

CONSENT AND RATIFICATION OF  
POKER LAKE UNIT AGREEMENT

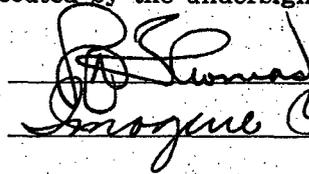
KNOW ALL MEN BY THESE PRESENTS:

The undersigned (whether one or more) hereby acknowledge receipt of an identical copy of the Unit Agreement for the Development and Operation of the Poker Lake Unit Area dated the

15th day of March, 1952, embracing lands situated in Eddy County, New Mexico, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interests in the lands or minerals as indicated on the Schedule attached to said Unit Agreement as Exhibit "B" do hereby commit all of their said interests to the Poker Lake Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

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

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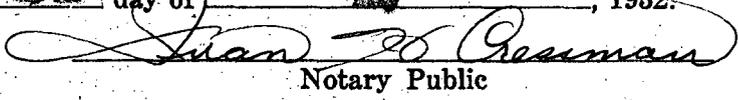
  
Margaret C. Thomas

STATE OF Wyoming }  
COUNTY OF Crook } SS.

On this 15th day of May, 1952, before me personally appeared R.D. Thomas and Margene G. Thomas, his wife,

to me known to be the person described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

Witness my hand and official seal this 15th day of May, 1952.

  
Notary Public

My Commission Expires:  
April 26th, 1954.

Sanderson, Wyoming.  
Postoffice

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

On this \_\_\_\_\_ day of \_\_\_\_\_, 1952, before me personally appeared

to me known to be the person described in and who executed the foregoing instrument, and acknowledged that \_\_\_\_\_ executed the same as \_\_\_\_\_ free act and deed.

Witness my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 1952.

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

Notary Public

Postoffice

STATE OF \_\_\_\_\_ }  
COUNTY OF \_\_\_\_\_ } SS.

On this \_\_\_\_\_ day of \_\_\_\_\_, 1952, before me personally appeared

to me known to be the person described in and who executed the foregoing instrument, and acknowledged that \_\_\_\_\_ executed the same as \_\_\_\_\_ free act and deed.

Witness my hand and official seal this \_\_\_\_\_ day of \_\_\_\_\_, 1952.

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

Notary Public

Postoffice

CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437; 30 U. S. C. secs. 181, et seq., as amended by the act of August 8, 1946, 60 Stat. 950, and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C. F. R. sec. 4.611, 12 F. R. 6784, I do hereby:

A. Approve the attached agreement for the development and operation of the POKER LAKE Unit Area, State of NEW MEXICO.

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

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

Dated JUL 16 1952

Julius D. Sears  
Acting Director, United States Geological Survey

FEDERAL  
APPROVAL  
PO LAKE UNIT

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION OF  
OF THE POKER LAKE UNIT AREA

EDDY COUNTY, STATE OF NEW MEXICO

~~f-sec. No.~~ \_\_\_\_\_

No. 14-08-001-303

THIS AGREEMENT, entered into as of the 18<sup>th</sup> day of March

1952, 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 I H:

WHEREAS, the parties hereto are the owners of working, royalty or other oil or gas interests in the unit area subject to this agreement; and

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended by the Act of August 8, 1946, 60 Stat. 950, 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 under 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

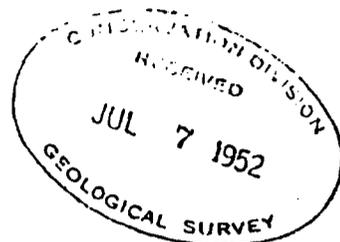
WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Chap. 88, Laws 1943) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

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

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JUL 2 1952

U. S. GEOLOGICAL SURVEY  
ROSWELL, NEW MEXICO



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

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent waste, and secure other benefits obtainable through development and operation of the area subject to this agreement under the terms, conditions, and limitations herein set forth;

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

1. ENABLING ACT AND REGULATIONS. The 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 non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this agreement.

2. UNIT AREA. The following described land is hereby designated and recognized as constituting the unit area:

NEW MEXICO PRINCIPAL MERIDIAN

Twp. 24 S., Rge. 29 E.

Sec. 12: E/2

Sec. 13: E/2

Sec. 24: E/2

Sec. 1 : E $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$

Twp. 23 S., Rge. 30 E.

Sec. 31: SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$   
Sec. 32: All  
Sec. 33: All  
Sec. 34: W $\frac{1}{2}$ W $\frac{1}{2}$

Twp. 24 S., Rge. 30 E.

Sec. 2: S $\frac{1}{2}$   
Secs. 3 to 11, both inclusive: All  
Secs. 14 to 36, both inclusive: All

Twp. 25 S., Rge. 30 E.

Secs. 1 to 4, both inclusive: All  
Sec. 5: Lots 1, 2, 3 and 4, S $\frac{1}{2}$ N $\frac{1}{2}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$   
Sec. 8: E $\frac{1}{2}$ E $\frac{1}{2}$ , W $\frac{1}{2}$ SE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$   
Sec. 9 to 17, both inclusive: All  
Sec. 18: Lots 3 and 4, NE $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$ , SE $\frac{1}{4}$   
Secs. 19 to 29, both inclusive: All  
Sec. 30: NE $\frac{1}{4}$ , E $\frac{1}{2}$ SE $\frac{1}{4}$   
Sec. 31: E $\frac{1}{2}$ NE $\frac{1}{4}$   
Secs. 32 to 36, both inclusive: All

Twp. 26 S., Rge. 30 E.

Secs. 1 to 3, both inclusive: All  
Sec. 4: NE $\frac{1}{4}$   
Sec. 10: N $\frac{1}{2}$   
Sec. 11: N $\frac{1}{2}$   
Sec. 12: N $\frac{1}{2}$

Twp. 24 S., Rge. 31 E.

Secs. 19 to 22, both inclusive: All  
Secs. 27 to 33, both inclusive: All  
Sec. 34: W $\frac{1}{2}$

Twp. 25 S., Rge. 31 E.

Sec. 3: Lots 3 and 4, S $\frac{1}{2}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$   
Secs 4 to 9, both inclusive: All  
Sec. 10: W $\frac{1}{2}$   
Sec. 15: W $\frac{1}{2}$ W $\frac{1}{2}$   
Secs. 16 to 21, both inclusive: All  
Sec. 22: NW $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$   
Sec. 27: W $\frac{1}{2}$ W $\frac{1}{2}$   
Secs. 28 to 33, both inclusive: All  
Sec. 34: S $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$

Twp. 26 S., Rge. 31 E.

Sec. 3: W $\frac{1}{2}$ NW $\frac{1}{4}$   
Secs. 4 to 6, both inclusive: All

Containing 68, 990.99 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 the Commissioner of Public Lands, hereinafter referred to as "Commissioner", and not less than six copies of the revised exhibits shall be filed with the Supervisor, and at least one copy shall be filed with the Commissioner and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "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 purpose 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 Commissioner shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof.

(b) Said notice shall be delivered to the Supervisor and Commissioner and copies thereof mailed to the last known address of each working

interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for submission to the Unit Operator of any objections.

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor and Commissioner 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.

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

After ten years from the date of discovery of unitized substances in paying quantities, the Director and Commissioner shall have the right to determine the acreage believed to be proved productive in formations subject to this agreement and may declare acreage not believed to be productive as no longer subject to this agreement by appropriate notice to the Unit Operator provided, however, no elimination of acreage shall be made so long as Unit Operator is actually and diligently engaged in expanding the productive limits within the unit area.

All land committed to this agreement shall constitute land referred to herein as "unitized land" or "land subject to this agreement."

3. UNITIZED SUBSTANCES. 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. Richardson & Bass, a co-partnership, whose address is Fort Worth National Bank Building, Fort Worth, Texas, is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit

Operator acting in that capacity and not as an owner of interests 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, the Director, and Commissioner, 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 the Commission as to State and privately-owned 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 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 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 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, 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 percent of the working interest qualified to vote are owned by one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director and Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and 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 true copies of any unit operating agreement executed pursuant to this section shall be filed with the Supervisor, and one true copy with the Commissioner.

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 such location is upon lands of the United States, and if upon State lands or privately-owned lands, such location shall be approved by the Commission, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Ordovician 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 as to wells on Federal Lands, or the Commissioner as to wells on State lands, 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 12,000 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 on Federal land, or the Commissioner if on State, or the 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

*Paying Quantities*

*Has Agreement lapsed or lapsed by failure to produce or more??*

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 the 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 in this section, the Director and the 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.

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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, the Commissioner, and the Commission, an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the Commissioner, and the Commission, 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, the Commissioner, and the Commission, 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 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, the Commissioner and the Commission 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, the Commissioner and the Commission. Said plan or 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 this approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substances 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 Commission shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Director, the Commissioner and the Commission a schedule, based on sub-divisions 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 land in said schedule on approval of the Director, the Commissioner and the Commission to constitute a participating area, effective as of the date of first production. 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, the Commissioner and the Commission. 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, 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, unless a more appropriate effective date is specified in the schedule. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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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 revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director, the Commissioner and the Commission 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 and the Commissioner, respectively, and the amount thereof deposited, as directed by the Supervisor and Commissioner, 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 on Federal land, and Commissioner as to wells on State land, and the Commission as to wells on privately-owned land, 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.

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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, Commissioner and the 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 number of acres of unitized land in said participating area. 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 NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land, the Commissioner as to State land, and the Commission as to privately owned land, at such party's sole risk, cost and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such 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 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 the State of New Mexico 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 interests 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 Commissioner and the 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 Commissioner, and the 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. Rentals 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.

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 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. RIGHTS OF WORKING INTEREST OWNERS IN UNITIZED SUBSTANCES.

Notwithstanding any provision contained herein to the contrary, each working interest owner shall have the right to take such owner's proportionate share of the unitized substances in kind or to personally sell or dispose of the same, and nothing herein contained shall be construed as giving or granting to the Unit Operator the right to sell or otherwise dispose of the proportionate share of any working interest owner without specific authorization from time to time so to do.

Any working interest owner who takes its share of the unitized substances in kind shall pay or secure the payment of the royalty on its interest and furnish at its own expense all tankage and other equipment necessary for taking said unitized substances in kind and shall also pay any other additional expenses of Unit Operator occasioned thereby. Likewise, any royalty owners who under existing contracts are entitled to take their share of the unitized substances in kind shall furnish at their own expense all equipment necessary in connection therewith, and shall reimburse Unit Operator for all expenses incurred on account thereof; provided, that as to Federal lands such expense, equipment and storage of royalty oil taken in kind shall be assumed and furnished pursuant to the provisions of the Federal leases involved.

17. 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 regulations.

18. 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 pursuant to applicable regulations pay a fair and reasonable compensatory royalty as determined by the Supervisor for Federal land, or as approved by the Commissioner as to State land, or as determined by agreement between the Unit Operator and the royalty owner as to fee land.

19. 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 and the Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives do 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 Federal or State lease shall be deemed to expire by reason of failure to drill or produce wells situated on land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and 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 lands.

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas of lands other than those of the United States and the State of New Mexico committed to this agreement which by its terms might expire prior to the termination of this agreement is hereby extended beyond any such term so provided therein, so that it shall be continued in full force and effect for and during the term of this agreement, provided, however, each such lease, sublease or contract shall only be extended in the event unitized substances are capable of being produced from some part of the lands committed to this agreement prior to the expiration of the primary term of such lease, sublease or contract. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or applicable law shall continue in full force and effect thereafter.

(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 committed land so long as such land remains committed hereto, provided unitized substances are discovered in paying quantities within the unit area prior to the expiration date of the primary term of such lease.

(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 having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. In the event any such lease provides for a lump-sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

20. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any working interest, 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.

21. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Secretary or his duly authorized representative and shall terminate five years after such date unless (a) such date of expiration is extended by the Director and 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 formation 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 Commissioner, or (c) a valuable discovery of unitized substances has been made 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 paying quantities, i.e., in this particular instance in quantities sufficient to pay for the cost of producing the 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.

Note  
difference in  
pay-  
quantity  
definition.

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; notice of any such approval to be given by the Unit Operator to all parties hereto.

22. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the quantity and rate of production under this agreement, when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority

being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; provided, however, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately-owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

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

23. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination, or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the said 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.

24. APPEARANCES. Unit Operator shall, after notice to other parties affected, have the right to appear for or on behalf of any and all interests affected hereby before the Department of the Interior, the Commissioner of Public Lands and the New Mexico Oil Conservation Commission and to appeal from orders issued under the regulations of said Department, the Commissioner or Commission, or to apply for relief from any of said regulations or in any proceedings relative to operations before the Department of the Interior, the Commissioner or Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his own expense to be heard in any such proceeding.

25. NOTICES. All notices, demands or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if given in writing and personally delivered to the party or sent by postpaid registered mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

26. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

27. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, 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 accident, 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.

28. FAIR EMPLOYMENT. The Unit Operator shall not discriminate against any employee or applicant for employment because of race, creed, color, or national origin, and an identical provision shall be incorporated in all sub-contracts.

29. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to join 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 shall be deposited as directed by the Supervisor, and with the Commissioner of Public Lands of the State of New Mexico, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

30. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, 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. Prior to final approval hereof, joinder by any owner of a non-working interest must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. 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, the Commissioner and the Commission 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, Commissioner or Commission.

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

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

Date 3/18/52

RICHARDSON & BASS, a Co-partnership

By

*A. W. Richardson*  
*Henry A. Bass*

Address \_\_\_\_\_

UNIT OPERATOR AND  
WORKING INTEREST OWNER

WORKING INTEREST OWNERS

Edwin W. Kelly  
Barbara Jean Paulsen

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

THE SUPERIOR OIL COMPANY

Date \_\_\_\_\_

APPROVED AS TO FORM  
FOR THE SUPERIOR OIL CO.  
BY SWB  
ATTORNEY

Howard Kuck  
Vice President

R. J. Harrison

Katharine H. Harrison

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

By Hugh J. Owens  
Assistant Secretary

Date \_\_\_\_\_

A. W. Richards

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

Date \_\_\_\_\_

Penny C. Bass  
Mrs. Penny C. Bass

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

Date \_\_\_\_\_

CONTINENTAL OIL COMPANY

By J. S. J. Schuman  
Attorney in Fact

NOTED	
LEGAL	<u>LS</u>
LAND	<u>LS</u>
PROD.	<u>LS</u>
GEOL.	<u>WT</u>

Address 1710 Fair Building  
Fort Worth 2, Texas

Date \_\_\_\_\_

Address \_\_\_\_\_

Date \_\_\_\_\_

LEASE AND ROYALTY OWNERS

*Edie W Paulby*

*Baltimore, Maryland*

Address \_\_\_\_\_

Date \_\_\_\_\_

*R. J. Harrison*

*Katherine H. Harrison*

Address \_\_\_\_\_

Date \_\_\_\_\_

3-A  
 T-24-S: R-31-3 4322  
 Sec. 27: M.P. 1031  
 Sec. 28: S.P. 1031  
 610 NM 0522-A USA ALL S. W. Richardson & Perry R. Bass  
 R. L. Harrison  
 Martin W. Parley  
 Olena Iovlev  
 A. H. Howard  
 Richard W. Howard  
 I. E. Spenser  
 10  
 10  
 10  
 10  
 10  
 10  
 S. W. Richardson & Perry R. Bass

3-B  
 T-24-S: R-31-3 4322  
 Sec. 27: M.P. 1031  
 160 NM 0522-A USA ALL S. W. Richardson & Perry R. Bass  
 Olena Iovlev  
 A. H. Howard  
 Richard W. Howard  
 I. E. Spenser  
 10  
 10  
 10  
 10  
 10  
 10  
 S. W. Richardson & Perry R. Bass

3-C  
 T-24-S: R-31-3 4322  
 Sec. 27: M.P. 1031  
 Sec. 28: M.P. 1031  
 160 NM 0522-A USA ALL S. W. Richardson & Perry R. Bass  
 Olena Iovlev  
 A. H. Howard  
 Richard W. Howard  
 I. E. Spenser  
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 10  
 S. W. Richardson & Perry R. Bass

3-D  
 T-24-S: R-31-3  
 Sec. 26: M.P. 1031  
 80 NM 0522 USA ALL Parley Petroleum Inc.  
 Olena Iovlev  
 A. H. Howard  
 Richard W. Howard  
 I. E. Spenser  
 10  
 10  
 10  
 10  
 10  
 10  
 Parley Petroleum Inc.

3-E  
 T-24-S: R-31-3  
 Sec. 28: M.P. 1031  
 80 NM 0522 USA ALL Parley Petroleum Inc.  
 Olena Iovlev  
 A. H. Howard  
 Richard W. Howard  
 I. E. Spenser  
 10  
 10  
 10  
 10  
 10  
 10  
 Parley Petroleum Inc.

3-F  
 T-24-S: R-31-3  
 Sec. 27: M.P. 1031  
 80 NM 0522 USA ALL Parley Petroleum Inc.  
 Olena Iovlev  
 A. H. Howard  
 Richard W. Howard  
 I. E. Spenser  
 10  
 10  
 10  
 10  
 10  
 10  
 Parley Petroleum Inc.

4-B  
 T-24-S, R-31-E 4323  
 Sec. 31: NE1/4  
 80 NW 0512-A  
 1-1-51  
 USA All  
 S. W. Richardson &  
 Perry R. Bass  
 B. E. Spencer  
 Stanley Carper  
 Mark H. Finley  
 R. H. Tecklenborg  
 15  
 15  
 1.52  
 .52  
 S. W. Richardson &  
 Perry R. Bass

5.  
 T-24-S, R-31-E  
 Sec. 27: NE1/4  
 80 NW 0543  
 1-1-51  
 USA All  
 Paulley Petroleum Inc.  
 B. E. Spencer  
 Clara Lovins  
 E. H. Ward  
 Robert E. Ferguson  
 Mary H. Finley  
 R. H. Tecklenborg  
 .52  
 .52  
 .25  
 .25  
 1.52  
 .52  
 Paulley Petroleum Inc.

6.  
 T-24-S, R-31-E  
 Sec. 21: SE1/4  
 80 NW 01179  
 12-1-50  
 USA All  
 Paulley Petroleum Inc.  
 B. E. Spencer  
 Stanley Carper  
 Mary S. Hall, Administrator  
 Est. E. B. Hall, Dec'd  
 R. J. Herritt  
 L. J. Mitchell  
 W. J. Boyle  
 15  
 15  
 15  
 .52  
 .52  
 .52  
 .52  
 .52  
 Paulley Petroleum Inc.

7.  
 T-24-S, R-31-E  
 Sec. 27: SE1/4  
 80 NW 01181  
 12-1-50  
 USA All  
 Paulley Petroleum Inc.  
 B. E. Spencer  
 Clara Lovins  
 E. H. Ward  
 Robert E. Ferguson  
 Mary S. Hall, Administrator  
 Est. E. B. Hall, Dec'd  
 R. J. Herritt  
 L. J. Mitchell  
 W. J. Boyle  
 15  
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 15  
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 .52  
 .52  
 .52  
 .52  
 Paulley Petroleum Inc.

8.  
 T-26-S, R-31-E  
 Sec. 5: All  
 Sec. 6: NE1/4  
 960.60 NW 02790  
 4-1-52  
 USA All  
 Continental Oil Co.  
 Erle Fayre  
 Obligation \$200 per acre  
 out of 1/2 of 1/2 production  
 Continental Oil Company

9.  
 T-24-S, R-30-E 4016  
 Sec. 17: NE1/4, NW1/4, NE1/4, NW1/4  
 Sec. 18: Lots 1, 2, 3, 4, E1/2, E1/4  
 Sec. 19: Lots 1, 2, 3, 4, E1/2, E1/4  
 Sec. 20: All  
 2520.68 NW 02830  
 4-1-52  
 USA All  
 S. W. Richardson &  
 Perry R. Bass  
 Hazle L. Gentle  
 Obligation \$500 per acre  
 out of 3/4 production  
 S. W. Richardson &  
 Perry R. Bass

10.	T-24-S, R-30-E Sec.22: NE 1/4 Sec.26: All Sec.27: NE 1/4, SW 1/4 Sec.28: NE 1/4, SE 1/4, SW 1/4, NW 1/4 Sec.34: NW 1/4	1920	NM 02862 6-1-52	USA All	Continental Oil Co.	Pete Payne Obligation \$200 per acre out of 1/2 of 1% production	Continental Oil Company
11.	T-23-S, R-30-E Sec.33: SE 1/4 Sec.31: SE 1/4	480	NM 02864 6-1-52	USA All	Continental Oil Co.	Pete Payne Obligation \$200 per acre out of 1/2 of 1% production	Continental Oil Company
12.	T-23-S, R-30-E Sec.34: NW 1/4	160	NM 02805 6-1-52	USA All	Continental Oil Co.	Wallace Wimberly Obligation \$100 per acre out of 1% production	Continental Oil Company
13-A	T-24-S, R-30-E Sec.6: NE 1/4	40	NM 03075 5-1-52	USA All	S. W. Richardson & Perry R. Bass	Hazel E. Todhunter 3%	S. W. Richardson & Perry R. Bass
13-B	T-24-S, R-30-E Sec.6: Lot 1	40.72	NM 07686 5-1-52	USA All	S. W. Richardson & Perry R. Bass	E. B. Todhunter 3%	S. W. Richardson & Perry R. Bass
14.	T-25-S, R-30-E Sec.31: NE 1/4	80	NM 03103-C 5-1-52	USA All	S. W. Richardson & Perry R. Bass	Petra Lynn Kette (formerly Petra Larve) 3%	S. W. Richardson & Perry R. Bass
15.	T-24-S, R-31-E Sec.33: ESW 1/4	76.70	NM 033210 10-1-57	USA All	William Hinkle Coll	None	William Hinkle Coll
16.	T-24-S, R-30-E Sec.34: SW 1/4	40	NM 04843 5-1-52	USA All	S. W. Richardson & Perry R. Bass	Esther L. Kelly Obligation \$1000 per acre out of 3% production	S. W. Richardson & Perry R. Bass
17-A	T-25-S, R-30-E Sec.28: NE 1/4, SW 1/4 Sec.33: NE 1/4, SW 1/4 Sec.34: NE 1/4, SW 1/4 Sec.35: NE 1/4, SW 1/4	4303 1920	NM 05039-A 6-1-51	USA All	S. W. Richardson & Perry R. Bass	Claribel Marshall Obligation \$1000 per acre out of 3.5% production Gladys Utzinger 1%	S. W. Richardson & Perry R. Bass
17-B	T-25-S, R-30-E Sec.28: SW 1/4 Sec.33: SE 1/4 Sec.34: SE 1/4 Sec.35: SE 1/4	640	NM 05039 6-1-51	USA All	Pauley Petroleum Inc.	Claribel Marshall Obligation \$1000 per acre out of 3.5% production Gladys Utzinger 1%	Pauley Petroleum Inc.

18.	T-24-S, R-29-E Sec.12: SE Sec.13: E2	4304	480	NM 05912 11-1-51	USA ALL	S. W. Richardson & Perry R. Bass	Ora R. Hall, Jr.	33	S. W. Richardson & Perry R. Bass
19.	T-25-S, R-30-E Sec.10: E2	3904	80	IC 061616 11-1-48	USA ALL	S. W. Richardson & Perry R. Bass	Loeta M. Hopp	33	S. W. Richardson & Perry R. Bass
19-A	T-25-S, R-30-E Sec.3: All Sec.4: All Sec.9: All Sec.10: S2, NW2, W2NW2	3904-7	2482.60	IC 061616-A 11-1-48	USA ALL	Ernell H. Muse, Jr. Loeta M. Hopp Ernell H. Muse, Jr.	Loeta M. Hopp Ernell H. Muse, Jr.	33	S. W. Richardson & Perry R. Bass
20-A	T-25-S, R-30-E Sec.1: Lots 1, 2, 3, 4, S2NW2, SW2NW2, SW2	9173	2042.26	NM 030456 4-1-57	USA ALL	Howard W. Jennings, Inc. Ralph A. Shugart Howard W. Jennings, Inc.	Ralph A. Shugart Howard W. Jennings, Inc.	33	S. W. Richardson & Perry R. Bass
20-B	T-25-S, R-30-E Sec.1: SE Sec.12: SE Sec.13: SW		480	NM 031381 9-1-57	USA ALL	Paulley Petroleum Inc.	Paulley Petroleum Inc.		Paulley Petroleum Inc.
21-A	T-25-S, R-31-E Sec.20: NE, W2SW2 Sec.29: NE, NW2, SW2NW2, W2SW2 Sec.30: Lots 1, 2, 3, 4, NE2, E2NW2, E2SW2 Sec.31: Lots 1, 2, 3, 4, NE2, E2NW2, E2SW2	4325-7	1560.60	IC 061634-B 9-1-48	USA ALL	Howard W. Jennings, Inc. Elizabeth W. Fairroy B. E. Spencer R. L. Harrison Edwin W. Paulley Howard W. Jennings, Inc.	Elizabeth W. Fairroy B. E. Spencer R. L. Harrison Edwin W. Paulley Howard W. Jennings, Inc.	33	S. W. Richardson & Perry R. Bass
21-B	T-25-S, R-31-E Sec.17: SE Sec.20: SE Sec.29: SE, NW2, NE2SW2 Sec.30: SE Sec.31: SE		880	IC 061634 9-1-48	USA ALL	Paulley Petroleum Inc. Elizabeth W. Fairroy B. E. Spencer	Elizabeth W. Fairroy B. E. Spencer	33	Paulley Petroleum Inc.



25-B T-25-S, R-31-E 400 NM 031384 USA All Paulley Petroleum Inc.  
 Sec. 8: SW<sup>1</sup>  
 Sec. 9: SW<sup>1</sup>  
 Sec. 10: E<sup>1</sup>SW<sup>1</sup>

25-C T-25-S, R-31-E 160 NM 031385 USA All Paulley Petroleum Inc.  
 Sec. 7: SW<sup>1</sup>

26-A T-24-S, R-30-E 4328-7 1730.31 IC 061705-B USA All Howard W. Jennings, Inc.  
 Sec. 25: NW<sup>1</sup>, NE<sup>1</sup>SW<sup>1</sup>  
 Sec. 34: NE<sup>1</sup>SE<sup>1</sup>, SW<sup>1</sup>SW<sup>1</sup>  
 Sec. 35: NE<sup>1</sup>, SW<sup>1</sup>  
 T-24-S, R-31-E  
 Sec. 19: Lots 3, 4, E<sup>1</sup>SW<sup>1</sup>  
 Sec. 20: NE<sup>1</sup>, SW<sup>1</sup>  
 Sec. 30: Lots 3, 4

26-B T-24-S, R-30-E 480 IC 061705 USA All Paulley Petroleum Inc.  
 Sec. 25: SW<sup>1</sup>  
 Sec. 35: SW<sup>1</sup>

26-C T-24-S, R-31-E 160 IC 061705 USA All Paulley Petroleum Inc.  
 Sec. 20: SW<sup>1</sup>

26-D T-24-S, R-30-E 4328 80 IC 061705-A USA All S. W. Richardson & Perry R. Bass  
 Sec. 25: E<sup>1</sup>SW<sup>1</sup>  
 Howard Jennings  
 B. E. Spencer  
 R. L. Harrison  
 Edwin W. Pauley

26-E T-24-S, R-30-E 40 IC 061705-C USA All Howard W. Jennings, Inc.  
 Sec. 34: SE<sup>1</sup>SW<sup>1</sup>  
 Howard Jennings  
 B. E. Spencer

27. T-25-S, R-31-E 4329 280 IC 061862-A USA All S. W. Richardson & Perry R. Bass  
 Sec. 21: NW<sup>1</sup>NE<sup>1</sup>, NE<sup>1</sup>NW<sup>1</sup>, S<sup>1</sup>NE<sup>1</sup>  
 J. L. Prude  
 B. E. Spencer  
 R. L. Harrison  
 Edwin W. Pauley

Howard W. Jennings, Inc.  
 S. W. Richardson & Perry R. Bass

27-A T-25-S, R-31-E  $\psi 329-7$  L0 IC 061862-B USA All Delbasin Corporation J. L. Prude 1%  
 Sec. 21: NE $\frac{1}{4}$ NW $\frac{1}{4}$  6-1-50 B. E. Spencer 1%  
 R. L. Harrison 1%  
 Edwin W. Pauley 1%

28-A T-24-S, R-31-E  $9172$  1091.87 NM 030454 USA All Howard W. Jennings, Inc. Ralph A. Singart 5%  
 Sec. 31: Lots 1, 2, 3, 4, 5, E $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{2}$ SW $\frac{1}{4}$ , S $\frac{1}{2}$ NE $\frac{1}{4}$  4-1-57 Howard W. Jennings, Inc. 5%  
 Sec. 33: Lots 1, 2, NE $\frac{1}{2}$ SW $\frac{1}{4}$ , NE $\frac{1}{2}$  NW $\frac{1}{4}$  Perry R. Bass

28-B T-24-S, R-31-E 379.68 NM 031382 USA All Pauley Petroleum Inc. B. E. Spencer 1%  
 Sec. 31: Lots 6, 7, NE $\frac{1}{2}$ SE $\frac{1}{4}$  8-1-57 Marshall Rowley 1%  
 Sec. 33: Lot 3, NW $\frac{1}{4}$ SW $\frac{1}{4}$   
 Sec. 34: Lots 1, 2, NE $\frac{1}{2}$ SW $\frac{1}{4}$

29-A T-25-S, R-31-E  $\psi 331$  610 IC 062110-A USA All S. W. Richardson & Clarence H. Gortley 1.33%  
 Sec. 21: SW $\frac{1}{4}$  Perry R. Bass .66%  
 Sec. 29: NE $\frac{1}{4}$  R. L. Harrison 1%  
 Sec. 28: NE $\frac{1}{2}$ NE $\frac{1}{4}$ , SW $\frac{1}{4}$ NE $\frac{1}{4}$ , NW $\frac{1}{4}$  Edwin W. Pauley 1%  
 Sec. 27: NW $\frac{1}{4}$ NW $\frac{1}{4}$

29-B T-25-S, R-31-E 210 IC 062110 USA All Pauley Petroleum Inc. Clarence W. Gortley 1.33%  
 Sec. 21: SE $\frac{1}{4}$  P. E. Spencer .66%  
 Sec. 28: SE $\frac{1}{4}$ NE $\frac{1}{4}$   
 Sec. 27: SE $\frac{1}{4}$ NW $\frac{1}{4}$

30-A T-25-S, R-30-E  $\psi 332$  1762.82 IC 063079-A USA All S. W. Richardson & Emma Lee Flowers .25%  
 Sec. 24: NE $\frac{1}{4}$ , SW $\frac{1}{4}$  Perry R. Bass 1%  
 Sec. 25: NE $\frac{1}{4}$ , SW $\frac{1}{4}$  R. L. Harrison 1%  
 Edwin W. Pauley 1%  
 E. H. Ward .25%  
 Howard Jennings 5%

30-B T-25-S, R-30-E L80 IC 063079 USA All Pauley Petroleum Inc. Emma Lee Flowers .25%  
 Sec. 24: SW $\frac{1}{4}$  B. E. Spencer 1%  
 T-25-S, R-31-E E. H. Ward .25%  
 Sec. 18: Lots 3, 4, E $\frac{1}{2}$ SW $\frac{1}{4}$  Howard Jennings 5%  
 Sec. 19: Lots 1, 2, 3, 4, NE $\frac{1}{4}$ , E $\frac{1}{2}$ NW $\frac{1}{4}$ , E $\frac{1}{2}$ SW $\frac{1}{4}$

T-25-S, R-31-E  
 Sec. 18: SE $\frac{1}{4}$   
 Sec. 19: SW $\frac{1}{4}$

31.	T-25-S, R-31-E Sec. 28: S <sub>2</sub> Sec. 29: SE <sub>1</sub> Sec. 27: W <sub>2</sub> SW <sub>4</sub>	4029	560	IC 063136-A	USA ALL	S. W. Richardson & Perry R. Bass	Virginia Whitson	35	S. W. Richardson & Perry R. Bass
32.	T-24-S, R-31-E Sec. 19: Lots 1, 2, NE <sub>1</sub> , E <sub>1</sub> NW <sub>1</sub>	9205	324.37	NM 025533 8-1-57	USA ALL	Howard W. Jennings, Inc.	Howard W. Jennings, Inc.	55	S. W. Richardson & Perry R. Bass
33.	T-24-S, R-30-E Sec. 23: ALL Sec. 27: SE <sub>4</sub> Sec. 34: NE <sub>4</sub> , E <sub>2</sub> NW <sub>4</sub> , SW <sub>4</sub>	9170	1200	NM 030452 4-1-57	USA ALL	Howard W. Jennings, Inc.	Howard W. Jennings, Inc.	55	S. W. Richardson & Perry R. Bass
34-A	T-25-S, R-30-E Sec. 11: NE, SW Sec. 14: NE, SW Sec. 15: NE, SW Sec. 23: NE, SW	4334	1920	IC 063873-A 2-1-51	USA ALL	S. W. Richardson & Perry R. Bass	R. L. Harrison Walter W. Pauley	25	S. W. Richardson & Perry R. Bass
34-B	T-25-S, R-30-E Sec. 11: SE Sec. 14: SE Sec. 15: SE Sec. 23: SE		640	IC 063873 2-1-51	USA ALL	Pauley Petroleum Inc.	R. L. Harrison	25	Pauley Petroleum Inc.
35-A	T-25-S, R-30-E Sec. 21: NE, SW Sec. 22: NE, SW Sec. 26: NE, SW Sec. 27: NE, SW	4335	1920	IC 063875-A 2-1-51	USA ALL	S. W. Richardson & Perry R. Bass	Wm. Utzinger R. L. Harrison Edwin W. Pauley	25 14 14	S. W. Richardson & Perry R. Bass
35-B	T-25-S, R-30-E Sec. 21: SE Sec. 22: SE Sec. 26: SE Sec. 27: SE		640	IC 063875 2-1-51	USA ALL	Pauley Petroleum Inc.	Wm. Utzinger	25	Pauley Petroleum Inc.
36.	T-24-S, R-30-E Sec. 24: ALL	9171	640	NM 030453 4-1-57	USA ALL	Howard W. Jennings, Inc.	Howard W. Jennings, Inc.	55	S. W. Richardson & Perry R. Bass

37.	T-25-S, R-30-E Sec. 17: All Sec. 20: E <sub>2</sub>	4034	960	IC 06L894-A 5-1-51	USA ALL	* S. W. Richardson & Perry R. Bass	Glenna McLean Hervey Obligation \$500 per acre out of 3% production	S. W. Richardson & Perry R. Bass
38.	T-25-S, R-30-E Sec. 29: All Sec. 20: W <sub>2</sub>		960	IC 06L894 5-1-51	USA ALL	Continental Oil Co.	Glenna McLean Hervey Obligation \$1000 per acre out of 3% production	Continental Oil Co.
39.	T-25-S, R-30-E Sec. 18: E <sub>2</sub>	3905	80	IC 065705 9-1-48	USA ALL	** S. W. Richardson & Perry R. Bass	Jack B. Shaw	S. W. Richardson & Perry R. Bass
39-A	T-25-S, R-30-E Sec. 18: Lots 3, 4, E <sub>2</sub> SW <sub>4</sub> , SE <sub>2</sub> , W <sub>2</sub> NE <sub>4</sub>	3905-7	401.04	IC 065705-B 9-1-48	USA ALL	Howard W. Jennings, Inc.	Jack B. Shaw Howard W. Jennings, Inc.	S. W. Richardson & Perry R. Bass
40.	T-26-S, R-30-E Sec. 11: E <sub>2</sub>		320	IC 068337 2-1-52	USA ALL	Continental Oil Co.	Doris D. Flood, Geo. D. Bass Obligation \$1000 per acre out of 3% production	Continental Oil Co.
41.	T-26-S, R-30-E Sec. 12: E <sub>2</sub>	4319-A	320	IC 068337-A 2-1-52	USA ALL	S. W. Richardson & Perry R. Bass	Doris D. Flood, Geo. D. Bass Obligation \$750 per acre out of 3% production	S. W. Richardson & Perry R. Bass
42.	T-24-S, R-30-E Secs. 5 & 9: All Sec. 15: S <sub>2</sub> Sec. 21: E <sub>2</sub> Sec. 22: SE <sub>2</sub> , SE <sub>2</sub> SW <sub>4</sub> Sec. 33: E <sub>2</sub>	3912	2479.76	IC 068430 5-1-51	USA ALL	S. W. Richardson & Perry R. Bass	E. N. Gorman	S. W. Richardson & Perry R. Bass
43.	T-24-S, R-30-E Secs. 4 & 8: All Sec. 15: E <sub>2</sub> Sec. 21: E <sub>2</sub> Sec. 22: NW <sub>4</sub> , NE <sub>2</sub> SW <sub>4</sub> Sec. 33: E <sub>2</sub>	3913	2480.84	IC 068431 5-1-51	USA ALL	S. W. Richardson & Perry R. Bass	Ireland J. Price	S. W. Richardson & Perry R. Bass
44.	T-24-S, R-30-E Secs. 3 & 7: All Sec. 6: E <sub>2</sub> , Lots 2, 3, 4, SE <sub>2</sub> SW <sub>4</sub> , NE <sub>2</sub> SW <sub>4</sub>	3911	1843.32	IC 068545 10-1-51	USA ALL	S. W. Richardson & Perry R. Bass	H. W. Kaddy	S. W. Richardson & Perry R. Bass

\* Operating Agreement dated 4-1-60 to Ralph Love on rights above 3766 feet on NE<sub>1/4</sub> Sec. 17 approved 8-10-60  
 \*\* Operating Agreement dated 4-1-60 to Ralph Love on rights above 3766 feet on E<sub>2</sub>SW<sub>4</sub> Sec. 18 approved 8-18-60

45.	T-24-S, R-30-E Sec. 10, 11 & 12; Sec. 17: SE $\frac{1}{4}$ SE $\frac{1}{4}$	4037	1960	IC 068905 11-1-51	USA ALL	S. W. Richardson & Perry R. Bass	Fryllis M. Chandler Obligation \$500 per acre out of 3 $\frac{1}{2}$ production	S. W. Richardson & Perry R. Bass
46.	T-24-S, R-29-E Sec. 24: E $\frac{1}{2}$	4071	320	IC 069005 8-1-51	USA ALL	S. W. Richardson & Perry R. Bass	Maillide V. Hall Ore R. Hall, Jr.	S. W. Richardson & Perry R. Bass
47.	T-23-S, R-30-E Sec. 33: N $\frac{1}{2}$		320	IC 069108 5-1-51	USA ALL	William A. Hudson & Edward R. Hudson	None	William A. Hudson & Edward R. Hudson
48.	T-26-S, R-30-E Sec. 1: SE $\frac{1}{4}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$		1240	IC 069513-A 11-1-51	USA ALL	F. H. Scott	W. B. Wilder Bonnie H. Matlock; Obligation \$950,000 out of 2 $\frac{1}{2}$ production F. H. Scott Obligation \$6000 out of .5 $\frac{1}{2}$ production	Texaco, Inc.
49.	T-26-S, R-30-E Sec. 10: N $\frac{1}{2}$	4205	320	IC 069513 11-1-51	USA ALL	S. W. Richardson & Perry R. Bass	W. B. Wilder Bonnie H. Matlock; Obligation \$750 per acre out of 2.5 $\frac{1}{2}$ production	S. W. Richardson & Perry R. Bass
50.	T-26-S, R-31-E Sec. 4: Lots 1, 2, 3, 4, S $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , S $\frac{1}{2}$	4209	600	IC 069514-B 6-1-51	USA ALL	S. W. Richardson & Perry R. Bass	George S. Morrison Bonnie H. Matlock; Obligation \$750 per acre out of 2.5 $\frac{1}{2}$ production	S. W. Richardson & Perry R. Bass
51.	T-26-S, R-31-E Sec. 6: W $\frac{1}{2}$		320	IC 069514-A 6-1-51	USA ALL	F. H. Scott	George S. Morrison Bonnie H. Matlock; Obligation \$1,200,000 out of 2 $\frac{1}{2}$ production F. H. Scott, \$6000 out of .5 $\frac{1}{2}$ production	Texaco, Inc.
52.	T-24-S, R-30-E Secs. 29, 30 & 31: ALL	4305	1922.12	IC 069627-A 6-1-51	USA ALL	S. W. Richardson & Perry R. Bass	Erica Beavers, Obligation \$1,000,000 out of 3 $\frac{1}{2}$ production	S. W. Richardson & Perry R. Bass
53.	T-26-S, R-30-E Sec. 1: NE $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 4: NE $\frac{1}{4}$	4300	200	IC 069852-A 12-1-51	USA ALL	S. W. Richardson &	Vergil O. Hopp	S. W. Richardson & Perry R. Bass

54.	T-25-S, R-30-E Sec. 30: NE, E1/4 SW1/4	240	IC 070125 7-1-49	USA All	Superior Oil Co.	B. R. Cowman	25%	Superior Oil Co.
55.	T-24-S, R-30-E Sec. 12: NW Sec. 1: SW, NW1/4	399.94	IC 070175-A 7-1-51	USA All	S. W. Richardson & Perry H. Egan	R. D. Cowman	50%	S. W. Richardson & Perry H. Egan
56.	T-25-S, R-30-E Sec. 19: All	641.58	IC 070341 8-1-49	USA All	Superior Oil Co.	None	100%	Superior Oil Co.
57.	T-25-S, R-31-E Sec. 22: NE, NW, SW, SE	80	IC 070707-A 8-1-51	USA All	Terraco, Inc.	B. B. Robinson, US1537601 (100%) and 67.5% production	100%	Terraco, Inc.

57 FEDERAL TRACTS, CONTAINING 80,007.35 ACRES, OR EQUIVALENT OF SAME AREA

Tract No.	Description of Land	No. of Acres	Serial No. & Expiration date of Use	Basic Royalty & Percentage	Lessee of Record	Overriding royalty & Percentage	Recorded in
<u>STATE LAND</u>							
56-A	<u>T-24-S, R-30-E</u> Sec. 35: <u>ALL</u>	270.52	E-2206-3 10-11-58	State of New Mexico ALL	S. W. Richardson Perry R. Rose	R. B. Richardson Richard W. Rose	10-11-58
	<u>T-25-S, R-31-E</u> Sec. 15: <u>ALL</u>						
	<u>T-21-S, R-31-E</u> Sec. 32: <u>ALL</u>						
56-B	<u>T-24-S, R-32-E</u> Sec. 32: <u>ALL</u>	40	E-2205-2 10-11-58	State of New Mexico ALL	G. H. Cameron J. Vernon Anderson	R. B. Richardson Richard W. Rose	10-11-58
57	<u>T-25-S, R-32-E</u> Sec. 32: <u>ALL</u>	640	E-2242-2 5-10-59	State of New Mexico ALL	S. W. Richardson Perry R. Rose	R. B. Richardson Richard W. Rose	5-10-59
58	<u>T-25-S, R-32-E</u> Sec. 10: <u>ALL</u>	3969	E-2643-2 5-10-59	State of New Mexico ALL	S. W. Richardson Perry R. Rose	R. B. Richardson Richard W. Rose	5-10-59
59	<u>T-25-S, R-32-E</u> Sec. 21: <u>ALL</u>	600	E-3354 5-10-60	State of New Mexico ALL	None		5-10-60
60	<u>T-23-S, R-30-E</u> Sec. 32: <u>ALL</u> Sec. 31: <u>ALL</u>	1040	E-3229-1 5-10-57	State of New Mexico ALL	S. W. Richardson Perry R. Rose	R. B. Richardson Richard W. Rose	5-10-57
61	<u>T-24-S, R-30-E</u> Sec. 2: <u>ALL</u>	640	E-5553-1 9-10-61	State of New Mexico ALL	S. W. Richardson Perry R. Rose	R. B. Richardson Richard W. Rose	9-10-61

4655

4144

4382

64.	T-25-S, R-31-E Sec. 16: <sup>W<sup>1</sup></sup> Sec. 32: <sup>E<sup>1</sup></sup>	610	B-10676 10-11-53	State of New Mexico All	Superior Oil Co.	None	Superior Oil Co.
65.	T-25-S, R-30-E Sec. 5: <sup>N<sup>1</sup>, P<sup>1</sup>, S<sup>1</sup></sup> Sec. 8: <sup>E<sup>1</sup>, S<sup>1</sup>, S<sup>1</sup>, E<sup>1</sup>, S<sup>1</sup></sup>	721	B-10678 10-11-53	State of New Mexico All	Superior Oil Co.	None	Superior Oil Co.
66.	T-25-S, R-30-E Sec. 2: <sup>All</sup> Sec. 36: <sup>All except S<sup>1</sup>, P<sup>1</sup>, W<sup>1</sup></sup>	1211.60	B-10679 10-11-53	State of New Mexico All	Superior Oil Co.	None	Superior Oil Co.
67.	T-24-S, R-31-E Sec. 32: <sup>W<sup>1</sup>, S<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup>, E<sup>1</sup>, S<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup></sup>	450.52	B-10684 10-11-53	State of New Mexico All	Superior Oil Co.	None	Superior Oil Co.
68.	T-24-S, R-30-E Sec. 32: <sup>All</sup> Sec. 36: <sup>W<sup>1</sup>, S<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup></sup>	1210	B-10685 10-11-53	State of New Mexico All	Superior Oil Co.	None	Superior Oil Co.
69-A	T-25-S, R-31-E Sec. 10: <sup>W<sup>1</sup>, S<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup></sup> Sec. 32: <sup>W<sup>1</sup>, S<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup></sup>	360	B-10677-2 11-10-53	State of New Mexico All	S. W. Richardson & Perry R. Duce	Z. D. Spencer R. B. Richardson William W. Paulley	S. W. Richardson & Perry R. Duce
69-B	T-25-S, R-31-E Sec. 16: <sup>W<sup>1</sup>, S<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup></sup> Sec. 32: <sup>W<sup>1</sup>, S<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup></sup>	160	B-10677-1 11-10-53	State of New Mexico All	Paulley Petroleum, Inc.	Z. D. Spencer	Paulley Petroleum, Inc.
70.	T-25-S, R-30-E Sec. 36: <sup>W<sup>1</sup>, S<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup></sup>	40	B-5636-1 1-10-62	State of New Mexico All	S. W. Richardson & Perry R. Duce	None	S. W. Richardson & Perry R. Duce
71.	T-24-S, R-31-E Sec. 32: <sup>W<sup>1</sup>, S<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup></sup>	40	B-5637-1 1-10-62	State of New Mexico All	S. W. Richardson & Perry R. Duce	None	S. W. Richardson & Perry R. Duce
72.	T-25-S, R-31-E Sec. 3: <sup>W<sup>1</sup>, S<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup>, W<sup>1</sup>, S<sup>1</sup></sup>	80	B-110 8-21-65	State of New Mexico All	Shawee Mid-Continent Oil Co.	None	Shawee Mid-Continent Oil Co.

15 SHAWEE TRUCKS, CONTAINING 8,065.00 GALLONS OF REFINED CRUDE OIL

FEE OR PRIVATELY OWNED LAND

73.	T-21-S, R-30-E Sec. 28: <u>Section 28</u>	20	S. P. Johnson, Jr. All	Not Leased	S. P. Johnson, Jr.
74.	T-21-S, R-30-E Sec. 28: <u>Section 28</u>	20	J. S. Covert All	Not Leased	J. S. Covert
75.	T-25-S, R-30-E Sec. 1: <u>Section 1</u>	40	11-2-56 Twin Mills Farm Livestock Co. All	S. W. Richardson & Perry R. Hays	S. W. Richardson & Perry R. Hays
76.	T-25-S, R-30-E Sec. 4: <u>Section 4</u>	40	Callie W. Ross & W. L. Ross, Jr.	Not Leased	Callie W. Ross & W. L. Ross, Jr.

4 PARTIALLY PLACED CONTAINING 120 ACRES, OR 175% OF TOTAL AREA

TOTAL 76 TRACTS, CONTAINING 68,990.99 ACRES, 1 UNIT AREA OF

UNIT OPERATING AGREEMENT  
FOR THE  
POKER LAKE UNIT AREA, EDDY COUNTY, NEW MEXICO

THIS AGREEMENT, made and entered into this 18 day of March 1952, by and between RICHARDSON & BASS, a partnership composed of S. W. RICHARDSON and PERRY R. BASS, both residents of Tarrant County, Texas, Party of the First Part, hereinafter called "Unit Operator", and such working interest owners who may subscribe to this agreement as Parties of the Second Part, who may have working interests subject to the Unit Agreement for the operation and development of the Poker Lake Unit Area, hereinafter referred to, which said parties are hereinafter called "Working Interest Owners".

WITNESSETH, That:

WHEREAS, the parties hereto have concurrently herewith entered into a certain Unit Agreement for the Development and Operation of the Poker Lake Unit Area, which is hereinafter referred to as "Unit Agreement", embracing lands in Eddy County, State of New Mexico, described as follows:

TOWNSHIP 23 SOUTH, RANGE 30 EAST:

$E\frac{1}{2}SW\frac{1}{4}$  and  $SE\frac{1}{4}$  Sec. 31; All Sec. 32 and 33;  
 $W\frac{1}{2}W\frac{1}{2}$  Sec. 34.

TOWNSHIP 24 SOUTH, RANGE 29 EAST:

$E\frac{1}{2}NE\frac{1}{4}$  &  $SE\frac{1}{4}$  Sec. 1;  $E\frac{1}{2}$  Sec. 12;  $E\frac{1}{2}$  Sec. 13;  
 $E\frac{1}{2}$  Sec. 24.

TOWNSHIP 24 SOUTH, RANGE 30 EAST:

$S\frac{1}{2}$  Sec. 2; All Secs. 3, 4, 5, 6, 7, 8, 9, 10, 11,  
14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27,  
28, 29, 30, 31, 32, 33, 34, 35 and 36.

TOWNSHIP 24 SOUTH, RANGE 31 EAST:

All Secs. 19, 20, 21, 22, 27, 28, 29, 30, 31, 32,  
33 and  $W\frac{1}{2}$  Sec. 34.

TOWNSHIP 25 SOUTH, RANGE 30 EAST:

All of Secs. 1, 2, 3, and 4;  $N\frac{1}{2}$ ,  $E\frac{1}{2}SE\frac{1}{4}$  Sec. 5;  $E\frac{1}{2}$   
 $NE\frac{1}{4}$ ,  $SE\frac{1}{4}$ ,  $E\frac{1}{2}SW\frac{1}{4}$  Sec. 8; All Secs. 9, 10, 11,  
12, 13, 14, 15, 16, 17;  $E\frac{1}{2}$ ,  $SW\frac{1}{4}$  Sec. 18; All  
Secs. 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29;  
 $NE\frac{1}{4}$ ,  $E\frac{1}{2}SE\frac{1}{4}$  Sec. 30;  $E\frac{1}{2}NE\frac{1}{4}$  Sec. 31; All  
Secs. 32, 33, 34, 35 and 36.

TOWNSHIP 25 SOUTH, RANGE 31 EAST:

W $\frac{1}{2}$  Sec. 3; All of Secs. 4,5,6,7,8,9;  
W $\frac{1}{2}$  Sec. 10; W $\frac{1}{2}$ W $\frac{1}{2}$  Sec. 15; All Secs. 16,17,  
18,19,20,21; NW $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$  Sec. 22; W $\frac{1}{2}$ W $\frac{1}{2}$  Sec.27; All  
Secs. 28,29,30,31,32,33; SW $\frac{1}{4}$ , S $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$  Sec.34.

TOWNSHIP 26 SOUTH, RANGE 30 EAST:

All Secs. 1,2,3; NE $\frac{1}{4}$  Sec. 4; N $\frac{1}{2}$  Sec. 10;  
N $\frac{1}{2}$  Sec. 11; N $\frac{1}{2}$  Sec. 12.

TOWNSHIP 26 SOUTH, RANGE 31 EAST:

W $\frac{1}{2}$ NW $\frac{1}{4}$  Sec. 3; All Secs. 4,5,6.

the total Unit Area comprising 68,990.83 acres, more or less; and

WHEREAS, Richardson & Bass, Party of the First Part herein,  
has been designated as the Unit Operator under the terms of said Unit  
Agreement; and

WHEREAS, the undersigned Parties of the Second Part referred  
to as "Working Interest Owners" have committed certain oil and gas lease-  
hold interests to said Unit Agreement, which are to be subject to the  
terms and conditions thereof; and

WHEREAS, Section 7 of said Unit Agreement provides that all costs  
and expenses incurred in conducting the unit operations under the terms of  
said Unit Agreement and the Working Interest benefits accruing by reason  
thereof shall be apportioned among the owners of the unitized working  
interests in accordance with the Unit Operating Agreement made and entered  
into by and between the Unit Operator and the other owners of such in-  
terests, and this agreement is entered into in conformity with the  
provisions of said Unit Agreement.

NOW, THEREFORE, in consideration of the premises and other  
mutual covenants and agreements hereinafter contained, the parties do  
hereby agree that this agreement is the agreement referred to in Section  
7 of said Unit Agreement, and that said Unit Agreement is hereby made part  
and parcel of this contract: The parties do further agree:

1. OPERATOR APPOINTED - DUTIES: Richardson & Bass, a partner-  
ship composed of S. W. Richardson and Perry R. Bass, with offices in Ft.  
Worth, Texas, is hereby appointed the Unit Operator hereunder to serve

until a successor is appointed in the manner provided in the Unit Agreement. The Unit Operator shall have full authority to conduct, manage and supervise all operations on said lands under the terms of said Unit Agreement, and this agreement, including but not limited to the building of such warehouses, office buildings, residences, etc., required to properly operate the property, whether such buildings be located on property included within the Unit or not. In the conduct of operations, Unit Operator shall pay and discharge promptly all costs and expenses incurred in connection with operations hereunder, abide by and conform to all laws, rules and regulations and orders now in force, or that may hereafter be in force, of the Department of the Interior and of any body, state or federal having jurisdiction, perform all operations in accordance with good oil field and engineering practices, carry such public liability, employers' liability, workmen's compensation, and property insurance as may be required by law or as is customary in the area in which lands covered in this Unit are located, keep said lands and all personal property and equipment used in connection with the operation hereunder free and clear of all liens arising out of the operations hereunder, and furnish each party hereto on or before the last day of each month a statement of all costs, expenses, disbursement, and receipts hereunder during the preceding calendar month.

2. EXAMINATION OF TITLE: The Working Interest Owners represent that they are the owners of or have options or contracts to acquire the working interest in the oil and gas leases or pending applications therefor, set forth on a schedule attached to said Unit Agreement, and for the purpose of identification with said Unit Agreement marked Exhibit "B". Each working interest owner shall bear all overriding royalty, production payments, or other encumbrances, if any, upon its or his interest set forth in said Exhibit. Within thirty (30) days after the effective date of said Unit Agreement, each Working Interest Owner agrees to furnish Unit Operator, certified or photostatic copies of its or his oil and gas leases, options or contracts to acquire the same or pending applications therefor and a complete abstract

of title to said land, certified to date. Each Working Interest Owner further agrees to furnish the Unit Operator satisfactory evidence of the payment of all rentals which may have become due under the terms of said leases. The Unit Operator shall, upon receipt of said title papers and abstracts, refer them to a reputable firm of attorneys in the State of New Mexico for the purpose of having the same examined for the account of the Working Interest Owners who furnished the same, title opinions rendered, and copies thereof distributed to the interested owners. If such title opinions point out defects in title, the Working Interest Owner or Owners affected agree to use their best efforts to perfect such titles within thirty (30) days after receipt of said opinions. The effect of the rejection by said attorneys of any titles within the Unit Area shall be determined pursuant to the provisions of paragraph 29 of the Unit Agreement. The defense of the title to any tract of unitized land or to any working interest in any such tract shall be at the sole risk, cost and expense of the Working Interest Owner owning or claiming said tract or the working interest rights therein. In the event of the failure of title to any tract of unitized land or to any working interest therein occurring subsequent to the effective date of said Unit Agreement, there shall be such readjustment of participation on account of such failure of title as required by Section 29 of said Unit Agreement with a corresponding adjustment of the parties' interests in the remaining wells, equipment, and facilities, and the loss occasioned by such failure of title shall be borne exclusively by the Working Interest Owner claiming title to said tract of land or to the working interest therein and each Working Interest Owner, upon the execution hereof, agrees to indemnify, protect, and save harmless the other Working Interest Owners who are or become parties hereto from and against any and all liability, claims, demand, charges, expenses, damage, judgments, decrees, and awards resulting from, relating to, growing out of, or in any wise attributable to any such failure of title.

3. TEST WELL, OR TEST WELLS, AND DISTRIBUTION OF COST THEREOF:

Within six (6) months after the effective date of the Unit Agreement, Unit

Operator shall commence operations upon a test well for oil and gas at a location within the unit area selected by the Unit Operator, and said well shall be drilled in compliance with Section 9 of said Unit Agreement. Said test well shall be drilled in accordance with applicable regulations of the Secretary of the Interior and the New Mexico Oil Conservation Commission. In the event said well proves to be a dry hole or non-commercial well, the same shall be plugged and abandoned in accordance with applicable rules or regulations, and in such event, Unit Operator shall use his best efforts to salvage all casing, equipment and other materials used in the drilling of said well. The Working Interest Owners subscribing hereto as Parties of the Second Part, shall be responsible for such portion of the cost of drilling and plugging said well as they have expressly agreed to in writing, other than this contract. The Working Interest Owners shall be entitled to his or its proportionate part of the salvage value of the casing, equipment and other materials in said well (and recovered by Operator), in the event it is a dry hole or non-commercial well, said proportionate part being determined by his or its percentage of participation in the cost of said casing, equipment and other materials.

In the event said initial test well proves to be a dry hole or non-commercial well, there shall be no obligation on the part of the Unit Operator to drill a second well. However, should a second well be drilled by the Unit Operator, the Working Interest Owners subscribing hereto as Parties of the Second Part shall be responsible for such portion of the cost thereof as they have expressly agreed to in writing, other than this contract.

The Unit Operator may apply for and obtain a modification of the drilling requirements of said Unit Agreement or an extension or extensions of time within which to comply therewith, as provided by the terms of said Unit Agreement, and any such application, or applications, may be made without the consent of any of the Working Interest Owners subscribing hereto as Parties of the Second Part.

If a discovery of unitized substances in paying quantities is obtained in any test well drilled as above in this section provided, an adjustment shall be made in the manner provided for in Section 6 of all the costs and expenses incurred in drilling, testing, equipping and completing said test well, Unit Operator, and any Working Interest Owner who might have contributed to such costs and expenses, being given full credit in the making of said adjustment for all sums so expended.

If any test well drilled as aforesaid obtains production but not in sufficient quantities to warrant the formation of a participating area therefor, and the Working Interest Owner of the tract upon which such well is drilled shall notify Unit Operator in writing within twenty (20) days after being advised by Unit Operator of the completion of such well of its election to take over such well and shall reimburse Unit Operator for the cost and expense incurred in drilling, testing, equipping, and completing such well, such Working Interest Owner shall own and be entitled to thereafter operate such well, and the production therefrom shall be allocated solely to the tract upon which the well was drilled, and the Working Interest Owner of such tract shall, subject to its paying the royalties burdening such production, be solely entitled to such production. Unless such Working Interest Owner shall so notify Unit Operator of its election to take over any such well, Unit Operator may thereafter operate such well for the benefit, and at the sole cost and expense, of the party or parties, including itself, who have borne the cost and expense of drilling, testing, equipping, and completing such well in the proportion that they have borne such cost and expense subject only to Unit Operator's paying on behalf of such party or parties the royalties burdening such production and the rental upon the acreage constituting the well site.

Upon completion of a well capable of producing unitized substances in paying quantities, Unit Operator shall proceed with the further exploration and development of said unit area as provided by said Unit Agreement.

4. DISPOSITION OF PRODUCTION: The Unit Operator shall deliver to the credit of the parties hereto in the pipe line to which it may connect

its wells, or otherwise in such tanks, pipe lines, or receptacles provided by the several parties and situated adjacent to the well casing head and designated by the several parties for the reception of such products, their respective shares of the oil, gas, casinghead gas, and other mineral products; provided, however, that each party hereto shall reimburse the Unit Operator for any extra costs or expenses incurred in making such delivery, and the respective shares of each party shall likewise embrace the royalty share thereof when not taken in kind by the royalty owner.

Unit Operator shall have, and is hereby given, the power and right, without the further consent of Working Interest Owners, to sell Working Interest Owners proportionate share (including royalty) of the oil and gas produced from the participating area or areas provided for herein under any contract or arrangement cancellable on not more than sixty (60) days' notice, along with and at the same price received at the well for the Unit Operator's share thereof, while such oil and/or gas is not being taken in kind as above provided.

5. ACCOUNTING PROCEDURE: After the discovery of unitized substances within the Unit Area, all expenses and charges of every kind and character arising out of operations hereunder shall be paid by the Unit Operator and charged to the parties hereto in proportion to their respective interests hereunder. Except as herein otherwise provided, all cost, charges, and credits, and the accounting with respect thereto shall be in accordance with the "Accounting Procedure" attached hereto and made a part hereof and marked Exhibit "1". Operating expenses shall also include any expenses incurred by Unit Operator in connection with the protection and maintenance of titles and negotiations incident thereto and litigation involving basic titles or growing out of operations hereunder.

The Unit Operator is authorized to and shall render and pay all taxes or assessments, federal, state, or local, imposed against said lands and the production therefrom and the personal property thereon, including all ad valorem, gross production, property, and excise taxes (except production taxes paid by the purchasers of crude oil), and may recover from

the Working Interest Owners their respective shares thereof as an expense of operations hereunder.

6. COST OF OPERATION - LIEN: The actual cost incurred by the Unit Operator in performing its obligations as Unit Operator hereunder shall be kept separate for each participating area; and as nearly as may be done, all charges shall be charged directly to each participating area and the operations served. The method and detail of making such costs, charges and settlements for cost, income, charges and credits for materials, and other items in connection with said operations shall be as provided by the Accounting procedure attached hereto and made a part hereof and marked Exhibit "1". The term "non-operators" as used in Exhibit "1" attached hereto shall be deemed to refer to the Working Interest Owners herein. Each of the parties hereto shall be charged for such costs and expenses in the proportion that their respective working interests, on an acreage basis in any participating area which may be established pursuant to the terms of said Unit Agreement, bears to the total number of acres within any such participating area. Within thirty (30) days after the establishment of any participating area as provided in the Unit Agreement, including participating area, if any, established as a result of drilling under paragraph 3 hereof, there shall be an investment adjustment in cash, without interest, between the Working Interest Owners in the participating area who shall have contributed to the cost of development and operation up to the date of the establishment thereof and the Working Interest Owners who may not have contributed their proportionate share, in the following manner:

(a) All field property including, but not by way of limitation, casing in wells, drilling and production equipment, service connections for water and fuel, gas, oil and gas pipe line connections, tanks, structures, camps, facilities, including field facilities and appliances located on or used in connection with the operation of the wells drilled on said participating area, shall become the property of the Working Interest

Owners in the participating area by undivided fractional interests in proportion to their respective working interests in said participating area, and the possession of all of said property shall be turned over to the Unit Operator as the representative of the parties in interest, and for purpose of investment shall be valued on the basis of actual costs.

(b) The parties who contributed to the intangible cost of drilling, completing, and operating each well shall receive credit for the actual cost thereof up to the date when such participating area shall become effective under the provisions of said Unit Agreement.

It is intended that by an adjustment in investment in tangible property and in intangible costs, all Working Interest Owners in the participating area as established, will bear said costs according to their respective working interests on an acreage basis and that any parties who theretofore have not paid and borne their proportionate part shall pay without interest on the above described basis.

Any compensatory royalty required to be paid by Unit Operator under Section 18 of said Unit Agreement, because of the drainage of any lands within a participating area, shall be charged to the joint account of the Working Interest Owners of such participating area as an operating expense and settlement therefor shall be made as above provided.

Any compensatory royalty required to be paid by Unit Operator under Section 18 of said Unit Agreement because of the drainage of any unitized lands outside a participating area shall be charged to the Working Interest Owner of the lands for which the compensatory royalty is paid and settlement therefor made as above provided.

Unit Operator, at its election, may require the Working Interest Owners to advance their proportion of developing and operating costs according to the following conditions:

On or before the first day of each calendar month, the Unit Operator shall submit a statement of estimated costs for the succeeding calendar month to the Working Interest Owners in the participating area;

said statement shall show each Working Interest Owner's proportionate share of the estimated expenditures and each party shall advance and pay to Unit Operator the amount thereof stated on or before the first day of the month in which the expenditures are to be incurred. Should any Working Interest Owner fail or refuse to pay or secure the payment of his or its proportionate part of such advance estimate, the same shall bear interest at the rate of six (6) per cent per annum from the date of expenditure, until paid.

Unit Operator is hereby granted a lien upon the interests of each Working Interest Owner in the unit area and the unitized substances produced therefrom to secure the payment of any sums due Unit Operator from such Working Interest Owner under the terms hereof and under the terms of said Unit Agreement. In the event of the failure of any Working Interest Owner to make any payment or reimburse Unit Operator for any sums due Unit Operator from such Working Interest Owner under this agreement or under said Unit Agreement, Unit Operator shall have his choice of any or all of the following remedies:

(1) Unit Operator may foreclose the lien or liens herein granted to Unit Operator in the manner provided by the laws of the State of New Mexico for the foreclosure of materialmen's liens.

(2) Unit Operator may reimburse itself for any sums so due Unit Operator by applying thereto any sums due from Unit Operator to such Working Interest Owner or Owners.

(3) Unit Operator may file, with any pipe line or other purchaser of the defaulting party's share of the unitized substances hereunder, an affidavit stating that such defaulting party is indebted to Unit Operator. Such affidavit when so filed shall be deemed to be an order made and delivered by the defaulting party to such pipe line or purchaser, authorizing and directing the same to make payment to Unit Operator of the purchase price of such defaulting party's share of unitized substances until written notice from Unit Operator that such defaulting party's indebtedness to Unit

Operator has been paid or secured, which notice Unit Operator agrees to give immediately upon the payment or securing as aforesaid of that indebtedness. Any pipe line or other purchaser of said unitized substances making payments in accordance with the terms and provisions of this Sub-Section (3) shall be released from liability to such defaulting party for all payments so made to Unit Operator and shall not be charged with seeing to the application thereof by Unit Operator nor with the obligation of determining whether such default is existing or has been cured.

(4) Any and all other remedies which Unit Operator may have in law or in equity.

7. DRILLING ON LAND NOT INCLUDED IN A PARTICIPATING AREA. Any well drilled on unitized land not included in a participating area pursuant to Section 13 of said Unit Agreement shall be drilled and completed into the flow tanks if productive or plugged and abandoned if dry, at the sole cost and expense of the party or parties owning or controlling the working interest of the regular well spacing unit upon which said well was drilled. If such well is drilled by Unit Operator the cost thereof may be estimated by the Unit Operator in the same manner as provided in Section 6 of this agreement and the Working Interest Owner of the tract on which said well is drilled shall be furnished with such estimate and shall advance and pay to Unit Operator the amount so estimated on or before the first day of the month in which the expenditures are to be incurred.

Any well drilled on unitized land other than the test wells provided for in Section 3 hereof and not included in a participating area, which is lawfully required to be drilled on such land by the Secretary of the Interior, or his representative, or which is drilled pursuant to an approved plan of "Further development and Operation" as provided by Section 10 of said Unit Agreement, if the same results in a dry hole or a well not capable of producing unitized substances in paying quantities or quantities not sufficient to warrant the inclusion of the same in an existing participating area or in the establishment of a new participating area, shall be paid for on the following basis:

A drilling unit for each such well shall be formed prior to the drilling thereof by including the 160 acre legal subdivision upon which the well is to be drilled and each 160 acre legal subdivision contiguous thereto so that such drilling unit shall be in the form of a square containing nine (9) 160 acre legal subdivisions, provided however, any portion of such square which falls within an established participating area shall be excluded therefrom. The cost of said well shall be borne by the owners of working interests within said drilling unit proportionately on an acreage basis, and Unit Operator may require such Working Interest Owners to advance their proportionate part of the estimated cost thereof as provided by Section 6 hereof.

In the event said well is completed as a well capable of producing unitized substances but not in sufficient quantities to warrant the formation of a participating area therefor or the inclusion of the same within an existing participating area, and the Working Interest Owner or Owners of the tract upon which such well is drilled desire to take over and produce such well, they may do so as provided in Section 6 hereof. Unless such Working Interest Owners elect to take over such well, Unit Operator may thereafter operate the same for the benefit and at the sole cost and expense of the party or parties including itself who have borne the cost and expense of drilling, testing, equipping and completing such well in the proportion that they have borne such costs and expenses.

In the event such well is completed as a well capable of producing unitized substances in such quantities that the land upon which it is situated may be properly included in a participating area, then, in such event, promptly after the inclusion of such well within a then existing participating area, or in a new participating area established as a result of discovery of production in paying quantities in such well, the cost thereof shall be paid by the Working Interest Owners in the participating area, as enlarged, or established by reason of such well, proportionately on an acreage basis and the accounts of such parties shall promptly be adjusted on the following basis:

(a) If such well shall have been included in a then existing participating area, there shall be an investment adjustment of tangible and intangible costs of prior development and operation as provided in Sections 8-A and 8-B hereof, respectively.

(b) If such well be included in a new participating area established as a result of discovery of production in paying quantities in such well, there shall be an investment adjustment in cash without interest by the Working Interest Owners in the participating area so established proportionately on an acreage basis as provided in Section 6 hereof.

8. UPON THE ENLARGEMENT OF ANY PARTICIPATING AREA:

A. TANGIBLE EQUIPMENT: There shall be an adjustment of the investment in all items of tangible equipment between the Working Interest Owners in the old participating area and the Working Interest Owners in the tracts admitted thereto upon enlargement, to the end that each Working Interest Owner in the participating area as enlarged shall pay for and own an undivided interest in the total of all such items of tangible equipment proportionate to such Working Interest Owners' interest in the participating area as enlarged. For the purpose of such adjustment of investment, all items of tangible equipment shall be valued as follows:

(1) MATERIAL AND EQUIPMENT ON NEW LANDS ADDED TO THE PARTICIPATING AREA: All items of tangible equipment on the new tracts being admitted to the participating area shall be valued on the basis of the actual cost to the Working Interest Owner or Owners who contribute such equipment to the participating area.

(2) MATERIAL AND EQUIPMENT ON PARTICIPATING AREA BEFORE ENLARGEMENT: For the purpose of any adjustments made during the three-year period next following the effective date of the establishing of the initial participating area, all derricks, casing, tubing, wellhead connections, and other materials installed in the wells, as well as all other items of material and equipment, shall be valued on a basis of cost to the Working Interest Owners in the participating area. From and after the three-year period next following the establishing of the initial participating area, all material and equipment on the participating area before enlargement shall

be valued on the basis of appraised condition value.

B. INTANGIBLE COSTS. There shall be an adjustment of intangible costs between the Working Interest Owners in the old participating area and the Working Interest Owners in the tracts admitted thereto upon enlargement upon the following basis:

(1) Unit Operator shall determine the total cost per acre of all items properly chargeable as intangible costs in the development of the enlarged participating area to the effective date of the enlargement of the participating area as such effective date is provided by the Unit Agreement.

(2) After the per acre costs have been determined as provided in paragraph (1) hereof, the Unit Operator shall make such adjustments in the accounts of the respective Working Interest Owners as may be necessary to equalize the per acre costs as between all Working Interest Owners in the enlarged participating area. Unit Operator shall then furnish a summarized statement to each Working Interest Owner, said statements to show the amount credited or charged to each Working Interest Owner by reason of said adjustment. Thereafter the cost of all additional operations in said participating area as enlarged shall be borne ratably by the Working Interest Owners on an acreage basis.

Except for the adjustments of investments in tangibles and intangibles in this Section 8 provided for, there shall never be any other adjustment of expenditures upon the enlargement of a participating area.

9. LEASE RENTALS AND ROYALTIES: Each Working Interest Owner, at least 30 days prior to the time any rental shall become due and payable under any oil and gas lease of such Working Interest Owner committed to said Unit Agreement, shall furnish Unit Operator with satisfactory evidence that said rental has been paid. The Unit Operator shall incur no liability for failure to pay any rental due under the terms of any oil and gas lease committed to said Unit Agreement within the time and manner provided in such lease.

In the event any rentals are paid by the Unit Operator, the same shall be charged to the joint account and billed to the party responsible for the payment of the same.

Each working interest owner shall be responsible for and shall pay all royalties due and all overriding royalties and oil payments if any payable out of their respective working interests.

10. INSURANCE AND DRILLING RATES: After the discovery of unitized substances in paying quantities upon any of the lands embraced in the unit area, the Unit Operator is hereby authorized to drill any and all wells required under the provisions of said Unit Agreement or any plan or modification thereof adopted under Section 10 of said Unit Agreement.

All contracts for the drilling of wells on the unit shall be let to responsible contractors and shall provide for rates of pay not in excess of the customary rates prevailing in the field in which said leases are located. Unit Operator, if it so desires, may employ its own tools and equipment in the drilling of wells, but in such event the charge therefor shall not exceed the prevailing rate in the field and such work shall be performed by the Unit Operator under the same terms and conditions as shall be customary and usual in the field in contracts of independent contractors who are doing work of similar nature.

Unit Operator, at all time while operations are conducted on the unit area, shall carry and require all of its contractors to carry insurance to indemnify, protect and save the parties hereto harmless, as follows:

(a) Workmen's compensation and employers liability insurance in accordance with the laws of the State of New Mexico.

(b) Public liability insurance with limits of not less than \$50,000.00 as to any one person and \$100,000.00 as to any one accident, and property damage liability insurance with a limit of not less than \$10,000.00 for each accident.

(c) Automobile public liability insurance with limits of not less than \$25,000.00 and \$50,000.00, and automobile property damage insurance

with a limit of not less than \$5,000.00 to cover all automotive equipment.

All policies obtained and carried pursuant to subdivisions (b) and (c) above must be written by a stock and not a mutual company. Unit Operator shall provide neither fire, windstorm, nor explosion insurance for the joint account of the parties hereto.

11. ASSIGNMENTS OF UNDIVIDED INTERESTS: Any party hereto may, at any time, subject to the provisions of this agreement, transfer or assign to another party hereto, or to others, all or any portion of its interest under this agreement, with respect to all or part of the lands then covered thereby, and upon such transfer or assignment the transferee or assignee shall become a party to and become bound by all the terms and provisions of this agreement with the same force and effect as if it originally executed it, but such assignor shall not be relieved of any responsibility or liability hereunder accruing on or prior to the actual assignment or transfer without the consent in writing of all parties then owning and holding the remaining interest.

Such transfer, assignment or conveyance of any interest shall not be binding on any party, other than the party transferring, assigning or conveying the same, unless and until the first day of the calendar month after the original, a photostatic copy or a certified copy of the recorded instrument evidencing such change in ownership has been delivered to Unit Operator.

It is understood and agreed that whenever an assignment or assignments of undivided Working Interests are made which result in more than two parties owning working interests in any of the tracts covered by this agreement, the Unit Operator shall be furnished with a recordable instrument executed by all such parties designating one of said parties to act as agent for all parties, and Unit Operator shall bill only said Agent for the aggregate amount due by all of said parties and shall likewise account to said Agent for all income due said parties.

12. SURRENDER OR TERMINATION OF INTERESTS: Any Working Interest Owner shall have the right at any time while not in default of any of the provisions hereof or indebted to the joint account to be relieved of all further obligations, except the obligation to pay such party's proportionate part of the cost of any well then drilling under this agreement by assigning, subject to the approval of the Director of the Bureau of Land Management, Department of the Interior, or the Commissioner of Public Lands, as the case may be, to the other parties hereto, in proportion to the interest then severally held by them in the unit area, all of the committed working interest in the unit area of the Working Interest Owner desiring to be relieved of such further obligations. Such interest shall be assigned free and clear of all liens and encumbrances. In such event the Unit Operator shall pay to the Working Interest Owner desiring to be relieved of such further obligations, a fair secondhand value to be mutually agreed upon between the Unit Operator and such Working Interest Owners, less the cost of salvaging the same, all such party's proportionate interest in all casing, material, equipment, fixtures, and personal property belonging to the joint account, and Unit Operator shall charge the amount so paid to the joint account.

13. REPRESENTATIVES - INSPECTION OF OPERATIONS AND RECORDS: Each owner of a working interest shall have the right to designate in writing, delivered to Unit Operator, a representative to receive reports and statements and represent each such Working Interest Owner in such matters as are herein specifically provided for, and the term "representative" as herein used shall refer to the representative so designated by a Working Interest Owner. Any representative so designated may be changed from time to time by his principal's appointing a new representative and by notifying the Unit Operator in writing of such action.

The Working Interest Owners in any tract in which the working interest is owned by more than one Working Interest Owner in undivided shares shall designate in writing delivered to Unit Operator a representative

who shall be authorized to represent and act for them in all matters provided for in said Sections. The matter of the distribution and apportionment of costs and expenses chargeable against the Working Interest Owners of such tract and of the division of revenue among them shall be provided for in a separate agreement entered upon by such Working Interest Owners and filed with Unit Operator.

Unit Operator shall not, however, be liable or responsible for any injury or injuries of any kind or character which any agent or representative of any Working Interest Owner may suffer while on or at any tract of unitized land or any well thereon or while going to or from any such tract or well thereon.

14. FURTHER INSTRUMENTS: Each party hereto agrees that it will execute such contracts, surrenders, assignments, or other instruments necessary or required to carry out and make effectual all or any of the provisions of this agreement.

15. RELATIONSHIP OF PARTIES. It is expressly agreed and understood that by this agreement and the Unit Agreement it is not the intention of the parties hereto to create a partnership or association. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective, and nothing contained in this agreement or in the Unit Agreement shall ever be construed to create a trust or association or to impose a partnership duty, obligation or liability with respect to any one or more of the parties hereto.

Each party shall be individually responsible only for its own obligations as set out in said agreements and shall be liable only for its proportionate share of the costs and expenses as herein and therein stipulated.

Whenever in this agreement reference is made to operations for the joint account of any of the parties hereto or to charges or credit to a joint account, or whenever similar language is used, the parties use such language merely as a convenient method of referring to the

accounting necessary between them and it is agreed that no such phraseology shall ever be construed as creating any joint liability upon the part of the parties hereto for any obligation incurred under this agreement of the Unit Agreement; or as setting apart or creating any fund or jointly owned property for the satisfaction of any such obligation; or as creating a common fund for any other purpose.

No funds received by Unit Operator under this agreement or the Unit Agreement, whether received as proceeds from the sale of unitized substances, or as advances or as payments on account of costs or expenses, or otherwise, need be segregated by Unit Operator or maintained by it as a joint fund, but may be commingled with its own funds and distributed by Unit Operator as provided for in the said agreements.

16. FORCE MAJEURE: All obligations of Operator hereunder shall be suspended while, but only as long as, Operator is prevented or hindered from complying therewith in whole or in part, by any disturbance, Acts of God, or of the Government of the United States, or any other authority, inability to obtain materials, unavoidable accidents, or other matters beyond the control of the Operator, whether similar to the matters specifically enumerated herein or not.

17. CONTRACT SUBJECT TO APPLICABLE LAWS, RULES, REGULATIONS AND UNIT AGREEMENT: This contract and all the provisions thereof and all operations and transactions hereunder or pursuant hereto shall be subject to all applicable laws and valid rules and regulations of any Federal or State authority having jurisdiction; and in the event any of the provisions hereof shall be found to be contrary to or conflict with any such law, rule or regulation, or with the terms and conditions of said Unit Agreement, such law, rule or regulation, or the Unit Agreement, as the case may be, shall govern and this contract shall be deemed modified and amended accordingly.

18. EFFECTIVE DATE AND TERM: This Unit Operating Agreement shall become effective as of the effective date of the Unit Agreement for the development and Operation of the Poker Lake Area, and shall remain in full force and effect during the life of such Unit Agreement, and the provisions hereof shall be considered as covenants running with the ownership of the respective oil and gas leases committed by the parties hereto to said Unit Agreement, and shall be binding upon the heirs, personal representatives, successors, and assigns of the parties hereto.

19. SUBSEQUENT JOINDER: Owners of working interests within the Unit Area who have not committed their interests to the Unit Agreement prior to the time operations are commenced upon the initial test well to be drilled in accordance with Section 3 hereof and who have not subscribed to this Agreement, may commit their interests to said Unit Agreement in the manner provided by the terms thereof, provided, however, they shall also subscribe to this Agreement, or a counterpart thereof, or ratify the same.

In committing their interests to said Unit Agreement, said owners shall also make an equitable adjustment with the Unit Operator for the benefit of the working interest owners who have theretofore incurred costs and expenses in the operations under the terms of said Unit Agreement and this Agreement. The terms of such adjustment shall be approved by a majority of the working interest owners on an acreage basis, provided, however, if one owner owns more than a majority of the working interest committed to the Unit Agreement, such adjustment shall be concurred in by at least one other working interest owner.

20. COUNTERPARTS: This agreement may be executed in any number of counterparts with the same force and effect as if all parties had signed the same document or this agreement may be ratified with like force and effect by a separate instrument in writing specifically referring hereto.

IN WITNESS WHEREOF, this agreement is executed as of the day and year first above written.

Date 3-18-52

RICHARDSON & BASS  
By A. W. Richardson  
Partner

PARTY OF THE FIRST PART  
UNIT OPERATOR

J.E.  
Edwin W. Tuley  
R. J. Harrison

WORKING INTEREST OWNERS

A. W. Richardson  
Rory W. Bess

APPROVED AND FOR THE SUPER  
Bess

THE SUPERIOR OIL COMPANY

By Herman Beck  
Vice President  
By Harold F. Owens  
Assistant Secretary

CONTINENTAL OIL COMPANY

By S. J. Schmitt  
Attorney in Fact

NOTED	
LEGAL	<u>JS</u>
LAND	<u>JS</u>
PROD.	<u>JS</u>
GEOL.	<u>JS</u>

3-18-52



STATE OF California )  
COUNTY OF Los Angeles )SS

On this 18<sup>th</sup> day of March, 1952, before me personally appeared S. W. Richardson

to me personally known to be the person described in and who executed the above and foregoing instrument on behalf of RICHARDSON & BASS, a co-partnership, composed of S. W. Richardson and Perry R. Bass, and acknowledged that he executed the same as his own free act and deed and as the free act and deed of said partnership.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate above written.

Georgia Lynch  
Notary Public

My Commission Expires  
My Commission Expires March 14, 1955

STATE OF California )  
COUNTY OF Los Angeles )SS

On this 18<sup>th</sup> day of March, 1952, before me personally appeared S. W. Richardson and Perry R. Bass

to me personally known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate above written.

Georgia Lynch  
Notary Public

My Commission Expires:

My Commission Expires: March 14, 1955

STATE OF TEXAS )  
 ) SS  
COUNTY OF MIDLAND )

On this 10 day of June, 1952, before me personally appeared HOWARD KECK to me personally known who being by me duly sworn, did say that he is the Vice President of THE SUPERIOR OIL COMPANY and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Howard Keck acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this the day and year last above written.

My Commission Expires:

My Commission Expires June 1, 1953  
ANN ADAMS

Ann Adams  
Notary Public

STATE OF \_\_\_\_\_ )  
 ) SS  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared \_\_\_\_\_ to me personally known who being by me duly sworn did say that he is the \_\_\_\_\_ President of \_\_\_\_\_ and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this the day and year last above written.

My Commission Expires:

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

STATE OF \_\_\_\_\_ )  
 ) SS  
COUNTY OF \_\_\_\_\_ )

On this \_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared \_\_\_\_\_ to me personally known who being by me duly sworn did say that he is the \_\_\_\_\_ President of \_\_\_\_\_ and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this the day and year last above written.

My Commission Expires:

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

STATE OF California )  
COUNTY OF Los Angeles ) SS

On this 18<sup>th</sup> day of March, 1952, before me personally appeared Edwin W. Parley and R. L. Harrison to me personally known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate above written.

My Commission Expires:

Georgia Lynch  
Notary Public

My Commission Expires March 14, 1955

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared \_\_\_\_\_ to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as \_\_\_\_\_ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

My Commission Expires:

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

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared \_\_\_\_\_ to me personally known to be the person described in and who executed the foregoing instrument and acknowledged that he executed the same as \_\_\_\_\_ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate last above written.

My Commission Expires:

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

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared \_\_\_\_\_ to me personally known to be the person described in and who executed the foregoing instrument and acknowledged that he executed the same as \_\_\_\_\_ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate last above written.

My Commission Expires:

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

STATE OF TEXAS     §  
                          §  
COUNTY OF TARRANT §

On this 24th day of June, 1952, before me personally appeared H. H. HINSON to me personally known, who being by me first duly sworn, did say that he is Attorney in Fact for CONTINENTAL OIL COMPANY, a corporation, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and said H. H. HINSON acknowledged said instrument to be his free and voluntary act and deed and the free and voluntary act and deed of said corporation for the uses specified therein.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

*Jo Ann Jenkins*  
\_\_\_\_\_  
Notary Public, Tarrant County,  
Texas

My commission expires:  
\_\_\_\_\_

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared

to me personally known to be the person\_\_ described in and who executed the fore-  
going instrument, and acknowledged that \_\_he\_\_ executed the same as \_\_\_\_\_ free  
act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and  
year in this certificate above written.

My Commission Expires:

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

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared

to me personally known to be the person\_\_ described in and who executed the fore-  
going instrument, and acknowledged that \_\_he\_\_ executed the same as \_\_\_\_\_  
free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day  
and year in this certificate first above written.

My Commission Expires:

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

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared

to me personally known to be the person\_\_ described in and who executed the fore-  
going instrument and acknowledged that \_\_he\_\_ executed the same as \_\_\_\_\_  
free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day  
and year in this certificate last above written.

My Commission Expires:

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

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared

to me personally known to be the person\_\_ described in and who executed the fore-  
going instrument and acknowledged that \_\_he\_\_ executed the same as \_\_\_\_\_  
free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day  
and year in this certificate last above written.

My Commission Expires:

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

Attached to and made a part of POKER LAKE UNIT OPERATING AGREEMENT

## ACCOUNTING PROCEDURE (UNIT AND JOINT LEASE OPERATIONS)

### I. GENERAL PROVISIONS

#### 1. Definitions

The term "joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.

The term "Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the leased premises for the joint account.

The term "Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

#### 2. Statements and Billings

Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Sub-Paragraph C, below:

A. Statement in detail of all charges and credits to the joint account.

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

C. Statements, as follows:

- (1) Detailed statement of material ordinarily considered controllable by Operators of oil and gas properties;
- (2) Statement of all other charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and
- (3) Statement of any other receipts and credits.

#### 3. Payments by Non-Operator

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

#### 4. Audits

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. All statements rendered to Non-Operator by Operator during any calendar year shall be conclusively presumed to be true and correct after eighteen months following the close of any such calendar year, unless within said eighteen months period Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or the making of claims for adjustment thereon. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder, within eighteen months next following the close of any calendar year. Non-Operator shall have six months next following the examination of the Operator's records within which to take written exception to and make any and all claims on Operator. The provisions of this paragraph shall not prevent adjustments resulting from the physical inventory of property as provided for in Section VI, Inventories, hereof.

### II. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

#### 1. Rentals and Royalties

Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid direct to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.

#### 2. Labor, Transportation, and Services

Labor, transportation, and other services necessary for the development, maintenance, and operation of the joint property. Labor shall include (A) Operator's cost of vacation, sickness and disability benefits of employees, and expenditures or contributions imposed or assessed by governmental authority applicable to such labor, and (B) Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of like nature, applicable to Operator's field payroll; provided that the charges under Part (B) of this paragraph shall not exceed five per cent (5%) of the total of such labor charged to the joint account.

#### 3. Material

Material, equipment, and supplies purchased or furnished by Operator, for use of the joint property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the joint property as required for immediate use, and the accumulation of surplus stocks shall be avoided.

#### 4. Moving Material to Joint Property

Moving material to the joint property from Vendor's or from Operator's warehouse in the district or from the other properties of Operator, but in either of the last two events no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available, except by special agreement with Non-Operator.

**5. Moving Surplus Material from Joint Property**

Moving surplus material from the joint property to outside vendees, if sold f.o.b. destination, or minor returns to Operator's warehouse or other storage point. No charge shall be made to the joint account for moving major surplus material to Operator's warehouse or other storage point for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator; and no charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.

**6. Use of Operator's Equipment and Facilities**

Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 4, of Section III, "Basis of Charges to Joint Account."

**7. Damages and Losses**

Damages or losses incurred by fire, flood, storm, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damage or losses incurred by fire, storm, flood, or other natural or accidental causes as soon as practicable after report of the same has been received by Operator.

**8. Litigation, Judgments, and Claims**

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the joint account or the subject matter of this agreement; actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.

- A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto, and a charge commensurate with the services rendered may be made against the joint account, but no such charge shall be made until approved by the legal department of or attorneys for the respective parties hereto.
- B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

**9. Taxes**

All taxes of every kind and nature assessed upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

**10. Insurance**

- A. Premiums paid for insurance carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.
- B. If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses, including legal services, shall be charged to the joint account.

**11. District and Camp Expense**

A proportionate share of the salaries and expenses of Operator's District Superintendent and other general district or field employees serving the joint property, whose time is not allocated direct to the joint property, and a proportionate share of maintaining and operating a district office and all necessary camps, including housing facilities for employees if necessary, in conducting the operations on the joint property and other leases owned and operated by Operator in the same locality. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all leases served on some equitable basis consistent with Operator's accounting practice.

**12. Overhead**

Overhead charges, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employees of Operator, including the division superintendent, the entire staff and expenses of the division office ~~located~~ wherever located, and any portion of the office expense of the principal business office located at Fort Worth, Texas, but which are not in lieu of district or field office expenses incurred in operating any such properties, or any other expenses of Operator incurred in the development and operation of said properties; and Operator shall have the right to assess against the joint property covered hereby the following overhead charges:

- A. \$350.00 per month for each drilling well, beginning on the date the well is spudded and terminating when it is on production or is plugged, as the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
- B. \$75.00 per well per month for the first five (5) producing wells.
- C. \$50.00 per well per month for the second five (5) producing wells.
- D. \$40.00 per well per month for all producing wells over ten (10).
- E. In connection with overhead charges, the status of wells shall be as follows:
  - (1) In-put or key wells shall be included in overhead schedule the same as producing oil wells.
  - (2) Producing gas wells shall be included in overhead schedule the same as producing oil wells.
  - (3) Wells permanently shut down but on which plugging operations are deferred, shall be dropped from overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
  - (4) Wells being plugged back or drilled deeper shall be included in overhead schedule the same as drilling wells.
  - (5) Various wells may be shut down temporarily and later replaced on production. If and when a well is shut down (other than for proration) and not produced or worked upon for a period of a full calendar month, it shall not be included in the overhead schedule for such month.
  - (6) Salt water disposal wells shall not be included in overhead schedule.

- F. The above overhead schedule on producing wells shall be applied to individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project in the interest of economic development, the schedule shall be applied to the total number of wells, irrespective of individual leases.
- G. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. Warehouse Handling Charges None

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14. Other Expenditures

Any other expenditure incurred by Operator for the necessary and proper development, maintenance, and operation of the joint property.

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

1. Purchases

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

2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

A. New Material (Condition "A")

- (1) New material transferred from Operator's warehouse or other properties shall be priced f. o. b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, rigs, pumps, sucker rods, boilers, and engines. Tubular goods (2" and over), shall be priced on carload basis effective at date of transfer and f. o. b. railway receiving point nearest the joint account operation, regardless of quantity transferred.
- (2) Other material shall be priced on basis of a reputable supply company's Preferential Price List effective at date of transfer and f. o. b. the store or railway receiving point nearest the joint account

**IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL**

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. Derricks, tanks, buildings, and other major items shall not be removed by Operator from the joint property without the approval of Non-Operator. Operator shall not sell major items of material to an outside party without giving Non-Operator an opportunity either to purchase same at the price offered or to take Non-Operator's share in kind.

- F. The above overhead schedule on producing wells shall be applied to individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project in the interest of economic development, the schedule shall be applied to the total number of wells, irrespective of individual leases.
- G. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

13. Warehouse Handling Charges None

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14. Other Expenditures

Any other expenditure incurred by Operator for the necessary and proper development, maintenance, and operation of the joint property.

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

1. Purchases

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

2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

A. New Material (Condition "A")

- (1) New material transferred from Operator's warehouse or other properties shall be priced f. o. b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, rigs, pumps, sucker rods, boilers, and engines. Tubular goods (2" and over), shall be priced on carload basis effective at date of transfer and f. o. b. railway receiving point nearest the joint account operation, regardless of quantity transferred.
- (2) Other material shall be priced on basis of a reputable supply company's Preferential Price List effective at date of transfer and f. o. b. the store or railway receiving point nearest the joint account operation where such material is available.
- (3) Cash discount shall not be allowed.

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

- (1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at 75% of new price.
- (2) Material which cannot be classified as Condition "B" but which,
  - (a) After reconditioning will be further serviceable for original function as good second hand material (Condition "B"), or
  - (b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classed as Condition "C" and priced at 50% of new price.
- (3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.
- (4) Tanks, derricks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

3. Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and, in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

4. Operator's Exclusively Owned Facilities

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

- A. Water service, fuel gas, power, and compressor service: At rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.
- B. Automotive Equipment: Rates commensurate with cost of ownership and operation. Such rates should generally be in line with schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck, tractor, and pulling unit rates shall include wages and expenses of driver.
- C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located.
- D. Whenever requested, Operator shall inform Non-Operator in advance of the rates it proposes to charge.

E. Rates shall be revised and adjusted from time to time as may be found to be either excessive or insufficient.

See insert for Paragraphs 5 and 6. **DISPOSAL OF LEASE EQUIPMENT AND MATERIAL**

CONTINUATION III BASIS OF CHARGES TO JOINT ACCOUNT

5. In the event any field facilities are owned by the Unit Operator other than those specified in III, Paragraph 4, above, or in the event that any field facilities are owned by any group of Working Interest Owners and such facilities are used for the benefit of any other Working Interest Owners not having an interest therein, Unit Operator shall make a rental charge to the group of Working Interest Owners using such facilities based upon the

#### 14. Other Expenditures

Any other expenditure incurred by Operator for the necessary and proper development, maintenance, and operation of the joint property.

### III. BASIS OF CHARGES TO JOINT ACCOUNT

#### 1. Purchases

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

#### 2. Material Furnished by Operator

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

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

(1) New material transferred from Operator's warehouse or other properties shall be priced f. o. b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, rigs, pumps, sucker rods, boilers, and engines. Tubular goods (2" and over), shall be priced on carload basis effective at date of transfer and f. o. b. railway receiving point nearest the joint account operation, regardless of quantity transferred.

(2) Other material shall be priced on basis of a reputable supply company's Preferential Price List effective at date of transfer and f. o. b. the store or railway receiving point nearest the joint account operation where such material is available.

(3) Cash discount shall not be allowed.

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

(1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at 75% of new price.

(2) Material which cannot be classified as Condition "B" but which,  
(a) After reconditioning will be further serviceable for original function as good second hand material (Condition "B"), or

(b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classed as Condition "C" and priced at 50% of new price.

(3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.

(4) Tanks, derricks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

#### 3. Warranty of Material Furnished by Operator

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and, in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

#### 4. Operator's Exclusively Owned Facilities

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

A. Water service, fuel gas, power, and compressor service: At rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.

B. Automotive Equipment: Rates commensurate with cost of ownership and operation. Such rates should generally be in line with schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time. Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck, tractor, and pulling unit rates shall include wages and expenses of driver.

C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located.

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

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

See insert for Paragraph 51 and 52 between Operator and Non-Operator shall be in proportion to their respective shares of the joint property.

### IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL

### CONTINUATION III BASIS OF CHARGES TO JOINT ACCOUNT

5. In the event any field facilities are owned by the Unit Operator other than those specified in III, Paragraph 4, above, or in the event that any field facilities are owned by any group of Working Interest Owners and such facilities are used for the benefit of any other Working Interest Owners not having an interest therein, Unit Operator shall make a rental charge to the group of Working Interest Owners using such facilities based upon the reasonable value thereof and such rental shall be credited to the Unit Operator or the Working Interest Owners, as the case may be, owning such facilities.

6. In the event certain materials can be purchased by Unit Operator only at prices in excess of the limitations set forth herein or are not available at the nearest supply point, Operator notwithstanding such limitations shall be permitted to charge the Joint Account with such costs and expenses as may be reasonably incurred in purchasing and moving the required materials to

**1. Material Purchased by Operator**

Material purchased by Operator shall be credited to the joint account and included in the monthly statement of operations for the month in which the material is removed from the joint property.

**2. Material Purchased by Non-Operator**

Material purchased by Non-Operator shall be invoiced by Operator and paid for by Non-Operator to Operator immediately following receipt of invoice. The Operator shall pass credit to the joint account and include the same in the monthly statement of operations.

**3. Division in Kind**

Division of material in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party and corresponding credits will be made by the Operator to the joint account, and such credits shall appear in the monthly statement of operations.

**4. Sales to Outsiders**

Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected by Operator from Vendee. Any claims by Vendee for defective material or otherwise shall be charged back to the joint account, if and when paid by Operator.

**V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT**

Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

**1. New Price Defined**

New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Charges to Joint Account."

**2. New Material**

New material (Condition "A"), being new material procured for the joint account but never used thereon, at 100% of current new price.

**3. Good Used Material**

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

A. At 75% of current new price if material was charged to joint account as new, or

B. At 75% of current new price less depreciation consistent with their usage on and service to the joint property, if material was originally charged to the joint property as secondhand at 75% of new price.

**4. Other Used Material**

Used Material (Condition "C"), being used material which

A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or

B. Is serviceable for original function but substantially not suitable for reconditioning, at 50% of current new price.

**5. Bad-Order Material**

Used material (Condition "D"), being material which cannot be classified as Condition "B" or Condition "C", shall be priced at a value commensurate with its use.

**6. Junk**

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

**7. Temporarily Used Material**

When the use of material is of a temporary nature and its service to the joint account does not justify the reduction in price as provided in Paragraph 3B, above, such material shall be priced on a basis that will leave a net charge to the joint account consistent with the value of the service rendered.

**VI. INVENTORIES**

**1. Periodic Inventories**

Periodic inventories shall be taken by Operator of the joint account material, which shall include all such material as is ordinarily considered controllable by operators of oil and gas properties.

**2. Notice**

Notice of intention to take inventory shall be given by Operator at least ten days before any inventory is to begin, so that Non-Operator may be represented when any inventory is taken.

**3. Failure to be Represented**

Failure of Non-Operator to be represented at the physical inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

**4. Reconciliation of Inventory**

Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

**5. Adjustment of Inventory**

Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall only be held accountable to Non-Operator for shortages due to lack of reasonable diligence.

**6. Special Inventories**

Special inventories may be taken, at the expense of the purchaser, whenever there is any sale or change of interest in the joint property, and it shall be the duty of the party selling to notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases both the seller and the purchaser shall be represented and shall be governed by the inventory so taken.



thereof and being the same parties to the original operating agreement for the Polar Lake Unit Area hereinabove referred to as follows:

That the Unit Operating Agreement for the Polar Lake Unit Area hereinabove referred to, be, and the same is hereby modified and amended by substituting for the provision hereinabove quoted the following:

"Unit Operator shall have and is hereby given, the power and right, without the further consent of Working Interest Owners, to sell Working Interest Owners proportionate share (including royalty) of the oil and gas produced from the participating area or areas provided for herein under any contract or arrangement made for such reasonable periods of time as are consistent with the ordinary needs of the industry under the circumstances, but not to exceed one year along with one at the same price received at the well for the Unit Operator's share thereof, while such oil or gas is not being taken in kind as above provided."

Nothing herein contained shall be construed as modifying or amending said Unit Operating Agreement except with respect to the provision hereinabove referred to, and all of the terms and conditions of said Unit Operating Agreement as modified and amended hereby are hereby ratified and confirmed by the parties hereto.

The execution of this instrument or counterpart thereof by each of the parties to the Unit Operating Agreement

wherein above referred to shall constitute a modification of  
of said agreement as to each party so executing regardless of  
whether or not all the parties to the original Operating

Agreement shall have executed this instrument or a counterpart  
thereof. In witness whereof, this instrument is executed by  
the undersigned and of the dates set opposite their respective  
signatures.

RICHARDSON & BASS

By *Larry R. Bass*  
Partner

PARTY OF THE FIRST PART  
UNIT OPERATOR

NOT
LEGAL
EXEC
FILED
RECORDED
EXPIRE

XXXXXXXX

CONTINENTAL OIL COMPANY

By *H. H. Harrison*  
XXXXXXXXX Attorney-in-Fac

XXXXXXXXX

DATE

*Edwin W. Pauley*

Edwin W. Pauley

By *Barbara Jean Pauley*  
Barbara Jean Pauley

XXXXXXXX

XXXXXXXXX

DATE

*R. L. Harrison*

R. L. Harrison

By *Katharine H. Harrison*  
Katharine H. Harrison

XXXXXXXX

XXXXXXXXX

DATE

THE SUPERIOR OIL COMPANY

SECRETARY

*B. B. Burkhead*  
Secretary

By *W. M. Hutchins* B  
President

DATE

XXXXXXXX

C. L. Cameron

Emma O. Cameron

*J. Barton Hutchins*

J. Barton Hutchins

Delphine W. Hutchins

DATE

ATTEST:

\_\_\_\_\_  
Secretary

BY

\_\_\_\_\_  
President

DATE \_\_\_\_\_

ATTEST:

\_\_\_\_\_  
Secretary

BY

\_\_\_\_\_  
President

DATE \_\_\_\_\_

STATE OF TEXAS    )  
                          SS  
COUNTY OF TARRANT)

On this 10th day of February, 1953, before me personally appeared Perry R. Bass, to me personally known to be the person described in and who executed the above and foregoing instrument on behalf of RICHARDSON & BASS, a partnership, and acknowledged that he executed the same as his free act and deed and as the free act and deed of said partnership.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires  
6-1-53

J. Don Neely  
Notary Public

ACKNOWLEDGMENT - NEW MEXICO FORM

STATE OF TEXAS }  
COUNTY OF TARRANT }

On this 4th day of March, 1953, before me personally appeared H. S. Skinner to me personally known, who being by me first duly sworn, did say that he is Attorney in Fact for CONTINENTAL OIL COMPANY, a corporation, and that said instrument was signed in behalf of said corporation by authority of its Board of Directors, and said H. S. Skinner acknowledged said instrument to be his free and voluntary act and deed and the free and voluntary act and deed of said corporation for the uses specified therein.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this, the day and year first above written.

Kay Mitchell  
Notary Public, Tarrant County, Texas.

My commission expires:

COUNTY OF Wichita

On this 18 day of May, 1953, before me personally appeared W. Mengden to me personally known who being by me duly sworn, did say that he is the VICE President of THE SUPERIOR OIL COMPANY and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said W. Mengden acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this, the day and year last above written.

Ann Adams  
Notary Public

My Commission Expires  
My Commission Expires June 1, 1953  
ANN ADAMS

ss }  
ss }

\_\_\_\_\_ day of March, 1953,

appeared Edwin D. Parley and Barbara

to me known to be the person 3 de-

scribed the foregoing instrument, and

they executed the same as their

Therefore, I have hereunto set my hand and  
seal the day and year in this certifi-

Georgia J. Lynch  
Notary Public

ss }  
ss }

\_\_\_\_\_ day of April, 1953

appeared R. L. Harrison and Katherine

to me known to be the person 5, de-

scribed the foregoing instrument, and

they executed the same as their

Therefore, I have hereunto set my hand and  
seal the day and year in this certifi-

Robert H. Brown  
Notary Public

STATE OF California }  
COUNTY OF Los Angeles } SS

On this 24<sup>th</sup> day of March, 1953,  
before me personally appeared Edwin D. Parley and Barbara Jean Parley, to me known to be the person s described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires March 1955

Georgia J. Lynch  
Notary Public

STATE OF New Mexico }  
COUNTY OF Bernalillo } SS

On this 9 day of April, 1953  
before me personally appeared Robert Harrison and Katherine M. Harrison, to me known to be the person s, described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal the day and year in this certificate above written.

My Commission Expires

Jan 29, 1954

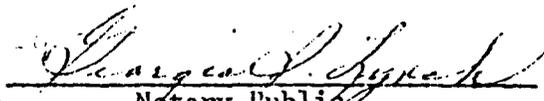
Robert H. Brown  
Notary Public

STATE OF CALIFORNIA II

COUNTY OF LOS ANGELES II

ON this 22<sup>nd</sup> day of June, 1953, before me personally appeared C. L. CAMERON and EMMA O. CAMERON, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year in this certificate above written.

  
Notary Public

My commission expires:

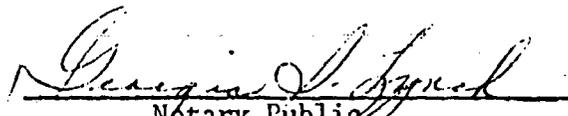
My Commission Expires March 14, 1955

STATE OF CALIFORNIA II

COUNTY OF LOS ANGELES II

ON this 27<sup>th</sup> day of May, 1953, before me personally appeared J. BARTON HUTCHINS and DELVINE W. HUTCHINS, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year in this certificate above written.

  
Notary Public

My commission expires:

My Commission Expires March 14, 1955

SUPPLEMENT TO  
UNIT OPERATING AGREEMENT  
FOR THE POKER LAKE UNIT AREA  
EDDY COUNTY, NEW MEXICO

THIS SUPPLEMENTAL AGREEMENT, made and entered into this 31st  
day of May, 1952, by and between RICHARDSON & BASS, a Partner-  
ship composed of S. W. Richardson and Perry R. Bass, both residents of  
Tarrant County, Texas, Party of the First Part, hereinafter referred to  
as "Unit Operator", and such Working Interest Owners who may subscribe  
to this agreement as Parties of the Second Part, hereinafter referred to  
as "Working Interest Owners";

W I T N E S S E T H:

WHEREAS, the parties hereto have concurrently herewith entered  
into a Unit Agreement for the development and operation of the Poker Lake  
Unit Area, hereinafter referred to as "Unit Agreement", embracing the fol-  
lowing described land situated in Eddy County, New Mexico, to-wit:

NEW MEXICO PRINCIPAL MERIDIAN

Twp. 24 S., Rge. 29 E.

Sec. 1:  $E\frac{1}{2}NE\frac{1}{4}$ ,  $SE\frac{1}{4}$   
Sec. 12:  $E\frac{1}{2}$   
Sec. 13:  $E\frac{1}{2}$   
Sec. 24:  $E\frac{1}{2}$

Twp. 23 S., Rge. 30 E.

Sec. 31:  $SE\frac{1}{4}$ ,  $E\frac{1}{2}SW\frac{1}{4}$   
Sec. 32: All  
Sec. 33: All  
Sec. 34:  $W\frac{1}{2}W\frac{1}{2}$

Twp. 24 S., Rge. 30 E.

Sec. 2:  $S\frac{1}{2}$   
Secs. 3 to 11, both inclusive: All  
Secs. 14 to 36, both inclusive: All

Twp. 25 S., Rge. 30 E.

Secs. 1 to 4, both inclusive: All  
Sec. 5:  $N\frac{1}{2}$ ,  $E\frac{1}{2}SE\frac{1}{4}$   
Sec. 8:  $E\frac{1}{2}E\frac{1}{2}$ ,  $W\frac{1}{2}SE\frac{1}{4}$ ,  $E\frac{1}{2}SW\frac{1}{4}$   
Secs. 9 to 17, both inclusive: All  
Sec. 18:  $E\frac{1}{2}$ ,  $SW\frac{1}{4}$   
Secs. 19 to 29, both inclusive: All  
Sec. 30:  $NE\frac{1}{4}$ ,  $E\frac{1}{2}SE\frac{1}{4}$   
Sec. 31:  $E\frac{1}{2}NE\frac{1}{4}$   
Secs. 32 to 36, both inclusive: All

Twp. 26 S., Rge. 30 E.  
Secs. 1 to 3, both inclusive: All  
Sec. 4: NE $\frac{1}{4}$   
Sec. 10: NE $\frac{1}{4}$   
Sec. 11: NE $\frac{1}{4}$   
Sec. 12: NE $\frac{1}{4}$

THIS SUPPLEMENTAL AGREEMENT, made and entered into this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_

Twp. 24 S., Rge. 31 E.  
Secs. 19 to 22, both inclusive: All  
Secs. 27 to 33, both inclusive: All  
Sec. 34: W $\frac{1}{2}$

Twp. 25 S., Rge. 31 E.  
Sec. 3: W $\frac{1}{2}$   
Secs. 4 to 9, both inclusive: All  
Sec. 10: W $\frac{1}{2}$   
Sec. 15: W $\frac{1}{2}$ W $\frac{1}{2}$   
Secs. 16 to 21, both inclusive: All  
Sec. 22: NW $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$ SW $\frac{1}{4}$   
Sec. 27: W $\frac{1}{2}$ W $\frac{1}{2}$   
Secs. 28 to 33, both inclusive: All  
Sec. 34: S $\frac{1}{2}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ NW $\frac{1}{4}$ , SW $\frac{1}{4}$

Twp. 26 S., Rge. 31 E.

Sec. 3: W $\frac{1}{2}$ NW $\frac{1}{4}$   
Secs. 4 to 6, both inclusive: All  
Containing 68,990.83 acres, more or less.

and,

WHEREAS, the parties hereto have also concurrently herewith entered into a Unit Operating Agreement in accordance with Section 7 of said Unit Agreement, providing for the manner of apportionment of the cost, expenses and benefits on account of operations under said Unit Agreement; and,

WHEREAS, the parties hereto are desirous of supplementing said Unit Operating Agreement in so far as the leasehold interests of the parties hereto committed to said Unit Agreement are concerned.

NOW, THEREFORE, IT IS MUTUALLY AGREED between the parties hereto, as follows:

1. Paragraph 3 of the Unit Operating Agreement hereinabove referred to provides for the drilling of a test well or wells in compliance with Section 9 of said Unit Agreement, and that in the event any test well proves to be a dry hole or non-commercial well, that the parties to said operating agreement shall only be responsible for such portion of the cost of drilling and plugging the same as they have expressly agreed to in writing. The

provisions of said paragraph 3 of the Unit Operating Agreement shall apply to all wells which may be drilled by Unit Operator prior to the discovery of unitized substances in paying quantities upon the unit area, regardless of the number of wells which may be drilled. However, in the event any such well results in the discovery of unitized substances in paying quantities and a participating area is established as the result thereof, there shall be an adjustment of the cost of drilling said well between the Working Interest Owners having an interest in the participating area, as provided by paragraph 6 of said Operating Agreement.

2. Paragraph 5 of the Unit Operating Agreement hereinabove referred to provides that operating expenses shall also include "any expenses incurred by Unit Operator in connection with the protection and maintenance of titles and negotiations incident thereto and litigation involving basic titles or growing out of operations hereunder." Notwithstanding anything contained in said Unit Operating Agreement to the contrary, in the event any such litigation shall involve the title to any of the leasehold interests of the parties hereto committed to said Unit Agreement, the party or parties hereto whose titles are affected by such litigation shall have the option to defend or prosecute any such action at such party or parties' own expense and if such party or parties elects to do so, the cost thereof shall not be charged as operating expenses.

3. Section 10 of the Unit Agreement provides that upon completion of a well capable of producing unitized substances in paying quantities, that the Unit Operator shall submit for the approval of the Supervisor of the United States Geological Survey, the Commissioner of Public Lands of the State of New Mexico and the New Mexico Oil Conservation Commission an acceptable plan for the development and operation of the unitized land which shall constitute the further drilling and operating obligations of Unit Operator for the period specified in such plan. Said Section also contemplates that additional plans providing for the further development of the unit area shall

be submitted for approval from time to time and that such plans may be supplemented or modified when necessary to meet changed conditions or to protect the interests of the parties to the agreement. Notwithstanding any of the provisions contained in said Unit Operating Agreement to the contrary, Unit Operator shall submit all such plans, supplements thereto or modifications thereof to the Working Interest Owners who are parties hereto who have an interest in any such plan, supplement thereto or modification thereof, for their consideration and approval prior to submitting the same for the approval of the Officials hereinabove referred to required to approve the same under the terms of said Unit Agreement. (All such plans for the development and operation of the unitized land and all supplements thereto and modifications thereof are hereinafter referred to as "Plan" or "Plans".)

and For the purpose of considering and approving all such Plans, each Working Interest Owner who is a party hereto shall designate in writing a representative to represent each such party, with full authority to act in all matters connected with the approval of all such Plans. Such representatives shall be appointed and the Unit Operator advised thereof within ten (10) days after the completion of a test well upon the unit area capable of producing unitized substances in paying quantities. Unit Operator shall submit copies of all Plans to each of the representatives of the parties hereto having an interest in any lands affected by any proposed Plan which is to be submitted by the Unit Operator for approval of the above mentioned Officials. In the event any representatives of the parties hereto have any objections to any Plan, such representatives shall notify the Unit Operator of such objections in writing within ten (10) days from the time of receipt of such proposed Plan; and in the event of any such objections Unit Operator shall call a meeting of the representatives of the parties hereto having working interests affected by any such Plan for the purpose of considering such objections. Said meeting shall be held at a time and place designated by Unit Operator after not less than three (3) days' notice either by letter or telegram to each of such representatives. In the event the representatives

of the parties hereto and Unit Operator are unable to mutually agree upon any such Plan of development or operation, the matter in dispute shall be determined by a vote of all of the interested parties. For the purpose hereof the "interested parties" shall be those who have working interests in the participating area or areas which may be involved in any such Plan and those who have working interests which will be affected if such Plan involves the expansion or revision of any participating area and also those who have working interests which will be affected if the proposed Plan provides for the formation of a drilling unit or units for the purpose of drilling an exploratory well or wells as provided by Section 7 of the Unit Operating Agreement. The representatives of each interested party and the Unit Operator shall each be entitled to a vote equal to the number of acres of their respective leasehold interests included in or proposed to be included in any such Plan, and a majority vote on an acreage basis shall determine any matter in dispute; provided, however, in the event any representative or the Unit Operator has involved in any such matter more than 50% of the total acreage used as a voting basis, the matter shall be concurred in by at least one other interested party. In the event all representatives of the interested parties fail to object to any plan submitted by Unit Operator, as hereinabove provided, within the time required for making objections thereto, such Plan shall be considered as having been approved by all such representatives and Unit Operator shall thereupon submit such Plan for approval of said Officials.

In lieu of submitting any proposed Plan for consideration and approval of the representatives of the interested parties as hereinabove provided Unit Operator may call a meeting of the representatives of all interested parties for the purpose of considering and approving any such plan, and in such event the meeting shall be called, held, and all matters in dispute determined, as hereinabove provided.

In the event the above mentioned Officials should indicate that they are unwilling to approve any Plan of development and operation submitted pursuant to the terms of said Unit Agreement, Unit Operator shall consult with

the representatives of the parties hereto having interests affected by such Plan with a view of formulating and agreeing with said Officials upon an acceptable Plan.

4. In the event any capital expenditure is contemplated by Unit Operator other than for the purpose of carrying out any Plan of development or operation required to be approved by the above mentioned Officials as provided in the preceding paragraph, which involves an amount equal to or in excess of \$25,000.00, Unit Operator shall give notice thereof to each of the representatives of the parties hereto who would be required to participate in such expenditure, such notice to be given in the same manner as provided in the preceding paragraph. In the event any of said parties should object to such proposed expenditure a meeting with respect thereto shall be held and the matter determined in the same manner as provided in the preceding paragraph for determining questions relating to the approval of a Plan of development and operation.

5. The representatives of the Working Interest Owners designated as provided by Paragraph 3 hereof shall have the right to designate an Auditing Committee for the purpose of auditing any books and accounts with respect to the operations carried on by Unit Operator under the terms of the Unit Agreement at such time and from time to time as such representatives may designate. The cost of all audits made by the Auditing Committee or the Auditor designated by the Committee shall be apportioned among and borne by the Working Interest Owners interested in any such audit or audits on such basis as may be agreed to by the representatives of such Working Interest Owners in appointing such Auditing Committee.

6. The provisions hereof shall be considered as supplemental to the above mentioned Unit Operating Agreement in so far as the parties hereto are concerned, and all of the terms and conditions of said Unit Operating Agreement are hereby ratified and confirmed, and said Unit Operating Agreement and this Supplemental Agreement shall constitute the entire agreement as between the parties hereto with respect to determining their rights and



interests in connection with the operation and development of said unit area  
STATE OF TEXAS )

COUNTY OF TARRANT ) SS  
The provisions hereof shall be binding upon the parties hereto

and their respective heirs, personal representatives, successors and assigns.

On this \_\_\_ day of \_\_\_\_\_, 1952, before me personally  
and shall be considered as covenants running with the ownership of the Oil  
appeared \_\_\_\_\_ to me personally known to be  
and Gas Leases of the respective parties hereto committed to said Unit Agreement,  
the person described in and who executed the above and foregoing instrument

IN WITNESS WHEREOF, this agreement is executed as of the day and  
on behalf of RICHARDSON & BASS, a partnership, and acknowledged that he  
year first hereinabove written  
executed the same as his free act and deed, and as the free act and deed  
of said partnership.

RICHARDSON

IN WITNESS WHEREOF, I have hereunto set my hand and official seal  
the day and year in this certificate above written.

My Commission Expires:

PAID BY THE STATE

Notary Public

STATE OF TEXAS )  
COUNTY OF TARRANT )

SS

On this 24<sup>th</sup> day of June, 1952, before me personally  
appeared \_\_\_\_\_ to me personally known to be

the person described in and who executed the above and foregoing instrument  
as Attorney-in-Fact for the Continental Oil Company, a corporation, and  
acknowledged that he executed the same as his free act and deed, and as the  
free act and deed of the Continental Oil Company.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal  
the day and year in this certificate above written.

My Commission Expires:

*John A. Jenkins*  
Notary Public

STATE OF Idaho  
COUNTY OF Blaine ) SS

On this 20 day of June, 1952, before me personally appeared Howard Rich to me personally known, who being by me duly sworn, did say that he is the Vice President of the

Superior Oil Company, a corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Howard Rich acknowledged

executed the same as his free act and deed, and he has to be act and said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate above written.

My Commission Expires: June 1, 1953  
AND I AM

Ann Adams  
Notary Public

STATE OF CALIFORNIA )  
COUNTY OF LOS ANGELES ) SS

On this 2nd day of June, 1952, before me personally appeared Edwin W. Pauley and wife, Barbara Jean Pauley, to me personally known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate above written.

My Commission Expires: March 14, 1955

Georgia J. Lynch  
Notary Public

STATE OF NEW MEXICO )  
COUNTY OF BERNALILLO ) SS

On this 31 day of May, 1952, before me personally appeared R. L. Harrison and wife, Katherine H. Harrison, to me personally known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the day and year in this certificate above written.

My Commission Expires;

Robert J. Braun  
Notary Public

MY COMMISSION EXPIRES JAN. 29, 1954

STATE OF CALIFORNIA )

COUNTY OF LOS ANGELES )

On this 3rd day of June, 1952, before me personally appeared C. L. CAMERON and EMMA O. CAMERON, his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year in this certificate above written.

*Georgia J. Lynch*  
Notary Public

My commission expires: March 14, 1955

STATE OF CALIFORNIA )

COUNTY OF LOS ANGELES )

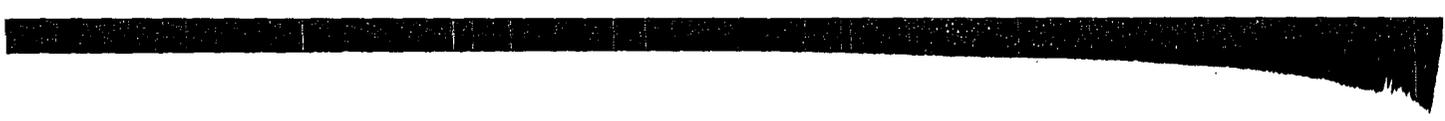
ss.

On this 3rd day of June, 1952, before me personally appeared J. BASTON HUTCHINS and DELPHINE U. HUTCHINS his wife, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and seal the day and year in this certificate above written.

*Georgia J. Lynch*  
Notary Public

My commission expires: March 14, 1955



Attached to and made a part of... POKER LAKE UNIT OPERATING AGREEMENT

## ACCOUNTING PROCEDURE (UNIT AND JOINT LEASE OPERATIONS)

### I. GENERAL PROVISIONS

**1. Definitions**

The term "joint property" as herein used shall be construed to mean the subject area covered by the agreement to which this "Accounting Procedure" is attached.

The term "Operator" as herein used shall be construed to mean the party designated to conduct the development and operation of the leased premises for the joint account.

The term "Non-Operator" as herein used shall be construed to mean any one or more of the non-operating parties.

**2. Statements and Billings**

Operator shall bill Non-Operator on or before the last day of each month for its proportionate share of costs and expenditures during the preceding month. Such bills will be accompanied by statements, reflecting the total costs and charges as set forth under Sub-Paragraph B below:

A. Statement in detail of all charges and credits to the joint account.

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

C. Statements, as follows:

(1) Detailed statement of material ordinarily considered controllable by Operators of oil and gas properties;

(2) Statement of all other charges and credits to the joint account summarized by appropriate classifications indicative of the nature thereof; and

(3) Statement of any other receipts and credits.

**3. Payments by Non-Operator**

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

**4. Audits**

Payment of any such bills shall not prejudice the right of Non-Operator to protest or question the correctness thereof. All statements rendered to Non-Operator by Operator during any calendar year shall be conclusively presumed to be true and correct after eighteen months following the close of any such calendar year, unless within said eighteen months period Non-Operator takes written exception thereto and makes claim on Operator for adjustment. Failure on the part of Non-Operator to make claim on Operator for adjustment within such period shall establish the correctness thereof and preclude the filing of exceptions thereto or the making of claims for adjustment thereon. A Non-Operator, upon notice in writing to Operator and all other Non-Operators, shall have the right to audit Operator's accounts and records relating to the accounting hereunder, within eighteen months next following the close of any calendar year. Non-Operator shall have six months next following the examination of the Operator's records within which to take written exception to and make any and all claims on Operator. The provisions of this paragraph shall not prevent adjustments resulting from the physical inventory of property as provided for in Section VI, Inventories, hereof.

### II. DEVELOPMENT AND OPERATING CHARGES

Subject to limitations hereinafter prescribed, Operator shall charge the joint account with the following items:

**1. Rentals and Royalties**

Delay or other rentals, when such rentals are paid by Operator for the joint account; royalties, when not paid direct to royalty owners by the purchaser of the oil, gas, casinghead gas, or other products.

**2. Labor, Transportation, and Services**

Labor, transportation, and other services necessary for the development, maintenance, and operation of the joint property. Labor shall include (A) Operator's cost of vacation, sickness and disability benefits of employees, and expenditures or contributions imposed or assessed by governmental authority applicable to such labor, and (B) Operator's current cost of established plans for employees' group life insurance, hospitalization, pension, retirement, stock purchase, thrift, bonus, and other benefit plans of like nature, applicable to Operator's field payroll; provided that the charges under Part (B) of this paragraph shall not exceed five per cent (5%) of the total of such labor charged to the joint account.

**3. Material**

Material, equipment, and supplies purchased or furnished by Operator, for use of the joint property. So far as it is reasonably practical and consistent with efficient and economical operation, only such material shall be purchased for or transferred to the joint property as required for immediate use, and the accumulation of surplus stocks shall be avoided.

**4. Moving Material to Joint Property**

Moving material to the joint property from Vendor's or from Operator's warehouse in the district or from other properties of Operator, but ~~in either of the last two events no charge shall be made to the joint account for a distance greater than the distance from the nearest reliable supply store or railway receiving point where such material is available, except by special agreement with Non-Operator.~~

**5. Moving Surplus Material from Joint Property**

Moving surplus material from the joint property to outside vendees, if sold f.o.b. destination, or minor returns to Operator's warehouse or other storage point. No charge shall be made to the joint account for moving major surplus material to Operator's warehouse or other storage point for a distance greater than the distance to the nearest reliable supply store or railway receiving point, except by special agreement with Non-Operator; and no charge shall be made to the joint account for moving material to other properties belonging to Operator, except by special agreement with Non-Operator.

**6. Use of Operator's Equipment and Facilities**

Use of and service by Operator's exclusively owned equipment and facilities as provided in Paragraph 4, of Section III, "Basis of Charges to Joint Account."

**7. Damages and Losses**

Damages or losses incurred by fire, flood, storm, or any other cause not controllable by Operator through the exercise of reasonable diligence. Operator shall furnish Non-Operator written notice of damage or losses incurred by fire, storm, flood, or other natural or accidental causes as soon as practicable after report of the same has been received by Operator.

**8. Litigation, Judgments, and Claims**

All costs and expenses of litigation, or legal services otherwise necessary or expedient for the protection of the joint interests, including attorney's fees and expenses as hereinafter provided, together with all judgments obtained against the joint account or the subject matter of this agreement; actual expenses incurred by any party or parties hereto in securing evidence for the purpose of defending against any action or claim prosecuted or urged against the joint account or the subject matter of this agreement.

- A. If a majority of the interests hereunder shall so agree, actions or claims affecting the joint interests hereunder may be handled by the legal staff of one or more of the parties hereto, and a charge commensurate with the services rendered may be made against the joint account, but no such charge shall be made until approved by the legal department of or attorneys for the respective parties hereto.
- B. Fees and expenses of outside attorneys shall not be charged to the joint account unless authorized by the majority of the interests hereunder.

**9. Taxes**

All taxes of every kind and nature assessed upon or in connection with the properties which are the subject of this agreement, the production therefrom or the operation thereof, and which taxes have been paid by the Operator for the benefit of the parties hereto.

**10. Insurance**

- A. Premiums paid for insurance carried for the benefit of the joint account, together with all expenditures incurred and paid in settlement of any and all losses, claims, damages, judgments, and other expenses, including legal services, not recovered from insurance carrier.
- B. If no insurance is required to be carried, all actual expenditures incurred and paid by Operator in settlement of any and all losses, claims, damages, judgments, and any other expenses, including legal services, shall be charged to the joint account.

**11. District and Camp Expense**

A proportionate share of the salaries and expenses of Operator's District Superintendent and other general district or field employees serving the joint property, whose time is not allocated direct to the joint property, and a proportionate share of maintaining and operating a district office and all necessary camps, including housing facilities for employees if necessary, in conducting the operations on the joint property and other leases owned and operated by Operator in the same locality. The expense of, less any revenue from, these facilities shall include depreciation or a fair monthly rental in lieu of depreciation on the investment. Such charges shall be apportioned to all leases served on some equitable basis consistent with Operator's accounting practice.

**12. Overhead**

Overhead charges, which shall be in lieu of any charges for any part of the compensation or salaries paid to managing officers and employees of Operator, including the division superintendent, the entire staff and expenses of the division office ~~located~~ wherever located, and any portion of the office expense of the principal business office located at Fort Worth, Texas, but which are not in lieu of district or field office expenses incurred in operating any such properties, or any other expenses of Operator incurred in the development and operation of said properties; and Operator shall have the right to assess against the joint property covered hereby the following overhead charges:

- A. \$ 350.00 per month for each drilling well, beginning on the date the well is spudded and terminating when it is on production or is plugged, as the case may be, except that no charge shall be made during the suspension of drilling operations for fifteen (15) or more consecutive days.
- B. \$ 75.00 per well per month for the first five (5) producing wells.
- C. \$ 50.00 per well per month for the second five (5) producing wells.
- D. \$ 40.00 per well per month for all producing wells over ten (10).
- E. In connection with overhead charges, the status of wells shall be as follows:
  - (1) In-put or key wells shall be included in overhead schedule the same as producing oil wells.
  - (2) Producing gas wells shall be included in overhead schedule the same as producing oil wells.
  - (3) Wells permanently shut down but on which plugging operations are deferred, shall be dropped from overhead schedule at the time the shutdown is effected. When such wells are plugged, overhead shall be charged at the producing well rate during the time required for the plugging operation.
  - (4) Wells being plugged back or drilled deeper shall be included in overhead schedule the same as drilling wells.
  - (5) Various wells may be shut down temporarily and later replaced on production. If and when a well is shut down (other than for proration) and not produced or worked upon for a period of a full calendar month, it shall not be included in the overhead schedule for such month.
  - (6) Salt water disposal wells shall not be included in overhead schedule.

- F. The above overhead schedule on producing wells shall be applied to individual leases; provided that, whenever leases covered by this agreement are operated as a unitized project in the interest of economic development, the schedule shall be applied to the total number of wells, irrespective of individual leases.
- G. The above specific overhead rates may be amended from time to time by agreement between Operator and Non-Operator if, in practice, they are found to be insufficient or excessive.

**13. Warehouse Handling Charges**

None

**14. Other Expenditures**

Any other expenditure incurred by Operator for the necessary and proper development, maintenance, and operation of the joint property.

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

**1. Purchases**

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

**2. Material Furnished by Operator**

Material required for operations shall be purchased for direct charge to joint account whenever practicable, except that Operator may furnish such material from Operator's stocks under the following conditions:

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

at cost to Operator.

(1) New material transferred from Operator's warehouse or other properties shall be priced ~~/f. o. b. the nearest reputable supply store or railway receiving point, where such material is available, at current replacement cost of the same kind of material. This will include material such as tanks, rigs, pumps, sucker rods, boilers, and engines. Tubular goods (2" and over), shall be priced on carload basis effective at date of transfer and f. o. b. railway receiving point nearest the joint account operation, regardless of quantity transferred.~~ at cost to Operator.

(2) Other material shall be priced ~~/on basis of a reputable supply company's Preferential Price List effective at date of transfer and f. o. b. the store or railway receiving point nearest the joint account operation where such material is available.~~

(3) Cash discount shall not be allowed.

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

(1) Material which is in sound and serviceable condition and is suitable for reuse without reconditioning shall be classed as Condition "B" and priced at 75% of new price.

(2) Material which cannot be classified as Condition "B" but which,

(a) After reconditioning will be further serviceable for original function as good second hand material (Condition "B"), or

(b) Is serviceable for original function but substantially not suitable for reconditioning, shall be classed as Condition "C" and priced at 50% of new price.

(3) Material which cannot be classified as Condition "B" or Condition "C" shall be priced at a value commensurate with its use.

(4) Tanks, derricks, buildings, and other equipment involving erection costs shall be charged at applicable percentage of knocked-down new price.

**3. Warranty of Material Furnished by Operator**

Operator does not warrant the material furnished beyond or back of the dealer's or manufacturer's guaranty; and, in case of defective material, credit shall not be passed until adjustment has been received by Operator from the manufacturers or their agents.

**4. Operator's Exclusively Owned Facilities**

The following rates shall apply to service rendered to the joint account by facilities owned exclusively by Operator:

A. Water service, fuel gas, power, and compressor service: At rates commensurate with cost of providing and furnishing such service to the joint account but not exceeding rates currently prevailing in the field where the joint property is located.

B. Automotive Equipment: Rates commensurate with cost of ownership and operation. ~~Such rates should generally be in line with schedule of rates adopted by the Petroleum Motor Transport Association, or some other recognized organization, as recommended uniform charges against joint account operations and revised from time to time.~~ Automotive rates shall include cost of oil, gas, repairs, insurance, and other operating expense and depreciation; and charges shall be based on use in actual service on, or in connection with, the joint account operations. Truck, tractor, and pulling unit rates shall include wages and expenses of driver.

C. A fair rate shall be charged for the use of drilling and cleaning-out tools and any other items of Operator's fully owned machinery or equipment which shall be ample to cover maintenance, repairs, depreciation, and the service furnished the joint property; provided that such charges shall not exceed those currently prevailing in the field where the joint property is located.

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

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

**IV. DISPOSAL OF LEASE EQUIPMENT AND MATERIAL**

The Operator shall be under no obligation to purchase interest of Non-Operator in surplus new or secondhand material. Derricks, tanks, buildings, and other major items shall not be removed by Operator from the joint property without the approval of Non-Operator. Operator shall not sell major items of material to an outside party without giving Non-Operator an opportunity either to purchase same at the price offered or to take Non-Operator's share in kind.

**1. Material Purchased by Operator**

Material purchased by Operator shall be credited to the joint account and included in the monthly statement of operations for the month in which the material is removed from the joint property.

**2. Material Purchased by Non-Operator**

Material purchased by Non-Operator shall be invoiced by Operator and paid for by Non-Operator to Operator immediately following receipt of invoice. The Operator shall pass credit to the joint account and include the same in the monthly statement of operations.

**3. Division in Kind**

Division of material in kind, if made between Operator and Non-Operator, shall be in proportion to their respective interests in such material. Each party will thereupon be charged individually with the value of the material received or receivable by each party and corresponding credits will be made by the Operator to the joint account, and such credits shall appear in the monthly statement of operations.

**4. Sales to Outsiders**

Sales to outsiders of material from the joint property shall be credited by Operator to the joint account at the net amount collected by Operator from Vendee. Any claims by Vendee for defective material or otherwise shall be charged back to the joint account, if and when paid by Operator.

**V. BASIS OF PRICING MATERIAL TRANSFERRED FROM JOINT ACCOUNT**

Material purchased by either Operator or Non-Operator or divided in kind, unless otherwise agreed, shall be valued on the following basis:

**1. New Price Defined**

New price as used in the following paragraphs shall have the same meaning and application as that used above in Section III, "Basis of Charges to Joint Account."

**2. New Material**

New material (Condition "A"), being new material procured for the joint account but never used thereon, at 100% of current new price.

**3. Good Used Material**

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

A. At 75% of current new price if material was charged to joint account as new, or

B. At 75% of current new price less depreciation consistent with their usage on and service to the joint property, if material was originally charged to the joint property as secondhand at 75% of new price.

**4. Other Used Material**

Used Material (Condition "C"), being used material which

A. After reconditioning will be further serviceable for original function as good secondhand material (Condition "B"), or

B. Is serviceable for original function but substantially not suitable for reconditioning, at 50% of current new price.

**5. Bad-Order Material**

Used material (Condition "D"), being material which cannot be classified as Condition "B" or Condition "C", shall be priced at a value commensurate with its use.

**6. Junk**

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

**7. Temporarily Used Material**

When the use of material is of a temporary nature and its service to the joint account does not justify the reduction in price as provided in Paragraph 3B, above, such material shall be priced on a basis that will leave a net charge to the joint account consistent with the value of the service rendered.

**VI. INVENTORIES**

**1. Periodic Inventories**

Periodic inventories shall be taken by Operator of the joint account material, which shall include all such material as is ordinarily considered controllable by operators of oil and gas properties.

**2. Notice**

Notice of intention to take inventory shall be given by Operator at least ten days before any inventory is to begin, so that Non-Operator may be represented when any inventory is taken.

**3. Failure to be Represented**

Failure of Non-Operator to be represented at the physical inventory shall bind Non-Operator to accept the inventory taken by Operator, who shall in that event furnish Non-Operator with a copy thereof.

**4. Reconciliation of Inventory**

Reconciliation of inventory with charges to the joint account shall be made by each party at interest, and a list of overages and shortages shall be jointly determined by Operator and Non-Operator.

**5. Adjustment of Inventory**

Inventory adjustments shall be made by Operator with the joint account for overages and shortages, but Operator shall only be held accountable to Non-Operator for shortages due to lack of reasonable diligence.

**6. Special Inventories**

Special inventories may be taken, at the expense of the purchaser, whenever there is any sale or change of interest in the joint property, and it shall be the duty of the party selling to notify all other parties hereto as quickly as possible after the transfer of interest takes place. In such cases both the seller and the purchaser shall be represented and shall be governed by the inventory so taken.

EXHIBIT 'A'

OWNERSHIP OF OIL AND GAS PRODUCTION FROM PARTICIPATING AREA CONSISTING OF  
E $\frac{1}{2}$ SE $\frac{1}{4}$  SECTION 28, NE $\frac{1}{4}$ NE $\frac{1}{4}$  SECTION 33, TOWNSHIP 24 SOUTH, RANGE 31 EAST, N.M.P.M.

United States of America		.12500000 RI
James L. Davis and wife, Linda Mitchell Davis	.02 x 80/120	.013333333 ORI
Ballard E. Spencer Trust, Inc.	(.01 x 80/120) + (1/2 x .01 x 40/120)	.008333333 ORI
First City, Texas - Midland, N.A., Trustee under the Will of R. E. Boyle, Deceased	3/32 x 1 $\frac{1}{8}$ x 80/120	.00062500 ORI
First City, Texas - Midland, N.A., Trustee under Conveyance from Sweetie Boyle	3.32 x 1 $\frac{1}{8}$ x 80/120	.00062500 ORI
Jack Fauntleroy, whose marital status is unknown	1/16 x 1 $\frac{1}{8}$ x 80/120	.00041667 ORI
Charlene M. Ward, a widow	51/320 x 1 $\frac{1}{8}$ x 80/120	.00106250 ORI
Sara Ward Sims, Trustee under the Will of E. H. Ward, Deceased	9/320 x 1 $\frac{1}{8}$ x 80/120	.00018750 ORI
George R. Gibson, whose marital status is unknown	1/4 x 1 $\frac{1}{8}$ x 80/320	.00166667 ORI
Patsy Ann English, presumptively as her separate property	1/32 x 1 $\frac{1}{8}$ x 80/320	.00020833 ORI
Jack W. McWhirter, whose marital status is unknown	5/32 x 1 $\frac{1}{8}$ x 80/120	.00104167 ORI

Hondo Oil & Gas Company	[ (20.8333% x 25%) - (20.8333% x 12.5%) x 80/120 ] + [ (6.324100% x 25%) - (6.324100% x 12.5%) x 40/120 ] - (4% x 80/120)	No Interest
Bass Enterprises Production Co.	(4.189500% x 12.5% x 40/120) - (1.3965/74.3536 x 0.6670542%)	.00162034 ORI**
San Jose Exploration, Inc.	(2.8125% x 12.5% x 80/120) - (1.875/74.3536 x 0.6670542%)	.00217554 ORI**
Perry R. Bass, Trustee	(0.625% x 12.5% x 80/120) - (0.4167/74.3536 x 0.6670542%)	.00048345 ORI**
Perry R. Bass, Inc.	(18.125% x 12.5% x 80/120) + (17.2178% x 12.5% x 40/120) - (3/16 x 2% x 40/120) - (17.8226/74.3536 x 0.6670542%)	.01901266 ORI**
Sid R. Bass, Inc.	(13.359375% x 12.5% x 80/120) + (12.913375% x 12.5% x 40/120) - (3/16 x 2% x 40/120) - (13.2107/74.3536 x 0.6670542%)	.01407820 ORI**
Thru Line Inc.	(13.359375% x 12.5% x 80/120) + (12.913375% x 12.5% x 40/120) - (3/16 x 2% x 40/120) - (13.2107/74.3536 x 0.6670542%)	.01407820 ORI**
Robert M. Bass Group, Inc.	(13.359375% x 12.5% x 80/120) + (12.913375% x 12.5% x 40/120) - (3/16 x 2% x 40/120) - (13.2107/74.3536 x 0.6670542%)	.01407820 ORI**
Lee M. Bass, Inc.	(13.359375% x 12.5% x 80/120) + (12.913375% x 12.5% x 40/120) - (3/16 x 2% x 40/120) - (13.2107/74.3536 x 0.6670542%)	.01407820 ORI**
Charles B. Gillespie, Jr.	(95.8333% x 75% x 80/120) + (79.3849% x 75% x 40/120)	<u>.67762875</u> WI**
TOTAL		1.00000000

\* The proceeds attributable to these interests are instead owned by Charles B. Gillespie, Jr. until the non-consent penalties under the respective Operating Agreements have been recouped.

\*\* It is possible that the Farmout Agreement and Assignments from the Bass group and Pauley Petroleum Inc. (now Hondo Oil & Gas Company) should be construed so that the Bass group has reserved a proportionate part of the full 1/8 overriding royalty interest in E&S~~SE~~ Section 28 in addition to existing overriding royalty burdens. See our discussion

in the accompanying letter and in our division order title opinion covering E $\frac{1}{2}$ SE $\frac{1}{4}$  Section 28. If the Farmout Agreement and Assignments are so construed, the interests of these parties would instead be as follows:

Bass Enterprises Production Co.	4.189500% x 12.5% x 40/120	.00174562 ORI
San Jose Exploration, Inc.	2.8125% x 12.5% x 80/120	.00234375 ORI
Perry R. Bass, Trustee	0.625% x 12.5% x 80/120	.00052083 ORI
Perry R. Bass, Inc.	(18.125% x 12.5% x 80/120) + (17.2178% x 12.5% x 40/120) - (1/4 x 2% x 40/120)	.02061158 ORI
Sid R. Bass, Inc.	(13.359375% x 12.5% x 80/120) + (12.913375% x 12.5% x 40/120) - (3/16 x 2% x 40/120)	.01526339 ORI
Thru Line Inc.	(13.359375% x 12.5% x 80/120) + (12.913375% x 12.5% x 40/120) - (3/16 x 2% x 40/120)	.01526339 ORI
Robert M. Bass Group, Inc.	(13.359375% x 12.5% x 80/120) + (12.913375% x 12.5% x 40/120) - (3/16 x 2% x 40/120)	.01526339 ORI
Lee M. Bass, Inc.	(13.359375% x 12.5% x 80/120) + (12.913375% x 12.5% x 40/120) - (3/16 x 2% x 40/120)	.01526339 ORI
Charles B. Gillespie, Jr.	.67762875 - .006670542	.67095820 WI

Esther Abell Denton, a widow	1/16 x 1% x 80/120	.00041667 ORI
Jo Denton Murchison, as her separate property	1/32 x 1% x 80/120	.00020833 ORI
Douglas A. Denton, as his separate property	1/32 x 1% x 80/120	.00020833 ORI
The Heirs or Devisees of Ralph A. Shugart and wife, Rena Shugart, both deceased, or their assigns	1/2 x 1% x 40/120	.00166666 ORI
Marshall Rowley, whose marital status is unknown	1/2 x 1% x 40/120	.00166666 ORI
Nancy J. Allen, whose marital status is unknown	12.5% x 1% x 40/120	.00041667 ORI
Jamie E. Jennings, whose marital status is unknown	12.5% x 1% x 40/120	.00041667 ORI
Susan J. Croft, whose marital status is unknown	12.5% x 1% x 40/120	.00041667 ORI
Peggy P. Jennings, whose marital status is unknown	9.5% x 1% x 40/120	.00031667 ORI
H. E. Ware, Trustee of the Peggy P. Jennings Trust	3.0% x 1% x 40/120	.00010000 ORI
Amoco Production Company	(4.1667% x 7/8 x 80/120) + (1.642600% x 7/8 x 40/120)	.02909667 WI*
Fina Oil and Chemical Company	18.972500% x 7/8 x 40/120	.05533646 WI*