

CASE 2000: Application of MARATHON
OIL CO. for approval of the FOX
CANYON UELT AGREEMENT, HEDY COUNTY.

CASE NO.

2880

Application,
TRANSCRIPTS,
SMALL Exhibits
ETC.

2880
JUN 16 1965

Marathon Oil Company
P. O. Drawer 1398
Roswell, New Mexico

Gentlemen:

On June 14, 1965, effective as of April 1, 1965, R. H. Lyddan, Acting Director of the Geological Survey, approved the termination of the Box Canyon unit agreement, Eddy County, New Mexico, No. 14-03-COI-8543, pursuant to the last paragraph of Section 20 thereof.

Enclosed are six copies of the approved application for your records. We request that you furnish notice of this approval to each interested working interest owner, lessee, and lessor at their last known address.

Sincerely yours,

M. J. DUNCAN

For the Director

Enclosures 6

47c: Roswell 2 (w/2 copies of approved application)

NOTED - VALLEY
RECEIVED

NOTED
JUN 24 1965
SHOCER

RECEIVED
JUN 21 1965
U.S. GEOLOGICAL SURVEY
SALT LAKE CITY, UTAH

2880

MAIL ROOM

OCT 14 1964

October 13, 1964

Marathon Oil Company
P. O. Drawer 1398
Roswell, New Mexico

Re: Box Canyon Unit
Sandoz County, New Mexico

Attention: Mr. John L. Anderson, Jr.

Gentlemen:

The Commissioner of Public Lands has approved as of October 13, 1964, your request for an additional extension of six months, or until April 29, 1965, in which to either commence or cause to have commenced another well on the Box Canyon Unit Area.

Our approval of this extension is based upon a firm understanding of the above stated action and if such well is not commenced, operator will take the proper steps to terminate the Unit Agreement as provided for under the Box Canyon Unit Agreement.

We are returning eight approved copies of this Application.

Marathon Oil Company
Attention: Mr. John L. Anderson, Jr.
October 13, 1964
(page 2)

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
Ted Bilberry, Director
Oil & Gas Department

ESW/war/v

CC:

United States Geological Survey
P. O. Drawer 1857
Roswell, New Mexico

Oil Conservation Commission
Santa Fe, New Mexico

Marathon Oil Company
P. O. Box 3128
Houston 1, Texas
Attention: Mr. R. M. Wilson

MAIN OFFICE OCC

MARATHON OIL COMPANY
FORMERLY THE OHIO OIL COMPANY

1963 SEP 26 AM 8:11

LEGAL DEPARTMENT

J. O. TERRELL COUCH
DIVISION ATTORNEY
JOHN H. BEVAN, JR.
WARREN B. LEACH, JR.
JACK FARISS
RICHARD G. RORSCHACH
ATTORNEYS

SOUTHERN NATIONAL BANK BUILDING
P. O. BOX 3128
HOUSTON 1, TEXAS
September 23, 1963

Case file
Re: Box Canyon Unit Agreement, Eddy County,
New Mexico, Case No. 2880, Order No. R-2348

Oil Conservation Commission of
The State of New Mexico
P. O. Box 871
Santa Fe, New Mexico

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

Gentlemen:

Enclosed is a copy of the Box Canyon Unit Agreement showing the original execution of each of the working interest owners. Attached to this agreement is the Certificate - Determination of the Acting Director, United States Geological Survey, given under date of August 27, 1963, which date is the effective date of the Unit Agreement. This agreement is being filed in compliance with Paragraph (5) of the Commission's Order of August 9, 1963. There is also attached to this agreement a copy of the Certificate of Approval by the Commissioner of Public Lands of the State of New Mexico given under date of August 13, 1963.

We certainly appreciate the cooperation of the Commission in handling this matter for us and particularly the prompt issuance of its Order of August 9, 1963.

Yours very truly,

John H. Bevan, Jr.
John H. Bevan, Jr.

JHB:LL
Enc.

cc: Mr. I. G. Burrell
Mr. Chas. F. Malone
Mr. Jim Durrett ✓

August 13, 1963

Marathon Oil Company
P. O. Box 1398
Roswell, New Mexico

Re: Box Canyon Unit, Eddy
County, New Mexico

Attention: Mr. E. J. Sorenson

Gentlemen:

The Commissioner of Public Lands has approved as of August 13, 1963 the Box Canyon Unit Agreement, Eddy County New Mexico. Our approval is subject to like approval by the United States Geological Survey.

We are handing to your Mr. Sorenson ten originally signed Certificates of Approval together with our Official Receipt No. G-19734 in the amount of Ninety (\$90.00) Dollars which covers the filing fee.

Very truly yours,

S. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY:
(Mrs.) Lucian M. Reed, Supervisor
Unit Division

BSJW/RRR/4
enclosures
cc: Oil Conservation Commission

United States Geological Survey
Roswell, New Mexico

State of New Mexico



Commissioner of Public Lands

E. S. JOHNNY WALKER
COMMISSIONER



P. O. BOX 791
SANTA FE, NEW MEXICO

June 27, 1963

Marathon Oil Company
P. O. Drawer 1398
Roswell, New Mexico

Re: Proposed Box Canyon Unit,
Eddy County, New Mexico

Attention: Mr. E. J. Sorenson

Gentlemen:

The Commissioner of Public Lands has approved, as to form and content, your proposed Box Canyon Unit, Eddy County, New Mexico.

This approval is subject to a change or wording in the agreement as follows:

on page 24, line 25, after the word director add "and the Land Commissioner" and in line 26 after the word joinder delete "by a lessee of record."

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY: *Marian M. Rhea*
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

ESJW/arr/m

cc: Marathon Oil Company
Southern National Bank Building
P. O. Box 3128
Houston, Texas
Attention: Mr. John H. Bevin, Jr.

P. O. Drawer 1398
Roswell, New Mexico

August 6, 1963

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

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

Re: Unit Agreement for Box Canyon Unit Area,
Including 10,560.48 Acres, More or Less,
in Township 21 South and Township 22 South,
Range 21 East, N.M.P.M., Eddy Co., N.M.

Gentlemen:

Subsequent to the filing of our application for approval of the captioned unit, four changes in address and/or ownership of overriding royalty interests were discovered and it is therefore respectfully requested that the List of Interested Parties attached to this application be amended as follows:

1. The ownership of Arnold Bunte was determined to be his sole and separate property and his wife, Enid Bunte, is therefore not a party of interest.
2. The entire ownership credited to James T. Jennings et ux has been assigned to W. E. Burkstaller, whose wife is Julie G. Burkstaller, 111 West Walnut Street, Roswell, New Mexico.
3. The address of Irwin Rubenstein has been changed from 707 Park Land Building, 2025 I. Street NW, Washington, D. C., to 500 Deerfield Avenue, Silver Spring, Maryland.
4. The address of G. E. Stout has been changed from 614 Colorado Building, Denver, Colorado, to 212 Colorado Building, Denver, Colorado.

Respectfully submitted,

MARATHON OIL COMPANY
Land Department

David J. Sorenson
David J. Sorenson

DJS:jb



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

IN REPLY REFER TO:

JUN 19 1963

Marathon Oil Company
P. O. Box 3128
Houston 1, Texas

Attention: Mr. I. G. Burrell

Gentlemen:

Your application of May 23, filed with the Regional Oil and Gas Supervisor, Roswell, New Mexico, on May 27, requests the designation of 10,560.48 acres, more or less, in Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to the unit plan regulations of December 22, 1950, 30 CFR 226.3 (1961 reprint), the land requested as outlined on your map marked Exhibit "A", Box Canyon unit, Eddy County, New Mexico, is hereby designated as a logical unit area.

Your proposed form of unit agreement, which follows the standard unit agreement form with the addition of previously accepted modifications, including the language required by the State of New Mexico, and providing for the drilling of the initial well to test formations of Devonian age or to 9,600 feet, is acceptable.

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical to the proposed form attached to your application will be approved if submitted in approvable status within a reasonable period of 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.

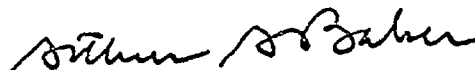
Include the latest status of all acreage when the executed agreement is submitted for approval. The format of the sample exhibits attached to the 1961 reprint of the standard form should be followed closely in preparation of Exhibits A and B.

RECEIVED
JUN 24 1963

MARATHON OIL COMPANY
HOUSTON DIVISION
MANAGER

Inasmuch as this unit area contains State of New Mexico lands,
please contact the Commissioner of Public Lands at Santa Fe,
New Mexico in connection with this letter before soliciting
joinders.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Arthur J. Zahner".

Acting Director



MARATHON OIL COMPANY
FORMERLY THE OHIO OIL COMPANY

110 01 1 11 7 37

July 25, 1963

Re: Unit Agreement for Box Canyon Unit Area,
Including 10,560.48 Acres, More or Less,
in Township 21 South and Township 22 South,
Range 21 East, N.M.P.M., Eddy County, N. M.

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

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

Gentlemen:

Marathon Oil Company hereby applies for approval of the Unit Agreement for the Development and Operation of the Box Canyon Unit Area, which includes 10,560.48 acres of land, more or less, in Eddy County, New Mexico, and more fully described as follows:

T-21-S, R-21-E, N.M.P.M.

Sec. 19: E/2
Sec. 20: All
Sec. 21: All
Sec. 27: All
Sec. 28: All
Sec. 29: All
Sec. 30: E/2
Sec. 32: All
Sec. 33: All
Sec. 34: All
Sec. 35: W/2

T-22-S, R-21-E, N.M.P.M.

Sec. 1: All
Sec. 2: All
Sec. 3: All
Sec. 4: All
Sec. 10: All
Sec. 11: All
Sec. 12: All

Designation of the Box Canyon Unit Area as above described has been approved by the United States Geological Survey. The Unit Area includes 1,399.48 acres, more or less, of State land, 40 acres of fee land, and the remainder of the land included within the Unit Area is Federal land. The State land so included is described as follows:

T-21-S, R-21-E, N.M.P.M.

Sec. 20: E/2 SW/4
Sec. 32: All

T-22-S, R-21-E, N.M.P.M.

Sec. 2: All
Sec. 3: SE/4 SE/4

The fee land so included is described as follows:

T-21-S, R-21-E, N.M.P.M.

Sec. 28: SW/4 NW/4

July 25, 1963

It is expected that by the date which will be set for a hearing on this Application, the Unit Agreement will have been executed or agreed to by all or substantially all of the owners of working interests and overriding royalty interests in the land included within the Unit Area. Preliminary approval of the Unit Agreement has been obtained from the United States Geological Survey.

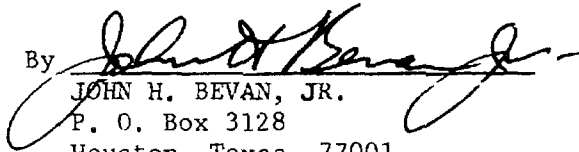
A copy of the Unit Agreement has heretofore been submitted to the Commissioner of Public Lands of the State of New Mexico. A copy of this Unit Agreement with revised page 24 to reflect a change requested by the Commissioner in Section 29 is enclosed with this Application, and a copy of this Application and revised agreement is being sent to the Commissioner on this date. A list of all interested parties known to Applicant is attached hereto.

Marathon Oil Company respectfully requests that this Application be set for hearing before a duly appointed examiner of the Commission at the earliest possible date, that notice be given as required by law and the regulations, and that the Box Canyon Unit Area and the Unit Agreement be approved as proposed.

Respectfully submitted,

MARATHON OIL COMPANY

By

JOHN H. BEVAN, JR.

P. O. Box 3128

Houston, Texas, 77001

LIST OF INTERESTED PARTIES

BOX CANYON UNIT AREA - EDDY COUNTY, NEW MEXICO

Commissioner of Public Lands
State of New Mexico
P. O. Box 791
Santa Fe, New Mexico

Mr. John Anderson
Regional Oil and Gas Supervisor
United States Geological Survey
Roswell, New Mexico

Bruce Anderson et ux, Jacqueline Anderson
930 Petroleum Club Building
Denver 2, Colorado

Eugenia Bate, a widow
P. O. Box 161
Santa Fe, New Mexico

Vola V. Horst Bunnell
P. O. Box 2059
Santa Fe, New Mexico

Arnold Bunte et ux, Enid Bunte
611 West Church
Roswell, New Mexico

Max H. Christensen et ux, Marcella B.
Christensen
1116 Petroleum Life Building
Midland, Texas

Thomas Connell et ux, Emily K. Connell
1417 State Street
New Orleans 18, Louisiana

Dalport Oil Corporation
930 Fidelity Union Life Building
Dallas, Texas

Clarence E. Hinkle et ux, Lilliar T. Hinkle
407 North Washington Avenue
Roswell, New Mexico

James T. Jennings et ux, Frances S. Jennings
1208 Avenida Del Sumbre
Roswell, New Mexico

S. W. Lodewick et ux, Laura B. Lodewick
305 North Missouri Avenue
Roswell, New Mexico

Bonnie H. Matlock Morrison
3 Park Road
Roswell, New Mexico

Irwin Rubenstein
707 Park Land Building
2025 I. Street NW
Washington, D. C.

Caldwell J. Saunders et ux, Faye N.
Saunders
2515 Cambria
Dallas, Texas

Joe Schutz et ux, Rosina Schutz
116 Valley Drive
Santa Fe, New Mexico

Michael S. Shearn
212 Schuster
El Paso, Texas

C. E. Stout
614 Colorado Building
Denver, Colorado

George S. Turner et ux, Edna K. Turner
2003 West Indiana
Midland, Texas

Hoover H. Wright et ux, Betty Ruth
Wright
P. O. Box 2124
Santa Fe, New Mexico

B. B. Armstrong, Murphy S. Armstrong,
and Gayle Armstrong Stokes
1511 Highland Road
Roswell, New Mexico

Edward C. Donahue
P. O. Drawer 1372
El Paso, Texas

(Cont'd)

LIST OF INTERESTED PARTIES

BOX CANYON UNIT AREA - EDDY COUNTY, NEW MEXICO

(Cont'd)

Beard Oil Company
6th Floor, Classen Building
2915 Classen Boulevard
Oklahoma City 6, Oklahoma
Attention: Mr. William Beard

Sun Oil Company
P. O. Box 2880
Dallas 21, Texas
Attention: Mr. A. J. Viets

Union Oil Company of California
619 West Texas Avenue
Midland, Texas
Attention: Mr. John Hansen



UNITED STATES
DEPARTMENT OF THE INTERIOR
GEOLOGICAL SURVEY
WASHINGTON 25, D. C.

IN REPLY REFER TO:

RECEIVED

JUN 27 1963

LAND DEPARTMENT
MIDLAND, TEXAS

JUN 19 1963

Marathon Oil Company
P. O. Box 3128
Houston 1, Texas

Attention: Mr. I. G. Burrell

Gentlemen:

Your application of May 23, filed with the Regional Oil and Gas Supervisor, Roswell, New Mexico, on May 27, requests the designation of 10,560.48 acres, more or less, in Eddy County, New Mexico, as logically subject to exploration and development under the unitization provisions of the Mineral Leasing Act, as amended.

Pursuant to the unit plan regulations of December 22, 1950, 30 CFR 226.3 (1961 reprint), the land requested as outlined on your map marked Exhibit "A", Box Canyon Unit, Eddy County, New Mexico, is hereby designated as a logical unit area.

Your proposed form of unit agreement, which follows the standard unit agreement form with the addition of previously accepted modifications, including the language required by the State of New Mexico, and providing for the drilling of the initial well to test formations of Devonian age or to 9,600 feet, is acceptable.

In the absence of any type of land requiring special provisions or any objections not now apparent, a duly executed agreement identical to the proposed form attached to your application will be approved if submitted in approvable status within a reasonable period of 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.

Include the latest status of all acreage when the executed agreement is submitted for approval. The format of the sample exhibits attached to the 1961 reprint of the standard form should be followed closely in preparation of Exhibits A and B.

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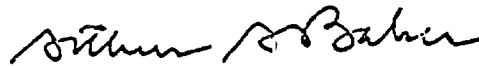
JUN 24 1963

MARATHON OIL COMPANY
HOUSTON DIVISION
MANAGER

BEFORE EXAMINER UTA
OIL CONSERVATION COMMISSION
EXHIBIT NO. _____
FILE NO. _____

Inasmuch as this unit area contains State of New Mexico lands,
please contact the Commissioner of Public Lands at Santa Fe,
New Mexico in connection with this letter before soliciting
joinders.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Arthur B. Baker".

Acting Director



MARATHON OIL COMPANY
FORMERLY THE OHIO OIL COMPANY

P. O. Drawer 1398
Roswell, New Mexico

August 6, 1963

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

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

Re: Unit Agreement for Box Canyon Unit Area,
Including 10,560.48 Acres, More or Less,
in Township 21 South and Township 22 South,
Range 21 East, N.M.P.M., Eddy Co., N.M.

Gentlemen:

Subsequent to the filing of our application for approval of the captioned unit, four changes in address and/or ownership of overriding royalty interests were discovered and it is therefore respectfully requested that the List of Interested Parties attached to this application be amended as follows:

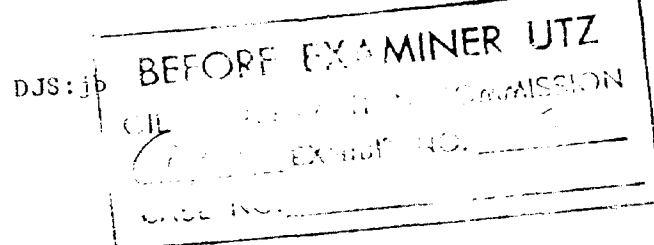
1. The ownership of Arnold Bunte was determined to be his sole and separate property and his wife, Enid Bunte, is therefore not a party of interest.
2. The entire ownership credited to James T. Jennings et ux has been assigned to W. E. Burkstaller, whose wife is Julice G. Burkstaller, 111 West Walnut Street, Roswell, New Mexico.
3. The address of Irwin Rubenstein has been changed from 707 Park Land Building, 2025 I. Street NW, Washington, D. C., to 500 Deerfield Avenue, Silver Spring, Maryland.
4. The address of C. E. Stout has been changed from 614 Colorado Building, Denver, Colorado, to 212 Colorado Building, Denver, Colorado.

Respectfully submitted,

MARATHON OIL COMPANY
Land Department

David J. Sorenson

David J. Sorenson



State of New Mexico



Commissioner of Public Lands

E. S. JOHNNY WALKER
COMMISSIONER



RECEIVED
JUL 1 1963
LAND DEPARTMENT
SANTA FE, N.M.

P. O. BOX 791
SANTA FE, NEW MEXICO

June 27, 1963

Marathon Oil Company
P. O. Drawer 1398
Roswell, New Mexico

Re: Proposed Box Canyon Unit,
Eddy County, New Mexico

Attention: Mr. E. J. Sorenson

Gentlemen:

The Commissioner of Public Lands has approved, as to form and content, your proposed Box Canyon Unit, Eddy County, New Mexico.

This approval is subject to a change of wording in the agreement as follows:

on page 24, line 25, after the word director add "and the Land Commissioner" and in line 26 after the word joinder delete "by a lessee of record."

Very truly yours,

E. S. JOHNNY WALKER
COMMISSIONER OF PUBLIC LANDS

BY: *Marian M. Rhea*
(Mrs.) Marian M. Rhea, Supervisor
Unit Division

ESJW/mm/m
cc: Marathon Oil Company
Southern National Bank Building
P. O. Box 3128
Houston, Texas
Attention: Mr. John H. Bevin, Jr.

BEFORE EXAMINER USE
OIL CONSERVATION COMMISSION
EXHIBIT NO. _____
CASE NO. _____

DRAFT

~~CONFIDENTIAL~~

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. 2880

Order No. R- ~~2895~~

2548

APPLICATION OF MARATHON OIL COMPANY
FOR APPROVAL OF THE BOX CANYON UNIT
AGREEMENT, EDDY COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 7, 1963, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this _____ day of August, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, 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, Marathon Oil Company, seeks approval of the Box Canyon Unit Agreement covering 10,560.48 acres, more or less, of State, Federal and Fee lands in Townships 21 and 22 South, Range 21 East, NMPM, Eddy County, New Mexico.

(3) That approval of the proposed Box Canyon Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) Box Canyon Unit Agreement is hereby

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Box Canyon Unit Area, and such plan shall be known as the Box Canyon Unit Agreement Plan.

(3) That the Box Canyon Unit Agreement Plan 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 Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Box Canyon Unit, or relative to the production of oil or gas therefrom.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO

T-21-S, R-21-E, N.M.P.M.

Sec. 19: E/2 ✓
Sec. 20: All ✓
Sec. 21: All ✓
Sec. 27: All
Sec. 28: All
Sec. 29: All
Sec. 30: E/2 ✓
Sec. 32: All
Sec. 33: All
Sec. 34: All
Sec. 35: W/2 ✓

T-22-S, R-21-E, N.M.P.M.

Sec. 1: All
Sec. 2: All
Sec. 3: All
Sec. 4: All
Sec. 10: All
Sec. 11: All
Sec. 12: All

containing 10,560.48 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(c) That this unit agreement shall be valid only when accompanied by an executed original or executed counterpart of the Box Canyon

-3-
CASE No. 2880

Unit Agreement within 30 days after the effective date thereof. 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.

(6) 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, and shall terminate ~~ipso facto~~ upon the termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

(7) 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 herein-
above designated.

GEOLOGIC REPORT

Proposed Box Canyon Unit
Townships 21 & 22 South, Range 21 East
Eddy County, New Mexico

Location and Introduction

The prospect is located mainly in the southwest quadrant of T-21-S, R-21-E, and the northeast quadrant of T-22-S, R-21-E, Eddy County, New Mexico, and approximately 30 miles west of Carlsbad, New Mexico. The location is east of the Huapache Fault escarpment; therefore, the topography and existing access roads to the area indicate no major difficulty in building locations for wells or roads.

Geophysics and Geology

The Box Canyon Prospect is based mainly upon a seismic anomaly which trends in a northwest to southeast direction with approximately 850 feet of closure on the 'Devonian' reflection. The anomaly is located immediately east of and is parallel to the Huapache Fault. Subsurface mapping is limited because of lack of control; however, the location is based to some extent on subsurface geology.

The objective formation is the 'Devonian' and, in addition, the lower Pennsylvanian (Bend) sands which are well developed in the Continental #1 East Texas Hill well (SE/4 SE/4 Section 1, T-22-S, R-21-E) are considered a potential pay zone for this location. Recent exploration in the Indian Basin Area (T-21-S, R-23-E) enhances the possibility for a Bend sand reservoir. The location also has production possibilities from the Abu Keel which is a prolific reservoir in the Empire Field to the northeast.

The unit outline follows, in general, the -4000' datum contour line on the Reflection Seismograph Map; although, in a few cases it deviates slightly from this contour line in order to adhere to ~~the acreage measurements.~~

BEFORE EXAMINER **UTZ**
OIL CONSERVATION COMMISSION
EXHIBIT NO. _____
CASE NO. _____

In view of the fact that the -4800' datum contour line encompasses only small portions of the east half of Section 35 and the west half of Section 19, Township 21 South, Range 21 East, this acreage was omitted from the proposed unit outline. The west half of Section 30, Township 21 South, Range 21 East was not included as it is located west of the fault and has no potential value. Although the proposed location is not situated on the highest "Devonian" seismic point, this site has been selected because the best seismic evidence of west dip is present here and also, as stated above, this location offers better possibilities for Abo Reef and Pennsylvanian (Sand) sand production.

Upon approval of this unit, Marathon Oil Company, as unit operator, proposes to drill a 9600' "Devonian" wildcat test located approximately as shown on the map. The proposed "Devonian" test should encounter the following formations at the approximate depth shown: Permian-Glorieta 1100', Abo 3500', Wolfcamp 4500', Pennsylvanian-Cisco 5150', Strawn 7400', Sand 8400', Mississippian Lime 8800', and "Devonian" 9300'. Probable producing zones are: Abo Reef approximately 3500-3900', Sand Sand approximately 8400-8700', and "Devonian" approximately 9300-9500'.

Respectfully submitted,

MARATHON OIL COMPANY

Geologic Department
Roswell, New Mexico

by N. E. Webernick
N. E. Webernick
Area Geologist

RUM:jv

Attachments: Devonian Reflection Seismograph Map
Index Map

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

EXAMINER HEARING

IN THE MATTER OF:

Application of Marathon Oil Company for
a unit agreement, Eddy County, New
Mexico. Applicant, in the above-styled
cause, seeks approval of the Box Canyon
Unit Area comprising 10,560.48 acres of
State, Federal and Fee lands in Town-
ships 21 and 22 South, Range 21 East,
Eddy County, New Mexico.

Case No. 2880

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

August 7, 1963

DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691



DEARNLEY-MEIER REPORTING SERVICE, Inc.

FARMINGTON, N. M.
PHONE 325-1182

SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 143-6691

BEFORE THE
OIL CONSERVATION COMMISSION
Santa Fe, New Mexico
August 7, 1963

EXAMINER HEARING

IN THE MATTER OF:

Application of Marathon Oil Company for
a unit agreement, Eddy County, New
Mexico. Applicant, in the above-styled
cause, seeks approval of the Box Canyon
Unit Area comprising 10,560.48 acres of
State, Federal and Fee lands in Town-
ships 21 and 22 South, Range 21 East,
Eddy County, New Mexico.

Case 2880

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

MR. UTZ: Case 2880.

MR. DURRETT: Application of Marathon Oil Company for
a unit agreement, Eddy County, New Mexico.

MR. MALONE: Charles Malone of Atwood and Malone for
the Applicant. We have two witnesses to be sworn.

(Witnesses sworn.)

(Whereupon, Applicant's Exhi-
bits Nos. 1 through 5 were
marked for identification.)

DAVID J. SORENSON

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



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PHONE 243-6691

DIRECT EXAMINATION

BY MR. MALONE:

Q Would you state your name, please?

A My name is David J. Sorenson.

Q By whom are you employed, in what office?

A I am employed by Marathon Oil Company as area geologist at their Roswell Office.

Q Is the land involved in this application under the jurisdiction of the Roswell Office?

A It is.

Q Are you familiar with the matters described in the application in this case?

A Yes, sir.

Q Mr. Sorenson, are there any changes in the application as submitted to the Commission, any changes in the application itself?

A Since preparing this application we have been advised of two changes in ownership of overriding royalties and two changes in addresses of overriding royalty owners. This does not affect the application as such, but it does alter the list of interested parties attached to the application. I have those changes listed in a letter form.

MR. MALONE: We ask that the Commission consider the



unit agreement which was filed with the application and which has already been marked as an exhibit, as Exhibit 1.

Q With respect to Exhibit 2, Mr. Sorenson, is this the list of changes which you have just described?

A Yes, sir.

Q Referring now to your Exhibit 3, what is this, please?

A Exhibit 3 is a land plat on which the unit outline has been drawn in blue. The acreage within the unit has been colored to show the ownership of the basic royalty, whether it be state, federal or fee lands.

Q Is the ownership of the working interest shown on that exhibit?

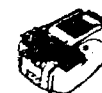
A Yes, it is.

Q Is the type of lease also shown there both by type of lease and by number of acres?

A Yes, sir. The unit includes a total of 10,560.48 acres, of which 9,121 acres is federal land, which amounts to 86% of the unit; 1,399.48 acres of state land in the unit, which amounts to slightly over 13%, and there is a 40-acre fee tract that amounts to less than half of one per cent.

Q Of the leases themselves, how much is in Marathon ownership?

A 81%.



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Q Are there any uncommitted interests within the boundaries of the proposed unit area?

A There will be two tracts uncommitted. The Northeast Quarter of Section 19, 20 South, 21 East as a federal lease owned by Edward C. Donahue and William Elliott Donahue, and this tract is listed as Tract No. 2 on Exhibit B to the unit agreement. These lease owners have declined to commit this acreage to the unit. In addition the unleased 40-acre fee tract described as the Southwest, Northwest of Section 28 of 21 South, 21 East is also uncommitted, the mineral owners have declined to participate. This fee tract is listed as Tract No. 23 on Exhibit B to the unit agreement. These two tracts total 200 acres which amounts to only approximately 1.9% of the unit outline, and consequently we will have in excess of 98% of the working interest committed with Marathon Oil Company as operator.

Q Does the proposed unit agreement provide for subsequent joinder of these uncommitted interests if desired?

A Yes, sir, paragraph 29 of the unit agreement provides for such joinder.

Q Has this unit agreement been submitted to the United States Geological Survey?

A Yes, it has, and by letter of June 19, 1963 the acting director granted preliminary approval to the unit agreement and



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designated the Box Canyon Unit as a whole unit area.

Q And this is your Exhibit No. 4, is that correct?

A That is correct.

Q Has the proposed agreement been submitted to the Commissioner of Public Lands?

A Yes, sir, and by letter of June 27, 1963 Mrs. Rhea advised that the Commissioner approve the unit agreement as to form and content subject to a change in wording in paragraph 29 which relates to subsequent joinder. This requested amendment was incorporated in the unit agreement prior to submitting it to the Oil Conservation Commission.

Q This letter is your Exhibit No. 5, is that correct?

A Yes, sir.

Q Would the changes in Exhibit B, which is the ownership Exhibit B to the unit agreement, result in a change in the ownership exhibit? Well, I believe you previously described it as a change in Exhibit B to the unit agreement, did you not?

A Well, actually the two changes in ownership of overriding royalty was mentioned in connection with the list of interested parties attached to the application, and this, of course, will result in Exhibit B to the unit operating agreement being amended also to incorporate those changes.

Q Has this unit agreement been executed by the owners of



operating rights in the proposed area?

A Not as yet. However, all working interest owners except the two previously mentioned have agreed to commit to the unit and we expect to have the unit agreement and the operating agreement signed within the next week.

Q What about the overriding royalty owners?

A All of the overriding royalty owners have either previously executed ratifications of the unit agreement or will sign the unit agreement itself.

Q Do you have anything further to add in connection with these exhibits or the matters under discussion here?

A No, sir.

Q Was Exhibit No. 3, the land map, prepared under your supervision?

A Yes, sir.

MR. MALONE: We offer Exhibits 1 through 5 into evidence.

MR. UTZ: Without objection Exhibits 1 through 5 will be entered into the record.

(Whereupon, Applicant's Exhibits 1 through 5 were offered and admitted in evidence.)

MR. MALONE: That completes the direct examination of this witness.

MR. UTZ: Are there any questions of Mr. Sorenson?



MR. DURRETT: Yes, sir, I have a question.

CROSS EXAMINATION

BY MR. DURRETT:

Q I'm interested to know why the two parties who would not commit were not interested in doing so.

A Well, that's a hard question to answer. We offered everybody the opportunity of participating either by paying their share of the cost or farming out. The Donahue interest addressed a letter to us advising that they did not feel it was in their interest to do so in view of their leasehold in the area. I have a copy of that letter with me if you would be interested in it, and we also have a letter from the mineral owners under that unleased fee tract to the effect that they do not desire to participate, their main reason being that they're so far from the drill site that they wouldn't be involved anyhow at the present time, and of course, the unit agreement does provide for subsequent joinder if they change their mind.

Q So they could join later if they so desire?

A Right.

MR. DURRETT: Thank you.

MR. UTZ: Where is the drill site?

A The initial test will be drilled in the Northwest of Section 12, 22 South, 21 East to a depth of 9600 feet to test the

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Devonian.

MR. MALONE: That drill site is shown on one of our next exhibits.

MR. UTZ: Are there any other questions of the witness?
The witness may be excused.

(Witness excused.)

(Whereupon, Applicant's Exhibits 6 and 7 were marked for identification.)

BILL McMICHAEL

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

DIRECT EXAMINATION

BY MR. MALONE:

Q Would you state your name, please?

A My name is Bill McMichael.

Q By whom are you employed and in which office?

A By Marathon Oil Company. I'm area geologist for the Roswell Office.

Q Are you familiar with this application and the geologic aspects of the proposed unit?

A Yes, I am.

Q Have you previously testified before this Commission as an expert in matters of geology?



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A Yes, sir, I have.

Q Is the area in the proposed unit under the jurisdiction of your office?

A Yes, it is. It's located in Eddy County, New Mexico which comes under our jurisdiction.

MR. MALONE: Are the qualifications of this witness satisfactory?

MR. UTZ: Yes, sir, they are.

Q Referring now to your Exhibit No. 6, Mr. McMichael, would you state what this is, please?

A This is a reflection seismograph map on the Devonian reflection in the area of the Box Canyon Unit.

MR. MALONE: May the record show at this time that the Applicant would respectfully request that the Commission advise the reporter not to furnish copies of the Exhibits 6 and 7 to persons other than Commission in order that they might be kept confidential.

MR. UTZ: The reporter will not have access to Exhibits 6 and 7. They will be kept confidential. For how long?

MR. DURRETT: Ninety days.

Q (By Mr. Malone) Would you describe, please, what is shown by Exhibit No. 6?

A This is a seismic map, scale one inch to 2,000 feet,



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with contouring interval of 100 feet, a reflection from approximately Devonian horizon. It is a result of a survey run by Independent Exploration Company on behalf of Ohio Oil Company, now Marathon Oil Company, in 1960.

The unit outline is marked in blue and the proposed well site is marked with a red circle in the Northwest, Northwest of Section 12, 22, 21.

Q What contour intervals does the proposed unit belong in?

A We attempted to follow the minus 4800-foot contour as closely as possible in outlining the unit.

Q What color is shown within the unit area?

A There's approximately 800 feet of closure. However, there might be a small part of that that's not considered productive, 700 would be a closer figure.

Q Would you refer now to your next Exhibit No. 7 please, and proceed to give whatever testimony you wish with respect to the geology of the area?

A This exhibit is a geologic report that was submitted with the application. I will quote or give my testimony from part of it. But I feel that all of it may not be pertinent to this part of the hearing. The Box Canyon prospect is based mainly upon a seismic anomaly which trends in a Northwest to Southeast direction. It has approximately 850 feet of closure.



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I would like to interrupt the reading of the report here to say that that includes some area that is closure but not productive closure. On the Devonian reflection the anomaly is located immediately east of and is parallel to the Huapache Fall. Subsurface mapping is limited because of lack of control. The location is based to some extent upon subsurface geology.

The objective formation is the Devonian, and in addition the Lower Pennsylvanian Bernsands which are well developed in the Continental No. 1 East Texas Hills well located in the Southeast Quarter of the Southeast Quarter of Section 1, Township 22 South, Range 21 East. These sands are considered substantial pay zone for this location.

Recent exploration in the Indian Basin area enhances the possibility for a Bernsand reservoir. The location also has production possibilities from the Abo Reef, which is a reservoir in the Empire Field to the Northeast.

Skipping to the pertinent part, as far as the test is concerned, upon approval of the unit Marathon Oil Company, as unit operator, proposes to drill a 9600-foot Devonian wildcat test located approximately as shown on the map. The proposed Devonian test should encounter the following formations to the approximate depth shown, Glorieta, 1100 feet; Abo, 3500 feet; Wolfcamp, 4500 feet; Cisco of Pennsylvanian age, 5150; Strawn,



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7400 feet; the Benn 8400 feet; Mississippian lime at 8800, and the Devonian at 9300. The probable producing zones are the Abo Reef, the interval 3500 to 3900, the Bemsand, 8400 to 7800, and the Devonian approximately 9300 to 9500.

Q Mr. McMichael, what is the reason for locating the proposed test well as it is shown on the exhibit?

A That is a part of the report that I omitted, but to explain why this is not in the highest closure this side has been selected because the best seismic evidence of west dip is present here and this location offers the best possibilities for Abo Reef and the Pennsylvanian Bemsand production.

I would like to explain further here that we use the term Bemsand and it broadly covers the Atoka and Morrow sands in that interval as used here.

Q You have stated that the objective formation in your test well is the Devonian. Does the proposed unit area include all lands which you would reasonably expect to be productive from the Devonian?

A Yes, sir, it does.

Q In your opinion, Mr. McMichael, would the granting of this application tend to promote conservation and prevent waste?

A Yes, sir, this unit outline covers the probable productive area and under unit operation would be operated most



efficiently and economically.

Q With respect to correlative rights do you have an opinion?

A I believe that all correlative rights would be protected on ratification by the royalty owners or those who do not participate have the opportunity to join subsequently.

Q Is there anything further that you wish to add to your testimony?

A Only that in making the unit outline the United States Geological Survey felt that we should keep this unit outline in as large increments as possible. In their opinion they seemed to feel that gas production was most probable from this area.

Q Where Exhibits 6 and 7 prepared under the supervision and control of the Geologic Department of Marathon, of which you are District Geologist?

A Yes, sir.

MR. MALONE: That concludes our direct examination, Mr. Examiner.

MR. UTZ: Exhibits 6 and 7 will be made a part of this record.

(Whereupon, Applicant's Exhibits 6 and 7 were admitted in evidence.)

MR. UTZ: Are there questions of the witness?

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MR. DURRETT: No.

CROSS EXAMINATION

BY MR. UTZ:

Q That's a pretty straight fault there, isn't it?

A Yes, sir, it is. It is reflected on the surface of the Huapache monocline.

Q Is it as straight as it's shown here?

A I would say that the fault zone is pretty close to that straight. This isn't covered well by the seismic information, this is a projection from the other areas, and based on the well you see in the Southeast, Southeast of Section 5, you'll notice the Ellenburger plus 554, Section 5 and 22 South, 21 East, and then the well East Texas Continental Hill in Section 1, the Ellenburger is a minus 5,726. That will indicate approximately 5,000 feet of throw.

MR. UTZ: Are there other questions of the witness?

The witness may be excused.

(Witness excused.)

MR. UTZ: Are there other statements to be made in this case? The case will be taken under advisement and the hearing is adjourned.

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STATE OF NEW MEXICO)
) SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 22nd day of August, 1963.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2880, heard by us on Aug. 7, 1963.

James H. [Signature], Examiner
New Mexico Oil Conservation Commission



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

EXAMINER HEARING

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Case No. 2880

BEFORE: Elvis A. Utz, Examiner.

TRANSCRIPT OF HEARING

August 7, 1963

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Q By whom are you employed, in what office?

A I am employed by Marathon Oil Company as area geologist at their Roswell Office.

Q Is the land involved in this application under the jurisdiction of the Roswell Office?

A It is.

Q Are you familiar with the matters described in the application in this case?

A Yes, sir.

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A Since preparing this application we have been advised of two changes in ownership of overriding royalites and two changes in addresses of overriding royalty owners. This does not affect the application as such, but it does alter the list of interested parties attached to the application. I have those changes listed in a letter form.

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unit agreement which was filed with the application and which has already been marked as an exhibit, as Exhibit 1.

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A Yes, sir.

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A Exhibit 3 is a land plat on which the unit outline has been drawn in blue. The acreage within the unit has been colored to show the ownership of the basic royalty, whether it be state, federal or fee lands.

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Q Has this unit agreement been submitted to the United States Geological Survey?

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(Witness excused.)

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The unit outline is marked in blue and the proposed well site is marked with a red circle in the Northwest, Northwest of Section 12, 22, 21.

Q What contour intervals does the proposed unit belong in?

A We attempted to follow the minus 4800-foot contour as closely as possible in outlining the unit.

Q What color is shown within the unit area?

A There's approximately 800 feet of closure. However, there might be a small part of that that's not considered productive, 700 would be a closer figure.

Q Would you refer now to your next Exhibit No. 7 please, and proceed to give whatever testimony you wish with respect to the geology of the area?

A This exhibit is a geologic report that was submitted with the application. I will quote or give my testimony from part of it. But I feel that all of it may not be pertinent to this part of the hearing. The Box Canyon prospect is based mainly upon a seismic anomaly which trends in a Northwest to Southeast direction. It has approximately 850 feet of closure.



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PHONE 242-6691

I would like to interrupt the reading of the report here to say that that includes some area that is closure but not productive closure. On the Devonian reflection the anomaly is located immediately east of and is parallel to the Huapache Fall. Subsurface mapping is limited because of lack of control. The location is based to some extent upon subsurface geology.

The objective formation is the Devonian, and in addition the Lower Pennsylvanian Bem sands which are well developed in the Continental No. 1 East Texas Hills well located in the Southeast Quarter of the Southeast Quarter of Section 1, Township 22 South, Range 21 East. These sands are considered substantial pay zone for this location.

Recent exploration in the Indian Basin area enhances the possibility for a Bem sand reservoir. The location also has production possibilities from the Abo Reef, which is a reservoir in the Empire Field to the Northeast.

Skipping to the pertinent part, as far as the test is concerned, upon approval of the unit Marathon Oil Company, as unit operator, proposes to drill a 9600-foot Devonian wildcat test located approximately as shown on the map. The proposed Devonian test should encounter the following formations to the approximate depth shown, Glorieta, 1100 feet; Abo, 3500 feet; Wolfcamp, 4500 feet; Cisco of Pennsylvanian age, 5150; Strawn,



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7400 feet; the Benn 8400 feet; Mississippian lime at 8800, and the Devonian at 9300. The probable producing zones are the Abo Reef, the interval 3500 to 3900, the Bernsand, 8400 to 7800, and the Devonian approximately 9300 to 9500.

Q Mr. McMichael, what is the reason for locating the proposed test well as it is shown on the exhibit?

A That is a part of the report that I omitted, but to explain why this is not in the highest closure this side has been selected because the best seismic evidence of west dip is present here and this location offers the best possibilities for Abo Reef and the Pennsylvanian Bernsand production.

I would like to explain further here that we use the term Bernsand and it broadly covers the Abo and Morrow sands in that interval as used here.

Q You have stated that the objective formation in your test well is the Devonian. Does the proposed unit area include all lands which you would reasonably expect to be productive from the Devonian?

A Yes, sir, it does.

Q In your opinion, Mr. McMichael, would the granting of this application tend to promote conservation and prevent waste?

A Yes, sir, this unit outline covers the probable productive area and under unit operation would be operated most



efficiently and economically.

Q With respect to correlative rights do you have an opinion?

A I believe that all correlative rights would be protected on ratification by the royalty owners or those who do not participate have the opportunity to join subsequently.

Q Is there anything further that you wish to add to your testimony?

A Only that in making the unit outline the United States Geological Survey felt that we should keep this unit outline in as large increments as possible. In their opinion they seemed to feel that gas production was most probable from this area.

Q Where Exhibits 6 and 7 prepared under the supervision and control of the Geologic Department of Marathon, of which you are District Geologist?

A Yes, sir.

MR. MALONE: That concludes our direct examination, Mr. Examiner.

MR. UTE: Exhibits 6 and 7 will be made a part of this record.

(Whereupon, Applicant's Exhibits 6 and 7 were admitted in evidence.)

MR. UTE: Are there questions of the witness?



MR. DURRETT: No.

CROSS EXAMINATION

BY MR. UTZ:

Q That's a pretty straight fault there, isn't it?

A Yes, sir, it is. It is reflected on the surface of the Huapache monocline.

Q Is it as straight as it's shown here?

A I would say that the fault zone is pretty close to that straight. This isn't covered well by the seismic information, this is a projection from the other areas, and based on the well you see in the Southeast, Southeast of Section 5, you'll notice the Ellenburger plus 554, Section 5 and 22 South, 21 East, and then the well East Texas Continental Hill in Section 1, the Ellenburger is a minus 5,726. That will indicate approximately 5,000 feet of throw.

MR. UTZ: Are there other questions of the witness?
The witness may be excused.

(Witness excused.)

MR. UTZ: Are there other statements to be made in this case? The case will be taken under advisement and the hearing is adjourned.

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SANTA FE, N. M.
PHONE 983-3971

ALBUQUERQUE, N. M.
PHONE 243-6691

STATE OF NEW MEXICO)
) SS
COUNTY OF BERNALILLO)

I, ADA DEARNLEY, Court Reporter, do hereby certify that the foregoing and attached transcript of proceedings before the New Mexico Oil Conservation Commission at Santa Fe, New Mexico, is a true and correct record to the best of my knowledge, skill and ability.

IN WITNESS WHEREOF I have affixed my hand and notarial seal this 22nd day of August, 1963.

Ada Dearnley
Notary Public-Court Reporter

My commission expires:

June 19, 1967.

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2880, dated by me on Aug. 7, 1963.

Wm. L. H. Examiner
New Mexico Oil Conservation Commission



State of New Mexico
Oil Conservation Commission



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

Re: Case No. 2880
Order No. A-2548
Applicant:
Marathon Oil Company

A. L. PORTER, Jr.
Secretary-Director

OTHER _____

Case 2880

Heard 8-7-63

Rec. 8-7-63

1. approve. Marathon's Bone Canyon unit
using usual unit order.

Thos. J. P.



MARATHON OIL COMPANY
FORMERLY THE OHIO OIL COMPANY

Case 2880

JUL 27 1963

July 25, 1963

Re: Unit Agreement for Box Canyon Unit Area,
Including 10,560.48 Acres, More or Less,
in Township 21 South and Township 22 South,
Range 21 East, N.M.P.M., Eddy County, N. M.

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

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

Gentlemen:

Marathon Oil Company hereby applies for approval of the Unit Agreement for the Development and Operation of the Box Canyon Unit Area, which includes 10,560.48 acres of land, more or less, in Eddy County, New Mexico, and more fully described as follows:

T-21-S, R-21-E, N.M.P.M.

Sec. 19: E/2
Sec. 20: All
Sec. 21: All
Sec. 27: All
Sec. 28: All
Sec. 29: All
Sec. 30: E/2
Sec. 32: All
Sec. 33: All
Sec. 34: All
Sec. 35: W/2

T-22-S, R-21-E, N.M.P.M.

Sec. 1: All
Sec. 2: All
Sec. 3: All
Sec. 4: All
Sec. 10: All
Sec. 11: All
Sec. 12: All

Designation of the Box Canyon Unit Area as above described has been approved by the United States Geological Survey. The Unit Area includes 1,399.48 acres, more or less, of State land, 40 acres of fee land, and the remainder of the land included within the Unit Area is Federal land. The State land so included is described as follows:

T-21-S, R-21-E, N.M.P.M.

Sec. 20: E/2 SW/4
Sec. 32: All

T-22-S, R-21-E, N.M.P.M.

Sec. 2: All
Sec. 3: SE/4 SE/4

The fee land so included is described as follows:

T-21-S, R-21-E, N.M.P.M.

Sec. 28: SW/4 NW/4

July 25, 1963

It is expected that by the date which will be set for a hearing on this Application, the Unit Agreement will have been executed or agreed to by all or substantially all of the owners of working interests and overriding royalty interests in the land included within the Unit Area. Preliminary approval of the Unit Agreement has been obtained from the United States Geological Survey.

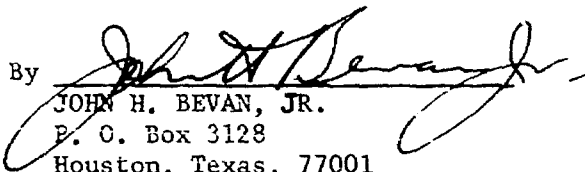
A copy of the Unit Agreement has heretofore been submitted to the Commissioner of Public Lands of the State of New Mexico. A copy of this Unit Agreement with revised page 24 to reflect a change requested by the Commissioner in Section 29 is enclosed with this Application, and a copy of this Application and revised agreement is being sent to the Commissioner on this date. A list of all interested parties known to Applicant is attached hereto.

Marathon Oil Company respectfully requests that this Application be set for hearing before a duly appointed examiner of the Commission at the earliest possible date, that notice be given as required by law and the regulations, and that the Box Canyon Unit Area and the Unit Agreement be approved as proposed.

Respectfully submitted,

MARATHON OIL COMPANY

By


JOHN H. BEVAN, JR.

P. O. Box 3128

Houston, Texas, 77001

LIST OF INTERESTED PARTIES

BOX CANYON UNIT AREA - EDDY COUNTY, NEW MEXICO

Commissioner of Public Lands
State of New Mexico
P. O. Box 791
Santa Fe, New Mexico

Mr. John Anderson
Regional Oil and Gas Supervisor
United States Geological Survey
Roswell, New Mexico

Bruce Anderson et ux, Jacqueline Anderson
930 Petroleum Club Building
Denver 2, Colorado

Eugenia Bate, a widow
P. O. Box 161
Santa Fe, New Mexico

Vola V. Horst Bunnell
P. O. Box 2059
Santa Fe, New Mexico

Arnold Bunte et ux, Enid Bunte
611 West Church
Roswell, New Mexico

Max H. Christensen et ux, Marcella B.
Christensen
1116 Petroleum Life Building
Midland, Texas

Thomas Connell et ux, Emily K. Connell
1417 State Street
New Orleans 18, Louisiana

Dalport Oil Corporation
930 Fidelity Union Life Building
Dallas, Texas

Clarence E. Hinkle et ux, Lillian T. Hinkle
407 North Washington Avenue
Roswell, New Mexico

James T. Jennings et ux, Frances S. Jennings
1208 Avenida Del Sumbre
Roswell, New Mexico

S. W. Lodewick et ux, Laura B. Lodewick
305 North Missouri Avenue
Roswell, New Mexico

Bonnie H. Matlock Morrison
3 Park Road
Roswell, New Mexico

Irwin Rubenstein
707 Park Land Building
2025 I. Street NW
Washington, D. C.

Caldwell J. Saunders et ux, Faye N.
Saunders
2515 Cambria
Dallas, Texas

Joe Schutz et ux, Rosina Schutz
116 Valley Drive
Santa Fe, New Mexico

Michael S. Shearn
212 Schuster
El Paso, Texas

C. E. Stout
614 Colorado Building
Denver, Colorado

George S. Turner et ux, Edna K. Turner
2003 West Indiana
Midland, Texas

Hoover H. Wright et ux, Betty Ruth
Wright
P. O. Box 2124
Santa Fe, New Mexico

B. B. Armstrong, Murphy S. Armstrong,
and Gayle Armstrong Stokes
1511 Highland Road
Roswell, New Mexico

Edward G. Donahue
P. O. Drawer 1372
El Paso, Texas

(Cont'd)

LIST OF INTERESTED PARTIES

BOX CANYON UNIT AREA - EDDY COUNTY, NEW MEXICO

(Cont'd)

Beard Oil Company
6th Floor, Classen Building
2915 Classen Boulevard
Oklahoma City 6, Oklahoma
Attention: Mr. William Beard

Sun Oil Company
P. O. Box 2880
Dallas 21, Texas
Attention: Mr. A. J. Viets

Union Oil Company of California
619 West Texas Avenue
Midland, Texas
Attention: Mr. John Hansen



MARATHON OIL COMPANY

FORMERLY THE OHIO OIL COMPANY

LEGAL DEPARTMENT

I. D. TERRELL COUCH

DIVISION ATTORNEY

JOHN H. BEVAN, JR.

WARREN B. LEACH, JR.

JACK FARISS

RICHARD G. RORSCHACH

ATTORNEYS

SOUTHERN NATIONAL BANK BUILDING

P. O. BOX 3128

HOUSTON 1, TEXAS

July 26, 1963

Re: Unit Agreement for Box Canyon Unit Area,
Including 10,560.48 Acres, More or Less,
in Township 21 South and Township 22 South,
Range 21 East, N.M.P.M., Eddy County, N. M.

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attention: Mr. Jim Durrett

Gentlemen:

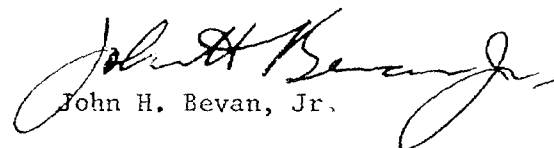
Enclosed in triplicate is Marathon Oil Company's Application for approval of the subject Unit Agreement. Attached to the Application is a list of the interested parties, which includes the working interest owners who have indicated they will participate in these proposed unit operations.

These working interest owners are, in addition to Marathon, Sun Oil Company, Union Oil Company of California, Beard Oil Company, and Bruce Anderson. Edward C. Donahue, Lessee of a Federal lease covering 160 acres, and B. B. Armstrong, Murphy S. Armstrong, and Gayle Armstrong Stokes are the owners of the minerals under a 40-acre unleased tract, and these parties have indicated they do not desire to commit their acreage. The other individual parties listed are owners of overriding royalty interests.

Copies of this Application are being forwarded to the United States Geological Survey at Roswell and to the working interest owners, and it is proposed that each of the overriding royalty interest owners will be given a copy either by mail or by hand, along with a copy of the Unit Agreement, in the immediate future. Further, a copy of the Application and Unit Agreement are being forwarded this date to the Land Commissioner.

We hope that you are able to have this hearing set for August 7, 1963, and we sincerely appreciate your assistance.

Yours very truly,


John H. Bevan, Jr.

JHB:LL
Enc.

DUCKET MAILED

Date 7/30/63

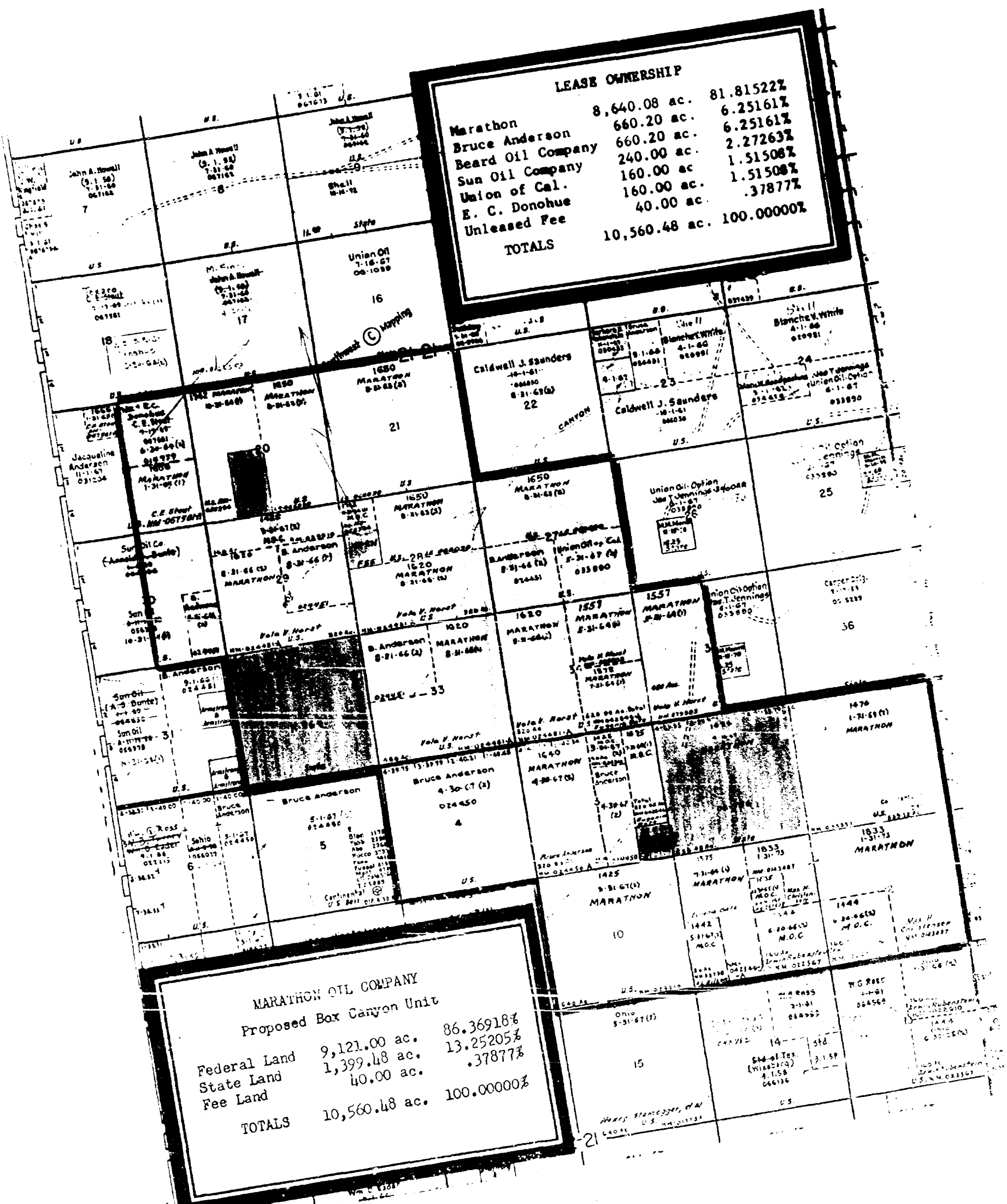
LEASE OWNERSHIP

Marathon	8,640.08 ac.	81.81522%
Bruce Anderson	660.20 ac.	6.25161%
Beard Oil Company	660.20 ac.	6.25161%
Sun Oil Company	240.00 ac.	2.27263%
Union of Cal.	160.00 ac.	1.51508%
E. C. Donohue	160.00 ac.	1.51508%
Unleased Fee	40.00 ac.	.37877%
TOTALS	10,560.48 ac.	100.00000%

MARATHON OIL COMPANY

Proposed Box Canyon Unit

Federal Land	9,121.00 ac.	86.36918%
State Land	1,399.48 ac.	13.25205%
Fee Land	40.00 ac.	.37877%
TOTALS	10,560.48 ac.	100.00000%



No. 22-63

DOCKET: EXAMINER HEARING - WEDNESDAY - AUGUST 7, 1963

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, as alternate examiner:

- CASE 2871: Application of Bolack-Greer, Inc. for a unit agreement, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Canada Ojitos Unit Area comprising 35,829.84 acres of Federal and Fee lands in Townships 25 and 26 North, Ranges 1 East and 1 West, Rio Arriba County, New Mexico.
- CASE 2872: Application of Texaco Inc. for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Woolley Unit Area comprising 2,080 acres of State and Federal lands in Township 17 South, Range 30 East, Eddy County, New Mexico.
- CASE 2873: Application of Texaco Inc. for a unit agreement, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Barry Unit Area comprising 2427.24 acres of State land in Township 21 South, Ranges 33 and 34 East, Lea County, New Mexico.
- CASE 2874: Application of Murphy H. Baxter for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the East Rocky Arroyo Unit Area comprising 2560 acres of Federal, State and Fee lands in Township 21 South, Range 25 East, Eddy County, New Mexico.
- CASE 2875: Application of Perry R. Bass for an unorthodox gas well location, Lea County, New Mexico. Applicant, in the above-styled cause, seeks permission to drill a gas well at an unorthodox location 1980 feet from the South line and 660 feet from the West line of Section 21, Township 19 South, Range 32 East, Lusk Morrow Gas Pool, Lea County, New Mexico.
- CASE 2876: Application of Consolidated Oil & Gas, Inc. for an unorthodox location, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks permission to recomplete its Jicarilla No. 4-8 at an unorthodox Blanco-Mesaverde Pool location 1550 feet from the North line and 890 feet from the West line of Section 8, Township 26 North, Range 5 West, Rio Arriba County, New Mexico.
- CASE 2877: Application of Continental Oil Company for an extension of the provisions of Order R-2476, Lea County, New Mexico. Applicant, in the above-styled cause, seeks an extension of the provisions of Order R-2476 which authorized certain interference tests and transfer of allowables between wells during the tests in the Oil Center Blinebry Pool.

CASE 2355: (Reopened) In the matter of Case 2355 being reopened pursuant to the provisions of Order No. R-2051-A, which order extended the temporary 320-acre proration units for the Bluitt-Wolfcamp Gas Pool, Roosevelt County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 160-acre proration units.

CASE 2635: (Reopened) In the matter of Case 2635 being reopened pursuant to the provision of Order No. R-2325, which order established temporary 80-acre proration units for the Inbe-Pennsylvanian Oil Pool, Lea County, New Mexico, for a period of one year. All interested parties may appear and show cause why said pool should not be developed on 40-acre proration units.

CASE 2878: Application of Humble Oil & Refining Company for a triple completion, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval of the triple completion (tubingless) of its New Mexico State "S" Well No. 25, located in Unit N of Section 2, Township 22 South, Range 37 East, Lea County, New Mexico, to produce oil from the Penrose-Skelly and Wantz Abo Pools and an undesignated Granite Wash zone through parallel strings of 2-7/8 inch casing cemented in a common well bore.

CASE 2879: Application of Humble Oil & Refining Company for a waterflood project, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to institute a waterflood project on its State "M" lease in Sections 19, 20, 29, 30 and 31, Township 22 South, Range 37 East, Lea County, New Mexico, by the initial injection of water into the Queen formation of the Langlie Mattix and Eumont Pools through six wells located in Sections 20, 29, and 30. Applicant further seeks the contraction of the Eumont Pool by the deletion therefrom of all of Section 19 and the S/2 SW/4 and NE/4 SW/4 of Section 20, Township 22 South, Range 37 East, and the extension of the Langlie Mattix Pool to include said acreage.

CASE 2880: Application of Marathon Oil Company for a unit agreement, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval of the Box Canyon Unit Area comprising 10,560.48 acres of State, Federal and Fee lands in Townships 21 and 22 South, Range 21 East, Eddy County, 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. 2880
Order No. R-2548**

**APPLICATION OF MARATHON OIL COMPANY
FOR APPROVAL OF THE BOX CANYON UNIT
AGREEMENT, EDDY COUNTY, NEW MEXICO.**

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on August 7, 1963, at Santa Fe, New Mexico, before Elvis A. Utz, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 9th day of August, 1963, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Elvis A. Utz, 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, Marathon Oil Company, seeks approval of the Box Canyon Unit Agreement covering 10,560.48 acres, more or less, of State, Federal and Fee lands in Townships 21 and 22 South, Range 21 East, NMPM, Eddy County, New Mexico.

(3) That approval of the proposed Box Canyon Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

IT IS THEREFORE ORDERED:

(1) That the Box Canyon Unit Agreement is hereby approved.

(2) That the plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the

-2-

CASE No. 2880

Order No. R-2548

development and operation of the Box Canyon Unit Area, and such plan shall be known as the Box Canyon Unit Agreement Plan.

(3) That the Box Canyon Unit Agreement Plan 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 Oil Conservation Commission of New Mexico by law relative to the supervision and control of operations for the exploration and development of any lands committed to the Box Canyon Unit, or relative to the production of oil or gas therefrom.

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

EDDY COUNTY, NEW MEXICO

TOWNSHIP 21 SOUTH, RANGE 21 EAST

Section 19: E/2
Section 20: All
Section 21: All
Section 27: All
Section 28: All
Section 29: All
Section 30: E/2
Section 32: All
Section 33: All
Section 34: All
Section 35: W/2

TOWNSHIP 22 SOUTH, RANGE 21 EAST

Section 1: All
Section 2: All
Section 3: All
Section 4: All
Section 10: All
Section 11: All
Section 12: All

containing 10,560.48 acres, more or less.

(b) That the unit area may be enlarged or contracted as provided in said plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Box Canyon

-3-

CASE No. 2880
Order No. R-2548

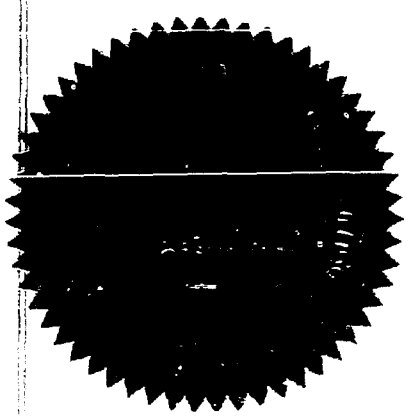
Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion or contraction of the unit area, the unit operator shall file with the Commission within 30 days thereafter counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(6) 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, and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

(7) 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


Jack M. Campbell
JACK M. CAMPBELL, Chairman

E. S. Walker
E. S. WALKER, Member

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

CSR/



MARATHON OIL COMPANY
FORMERLY THE OHIO OIL COMPANY

MAIN OFFICE OCC

1963 SEP 25 AM 8:26

LEGAL DEPARTMENT

J. O. TERRELL COUCH
DIVISION ATTORNEY

JOHN H. BEVAN, JR.

WARREN B. LEACH, JR.

JACK FARISS

RICHARD G. RORSCHACH
ATTORNEYS

SOUTHERN NATIONAL BANK BUILDING
P. O. BOX 3128
HOUSTON 1, TEXAS

September 23, 1963

Re: Box Canyon Unit Agreement, Eddy County,
New Mexico, Case No. 2880, Order No. R-2548

Oil Conservation Commission of
The State of New Mexico
P. O. Box 871
Santa Fe, New Mexico

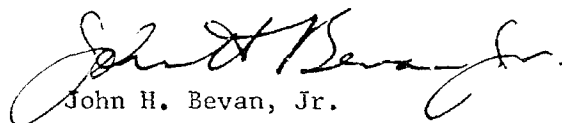
Attention: Mr. A. L. Porter, Jr.

Gentlemen:

Enclosed is a copy of the Box Canyon Unit Agreement showing the original execution of each of the working interest owners. Attached to this agreement is the Certification - Determination of the Acting Director, United States Geological Survey, given under date of August 27, 1963, which date is the effective date of the Unit Agreement. This agreement is being filed in compliance with Paragraph (5) of the Commission's Order of August 9, 1963. There is also attached to this agreement a copy of the Certificate of Approval by the Commissioner of Public Lands of the State of New Mexico given under date of August 13, 1963.

We certainly appreciate the cooperation of the Commission in handling this matter for us and particularly the prompt issuance of its Order of August 9, 1963.

Yours very truly,


John H. Bevan, Jr.

JHB:LL
Enc.

cc: Mr. I. G. Burrell
Mr. Chas. F. Malone
Mr. Jim Durrett

CERTIFICATION - DETERMINATION

14-08-0001 8543

Pursuant to the authority vested in the Secretary of Interior as to Federal Lands, under the Act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, I do hereby:

A. Approve the attached agreement for the development and operation of the Box Canyon Unit Area, Eddy 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.

AUG 27 1963

Dated

Acting

Arthur A. Baker
DIRECTOR, UNITED STATES GEOLOGICAL SURVEY

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
BOX CANYON UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO
NO. _____

10-1-63
BUREAU OF LAND SURVEY
NEW MEXICO

THIS AGREEMENT, entered into as of the 11th day of July,
1963, 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 repre-
sentatives to unite with each other, or jointly or separately with others, in col-
lectively 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 deter-
mined 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-
sofar 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 (Chapter 72, Laws of 1935, as amended by
Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and Chapter 168, Laws of
1949) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Box Canyon
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 re-
sources, 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 following-described land is hereby designated and recognized as constituting the unit area:

T-21-S, R-21-E, N.M.P.M.

Sec. 19: E/2
Sec. 20: A11
Sec. 21: A11
Sec. 27: A11
Sec. 28: A11
Sec. 29: A11
Sec. 30: E/2
Sec. 32: A11
Sec. 33: A11
Sec. 34: A11
Sec. 35: W/2

T-22-S, R-21-E, N.M.P.M.

Sec. 1: A11
Sec. 2: A11
Sec. 3: A11
Sec. 4: A11
Sec. 10: A11
Sec. 11: A11
Sec. 12: A11

Containing 10,560.48 acres, more or less.

Exhibit A attached hereto is a map showing the unit area and 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 "Land Commissioner," and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor, and one (1) copy thereof shall be filed with the Land Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Conservation Commission."

The above-described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is 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 Land Commissioner, after preliminary concurrence by the Director, 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 Land Commissioner and the Conservation Commission and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the Land Commissioner and the Conservation 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 Director, the Land Commissioner and the Conservation Commission, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within five (5) years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, 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, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay;" provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within ten (10) years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and the Land Commissioner. 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 Director and the Land Commissioner and promptly notify all parties in interest.

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

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 land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement." All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

4. UNIT OPERATOR. Marathon Oil Company is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it and 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 Director, the Land Commissioner and Conservation 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 Conservation 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 determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director and the Land 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 equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used

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

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 filed with the Supervisor and approved by the Land Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Land Commissioner at their 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 the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Land Commissioner, prior to approval of this unit agreement by the Director.

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 Land Commissioner if on State Land, or by the Conservation Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Devonian formations have 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, 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 Land Commissioner if on State land, or of the Conservation 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 of 9,600 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well 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 Land Commissioner if on State land or the Conservation 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 Director and Land 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 comply with the drilling provisions of this section, the Director and Land Commissioner may, after reasonable notice to the Unit Operator, and each working interest owner, lessee, and lessor at their last known addresses, 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 Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land 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 Land 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 Land 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 Land 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 Land 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 or such as may be specifically approved by the Supervisor and the Land 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 Land Commissioner the Unit Operator shall submit for approval by the Director and the Land Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the 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 the initial participating area. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also 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 Director and the Land Commissioner. No land shall be excluded from

a participating area on account of depletion of the unitized substances.

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 Director and the Land 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 may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands and the Land Commissioner for State lands and the Conservation Commission as to privately owned lands and the amount thereof deposited, as directed by the Supervisor and the Land 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 Land Commissioner as to wells drilled on State land and the Conservation Commission as to wells 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 so long as such land is not within a 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 Land Commissioner and the Conservation Commission, 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 constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.

Any party or parties 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 Land Commissioner as to State land, and the Conservation Commission as to privately owned land, and subject to the provisions of the Unit Operating Agreement, at such party's or parties' sole risk, costs, and expense drill a well at such location on such land 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, or drill any well not mutually agreed to by all interested parties, 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 in a participating area of the land upon which such well is situated, 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 and any State and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties 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, which shall be in conformity with a plan first approved by the Supervisor, the Land Commissioner, and the Conservation Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by the Supervisor, the Land Commissioner and the Conservation Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

Royalty due on account of State and 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 in lieu thereof 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 were within the time therein specified commenced upon the land covered thereby or rentals 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 thereafter until the required drilling operations are commenced upon the land covered thereby or 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 appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with the consent of the Director and the Land Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor as to Federal leases and the Land Commissioner as to State leases.

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 of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Land Commissioner as to State leases shall and each 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 part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of unitized 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 Land Commissioner, or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands, other than those of the United States and 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 term 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.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 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; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the Lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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 Land Commissioner or their duly authorized representatives as of the date of approval by the Secretary and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and the Land 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 Director and Land 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 the 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 owners of working interests signatory hereto, with the approval of the Director and Land 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.

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. 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 Conservation Commission, agree that all powers and authority vested in the Conservation Commission in and by any provisions of this agreement are vested in the Conservation 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.

23. 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 Conservation Commission or Land 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 Land Commissioner, or Conservation 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.

24. 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.

25. 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.

26. 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, but only so long as, the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

28. 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 Land 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.

29. 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 to the Director, the Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. 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. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as 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 Land 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 Director or the Land Commissioner, provided that, as to State lands, such subsequent joinder must be approved by the Land Commissioner.

30. 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 set opposite their respective names the date of execution.

UNIT OPERATOR & WORKING INTEREST OWNER:

Date AUG - 7 1963

MARATHON OIL COMPANY

By I. G. Burrell
I. G. Burrell, Division Manager
P. O. Box 3128, Houston, Texas, 77001



WORKING INTEREST OWNERS:

Date August 12, 1963

Bruce Anderson
BRUCE ANDERSON

Date August 12, 1963

Jacqueline Anderson
JACQUELINE ANDERSON

Address: 930 Petroleum Club Building
Denver 2, Colorado

~~SECRET~~

SUN OIL COMPANY

Secretary

By [Signature]
Agent and Attorney in Fact ~~Vice President~~

Date August 13, 1963

Address: P.O. Box 4880

DALLAS TEXAS

~~SECRET~~

UNION OIL COMPANY OF CALIFORNIA

Secretary

By [Signature]
Attorney in Fact ~~Vice President~~ R 27

Date August 8, 1963

Address: 619 W. TEXAS

MIDLAND, TEXAS

W. M. BEARD, MRS. JESS McBEE, JOHN M. BEARD, & EMILY JO WATTS, d/b/a
BEARD OIL COMPANY

Date Aug 12, 1963

By W. M. Beard
W. M. Beard, Acting Individually &
As Attorney-in-Fact for Mrs. Jess
McBee, John M. Beard & Emily Jo Watts.

Address: BEARD OIL COMPANY

Sixth Floor, 2000 Classen

Date _____

Oklahoma City 6, Oklahoma

EDWARD C. DONOHUE

Date _____

WILMA ELLIOTT DONOHUE

Address: _____

OVERRIDING ROYALTY INTEREST OWNERS:

Date August 12, 1963

Bruce Anderson
BRUCE ANDERSON

Date August 12, 1963

Jacqueline Anderson
JACQUILINE ANDERSON

Address: 930 Petroleum Club Building
Denver 2, Colorado

Date _____

EUGENIA BATE, a widow

Address: P. O. Box 161
Santa Fe, New Mexico

Date _____

VOLA V. HORST BUNNEL, dealing in her
sole and separate property.

Address: P. O. Box 2059
Santa Fe, New Mexico

Date _____

ARNOLD BUNTE

Date _____

ENID BUNTE

Address: 611 West Church
Roswell, New Mexico

Date _____

MAX H. CHRISTENSEN

Date _____

MARCELLA B. CHRISTENSEN

Address: 1116 Petroleum Life Building
Midland, Texas

Date _____

THOMAS CONNELL

Date _____

EMILY K. CONNELL

Address: 538 Whitney Bank Building
New Orleans 12, Louisiana

ATTEST:

DALPORT OIL CORPORATION

Secretary

By _____
Vice President

Date _____

Address: 930 Fidelity Union Life Bldg.
Dallas, Texas

OVERRIDING ROYALTY INTEREST OWNERS:

Date _____	CLARENCE E. HINKLE
Date _____	LILLIAN T. HINKLE
	Address: 407 North Washington Ave. Roswell, New Mexico
Date _____	W. E. BURKSTALLER
Date _____	JULICE G. BURKSTALLER
	Address: 111 West Walnut Street Roswell, New Mexico
Date _____	S. W. LODEWICK
Date _____	LAURA B. LODEWICK
	Address: 305 North Missouri Avenue Roswell, New Mexico
Date _____	BONNIE H. MATLOCK MORRISON, dealing in her sole and separate property.
	Address: 3 Park Road Roswell, New Mexico
Date _____	IRWIN RUBENSTEIN
	Address: 500 Deerfield Avenue Silver Spring, Maryland
Date _____	CALDWELL J. SAUNDERS
Date _____	FAYE N. SAUNDERS
	Address: 2515 Cambria Dallas, Texas
Date _____	JOE SCHUTZ
Date _____	ROSINA SCHUTZ
	Address: 116 Valley Drive Santa Fe, New Mexico

OVERRIDING ROYALTY INTEREST OWNERS:

Date _____

MICHAEL S. SHEARN, a single man

Address: 212 Schuster

El Paso, Texas

Date _____

C. E. STOUT, a single man

Address: 212 Colorado Building

Denver, Colorado

Date _____

GEORGE S. TURNER

Date _____

EDNA K. TURNER

Address: 2003 West Indiana

Midland, Texas

Date _____

HOOVER H. WRIGHT

Date _____

BETTY RUTH WRIGHT

Address: P. O. Box 2124

Santa Fe, New Mexico

THE STATE OF TEXAS

COUNTY OF HARRIS

The foregoing instrument was acknowledged before me this 7th day of August, 1963, by I. G. BURRELL, Division Manager of MARATHON OIL COMPANY, an Ohio corporation, on behalf of said corporation.

Irma Green
Notary Public in and for
Harris County, Texas.

My Commission Expires _____
IRMA GREEN
Notary Public in and for Harris County, Texas
My Commission Expires June 1, 1965

STATE OF Colorado
COUNTY OF Denver

The foregoing instrument was acknowledged before me this 12th day of August, 1963, by BRUCE ANDERSON and his wife, JACQUELINE ANDERSON.

[Signature]
Notary Public

My Commission Expires March 1, 1967

STATE OF Oklahoma
COUNTY OF Oklahoma

The foregoing instrument was acknowledged before me this 14 day of August, 1963, by W. M. BEARD, Acting Individually & As Attorney-in-Fact for W. M. BEARD, MRS. JESS McBEE, JOHN M. BEARD, & EMILY JO WATTS, d/b/a BEARD OIL COMPANY.

Catherine Dodson
Notary Public

My Commission Expires 1/14/64

STATE OF TEXAS
COUNTY OF DALLAS

The foregoing instrument was acknowledged before me this 13 day of August, 1963, by T. F. HILL, Agent and Attorney in Fact President of SUN OIL COMPANY, a New Jersey corporation, on behalf of said corporation.

Alf Burr
Notary Public

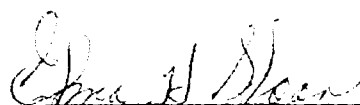
My Commission Expires 6-1-64

ALF BURR
Notary Public in and for
Dallas County, Texas

THE STATE OF TEXAS, :

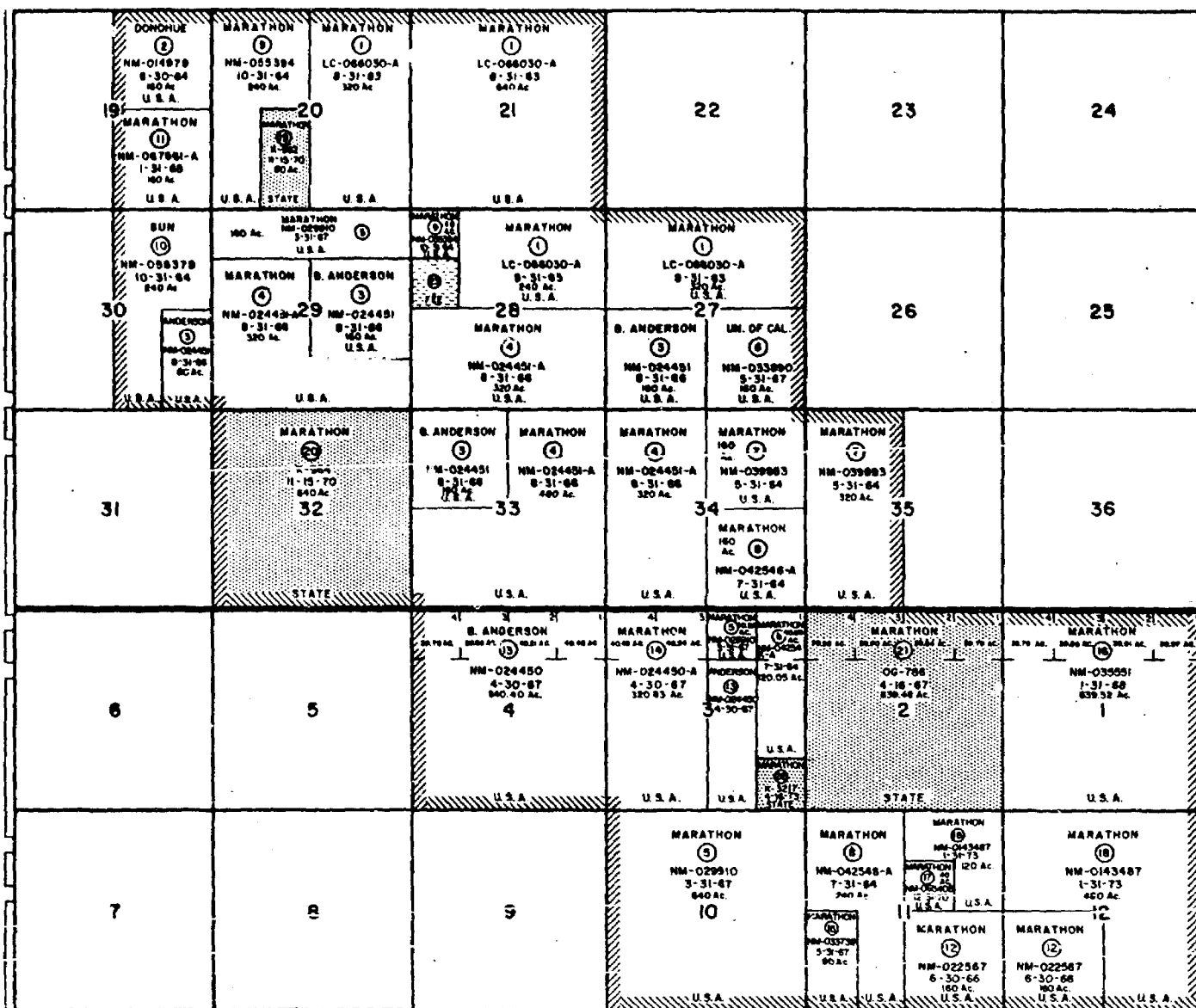
COUNTY OF MIDLAND. :

The foregoing instrument was acknowledged before me this 8th day of August, 1963, by JOHN HANSEN, Attorney in Fact of UNION OIL COMPANY OF CALIFORNIA, a California corporation, on behalf of said corporation.

 (Elma H. Sloan)
Notary Public

My Commission Expires June 1, 1965.

R-21-E



R-21-E

BOX CANYON UNIT AREA

EDDY COUNTY, NEW MEXICO

LEGEND

②	TRACT NUMBER	
	UNIT OUTLINE	
	FEDERAL LAND	9,121.00 ACRES
	STATE OF NEW MEXICO LAND	1,399.48 ACRES
	FEE LAND (UNLEASED)	40.00 ACRES
	TOTAL	10,560.48 ACRES

FEDERAL SERIAL NUMBERS INVOLVED IN UNIT

- ① LC-066030-A
- ② NM-014979
- ③ NM-024451
- ④ NM-024451-A
- ⑤ NM-029910
- ⑥ NM-033890
- ⑦ NM-039883
- ⑧ NM-042548-A
- ⑨ NM-055394
- ⑩ NM-056378
- ⑪ NM-067561-A
- ⑫ NM-022567
- ⑬ NM-024450
- ⑭ NM-024450-A
- ⑮ NM-033733
- ⑯ NM-035551
- ⑰ NM-035403
- ⑱ NM-0143487

STATE LEASE NUMBERS

- ⑲ K-952
- ⑳ K-964
- ㉑ OG-786
- ㉒ K-3217

FEE LAND

- ㉓ UNLEASED

Effective July 11, 1953

Tract Number	Description of Land	No. of Acres	Serial No. & Eff. Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
FEDERAL LANDS: T-21-S, R-21-E, MPM							
1	Sec. 20: E/2 Sec. 21: All Sec. 27: N/2 Sec. 28: NE/4; E/2 NW/4	1,520.00	LC-066030-A 10-1-51 Ext. to 8-31-63 (3)	USA - 12½%	Marathon Oil Company	Caldwell J. Saunders et ux., Faye N. Saunders, \$300.00 per acre out of	Marathon Oil Company - All
2	Sec. 19: NE/4	160.00	NM-014979 7-1-54 Ext. to 6-30-64 (2)	USA - 12½%	Edward C. Donohue & Wilma Elliott Donohue	None	Edward C. Donohue & Wilma Elliott Donohue - All
3	Sec. 27: SW/4 Sec. 29: S/2 NE/4; N/2 SE/4 Sec. 30: E/2 SE/4 Sec. 33: NW/4	560.00	NM-024451 9-1-56 Ext. to 8-31-66 (2)	USA - 12½%	Bruce Anderson	Vola V. Horst Bunnell, dealing in her sole and separate property	Bruce Anderson - 50%; Beard Oil Company - 50%
4	Sec. 28: S/2 Sec. 29: S/2 NW/4; SW/4; S/2 SE/4 Sec. 33: E/2; SW/4 Sec. 34: W/2	1,440.00	NM-024451-A 9-1-56 Ext. to 8-31-66 (2)	USA - 12½%	Marathon Oil Company	Bruce Anderson et ux., Jacqueline Anderson - Vola V. Horst Bunnell, dealing in her sole and separate property -	Marathon Oil Company - All
5	Sec. 29: N/2 N/2 Sec. 3: Lot 2 (T-22-S) Sec. 10: All (T-22-S)	840.20	NM-029910 4-1-57 Ext. to 3-31-67 (2)	USA - 12½%	Marathon Oil Company	None	Marathon Oil Company - All

Tract Number	Description of Land	No. of Acres	Serial No. & Eff. Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS: (Cont'd)</u> <u>T-21-S, R-21-E, NMPM</u>							
6	Sec. 27: SE/4	160.00	NM-033890 6-1-57 Ext. to 5-31-67 (2)	USA - 12 $\frac{1}{2}$ %	Union Oil Company of California	W. E. Burkstaller et ux., Julie G. Burkstaller George S. Turner et ux., Edna K. Turner -	Union Oil Company of California - All 3.0000% 0.2500% 3.2500%
7	Sec. 34: NE/4 Sec. 35: W/2	480.00	NM-039883 6-1-59	USA - 12 $\frac{1}{2}$ %	Marathon Oil Company	Joe Schutz et ux., Rosina Schutz	Marathon Oil Company - All 3.0000%
8	Sec. 34: SE/4 Sec. 3: Lot 1; SE/4 NE/4; NE/4 SE/4 (T-22-S) Sec. 11: NW/4; E/2 SW/4 (T-22-S)	520.05	NM-042546-A 8-1-59	USA - 12 $\frac{1}{2}$ %	Marathon Oil Company	Eugenia Tate, widow of Claude Tate, deceased	Marathon Oil Company - All 3.0000%
9	Sec. 20: NW/4; W/2 SW/4 Sec. 28: NW/4 NW/4	280.00	NM-055394 11-1-59	USA - 12 $\frac{1}{2}$ %	Marathon Oil Company	Dalport Oil Corporation	Marathon Oil Company - All 3.0000%
10	Sec. 30: NE/4; W/2 SE/4	240.00	NM-056378 11-1-59	USA - 12 $\frac{1}{2}$ %	Sun Oil Company	\$750.00 per acre out of 3%, owned as follows: Clarence E. Hinkle et ux., Lillian T. Hinkle - Bonnie H. Matlock Morrison, dealing in her sole and separate property S. W. Lodewick et ux., Laura B. Lodewick Arnold Butte et ux., Enid Bunte	Sun Oil Company - All 0.8333% 0.8333% 0.5000% 3.0000%

Tract Number	Description of Land	No. of Acres	Serial No. & Eff. Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS: (Cont'd)</u>							
<u>T-21-S, R-21-E, NMFM</u>							
11	Sec. 19: SE/4	160.00	NM-067561-A 2-1-60	USA - 12½%	Marathon Oil Company	C. E. Stout, a single man	3.0000% Marathon Oil Company - All
<u>T-22-S, R-21-E, NMFM</u>							
12	Sec. 11: SE/4 Sec. 12: SW/4	320.00	NM-022567 7-1-56 Ext. to 6-30-66 (2)	USA - 12½%	Marathon Oil Company	Thomas Cornell et ux, Emily K. Cornell - Irwin Rubenstein -	2.1250% 0.3750% 2.5000% Marathon Oil Company - All
13	Sec. 3: W/2 SE/4; SW/4 NE/4 Sec. 4: All	760.40	NM-024450 5-1-57 Ext. to 4-30-67 (2)	USA - 12½%	Bruce Anderson	Vola V. Horst Bunnel, dealing in her sole and separate property	0.5000% Bruce Anderson - Scott Beard Oil Company - 50%
14	Sec. 3: Lots 3, 4; S/2 NW/4; SW/4	320.83	NM-024450-A 5-1-57 Ext. to 4-30-67 (2)	USA - 12½%	Marathon Oil Company	Bruce Anderson et ux, Jacqueline Anderson - Vola V. Horst Bunnel, dealing in her sole and separate property -	2.5000% Marathon Oil Company - All 0.5000% 3.0000%
15	Sec. 11: W/2 SW/4	80.00	NM-033738 6-1-57 Ext. to 5-31-67 (2)	USA - 12½%	Marathon Oil Company	Michael Shearn, a single man	3.0000% Marathon Oil Company - All
16	Sec. 1: All	639.52	NM-035551 2-1-58 Ext. to 1-31-68 (2)	USA - 12½%	Marathon Oil Company	None	- Marathon Oil Company - All

RECAPITULATION:

18 Federal Tracts (Leased)	9,121.00 Acres	86.36916% of Unit Area
4 State Tracts (Leased)	1,399.48 Acres	13.25205% of Unit Area
1 Fee Tract (Unleased)	40.00 Acres	0.37877% of Unit Area
<u>Total</u>	<u>10,560.48 Acres</u>	<u>100.00000% of Unit Area</u>

NOTES:

1. Beard Oil Company is a partnership composed of W. M. Beard, Mrs. Jess McBee, John M. Beard and Emily Jo Watts.
2. Marathon Oil Company will earn an undivided fifty (50%) per cent interest in the leasehold estate identified above as Tract 6 upon the drilling of the initial test well to the depth specified in Section 9 of the Unit Agreement.
3. Tracts 2 and 23 are uncommitted.

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

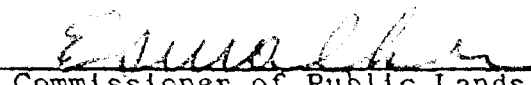
**DOLOMITES UNIT
BLIND CANYON, NEW MEXICO**

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 July 11, 1961, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

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

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

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 14th day of August 1961.


Commissioner of Public Lands
of the State of New Mexico

CONSENT AND RATIFICATION OF
BOX CANYON UNIT AGREEMENT COVERING
LANDS IN THE BOX CANYON UNIT AREA,
EDDY 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 Box Canyon Unit Area, embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 11th day of July, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, being the owners of overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their respective interests to the Box Canyon Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

Joe Schuch
Harold Wright
Pett. Rath Wright
Harold Wright
Clarence E. Hinkle
Clarence E. Hinkle

Clarence E. Hinkle
Lillian T. Hinkle
M. W. Lockwick
Laura B. Lockwick
M. E. Brantley
Julius G. Brantley

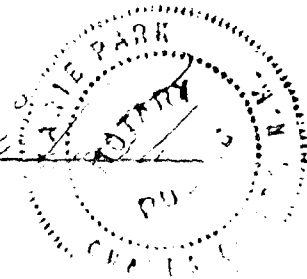
STATE OF NEW MEXICO)
COUNTY OF CHAVES)

The foregoing instrument was acknowledged before me this 15th day of July, 1963, by Clarence E. Hinkle and wife, Lillian T. Hinkle

My Commission Expires:

My Commission Expires October 31, 1964

Notary Public



STATE OF NEW MEXICO

COUNTY OF Santa Fe

Y
Y
Y

The foregoing instrument was acknowledged before me this 16th day of July, 1963, by Joe Schutz and his wife, Rosina Schutz.

My Commission Expires: Feb 2-18-65

[Signature]
Notary Public in and for
Santa Fe County, New Mexico

STATE OF NEW MEXICO

COUNTY OF Santa Fe

Y
Y
Y

The foregoing instrument was acknowledged before me this 16th day of July, 1963, by Hoover H. Wright and his wife, Betty Ruth Wright.

My Commission Expires: Feb 2-18-65

[Signature]
Notary Public in and for
Santa Fe County, New Mexico

STATE OF NEW MEXICO

COUNTY OF Santa Fe

Y
Y
Y

The foregoing instrument was acknowledged before me this day of July, 1963, by Vola V. Horst Bunnell, a married woman dealing in her sole and separate property.

My Commission Expires:

Notary Public in and for
Santa Fe County, New Mexico

STATE OF NEW MEXICO

COUNTY OF Chaves

Y
Y
Y

The foregoing instrument was acknowledged before me this 19th day of July, 1963, by S. W. Lodewick and his wife, Laura B. Lodewick.

My Commission Expires: Feb 2, 1964

Howard C. Buckley
Notary Public in and for
Chaves County, New Mexico

STATE OF NEW MEXICO

COUNTY OF Chaves

Y
Y
Y

The foregoing instrument was acknowledged before me this day of July, 1963, by Arnold Bunte and his wife, Enid Bunte.

My Commission Expires:

Notary Public in and for
Chaves County, New Mexico

STATE OF NEW MEXICO

COUNTY OF Chaves

The foregoing instrument was acknowledged before me this 25th day of July, 1963, by Arnold Bunte, a married man dealing in his sole and separate property.

My Commission Expires:

June 1, 1966

Paul S. Hamden
Notary Public in and for
Chaves County, New Mexico

STATE OF NEW MEXICO

COUNTY OF Chaves

The foregoing instrument was acknowledged before me this 31st day of July, 1963, by W. E. Burkstaller and his wife, Julice G. Burkstaller.

My Commission Expires:

June 11, 1964

W. E. Burkstaller
Notary Public in and for
Chaves County, New Mexico

STATE OF NEW MEXICO

COUNTY OF Chaves

The foregoing instrument was acknowledged before me this 5th day of August, 1963, by Bonnie H. Matlock Morrison, a married woman dealing in her sole and separate property.

My Commission Expires:

May 10 - 1966

Bonnie H. Matlock Morrison
Notary Public in and for
Chaves County, New Mexico

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

My Commission Expires: _____

Notary Public

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

My Commission Expires: _____

Notary Public

CONSENT AND RATIFICATION OF
BOX CANYON UNIT AGREEMENT COVERING
LANDS IN THE BOX CANYON UNIT AREA,
EDDY 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 Box Canyon Unit Area, embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 11th day of July, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, being the owners of overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their respective interests to the Box Canyon Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

Caldwell J. Saunders
Caldwell J. Saunders

Faye N. Saunders
Faye N. Saunders

STATE OF TEXAS)
COUNTY OF Dallas)

The foregoing instrument was acknowledged before me this 18th day of July, 1963, by Caldwell J. Saunders and his wife, Faye N. Saunders,
2515 Cambria, Dallas, Texas.

My Commission Expires:

6-1-65

Linda B. L. L.
Notary Public in and for
Dallas County, Texas.

CONSENT AND RATIFICATION OF
BOX CANYON UNIT AGREEMENT COVERING
LANDS IN THE BOX CANYON UNIT AREA,
EDDY 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 Box Canyon Unit Area, embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 11th day of July, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, being the owners of overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their respective interests to the Box Canyon Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

<u>Max H. Christensen</u>	_____
<u>Marcella B. Christensen</u>	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

STATE OF TEXAS)
COUNTY OF MIDLAND)

The foregoing instrument was acknowledged before me this 18th day of July, 1963, by Max H. Christensen and Marcella B. Christensen,
his wife.

My Commission Expires:

6-1-65

George A. Winkler
Notary Public

CONSENT AND RATIFICATION OF
BOX CANYON UNIT AGREEMENT COVERING
LANDS IN THE BOX CANYON UNIT AREA,
EDDY 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 Box Canyon Unit Area, embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 11th day of July, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, being the owners of overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their respective interests to the Box Canyon Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

_____	<u>Vola Horst Bunnell</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

STATE OF NEW MEXICO }
COUNTY OF SANTA FE }

The foregoing instrument was acknowledged before me this 19th day of July, 1963, by X Vola Horst Bunnell a married woman dealing in her sole and separate party.

My Commission Expires:
February 18, 1965

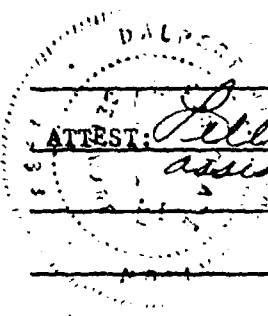
(Circular Notary Seal)

Eloy F. Sanchez
Notary Public
Eloy F. Sanchez

CONSENT AND RATIFICATION OF
BOX CANYON UNIT AGREEMENT COVERING
LANDS IN THE BOX CANYON UNIT AREA,
EDDY 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 Box Canyon Unit Area, embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 11th day of July, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, being the owners of overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their respective interests to the Box Canyon Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

 ATTEST: William Bowley
Assistant Secretary

DALPORT OIL CORPORATION
By: W. L. Todd, Jr.
W. L. Todd, Jr. - President

STATE OF TEXAS
COUNTY OF Dallas

The foregoing instrument was acknowledged before me this 22nd day of July, 1963, by W. L. Todd, Jr., President of DALPORT OIL CORPORATION, a Delaware Corporation, on behalf of said corporation.

My Commission Expires:
6-1-65

W. L. Todd, Jr.
Notary Public in and for
Dallas County, Texas

CONSENT AND RATIFICATION OF
BOX CANYON UNIT AGREEMENT COVERING
LANDS IN THE BOX CANYON UNIT AREA,
EDDY 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 Box Canyon Unit Area, embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 11th day of July, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, being the owners of overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their respective interests to the Box Canyon Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

_____	<u>Irwin Rubenstein</u> Irwin Rubenstein
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

STATE OF Nebraska)
COUNTY OF Clatsop)

The foregoing instrument was acknowledged before me this 22nd day of July, 1963, by Irwin Rubenstein, a married man dealing in his sole and separate property.

My Commission Expires:

My Commission Expires June 15, 1966


Notary Public



CONSENT AND RATIFICATION OF
BOX CANYON UNIT AGREEMENT COVERING
LANDS IN THE BOX CANYON UNIT AREA,
EDDY 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 Box Canyon Unit Area, embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 11th day of July, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, being the owners of overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their respective interests to the Box Canyon Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

	 C. E. Stout

STATE OF CALIFORNIA
COUNTY OF

San Diego

On July 23, 1963
before me, the undersigned, a Notary Public in and for said
County and State, personally appeared
C. E. Stout

acknowledged before me this _____ day of
at, a single man, 614 Colorado Building,
olorado.

known to me to be the person whose name
subscribed to the within instrument and acknowledged to me
that he executed the same.
WITNESS my hand and official seal.

Notary Public in and for
Denver County, Colorado

PRISCILLA L. HENNING Public in and for said County and State.

My Commission Expires May 8, 1967

Form 3001 (Individual)
First American Title Company

CONSENT AND RATIFICATION OF
BOX CANYON UNIT AGREEMENT COVERING
LANDS IN THE BOX CANYON UNIT AREA,
EDDY 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 Box Canyon Unit Area, embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 11th day of July, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, being the owners of overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their respective interests to the Box Canyon Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

_____	<u>Eugenia Bate</u>
_____	Eugenia Bate
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

STATE OF ARIZONA)
COUNTY OF Yavapai)

The foregoing instrument was acknowledged before me this 25th day of July, 1963, by Eugenia Bate, widow of Claude Bate, deceased,
P. O. Box 86, Mayer, Arizona.

My Commission Expires:

June 2, 1964

M. Hartman
Notary Public in and for
Yavapai County, Arizona

CONSENT AND RATIFICATION OF
BOX CANYON UNIT AGREEMENT COVERING
LANDS IN THE BOX CANYON UNIT AREA,
EDDY 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 Box Canyon Unit Area, embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 11th day of July, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, being the owners of overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their respective interests to the Box Canyon Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

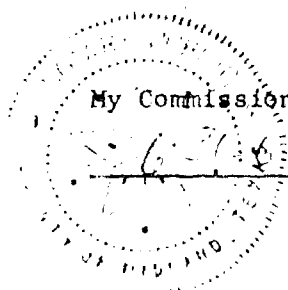
IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgments.

George S. Turner
George S. Turner

Edna K. Turner
Edna K. Turner

STATE OF TEXAS)
COUNTY OF Midland)

The foregoing instrument was acknowledged before me this 26th day of July, 1963, by George S. Turner and his wife, Edna K. Turner.



My Commission Expires: _____

Aue Read Sue Read
Notary Public in and for
Midland County, Texas

CONSENT AND RATIFICATION OF
BOX CANYON UNIT AGREEMENT COVERING
LANDS IN THE BOX CANYON UNIT AREA,
EDDY 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 Box Canyon Unit Area, embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 11th day of July, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, being the owners of overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their respective interests to the Box Canyon Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

Michael Shearn
Michael Shearn

STATE OF TEXAS)
COUNTY OF El Paso)

The foregoing instrument was acknowledged before me this 24th day of July, 1963, by Michael Shearn, a single man.

My Commission Expires:

Dolores Amos, Notary Public
in and for El Paso County, Texas
My Commission Expires June 1, 1965

Dolores Amos
Notary Public in and for
El Paso County, Texas



CONSENT AND RATIFICATION OF
BOX CANYON UNIT AGREEMENT COVERING
LANDS IN THE BOX CANYON UNIT AREA,
EDDY 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 Box Canyon Unit Area, embracing lands situated in Eddy County, New Mexico, which said Agreement is dated the 11th day of July, 1963, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned, being the owners of overriding royalty interests in the lands or minerals embraced in said Unit Area, do hereby commit all of their respective interests to the Box Canyon Unit Agreement and do hereby consent thereto and ratify and agree to be bound by 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.

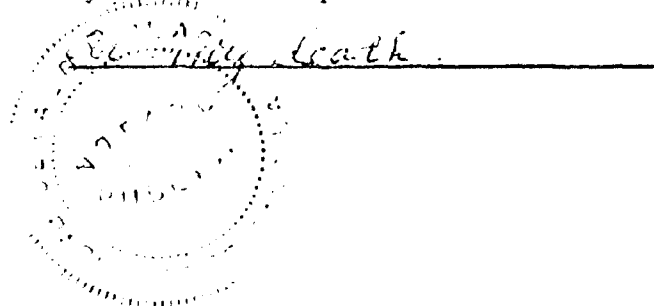
Thomas Connell
Thomas Connell

Emily K. Connell
Emily K. Connell

STATE OF Louisiana }
PARISH Orleans }
~~STATE~~ OF Orleans }

The foregoing instrument was acknowledged before me this 29th day of July, 1963, by Thomas Connell and his wife, Emily K. Connell,
1417 State Street, New Orleans 18, Louisiana.

My Commission Expires:



George L. Leath
Notary Public in and for
Orleans Parish, Louisiana

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
BOX CANYON UNIT AREA
COUNTY OF EDDY
STATE OF NEW MEXICO
NO. _____

THIS AGREEMENT, entered into as of the 11th day of July, 1963, 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, insofar 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 (Chapter 72, Laws of 1935, as amended by Chapter 193, Laws of 1937, Chapter 166, Laws of 1941, and Chapter 168, Laws of 1949) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Box Canyon 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

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
EXHIBIT NO. _____
CASE NO. _____

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 following-described land is hereby designated and recognized as constituting the unit area:

T-21-S, R-21-E, N.M.P.M.

Sec. 19: E/2
Sec. 20: All
Sec. 21: All
Sec. 27: All
Sec. 28: All
Sec. 29: All
Sec. 30: E/2
Sec. 32: All
Sec. 33: All
Sec. 34: All
Sec. 35: W/2

T-22-S, R-21-E, N.M.P.M.

Sec. 1: All
Sec. 2: All
Sec. 3: All
Sec. 4: All
Sec. 10: All
Sec. 11: All
Sec. 12: All

Containing 10,560.48 acres, more or less.

Exhibit A attached hereto is a map showing the unit area and 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 "Land Commissioner," and not less than six (6) copies of the revised exhibits shall be filed with the Supervisor, and one (1) copy thereof shall be filed with the Land Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Conservation Commission."

The above-described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is 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 Land Commissioner, after preliminary concurrence by the Director, 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 Land Commissioner and the Conservation Commission and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the Land Commissioner and the Conservation 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 Director, the Land Commissioner and the Conservation Commission, become effective as of the date prescribed in the notice thereof.

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys; however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within five (5) years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said 5-year period diligent drilling operations are in progress on unitized lands not entitled to participation, 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, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay;" provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within ten (10) years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and the Land Commissioner. 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 Director and the Land Commissioner and promptly notify all parties in interest.

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

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 land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement." All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

4. UNIT OPERATOR. Marathon Oil Company is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it and 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 Director, the Land Commissioner and Conservation 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 Conservation 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 determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director and the Land 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 equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used

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

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 filed with the Supervisor and approved by the Land Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Land Commissioner at their 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 the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Land Commissioner, prior to approval of this unit agreement by the Director.

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 Land Commissioner if on State Land, or by the Conservation Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Devonian formations have 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, 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 Land Commissioner if on State land, or of the Conservation 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 of 9,600 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 6 months between the completion of one well 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 Land Commissioner if on State land or the Conservation 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 Director and Land 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 comply with the drilling provisions of this section, the Director and Land Commissioner may, after reasonable notice to the Unit Operator, and each working interest owner, lessee, and lessor at their last known addresses, 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 Land Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Land 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 Land 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 Land 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 Land 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 Land 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 or such as may be specifically approved by the Supervisor and the Land 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 Land Commissioner the Unit Operator shall submit for approval by the Director and the Land Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the Land Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the 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 the initial participating area. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Land Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be productive in paying quantities and the percentage of allocation shall also 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 Director and the Land Commissioner. No land shall be excluded from

a participating area on account of depletion of the unitized substances.

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 Director and the Land 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 may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands and the Land Commissioner for State lands and the Conservation Commission as to privately owned lands and the amount thereof deposited, as directed by the Supervisor and the Land 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 Land Commissioner as to wells drilled on State land and the Conservation Commission as to wells 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 so long as such land is not within a 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 Land Commissioner and the Conservation Commission, 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 constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NONPARTICIPATING LAND OR FORMATIONS.

Any party or parties 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 Land Commissioner as to State land, and the Conservation Commission as to privately owned land, and subject to the provisions of the Unit Operating Agreement, at such party's or parties' sole risk, costs, and expense drill a well at such location on such land 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, or drill any well not mutually agreed to by all interested parties, 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 in a participating area of the land upon which such well is situated, 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 and any State and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties 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, which shall be in conformity with a plan first approved by the Supervisor, the Land Commissioner, and the Conservation Commission, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by the Supervisor, the Land Commissioner and the Conservation Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

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

Royalty due on account of State and 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 in lieu thereof 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 were within the time therein specified commenced upon the land covered thereby or rentals 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 thereafter until the required drilling operations are commenced upon the land covered thereby or 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 appropriate and adequate measures to prevent drainage of unitized substances from unitized land by wells on land not subject to this agreement, or, with the consent of the Director and the Land Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor as to Federal leases and the Land Commissioner as to State leases.

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 of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Land Commissioner as to State leases shall and each 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 part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of unitized 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 Land Commissioner, or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands, other than those of the United States and 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 term 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.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 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; provided, however, notwithstanding any of the provisions of this agreement to the contrary any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if oil or gas is discovered and is capable of being produced in paying quantities from some part of the lands embraced in such lease at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the Lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same, as to all lands embraced therein, shall remain in full force and effect so long as such operations are being diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

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 Land Commissioner or their duly authorized representatives as of the date of approval by the Secretary and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and the Land 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 Director and Land 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 the 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 owners of working interests signatory hereto, with the approval of the Director and Land 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.

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. 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 Conservation Commission, agree that all powers and authority vested in the Conservation Commission in and by any provisions of this agreement are vested in the Conservation 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.

23. 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 Conservation Commission or Land 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 Land Commissioner, or Conservation 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.

24. 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.

25. 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.

26. 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, but only so long as, the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

27. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all of the provisions of section 301 (1) to (7) inclusive, of Executive Order 10925 (26 F.R. 1977), which are hereby incorporated by reference in this agreement.

28. 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 Land 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.

29. 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 to the Director, the Land Commissioner, and the Unit Operator prior to the approval of this agreement by the Director. 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. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as 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 Land 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 Director or the Land Commissioner, provided that, as to State lands, such subsequent joinder must be approved by the Land Commissioner.

30. 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 set opposite their respective names the date of execution.

UNIT OPERATOR & WORKING INTEREST OWNER:

MARATHON OIL COMPANY

Date _____

By _____
I. G. Burrell, Division Manager

P. O. Box 3128
Houston 1, Texas

WORKING INTEREST OWNERS:

Date _____

BRUCE ANDERSON

Date _____

JACQUELINE ANDERSON

Address: _____

ATTEST:

SUN OIL COMPANY

Secretary

By _____
Vice President

Date _____

Address: _____

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

Secretary

By _____
Vice President

Date _____

Address: _____

ATTEST:

BEARD OIL COMPANY

Secretary

By _____
President

Date _____

Address: _____

Date _____

EDWARD C. DONOHUE

Date _____

WILMA ELLIOTT DONOHUE

Address: _____

OVERRIDING ROYALTY INTEREST OWNERS:

Date _____

BRUCE ANDERSON

Date _____

JACQUELINE ANDERSON

Address: 930 Petroleum Club Building
Denver 2, Colorado

Date _____

EUGENIA BATE, a widow

Address: P. O. Box 161
Santa Fe, New Mexico

Date _____

VOLA V. HORST BUNNEL, dealing in her
sole and separate property.

Address: P. O. Box 2059
Santa Fe, New Mexico

Date _____

ARNOLD BUNTE

Date _____

ENID BUNTE

Address: 611 West Church
Roswell, New Mexico

Date _____

MAX H. CHRISTENSEN

Date _____

MARCELLA B. CHRISTENSEN

Address: 1116 Petroleum Life Building
Midland, Texas

Date _____

THOMAS CONNELL

Date _____

EMILY K. CONNELL

Address: 1417 State Street
New Orleans 18, Louisiana

ATTEST:

DALPORT OIL CORPORATION

Secretary

By _____
Vice President

Address: 930 Fidelity Union Life Bldg.
Dallas, Texas

OVERRIDING ROYALTY INTEREST OWNERS:

Date _____	CLARENCE E. HINKLE
Date _____	LILLIAN T. HINKLE
	Address: 407 North Washington Ave. Roswell, New Mexico
Date _____	JAMES T. JENNINGS
Date _____	FRANCES S. JENNINGS
	Address: 1208 Avenida Del Sumbre Roswell, New Mexico
Date _____	S. W. LODEWICK
Date _____	LAURA B. LODEWICK
	Address: 305 North Missouri Avenue Roswell, New Mexico
Date _____	BONNIE H. MATLOCK MORRISON, dealing in her sole and separate property.
	Address: 3 Park Road Roswell, New Mexico
Date _____	IRWIN RUBENSTEIN
	Address: 707 Park Land Building 2025 I. Street NW Washington, D. C.
Date _____	CALDWELL J. SAUNDERS
Date _____	FAYE N. SAUNDERS
	Address: 2515 Cambria Dallas, Texas
Date _____	JOE SCHUTZ
Date _____	ROSINA SCHUTZ
	Address: 116 Valley Drive Santa Fe, New Mexico

OVERRIDING ROYALTY INTEREST OWNERS:

Date _____

MICHAEL S. SHEARN, a single man

Address: 212 Schuster

El Paso, Texas

Date _____

C. E. STOUT, a single man

Address: 614 Colorado Building

Denver, Colorado

Date _____

GEORGE S. TURNER

Date _____

EDNA K. TURNER

Address: 2003 West Indiana

Midland, Texas

Date _____

HOOVER H. WRIGHT

Date _____

BETTY RUTH WRIGHT

Address: P. O. Box 2124

Santa Fe, New Mexico

THE STATE OF TEXAS Y
 Y
COUNTY OF HARRIS Y

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by I. G. BURRELL, Division Manager of MARATHON OIL COMPANY, an Ohio corporation, on behalf of said corporation.

My Commission Expires _____

Notary Public in and for
Harris County, Texas.

STATE OF _____ Y
 Y
COUNTY OF _____ Y

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, Vice President of SUN OIL COMPANY, a New Jersey corporation, on behalf of said corporation.

My Commission Expires _____

Notary Public in and for

STATE OF _____ Y
 Y
COUNTY OF _____ Y

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, Vice President of UNION OIL COMPANY OF CALIFORNIA, a California corporation, on behalf of said corporation.

My Commission Expires _____

Notary Public in and for

STATE OF _____

Y
Y
Y

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

My Commission Expires: _____

Notary Public

STATE OF _____

Y
Y
Y

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

My Commission Expires: _____

Notary Public

STATE OF _____

Y
Y
Y

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

My Commission Expires: _____

Notary Public

STATE OF _____

Y
Y
Y

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

My Commission Expires: _____

Notary Public

STATE OF _____

Y
Y
Y

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____

My Commission Expires: _____

Notary Public

R-21-E



LEGEND

- FEDERAL SERIAL NUMBERS
INVOLVED IN UNIT

- (1) LC-086030-A
- (2) NM-014979
- (3) NM-024451
- (4) NM-024451-A
- (5) XM-029910
- (6) NM-033890
- (7) NM-039883
- (8) NM-042345-A
- (9) NM-055394
- (10) NM-056378
- (11) NM-067361-A
- (12) NM-022567
- (13) NM-024450
- (14) NM-024450-A
- (15) NM-033738
- (16) NM-035551
- (17) NM-085408
- (18) NM-013487

STATE LEASE NUMBER(15)

- 19 K - 352
 20 K - 964
 21 00-766
 22 K - 3217

FEE LAND

UNCLAS

EXHIBIT A

Effective May 23, 1963

Tract Number	Description of Land	No. of Acres	Serial No. & Eff. Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
FEDERAL LANDS: <u>T-21-S, R-21-E, NMPM</u>							
1	Sec. 20: E/2 Sec. 21: A11 Sec. 27: N/2 Sec. 28: NE/4; E/2 NW/4	1,520.00	LC-066030-A 10-1-51 Ext. to 8-31-63 (3)	USA - 12½%	Marathon Oil Company	Caldwell J. Saunders et ux., Faye N. Saunders, \$300.00 per acre out of	Marathon Oil Company - All
2	Sec. 19: NE/4	160.00	NM-014979 7-1-54 Ext. to 6-30-64 (2)	USA - 12½%	Edward C. Donohue & Wilma Elliott Donohue	None	Edward C. Donohue & Wilma Elliott Donohue - All
3	Sec. 27: SW/4 Sec. 29: S/2 NE/4; N/2 SE/4 Sec. 30: E/2 SE/4 Sec. 33: NW/4	560.00	NM-024451 9-1-56 Ext. to 8-31-66 (2)	USA - 12½%	*Bruce Anderson	Viola V. Horst Bunnel, dealing in her sole and separate property	*Bruce Anderson - All
4	Sec. 28: S/2 Sec. 29: S/2 NW/4; SW/4; S/2 SE/4 Sec. 33: E/2; SW/4 Sec. 34: W/2	1,440.00	NM-024451-A 9-1-56 Ext. to 8-31-66 (2)	USA - 12½%	Marathon Oil Company	Bruce Anderson et ux, Jacqueline Anderson - Viola V. Horst Bunnel, dealing in her sole and separate property	Marathon Oil Company - All
5	Sec. 29: N/2 N/2 Sec. 3: Lot 2 (T-22-S) Sec. 10: A11	740.20	NM-029910 4-1-57 Ext. to 3-31-67 (2)	USA - 12½%	Marathon Oil Company	None	Marathon Oil Company - All

Tract Number	Description of Land	No. of Acres	Serial No. & Eff. Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS: (Cont'd)</u> <u>T-21-S, R-21-E, NMPM</u>							
6	Sec. 27: SE/4	160.00	NM-033890 6-1-57 Ext. to 5-31-67 (2)	USA - 12½%	Union Oil Company of California	James T. Jennings et ux., Frances S. Jennings George S. Turner et ux., Edna K. Turner -	Union Oil Company of California - All 3.0000% 0.2500% 3.2500%
7	Sec. 34: NE/4 Sec. 35: W/2	480.00	NM-039883 6-1-59	USA - 12½%	Marathon Oil Company	Joe Schutz et ux., Kosina Schutz	Marathon Oil Company - All 3.0000%
8	Sec. 34: SE/4 Sec. 3: Lot 1; SE/4 NE/4; NE/4 SE/4 (T-22-S)	520.05	NM-042546-A 8-1-59	USA - 12½%	Marathon Oil Company	Eugenia Bate, widow of Claude Bate, deceased	Marathon Oil Company - All 3.0000%
9	Sec. 11: NW/4; E/2 SW/4 (T-22-S)	280.00	NM-055394 11-1-59	USA - 12½%	Marathon Oil Company	Dalport Oil Corporation	Marathon Oil Company - All 3.0000%
10	Sec. 20: NW/4; W/2 SW/4 Sec. 28: NW/4 NW/4 Sec. 30: NE/4; W/2 SE/4	240.00	NM-056378 11-1-59	USA - 12½%	Sun Oil Company	\$750.00 per acre out of 3%, owned as follows: Clarence E. Hinkle et ux., Lillian T. Hinkle - Bonnie H. Matlock Morrison, dealing in her sole and separate property - S. W. Lodewick et ux., Laura B. Lodewick - Arnold Bunte et ux., Enid Bunte	Sun Oil Company - All 0.8333% 0.8333% 0.5000% 3.0000%

Tract Number	Description of Land	No. of Acres	Serial No. & Eff. Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS: (Cont'd)</u>							
<u>T-21-S, R-21-E, NMPM</u>							
11	Sec. 19: SE/4	160.00	NM-067561-A 2-1-60	USA - 12½%	Marathon Oil Company	C. E. Stout, a single man	Marathon Oil Company - All
<u>T-22-S, R-21-E, NMPM</u>							
12	Sec. 11: SE/4 Sec. 12: SW/4	320.00	NM-022567 7-1-56 Ext. to 6-30-66 (2)	USA - 12½%	Marathon Oil Company	Thomas Connell et ux., Emily K. Connell - Irwin Rubenstein -	Marathon Oil Company - All 2.1250% 0.3750% 2.5000%
13	Sec. 3: W/2 SE/4; SW/4 NE/4 Sec. 4: All	760.40	NM-024450 5-1-57 Ext. to 4-30-67 (2)	USA - 12½%	*Bruce Anderson	Volta V. Horst Bunnell, dealing in her sole and separate property	*Bruce Anderson - All 0.5000%
14	Sec. 3: Lots 3, 4; S/2 NW/4; SW/4	320.83	NM-024450-A 5-1-57 Ext. to 4-30-67 (2)	USA - 12½%	Marathon Oil Company	Bruce Anderson et ux., Jacqueline Anderson - Volta V. Horst Bunnell, dealing in her sole and separate property -	Marathon Oil Company - All 2.5000% 0.5000% 3.0000%
15	Sec. 11: W/2 SW/4	80.00	NM-033738 6-1-57 Ext. to 5-31-67 (2)	USA - 12½%	Marathon Oil Company	Michael Shearn, a single man	Marathon Oil Company - All 3.0000%
16	Sec. 1: All	639.52	NM-035551 2-1-58 Ext. to 1-31-68 (2)	USA - 12½%	Marathon Oil Company	None	Marathon Oil Company - All -

T-22-S, R-21-E, NMPM

18 Federal Tracts (Leased) comprising 9,121.00 Acres or 86.36918% of Unit Area

T-21-S, R-21-E, NMPM

T-22-S, R-21-E, NMPM

4 State Tracts (Leased) comprising 1,399.48 Acres or 13.25205% of Unit Area

T-21-S, R-21-E, NMPM

1 Fee Tract (Unleased) comprising 40.00 Acres or 0.37877% of Unit Area

1 Fee Tract (Unleased) comprising 40.00 Acres or 0.37877% of Unit Area

RECAPITULATION:

18 Federal Tracts (Leased)	9,121.00 Acres	86.36918% of Unit Area
4 State Tracts (Leased)	1,399.48 Acres	13.25205% of Unit Area
1 Fee Tract (Unleased)	<u>40.00 Acres</u>	<u>0.37877% of Unit Area</u>
<u>Total</u>	<u>10,560.48 Acres</u>	<u>100.00000% of Unit Area</u>

*Although Bruce Anderson is shown as Lessee of Record and as owner of all of the Working Interest for Tracts Nos. 3 and 13, it is understood that Bruce Anderson has assigned an undivided fifty (50) per cent interest in the leases covering those tracts to Beard Oil Company.