	40.00		12.50	3.50
7	40.00		12.50	3.50
9	2,320.00		12.50	\$500.00 P/A x 3% Plus .5%
16	240.00		12.50	None
	<u>3,920.00</u>	70.000000		
<u>Delbasin Corporation</u>				
3	40.00		12.50	3.50
6	40.00		12.50	3.50
8	40.00		12.50	3.50
10	40.00		12.50	\$500.00 P/A x 3% plus .5%
	<u>160.00</u>	2.857143		

(1) Working Interest Owner and Tract Numbers	(2) Committed Acres and Percent	(3)	(4) Royalty and Percent Basic	(5) Excess
<u>Atlantic Richfield Company</u> 11	<u>400.00</u>	7.142857	12.50	None
<u>Stephen C. Helbing and Frank W. Podpechan</u> 13	<u>40.00</u>	.714285	12.50	5.00
<u>Kerr-McGee Corporation</u> 18	<u>20.00</u>	<u>.357143</u>	12.50	None
	<u>5,600.00</u>	<u>100.000000%</u>		

SCHEDULE SHOWING PARTICIPATION PERCENTAGES IN INITIAL TEST WELL AND IN SUBSEQUENT COSTS AND WORKING INTEREST PRODUCTION UPON COMPLETION OF INITIAL TEST WELL AS A PRODUCER

Working Interest Owner	<u>Column 1</u>	<u>Column 2</u>
	Participating Percentages of of Initial Test Well Costs	Upon Completion of a Producing Well the Participation Percentage of Operating Costs and costs of Subsequent Wells
Phillips Petroleum Company	99.285714%	62.857143%
Bass Enterprises Production Co. and Perry R. Bass	None	35.000000%
Delbasin Corporation	None	1.428571%
Atlantic Richfield Company	None	None
Stephen C. Halbing and Frank W. Podpechan	.714286%	.714286%
Kerr-McGee Corporation	None	None
	<u>100.000000%</u>	<u>100.000000%</u>



PHILLIPS PETROLEUM COMPANY

MIDLAND, TEXAS 79701
BOX 791 PERMIAN BUILDING

EXPLORATION AND PRODUCTION DEPARTMENT

May 6, 1970

Mr. D. S. Harroun
Mr. Russell Haworth
601 Riverside Drive
Carlsbad, New Mexico 88220

Re: Potash Lease NM 013298-C
Section 15, 20-S, 32-E
Lea County, New Mexico

Gentlemen:

Phillips Petroleum Company as unit operator is planning to drill a 13,000 foot Morrow test in the NE/4 SW/4 Section 15, T-20-S, R-32-E, Lea County, New Mexico.

The subject well will be drilled under the applicable oil and gas operating regulations, including such requirements as to Federal lands as may be prescribed by the supervision of the United States Geological Survey, and as to State lands by the Commissioner, including a pipe program that will adequately protect any potash deposits that may be encountered in such well.

May we have your approval for the drilling of the proposed well to a depth of 13,000 feet in the NE/4 SW/4 Section 15, T-20-S, R-32-E, Lea County, New Mexico, by Phillips Petroleum Company.

Yours very truly,

Don Wolfenberger

Don Wolfenberger

DN/caw

Approved:

D. S. Harroun
D. S. Harroun

5/9/70
Date

Approved:

Russell Haworth
Russell Haworth

May 9, 1970
Date
BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
Phillips EXHIBIT NO. 3
CASE NO. 4394

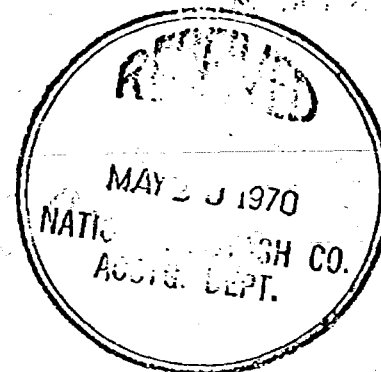


PHILLIPS PETROLEUM COMPANY

MIDLAND, TEXAS 79701
BOX 791 PERMIAN BUILDING

EXPLORATION AND PRODUCTION DEPARTMENT

May 18, 1970



National Potash Company
P. O. Box 731
Carlsbad, New Mexico 88220

Re: Potash Lease LC 068397 -
Sections 8, 9, 10 -20S -32E,
Lea County, New Mexico

Attention: Mr. Tom G. Ferguson

Gentlemen:

Phillips Petroleum Company, as unit operator, is planning to drill a 13,000' Morrow test in the NE/4 SW/4 Section 15, T-20-S, R-32-E, Lea County, New Mexico.

The subject well will be drilled under the applicable oil and gas operating regulations, including such requirements as to Federal lands as may be prescribed by the supervision of the United States Geological Survey, and as to State lands by the Commissioner, including a pipe program that will adequately protect any potash deposits that may be encountered in such well.

Mr. Harroun and Mr. Haworth, the owners of the potash lease on Section 15, T-20-S, R-32-E, have given their approval to our proposed well.

Since the subject well is within one mile of your potash lease, we would appreciate your approval of our location of this proposed Morrow test.

Yours very truly,

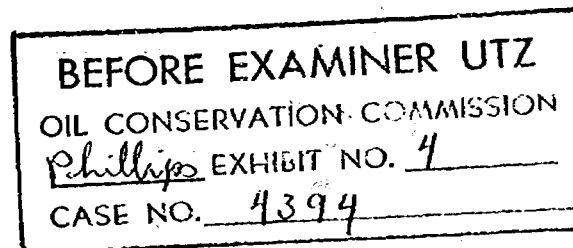
Don Wolfenberger
Don Wolfenberger

DW:jhd

Approved:

NATIONAL POTASH COMPANY

By *T. J. Ferguson*
Date 5/21/70





United States Department of the Interior

GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

Phillips Petroleum Company
P. O. Box 791
Midland, Texas 79701

MAY 26 1970

Attention: Mr. Fred Forward

Gentlemen:

Your application filed with the Regional Oil and Gas Supervisor, Roswell, New Mexico, on April 3, 1970, requests the designation of the Plata Deep unit area embracing 5,600 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1968 reprint), the land requested as outlined on your plat marked "Exhibit A, Plata Deep Unit, Lea County, New Mexico," is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial exploratory well to test the Morrow formation of Pennsylvanian age, or to a depth of 13,000 feet. Your proposed use of the Form of Unit Agreement for Unproved Areas (1968 reprint) modified to the extent necessary to afford proper protection of potash deposits underlying the unit area; to limit unitization to those formations which are found below a depth of 100 feet above the top of the Delaware Mountain Group; and the insertion of language incidental to the inclusion of State of New Mexico lands within the unit area, will be acceptable, provided lines 27 and 28 of page 8, Section 9, are not modified as proposed in your application.

In the absence of any other type of land requiring special provisions or any objection not now apparent, a duly executed agreement identical to said form, modified only as indicated above and approved by the appropriate officials of the State of New Mexico, will be approved if submitted in approvable status within a reasonable time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

BEFORE EXAMINER UTZ

OIL CONSERVATION COMMISSION

Phillips EXHIBIT NO. 7

CASE NO. 4394

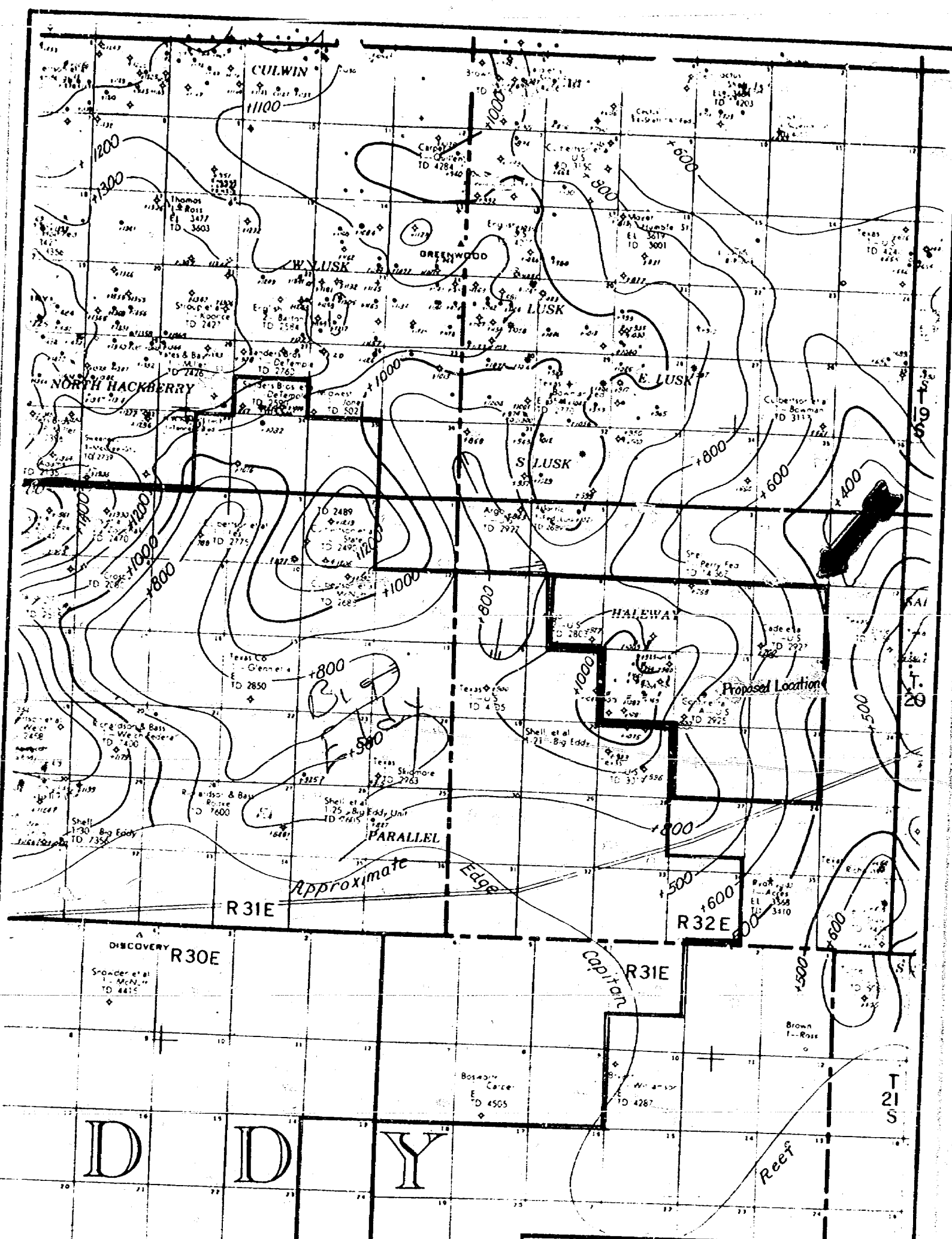
When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all acreage. The format of the sample exhibits attached to the 1968 reprint of the standard form should be followed closely in the preparation of Exhibits A and B.

As the unit area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands of the State of New Mexico in Santa Fe. Please contact the State of New Mexico before soliciting joinders, regardless of prior contacts with or clearances from the State.

Sincerely yours,

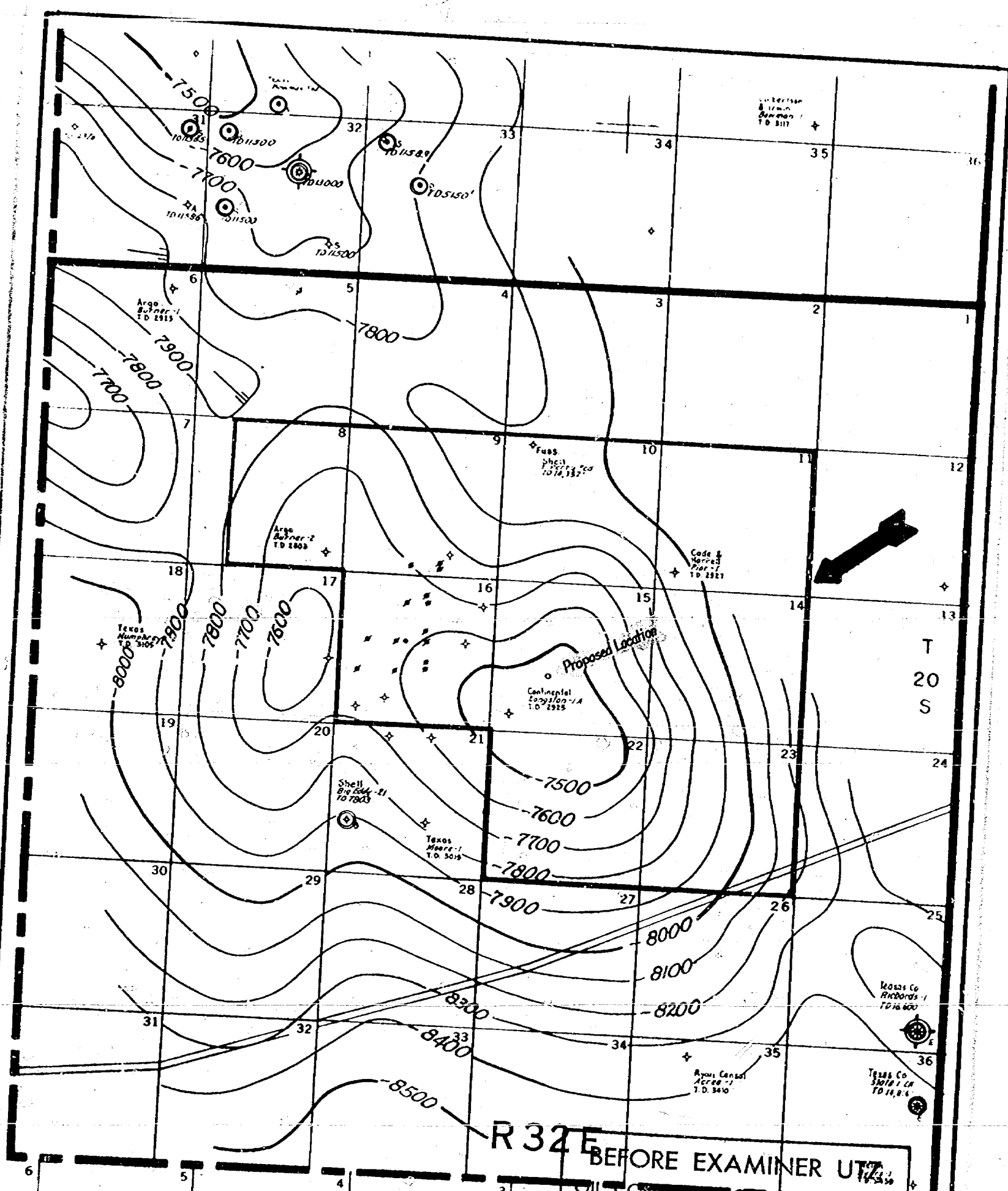
W. A. Hollister

Acting Director



BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
Phillips EXHIBIT NO. 5
CASE NO. 4394

EDDY & LEA COUNTIES, NEW MEXICO
HALFWAY PROSPECT AREA
SCALE 1" = 8000'
CONTOURED ON: TOP OF YATES
TYPE INFO: SUBSURFACE C.I. 100'
GEOLOGY BY C.W. BETTON DATE 11-69
DRAWN BY D.B. DATE _____



LEGEND

- Yates (Y)
- Delaware (D)
- Bone Springs (B)
- Strawn (S)
- Aloka (A)
- Morrow (M)
- Ellenburger (E)

BEFORE EXAMINER UTZ
 OIL CONSERVATION COMMISSION
 Phillips EXHIBIT NO. 16
 CASE NO. 4394

LEA CO., NEW MEX
 HALFWAY PROSPECT
 SCALE 1" = 4000'
 CONTOURED ON Strawn
 TYPE INFO Seismic C. I. 100'
 GEOL BY J. W. Keffler DATE 9-27-68
 DRAWN BY O. Bizzell DATE 4-1-70



PHILLIPS PETROLEUM COMPANY

MIDLAND, TEXAS 79701
BOX 791 PERMIAN BUILDING

EXPLORATION AND PRODUCTION DEPARTMENT

May 6, 1970

Mr. D. S. Harroun
Mr. Russell Haworth
601 Riverside Drive
Carlsbad, New Mexico 88220

Re: Potash Lease NM 013298-C
Section 15, 20-S, 32-E
Lea County, New Mexico

Gentlemen:

Phillips Petroleum Company as unit operator is planning to drill a 13,000 foot Morrow test in the NE/4 SW/4 Section 15, T-20-S, R-32-E, Lea County, New Mexico.

The subject well will be drilled under the applicable oil and gas operating regulations, including such requirements as to Federal lands as may be prescribed by the supervision of the United States Geological Survey, and as to State lands by the Commissioner, including a pipe program that will adequately protect any potash deposits that may be encountered in such well.

May be have your approval for the drilling of the proposed well to a depth of 13,000 feet in the NE/4 SW/4 Section 15, T-20-S, R-32-E, Lea County, New Mexico, by Phillips Petroleum Company.

Yours very truly,

Don Wolfenberger

Don Wolfenberger

DH/caw

Approved:

D. S. Harroun
D. S. Harroun

Date

5/9/70

Approved:

Russell Haworth
Russell Haworth

Date

May 9, 1970



PHILLIPS PETROLEUM COMPANY

MIDLAND, TEXAS 79701
BOX 791 PERMIAN BUILDING

EXPLORATION AND PRODUCTION DEPARTMENT

May 18, 1970



National Potash Company
P. O. Box 731
Carlsbad, New Mexico 88220

Re: Potash Lease LC 068397 -
Sections 8, 9, 10 -20S -32E,
Lea County, New Mexico

Attention: Mr. Tom G. Ferguson

Gentlemen:

Phillips Petroleum Company, as unit operator, is planning to drill a 13,000' Morrow test in the NE/4 SW/4 Section 15, T-20-S, R-32-E, Lea County, New Mexico.

The subject well will be drilled under the applicable oil and gas operating regulations, including such requirements as to Federal lands as may be prescribed by the supervision of the United States Geological Survey, and as to State lands by the Commissioner, including a pipe program that will adequately protect any potash deposits that may be encountered in such well.

Mr. Harroun and Mr. Haworth, the owners of the potash lease on Section 15, T-20-S, R-32-E, have given their approval to our proposed well.

Since the subject well is within one mile of your potash lease, we would appreciate your approval of our location of this proposed Morrow test.

Yours very truly,

Don Wolfenberger
Don Wolfenberger

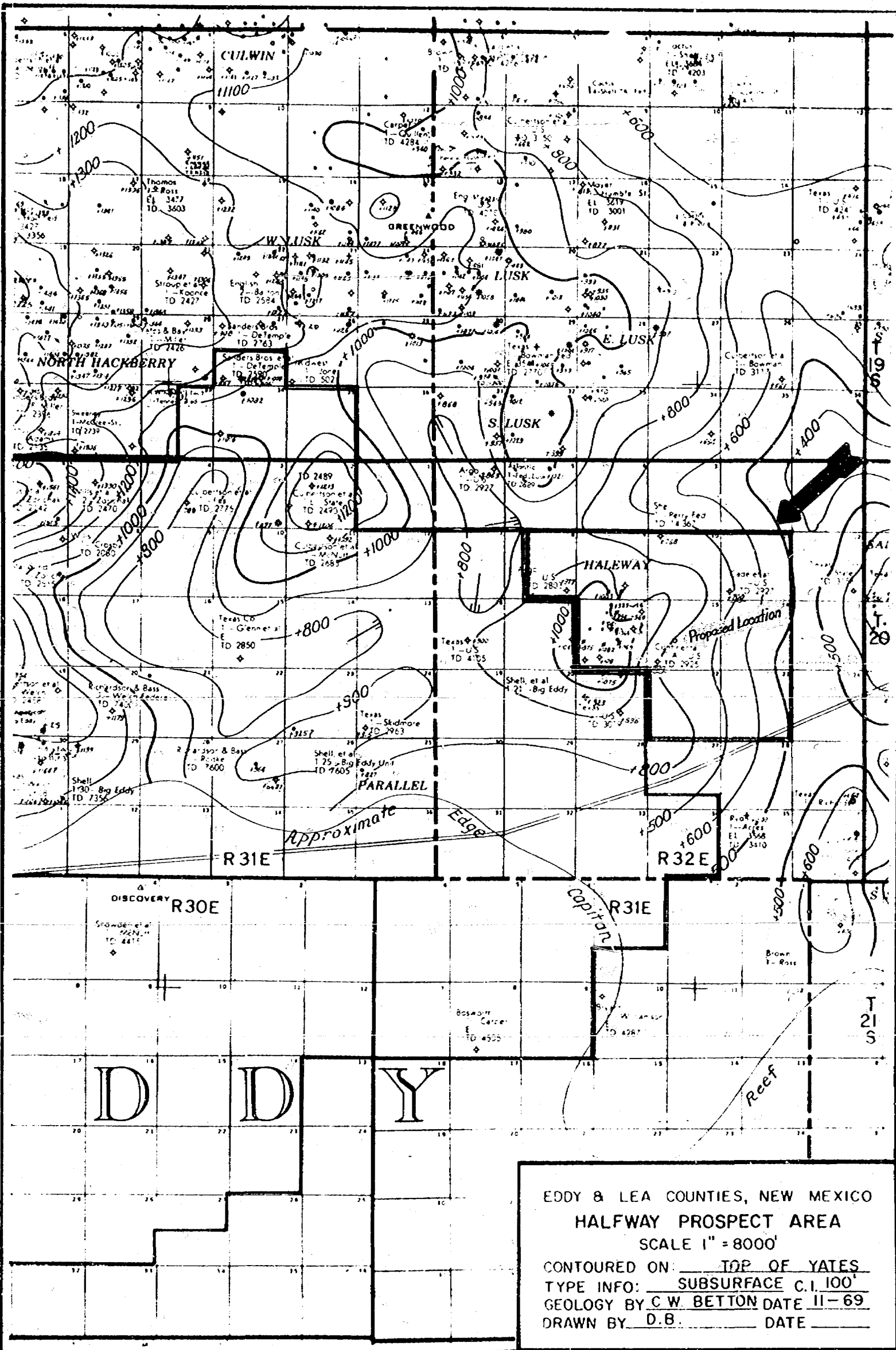
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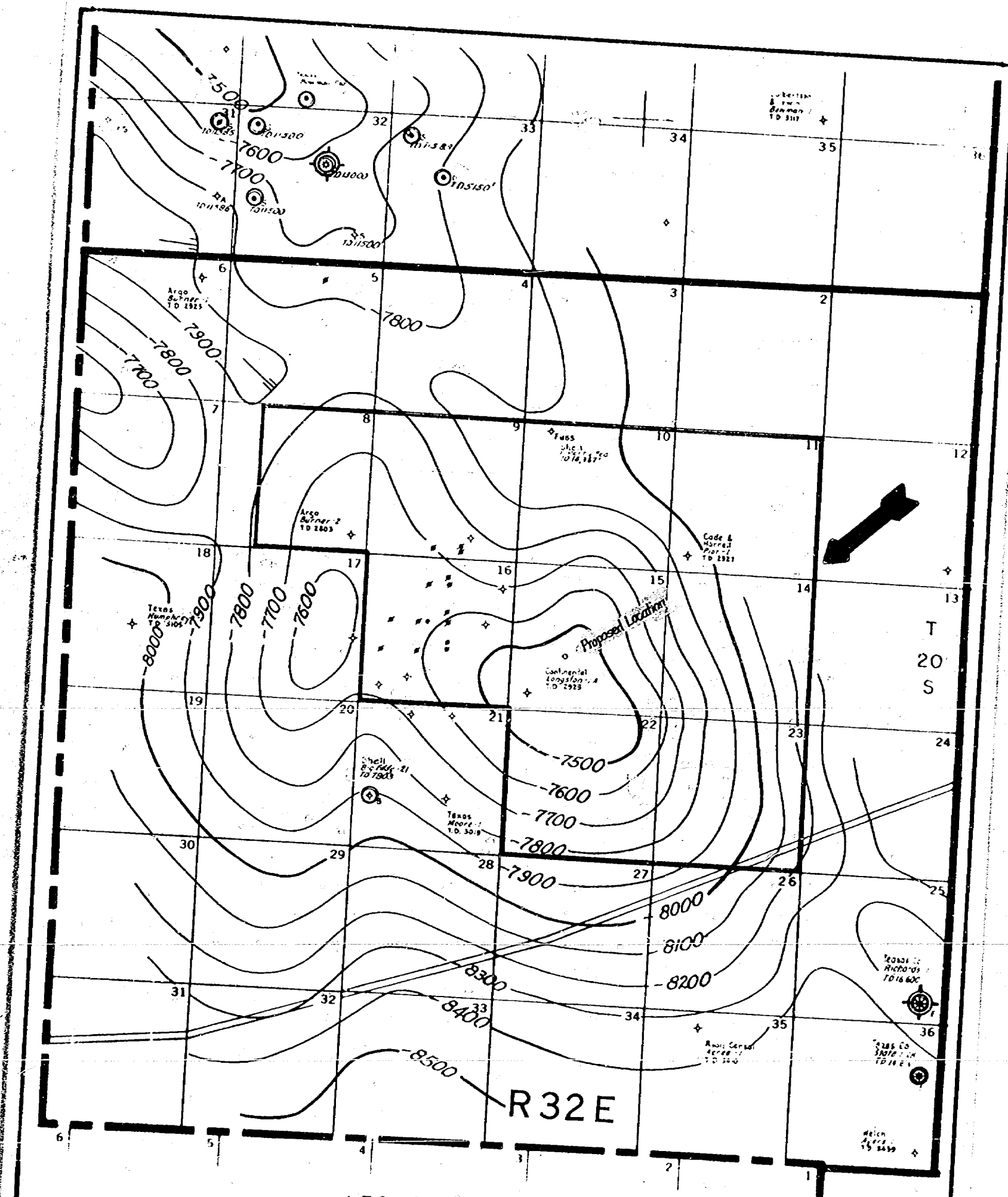
Approved:

NATIONAL POTASH COMPANY

By *T. G. Ferguson*

Date 5/21/70





LEGEND

- Yates (Y)
- ⊙ Delaware (D)
- ⊙ Bone Springs (B)
- ⊙ Strawn (S)
- ⊙ Atoka (A)
- ⊙ Morrow (M)
- ⊙ Ellenburger (E)

LEA CO., NEW MEX
 HALFWAY PROSPECT
 SCALE 1" = 4000'
 CONTOURED ON Strawn
 TYPE INFO Seismic C. I. 100'
 GEOL BY J. W. Keffler DATE 9-27-68
 DRAWN BY O. Rizzell DATE 4-1-70



United States Department of the Interior

GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

MAY 26 1970

Phillips Petroleum Company
P. O. Box 791
Midland, Texas 79701

Attention: Mr. Fred Forward

Gentlemen:

Your application filed with the Regional Oil and Gas Supervisor, Roswell, New Mexico, on April 3, 1970, requests the designation of the Plata Deep unit area embracing 5,600 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1968 reprint), the land requested as outlined on your plat marked "Exhibit A, Plata Deep Unit, Lea County, New Mexico," is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial exploratory well to test the Morrow formation of Pennsylvanian age, or to a depth of 13,000 feet. Your proposed use of the Form of Unit Agreement for Unproved Areas (1968 reprint) modified to the extent necessary to afford proper protection of potash deposits underlying the unit area; to limit unitization to those formations which are found below a depth of 100 feet above the top of the Delaware Mountain Group; and the insertion of language incidental to the inclusion of State of New Mexico lands within the unit area, will be acceptable, provided lines 27 and 28 of page 8, Section 9, are not modified as proposed in your application.

In the absence of any other type of land requiring special provisions or any objection not now apparent, a duly executed agreement identical to said form, modified only as indicated above and approved by the appropriate officials of the State of New Mexico, will be approved if submitted in approvable status within a reasonable time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

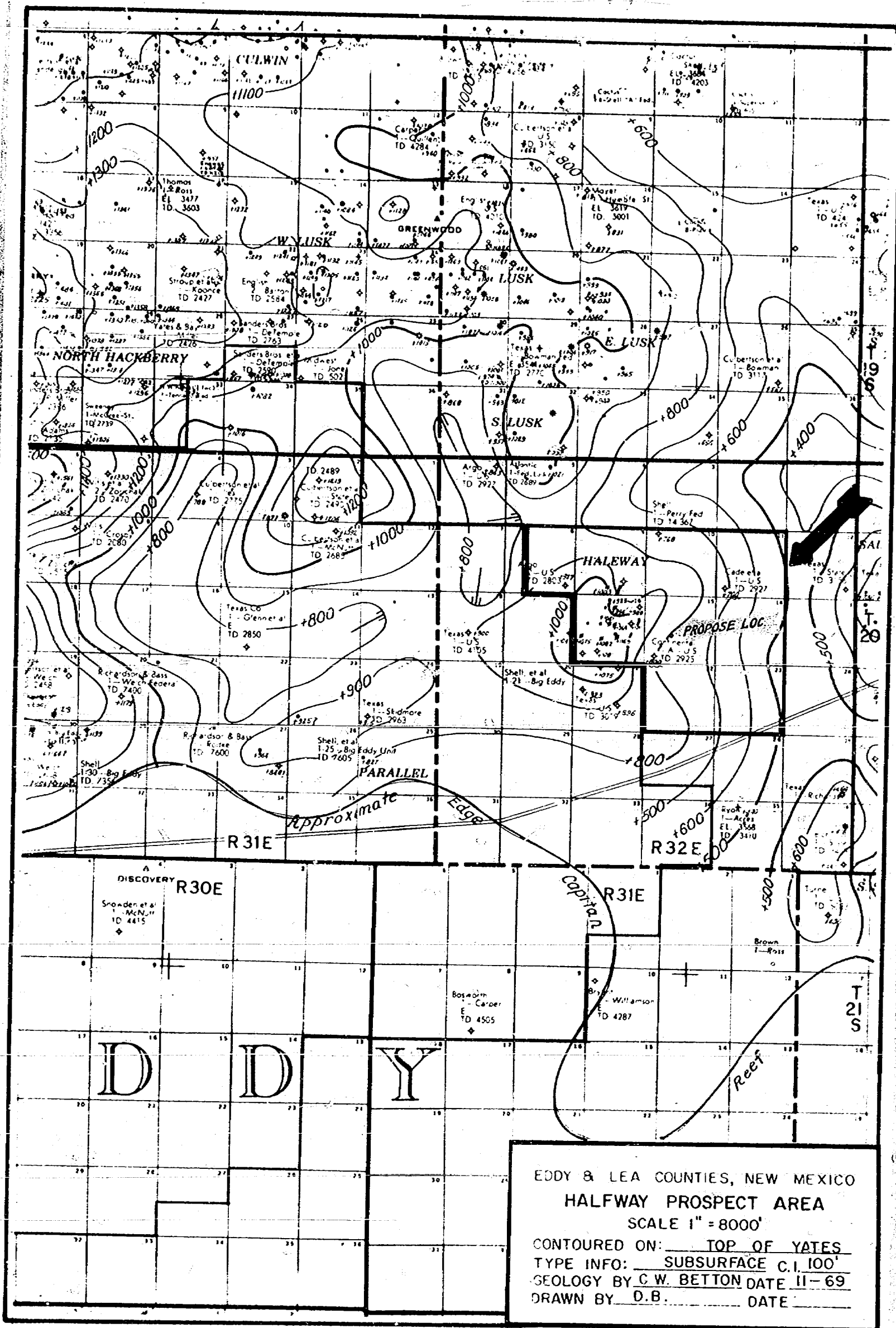
When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all acreage. The format of the sample exhibits attached to the 1968 reprint of the standard form should be followed closely in the preparation of Exhibits A and B.

As the unit area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands of the State of New Mexico in Santa Fe. Please contact the State of New Mexico before soliciting joinders, regardless of prior contacts with or clearances from the State.

Sincerely yours,

W. A. Radlinski

Acting Director





United States Department of the Interior

GEOLOGICAL SURVEY
WASHINGTON, D.C. 20242

MAY 26 1970

Phillips Petroleum Company
P. O. Box 791
Midland, Texas 79701

Attention: Mr. Fred Forward

Gentlemen:

Your application filed with the Regional Oil and Gas Supervisor, Roswell, New Mexico, on April 3, 1970, requests the designation of the Plata Deep unit area embracing 5,600 acres, more or less, Lea County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to unit plan regulations of December 22, 1950, 30 CFR 226.3 (1968 reprint), the land requested as outlined on your plat marked "Exhibit A, Plata Deep Unit, Lea County, New Mexico," is hereby designated as a logical unit area.

The unit agreement submitted for the area designated should provide for the drilling of the initial exploratory well to test the Morrow formation of Pennsylvanian age, or to a depth of 13,000 feet. Your proposed use of the Form of Unit Agreement for Unproved Areas (1968 reprint) modified to the extent necessary to afford proper protection of potash deposits underlying the unit area; to limit unitization to those formations which are found below a depth of 100 feet above the top of the Delaware Mountain Group; and the insertion of language incidental to the inclusion of State of New Mexico lands within the unit area, will be acceptable, provided lines 27 and 28 of page 8, Section 9, are not modified as proposed in your application.

In the absence of any other type of land requiring special provisions or any objection not now apparent, a duly executed agreement identical to said form, modified only as indicated above and approved by the appropriate officials of the State of New Mexico, will be approved if submitted in approvable status within a reasonable time. However, the right is reserved to deny approval of any executed agreement which, in our opinion, does not have full commitment of sufficient lands to afford effective control of unit operations.

When the executed agreement is transmitted to the Supervisor for approval, include the latest status of all acreage. The format of the sample exhibits attached to the 1968 reprint of the standard form should be followed closely in the preparation of Exhibits A and B.

As the unit area contains State of New Mexico lands, we are sending a copy of this letter to the Commissioner of Public Lands of the State of New Mexico in Santa Fe. Please contact the State of New Mexico before soliciting joinders, regardless of prior contacts with or clearances from the State.

Sincerely yours,

W. A. Radlinski

Acting Director

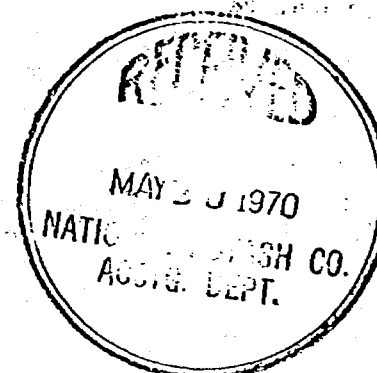


PHILLIPS PETROLEUM COMPANY

MIDLAND, TEXAS 79701
BOX 791 PERMIAN BUILDING

EXPLORATION AND PRODUCTION DEPARTMENT

May 18, 1970



National Potash Company
P. O. Box 731
Carlsbad, New Mexico 88220

Re: Potash Lease LC 068397 -
Sections 8, 9, 10 -20S -32E,
Lea County, New Mexico

Attention: Mr. Tom G. Ferguson

Gentlemen:

Phillips Petroleum Company, as unit operator, is planning to drill a 13,000' Morrow test in the NE/4 SW/4 Section 15, T-20-S, R-32-E, Lea County, New Mexico.

The subject well will be drilled under the applicable oil and gas operating regulations, including such requirements as to Federal lands as may be prescribed by the supervision of the United States Geological Survey, and as to State lands by the Commissioner, including a pipe program that will adequately protect any potash deposits that may be encountered in such well.

Mr. Harroun and Mr. Haworth, the owners of the potash lease on Section 15, T-20-S, R-32-E, have given their approval to our proposed well.

Since the subject well is within one mile of your potash lease, we would appreciate your approval of our location of this proposed Morrow test.

Yours very truly,

Don Wolfenberger
Don Wolfenberger

DW:jhd

Approved:

NATIONAL POTASH COMPANY

By *T. G. Ferguson*

Date 5/21/70



PHILLIPS PETROLEUM COMPANY

MIDLAND, TEXAS 79701
BOX 791 PERMIAN BUILDING

EXPLORATION AND PRODUCTION DEPARTMENT

May 6, 1970

Mr. D. S. Harroun
Mr. Russell Haworth
601 Riverside Drive
Carlsbad, New Mexico 88220

Re: Potash Lease NM 013298-C
Section 15, 20-S, 32-E
Lea County, New Mexico

Gentlemen:

Phillips Petroleum Company as unit operator is planning to drill a 13,000 foot Morrow test in the NE/4 SW/4 Section 15, T-20-S, R-32-E, Lea County, New Mexico.

The subject well will be drilled under the applicable oil and gas operating regulations, including such requirements as to Federal lands as may be prescribed by the supervision of the United States Geological Survey, and as to State lands by the Commissioner, including a pipe program that will adequately protect any potash deposits that may be encountered in such well.

May be have your approval for the drilling of the proposed well to a depth of 13,000 feet in the NE/4 SW/4 Section 15, T-20-S, R-32-E, Lea County, New Mexico, by Phillips Petroleum Company.

Yours very truly,

Don Wolfenberger

Don Wolfenberger

DM/caw

Approved:

D. S. Harroun
D. S. Harroun

Date

5/9/70

Approved:

Russell Haworth
Russell Haworth

Date

May 9, 1970

Docket No. 18-70

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 5, 1970

9 A.M. - OIL CONSERVATION COMMISSION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING - SANTA FE, NEW MEXICO

The following cases will be heard before Elvis A. Utz, Examiner, or Daniel S. Nutter, Alternate Examiner:

CASE 4385: (Continued from the July 15, 1970 Examiner Hearing)

Application of King Resources Company for a unit agreement, Otero County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Brokeoff Mountain Unit Area comprising 37,747 acres, more or less, of Federal, State and Fee lands in Townships 24, 25, and 26 South, Ranges 19 and 20 East, Otero County, New Mexico.

CASE 4388: Application of Humble Oil & Refining Company for an exception to Order No. R-3221, as amended, Chaves County, New Mexico. Applicant, in the above-styled cause, seeks an exception to Order No. R-3221, as amended, which order prohibits the disposal of water produced in conjunction with the production of oil on the surface of the ground in Lea, Eddy, Chaves, and Roosevelt Counties, New Mexico. Said exception would be for applicant's Florence B. Lusk, DeSmet Federal, and Hesse Federal leases located in Sections 6 and 7 of Township 15 South, Range 30 East, Double L Queen Pool, Chaves County, New Mexico. Applicant seeks authority to dispose of salt water produced by wells on said leases in unlined surface pits located in the vicinity of said wells.

CASE 4389: Application of Coastal States Gas Producing Company for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Upper Pennsylvanian formation through the perforated interval from 9789 to 9924 feet in its State "27" Well No. 2 located in Unit P of Section 27, Township 14 South, Range 32 East, Tulk-Pennsylvanian Pool, Lea County, New Mexico.

CASE 4390: Application of Murphy H. Baxter for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the North E-K Queen Unit Area comprising 978 acres, more or less, of State lands in Township 17 South, Range 33 East, and Township 18 South, Ranges 33 and 34 East, E-K Yates-Seven Rivers-Queen Pool, Lea County, New Mexico.

Examiner Hearing - August 5, 1970
Docket No. 18-70

-2-

CASE 4391: Application of Murphy H. Baxter for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project in its North E-K Queen Unit Area by the injection of water into the Queen formation through 4 wells located in Units A, D, F, and G of Section 7, Township 18 South, Range 34 East, E-K Yates-Seven Rivers-Queen Pool, Lea County, New Mexico. Applicant further seeks a procedure whereby said project may be expanded administratively without a showing of well response.

CASE 4392: Application of Southwestern Natural Gas, Inc. for the assignment of back allowable, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the assignment of back allowable to its Mershon Gas Comm Well No. 1 located in Unit A of Section 21, Township 22 South, Range 23 East, Indian Basin-Upper Pennsylvanian Gas Pool, Eddy County, New Mexico, for the period from the date of completion of said well on September 22, 1969, to the date of connection of said well on June 4, 1970.

CASE 4393: Application of Mobil Oil Corporation for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Devonian formation in the open-hole interval from 12,240 feet to 12,463 feet in its Santa Fe Pacific Well No. 3 located in Unit M of Section 26, Township 9 South, Range 36 East, Crossroads-Devonian Pool, Lea County, New Mexico.

CASE 4394: Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Plata Deep Unit Area comprising 5,600 acres, more or less, of Federal and State lands in Sections 8, 9, 10, 11, 14, 15, 16, 22 and 23 of Township 20 South, Range 32 East, Lea County, New Mexico.

CASE 4395: Application of Consolidated Oil & Gas, Inc. for salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the Abo formation in the perforated interval from 8915 to 8926 feet in its Shipp Well No. 1-17 located in Unit H of Section 17, Township 17 South, Range 37 East, Midway Abo Pool, Lea County, New Mexico.

Examiner Hearing - August 5, 1970

Docket No. 18-70

-3-

CASE 4396: Application of Klabzuba, Munson and Seaman for a dual completion and salt water disposal, Chaves County, New Mexico. Applicants, in the above-styled cause, seek authority to dually complete its (Varel) Avalanche Journal Well No. 1 located in Unit N of Section 18, Township 10 South, Range 28 East, Chaves County, New Mexico, in such a manner as to produce gas from the San Andres formation in the perforated interval from 2186 to 2204 feet of the Race Track (San Andres) Pool through the casing-tubing annulus and dispose of produced salt water through tubing into the San Andres formation of said pool in the perforated interval from 2262 to 2289 feet.

CASE 4397: In the matter of the hearing called by the Oil Conservation Commission on its own motion to permit Rio Trust and all other interested persons to appear and show cause why the following Rio Trust wildcat wells located in Section 2, Township 1 North, Range 2 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program:

Little Chama Valley Co. Well No. 1
located 660 feet from the North line
and 1380 feet from the West line;

Sargent Well No. 1 located 925 feet
from the West line and 1445 feet from
the South line.

CASE 4267: (Reopened)

In the matter of Case No. 4267 being reopened by the Oil Conservation Commission on its own motion to permit Edward M. Kriss and all other interested parties to appear and show cause why the Edward M. Kriss Little Chama Valley Company Well No. 1, a wildcat well, located 545 feet from the North line and 1530 feet from the West line of Section 2, Township 1 North, Range 2 East, Rio Arriba County, New Mexico, should not be plugged and abandoned in accordance with a Commission-approved plugging program.

CASE 4398: Application of Michael P. Grace and Corinne Grace for compulsory pooling and unorthodox gas well locations, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests from the surface of the ground down to and including the Morrow formation underlying the N/2

Examiner Hearing - August 5, 1970
Docket No. 18-70

-4-

(Case 4398 continued)

and the S/2 of Section 2, Township 23 South, Range 26 East, Eddy County, New Mexico, to form two 320-acre proration units for the production of gas from any or all zones of the Pennsylvanian formation. Said N/2 and S/2 to be dedicated to wells to be drilled respectively, at unorthodox locations 2500 feet from the North line and 330 feet from the East line of said Section 2 and 990 feet from the South line and 660 feet from the East line of said Section 2.

Also to be considered will be the costs of drilling said wells, a charge for the risk involved, provisions for the allocation of actual operating costs, and the establishment of charges for supervision of said wells.

CASE 4354: (Continued from the July 1, 1970, Examiner Hearing)

Application of Michael P. Grace and Corinne Grace for compulsory pooling, Eddy County, New Mexico. Applicants, in the above-styled cause, seek an order pooling all mineral interests from the surface of the ground down to and including the Morrow formation underlying the N/2 of Section 11, Township 23 South, Range 26 East, South Carlsbad Field, Eddy County, New Mexico, said acreage to be dedicated to a well to be drilled in either the NE/4 NW/4 or the NW/4 NE/4 of said Section 11. Also to be considered will be the costs of drilling said well, a charge for the risk involved, a provision for the allocation of actual operating costs, and the establishment of charges for supervision of said well.

JASON W. KELLAHIN
ROBERT E. FOX

KELLAHIN AND FOX
ATTORNEYS AT LAW
54 1/2 EAST SAN FRANCISCO STREET
POST OFFICE BOX 1789
SANTA FE, NEW MEXICO 87501

TELEPHONE 982-4315
AREA CODE 505

AM 8 29
JUL 6
1970

Case 4394

July 3, 1970

Oil Conservation Commission of New Mexico
P.O. Box 2088
Santa Fe, New Mexico 87501

Gentlemen:

Enclosed is the application of Phillips Petroleum
Company for approval of the Plata Deep Unit agreement,
covering lands in Lea County, New Mexico.

Please set this for hearing before the Commission's
examiner at the next available date.

Yours very truly,

Jason W. Kellahin
JASON W. KELLAHIN

JWK:jk
cc. (Mr. Joe Peacock)

DOCKET MAILED

Date 7/23/70

MAIN DEPT. 000

'70 JUL 6 AM 8 29

BEFORE THE

Case 4394

OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
OF PHILLIPS PETROLEUM COMPANY
FOR APPROVAL OF A UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO

A P P L I C A T I O N

Comes now Phillips Petroleum Company and applies to the Oil Conservation Commission of New Mexico for approval of its Plata Deep Unit agreement, covering lands in Lea County, New Mexico, and in support thereof would show the Commission.

1. The Plata Deep Unit covers the following described lands in Lea County:

Township 20 South, Range 32 East, N.M.P.M.

Section 8- E/2, E/2 W/2
Section 9- All
Section 10 All
Section 11 All
Section 14 All
Section 15 All
Section 16 All
Section 22 All
Section 23 All

2. Unitized formations include all formations below a point 100 feet above the top of the Delaware Mountain Group as identified at 4390 feet on the Slumberger electric log, run No. 2, of April 4, 1957, on the Shell Oil Company No.1, Perry Federal well, located 330 feet from the North line, and 990 feet from the West line of Section 10, Township 20 South, Range, 32 East, N.M.P.M.

3. The unit area consists of 4,840 acres or 86.4285 per cent federal lands, and 760 acres or 13.5715 per cent state lands.

4. Applicant is designated as operator in said unit agreement, and proposes to drill and develop said unit area in the manner provided for in the unit agreement, and unit operating agreement, including a test well to a sufficient depth to test the Morrow formation at approximately 13,000 feet.

5. The proposed unit is in the interests of conservation and will result in the recovery of oil or gas, or both, that would not otherwise be recovered.

WHEREFORE applicant prays that this matter be set for hearing before the Oil Conservation Commission or one of its duly appointed examiners, and that after notice and hearing as provided by law, the Plata Deep Unit agreement be approved.

Respectfully submitted

PHILLIPS PETROLEUM COMPANY

By Jason W. Kellahin
Kellahin & Fox
P.O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

4,840
760
—
5,600

MAIN OFFICE 0000

70 JUL 6 AM 8 29

BEFORE THE

Case 4394

OIL CONSERVATION COMMISSION OF NEW MEXICO

IN THE MATTER OF THE APPLICATION
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Section 16 All
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Respectfully submitted

PHILLIPS PETROLEUM COMPANY

By Jason W. Kellahin
Kellahin & Fox
P.O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

BEFORE THE
OIL CONSERVATION COMMISSION OF NEW MEXICO
IN THE MATTER OF THE APPLICATION
OF PHILLIPS PETROLEUM COMPANY
FOR APPROVAL OF A UNIT AGREEMENT,
LEA COUNTY, NEW MEXICO

Case 4394

A P P L I C A T I O N

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Section 8- E/2, E/2 W/2
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Section 10 All
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Section 16 All
Section 22 All
Section 23 All

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WHEREFORE applicant prays that this matter be set for hearing before the Oil Conservation Commission or one of its duly appointed examiners, and that after notice and hearing as provided by law, the Plata Deep Unit agreement be approved.

Respectfully submitted

PHILLIPS PETROLEUM COMPANY

By Jason W. Kellahin
Kellahin & Fox
P.O. Box 1769
Santa Fe, New Mexico 87501

ATTORNEYS FOR APPLICANT

DRAFT

GMH/esr
B

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

AS
CASE No. 4394

Order No. R- 4003

Jan
APPLICATION OF PHILLIPS PETROLEUM COMPANY
FOR APPROVAL OF THE PLATA DEEP
UNIT AGREEMENT, LEA, COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on
August 5, 19670, at Santa Fe, New Mexico, before Examiner
Elvis A. Utz.

NOW, on this _____ day of August, 19670, the Commission,
a quorum being present, having considered the testimony, the record,
and the recommendations of the Examiner, and being fully advised
in the premises,

FINDS:

(1) That due public notice having been given as required by
law, the Commission has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Phillips Petroleum Company,
seeks approval of the Plata Deep Unit Agreement
covering 5,600 acres, more or less, of State and
Federal lands
~~and~~
described as follows:

LEA COUNTY, NEW MEXICO
TOWNSHIP 20 SOUTH, RANGE 32 EAST, NMPM

Section 8: E/2 W/2 & E/2

Sections 9, 10, and 11: All

~~Section 10:~~

~~Section 11:~~

Sections 14, 15, and 16: All

~~Section 15:~~

~~Section 16:~~

Sections 22 and 23: All

~~Section 23:~~

(3) That approval of the proposed unit agreement should promote the prevention of waste and the protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED:

(1) That the Plata Deep Unit Agreement is hereby approved.

(2) That the plan contained in said unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty, or obligation which is now, or may hereafter be, vested in the Commission to supervise and control operations for the exploration and development of any lands committed to the unit and production of oil or gas therefrom.

(3) That the unit operator shall file with the Commission an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof; that in the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) That this order shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey; that this order shall terminate ipso facto upon the termination of said unit agreement; and that the last unit operator shall notify the Commission immediately in writing of such termination.

(5) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

BEFORE THE
NEW MEXICO OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 5, 1970

EXAMINER HEARING

IN THE MATTER OF:

Application of Phillips Petroleum)
Company for a unit agreement, Lea)
County, New Mexico.)

Case 4394

BEFORE: Elvis A. Utz, Examiner

TRANSCRIPT OF HEARING

DEARNLEY-MEIER REPORTING SERVICE

MR. UTZ: Case 4394.

MR. HATCH: Case 4394, Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico.

MR. UTZ: Appearances?

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, Santa Fe, appearing for the Applicant.

MR. UTZ: Other appearances?

DON FRASER

called as a witness, first having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Don Fraser.

Q By whom are you employed and what is your position?

A Phillips Petroleum Company, my title is District Contractman.

Q How do you spell your last name?

A F-r-a-s-e-r.

Q Have you ever testified before the Oil Conservation Commission?

A No, sir.

Q For the benefit of the Examiner, would you briefly outline your experience in connection with your work as a

contractman?

A I have been employed by Phillips Petroleum Company for approximately eighteen years. I am in the Land Section of Exploration and Production Department. I have been located in our main office in Bartlesville, Oklahoma. I have served in Lafayette, Louisiana for about ten years in all phases of land work. I was in Houston as Regional Staff Landman and now presently in Midland.

Q In connection with your work as Contractman, have you had anything to do with the Plata Deep Unit agreement?

A Yes, sir, I prepared it.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. UTZ: Yes, sir.

MR. KELLAHIN: Would you please mark these?

(Whereupon, Applicant's Exhibit 1 through 7 marked for identification.)

Q (By Mr. Kellahin) Referring to what has been marked as Applicant's Exhibit Number 1, would you identify that exhibit, please?

A Exhibit Number 1 is the unit agreement for the development and operation of the Plata Deep Unit area, County of Lea, State of New Mexico.

Q Approximately what area does this cover? How many

acres does that cover?

A Five-thousand six-hundred acres.

Q What is the nature of the ownership of the acreage involved here, is it Federal, State or fee?

A It is all Federal and State, no fee lands involved.

Q Could you give us percentage of Federal against State?

A The Federal lands total 4,840 acres or 86.42% and the State lands consist of 760 or 13.57 of the total unit.

Q The unit agreement is in a form that has heretofore been approved by this Commission?

A Yes, sir.

Q Has it been committed to the Commissioner of Public Lands?

A Yes, sir.

Q Have you received preliminary approval from the Commissioner of Public Lands?

A Yes, sir.

Q Have all the working interest owners agreed to this unit agreement?

A We have been advised that approximately 99% will agree to this unit agreement.

Q Is there a lease situation as to one tract involved here?

A Yes, sir, there is.

Q What acreage does that cover?

A That covers forty acres and the lease is owned by Steven S. Helbing and Frank W. Hopichant and covers the southwest quarter of the northeast quarter of Section E, Township 20, Range 32 East, Lea County.

Q Would that be on the edge of the unit area?

A It would be within a quarter of a mile of the edge.

Q Whether that acreage is committed or not, would it affect your ability to control the development of that unit?

A No, sir.

Q You do have some indication that that acreage will be committed to the unit?

A Yes, sir.

Q That is not certain?

A I feel it will be.

Q How about the royalty interest?

A We have requested that all the overriding and royalty owners sign consent and ratification and we have fourteen individuals and companies involved and we have received eleven of those back.

Q Do you anticipate that you will have substantially all of the royalty committed to this unit?

A Yes, sir.

Q Now what is the nature of this unit, Mr. Fraser, is it a development unit or exploratory unit or what is it?

A This is an exploratory unit.

Q Do you have a copy of the unit operating agreement as Exhibit Number 2?

A Yes, sir.

Q Does that have a drilling commitment in it?

A Yes, it does.

Q What will the operator do?

A The operator will drill a 13,000 Morrow test well at a location in Section 15 on or before September 15, 1970.

Q Do you anticipate that well will be drilled prior to that date?

A Yes, sir.

Q In connection with your unit agreement, is Phillips Petroleum Company designated as operator?

A Yes.

Q And is there a provision by subsequent joinder of acreage not committed to the unit?

A Yes, there is.

Q Mr. Fraser, isn't the area covered, Plata Deep Unit, under the area designated as potash area?

A Yes, it is.

Q Have you been able to get this release from the

potash area up to the present time?

A Release?

Q What is the status of it?

A The status of it is that there is a mine in this vicinity, would be over a mile from our location; however, we understand that no operation has been conducted out there for over a year. There are two potash leases in the vicinity, one covers the drill site and we have obtained permission from the owner of that lease and the adjoining lease to drill this well.

Q Now referring to what has been marked as Exhibits 3 and 4, would you identify those exhibits, please?

A Exhibits 3 and 4 are one letter dated May 6, 1970 directed to Mr. D. S. Harroun and Mr. Russell Hayworth requesting permission for us to drill the well in Section 15 and it was approved by both the aforesaid persons on May 9, 1970.

Q Does that cover the well site?

A That is the well site release.

Q And they are the potash lease owners there, is that correct?

A Yes, sir.

Q Now the second exhibit?

A It is directed to National Potash Company. They own a lease covering Section 8, 9 and 10, 20 South, 32 East

and we have requested the same permission to drill this well from them and it was received on May 21, 1970.

Q Is National Potash Company the operator of the mine you referred to earlier in your testimony?

A I believe that it is.

Q They have no objection to the formation of this unit or the drilling of a well?

A No, sir.

Q Now skipping over to what has been marked as Exhibit Number 7, is that a letter received from the U. S. Department of the Interior?

A Yes, sir.

Q What is the effect of that letter?

A The effect of this letter, it gives us approval from the U. S. Geological Survey in Washington, D. C. to form this unit and drill this well.

Q And designates this area as a logical unit area?

A Yes, sir.

Q Did you discuss with the U.S.G.S. the possibility that forty acres might not be immediately committed to this unit?

A Yes, sir.

Q Did you get any indication that would affect the approval of the U.S.G.S. of the unit?

A It was indicated it would not.

Q It would not affect the approval?

A No.

Q Mr. Fraser, were Exhibits 1 and 2 prepared by you or under your supervision?

A Yes, sir.

Q And Exhibits 3 and 4 are letters from your business files?

A Yes, sir.

Q And Exhibit 7 is a letter received by your company from U.S.G.S.?

A Yes, sir.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibits 1, 2, 3, 4 and 7.

MR. UTZ: Exhibits 1, 2, 3, 4 and 7 will be entered into the record of this case.

MR. KELLAHIN: That is all we have on direct examination. We have a geological witness who will testify as to the geology.

MR. UTZ: Any questions of the witness? You may be excused.

B. C. LARGENT

called as a witness, first having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A B. C. Largent.

Q L-a-r-g-e-n-t?

A That's correct.

Q Mr. Largent, by whom are you employed and in what position?

A I am employed by Phillips Petroleum Company as a Staff Geologist in Midland, Texas.

Q And have you ever testified before the Oil Conservation Commission before one of its Examiners?

A No, sir.

Q For the benefit of the Examiner, would you outline your education and experience as a geologist?

A I received a Bachelor of Science in geology and mathematics in 1956 from Midwestern University. Since that time I have been employed by Phillips Petroleum Company in various capacities in exploration and production.

Q And where have you been located?

A In Bartlesville for twelve years and in this area for the past two years.

Q In this area you are including southeastern New Mexico?

A Yes, sir.

Q And in connection with your work, have you made any investigation of the unit area covered by the Plata Deep Unit?

A Yes, sir, I have supervised the preparation of the information presented in these exhibits.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. UTZ: Yes.

Q (By Mr. Kellahin) In connection with your work for Phillips Petroleum Company, did you make some determination as to logical unit area to be included in the Plata Deep Unit?

A Yes, I did. We have prepared exhibits of shallow sub-surface which is controlled by number of wells that have been producing or are now producing by using well logs and sample logs. We have prepared a shallow sub-surface map.

Q That is Applicant's Exhibit Number 5?

A Yes, 5, that is correct.

Q Would you discuss the information that is shown on Exhibit Number 5?

A By using sample logs and well logs we have and subtracting the surface elevation, we have prepared a sub-surface map on the Yates Formation. We have also outlined the proposed area to be within the unit.

Q Now in your opinion and on the basis of your experience in this area, do you feel that the Yates reflects the sub-surface information on the wells?

A Yes, we do.

Q Is that the reason you have used that information to correlate with other information you have available?

A We have used this as a shallow marker and on this basis we were justified in using seismograph methods to show deeper prospective areas.

Q Referring to Exhibit Number 6, would you identify it?

A This exhibit is a contour map prepared from seismic information on approximate Strawn Formation, confirming the shallow picture as shown on the Yates.

Q On the basis of the information shown there, is the area covered by the Plata Deep Unit logically covering a sub-surface formation?

A Yes, it is.

Q Would approval of the unit give Phillips Petroleum Company as operator of the exploratory unit substantial control of the producing formation that you expect to encounter?

A Yes, it would.

Q Have you anything further to add?

A I might add that there is an area to the west that

adjoins it could possibly be productive but presently in a proration unit.

Q Is there a comparable area in the vicinity of the Plata Deep Unit?

A Yes, sir, there is to the northwest, the Lusk-Strawn Field, is a type of reservoir we are looking for here and by stratigraphic studies and certain methods we have used on a computer we feel this is on the same trend and has potential for being the same type reservoir.

Q And you feel that on the basis of the information you have it correlates the actual information found in the Lusk Pool?

A That's correct.

Q Were Exhibits 5 and 6 prepared by you or under your supervision?

A Yes, sir.

MR. KELLAHIN: At this time I would like to offer in evidence Exhibits 5 and 6.

MR. UTZ: Without objection 5 and 6 will be entered into the record of this case.

MR. KELLAHIN: That completes our testimony, Mr. Utz.

MR. UTZ: You made a statement that some of the area to the west was in a proration unit, do you mean a development unit?

A Yes, sir.

A Yes, sir.

MR. UTZ: What is the name of that unit?

A The Big Eddy.

MR. UTZ: Questions of the witness? The witness
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The case will be taken under advisement.

I N D E XWITNESSPAGE

DON FRASER

Direct Examination by Mr. Kellahin

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B. C. LARGENT

Direct Examination by Mr. Kellahin

10

E X H I B I T S
MARKEDEXHIBIT
Applicant's
1 through 7

3

OFFERED &
ADMITTED
9

STATE OF NEW MEXICO)
) ss
COUNTY OF BERNALILLO)

I, SOVEIDA GONZALES, Court Reporter, do hereby certify that the foregoing and attached Transcript of Hearing before the New Mexico Oil Conservation Commission was reported by me; and that the same is a true and correct record of the said proceedings, to the best of my knowledge, skill and ability.

Lorena Gonzalez
COURT REPORTER

I do hereby certify that the foregoing is a complete record of the proceedings in the Executive hearing of Case No. 4394, heard by the Commission on _____, 1970.

[Signature]
_____, Executive
New Mexico Oil Conservation Commission

MR. UTZ: Case 4394.

MR. HATCH: Case 4394, Application of Phillips Petroleum Company for a unit agreement, Lea County, New Mexico.

MR. UTZ: Appearances?

MR. KELLAHIN: Jason Kellahin, Kellahin & Fox, Santa Fe, appearing for the Applicant.

MR. UTZ: Other appearances?

DON FRASER

called as a witness, first having been duly sworn, testified as follows:

DIRECT EXAMINATION

BY MR. KELLAHIN:

Q Would you state your name, please?

A Don Fraser.

Q By whom are you employed and what is your position?

A Phillips Petroleum Company, my title is District Contractman.

Q How do you spell your last name?

A F-r-a-s-e-r.

Q Have you ever testified before the Oil Conservation Commission?

A No, sir.

Q For the benefit of the Examiner, would you briefly outline your experience in connection with your work as a

contractman?

A I have been employed by Phillips Petroleum Company for approximately eighteen years. I am in the Land Section of Exploration and Production Department. I have been located in our main office in Bartlesville, Oklahoma. I have served in Lafayette, Louisiana for about ten years in all phases of land work. I was in Houston as Regional Staff Landman and now presently in Midland.

Q In connection with your work as Contractman, have you had anything to do with the Plata Deep Unit agreement?

A Yes, sir, I prepared it.

MR. KELLAHIN: Are the witness's qualifications acceptable?

MR. UTZ: Yes, sir.

MR. KELLAHIN: Would you please mark these?

(Whereupon, Applicant's Exhibit 1 through 7 marked for identification.)

Q (By Mr. Kellahin) Referring to what has been marked as Applicant's Exhibit Number 1, would you identify that exhibit, please?

A Exhibit Number 1 is the unit agreement for the development and operation of the Plata Deep Unit area, County of Lea, State of New Mexico.

Q Approximately what area does this cover? How many

acres does that cover?

A Five-thousand six-hundred acres.

Q What is the nature of the ownership of the acreage involved here, is it Federal, State or fee?

A It is all Federal and State, no fee lands involved.

Q Could you give us percentage of Federal against State?

A The Federal lands total 4,840 acres or 86.42% and the State lands consist of 760 or 13.57 of the total unit.

Q The unit agreement is in a form that has heretofore been approved by this Commission?

A Yes, sir.

Q Has it been committed to the Commissioner of Public Lands?

A Yes, sir.

Q Have you received preliminary approval from the Commissioner of Public Lands?

A Yes, sir.

Q Have all the working interest owners agreed to this unit agreement?

A We have been advised that approximately 99% will agree to this unit agreement.

Q Is there a lease situation as to one tract involved here?

A Yes, sir, there is.

Q What acreage does that cover?

A That covers forty acres and the lease is owned by Steven S. Helbing and Frank W. Hopichant and covers the southwest quarter of the northeast quarter of Section E, Township 20, Range 32 East, Lea County.

Q Would that be on the edge of the unit area?

A It would be within a quarter of a mile of the edge.

Q Whether that acreage is committed or not, would it affect your ability to control the development of that unit?

A No, sir.

Q You do have some indication that that acreage will be committed to the unit?

A Yes, sir.

Q That is not certain?

A I feel it will be.

Q How about the royalty interest?

A We have requested that all the overriding and royalty owners sign consent and ratification and we have fourteen individuals and companies involved and we have received eleven of those back.

Q Do you anticipate that you will have substantially all of the royalty committed to this unit?

A Yes, sir.

Q Now what is the nature of this unit, Mr. Fraser, is it a development unit or exploratory unit or what is it?

A This is an exploratory unit.

Q Do you have a copy of the unit operating agreement as Exhibit Number 2?

A Yes, sir.

Q Does that have a drilling commitment in it?

A Yes, it does.

Q What will the operator do?

A The operator will drill a 13,000 Morrow test well at a location in Section 15 on or before September 15, 1970.

Q Do you anticipate that well will be drilled prior to that date?

A Yes, sir.

Q In connection with your unit agreement, is Phillips Petroleum Company designated as operator?

A Yes.

Q And is there a provision by subsequent joinder of acreage not committed to the unit?

A Yes, there is.

Q Mr. Fraser, isn't the area covered, Plata Deep Unit, under the area designated as potash area?

A Yes, it is.

Q Have you been able to get this release from the

potash area up to the present time?

A Release?

Q What is the status of it?

A The status of it is that there is a mine in this vicinity, would be over a mile from our location; however, we understand that no operation has been conducted out there for over a year. There are two potash leases in the vicinity, one covers the drill site and we have obtained permission from the owner of that lease and the adjoining lease to drill this well.

Q Now referring to what has been marked as Exhibits 3 and 4, would you identify those exhibits, please?

A Exhibits 3 and 4 are one letter dated May 6, 1970 directed to Mr. D. S. Harroun and Mr. Russell Hayworth requesting permission for us to drill the well in Section 15 and it was approved by both the aforesaid persons on May 9, 1970.

Q Does that cover the well site?

A That is the well site release.

Q And they are the potash lease owners there, is that correct?

A Yes, sir.

Q Now the second exhibit?

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		9

STATE OF NEW MEXICO)
) ss
 COUNTY OF BERNALILLO)

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 Hearing before the New Mexico Oil Conservation Commission
 was reported by me; and that the same is a true and correct
 record of the said proceedings, to the best of my knowledge,
 skill and ability.

Soveida Gonzales
 COURT REPORTER

I do hereby certify that the foregoing is
 a complete record of the proceedings in
 the Examiner hearing of Case No. 4394
 heard by me on 10/9/76.
[Signature] Examiner
 New Mexico Oil Conservation Commission

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Michael J. [Signature], Examiner
 New Mexico Oil Conservation Commission

