

*Grayburg Cooperative
and
Unit Agreement*



Eddy County, New Mexico

GRAYBURG COOPERATIVE AND UNIT AGREEMENT

THIS AGREEMENT, entered into as of the 3 day of June, 1943, by and between the parties subscribing or consenting hereto,

WITNESSETH:

Whereas, the parties subscribing hereto are the owners of operating, royalty, or other oil or gas interests in the area subject to this Cooperative and Unit Agreement;

WHEREAS, it is the purpose of the parties hereto to conserve natural resources, prevent avoidable waste, and secure other benefits obtainable through development and operation of the area subject to this Cooperative and Unit Agreement under the terms, conditions, and limitations set forth under and pursuant to the provisions of Sections 17, 27, and 32 of the Act of Congress approved February 25, 1920, entitled "An Act to promote the mining of coal, phosphate, oil, oil shale, gas, and sodium on the public domain," 41 Stat. 443, 448, 450, as amended or supplemented by the Acts of March 4, 1931, 46 Stat. 1525, and August 21, 1935, 49 Stat. 677, 678; 30 U. S. C. 226, 184, and 189:

NOW, THEREFORE, in consideration of the premises, and the promises hereinafter contained, the parties hereto and the parties consenting hereto agree severally among themselves, and with the Secretary of the Interior, as follows:

- ENABLING ACT** 1. That the said Act of February 25, 1920, as amended, and all pertinent regulations heretofore and all pertinent and reasonable regulations hereafter issued
AND thereunder, including operating regulations, are accepted and made a part of
REGULATIONS this agreement; Provided, that no such regulations hereby accepted shall be inconsistent with the specific terms of the leases or of this agreement, particularly in the matter of rates of royalty and rental, or in conflict with the laws of the State in which the unit area is situated.
- COOPERATIVE** 2. The following described lands are hereby designated and recognized as constituting the cooperative and unit area, for convenience generally referred to
AND herein as the "unit area:"
UNIT AREA

NEW MEXICO MERIDIAN

T. 17 S., R. 29 E.,	Sec. 13, S-1/2
	Sec. 23, all
	Sec. 24, all
	Sec. 25, all
	Sec. 26, all

T. 17 S., R. 30 E.,	Sec. 18, all
	Sec. 19, all
	Sec. 30, all

The above-described unit area shall be enlarged or contracted whenever such action is necessary or desirable to conform with the purposes of this agreement. Notice of any proposed enlargement or contraction shall be given by Operator to all parties affected thereby at least 30 days prior to submission to the Secretary with proof of service of such notice. Such enlargement or contraction shall be effective upon approval by the Secretary of the Interior.

Exhibit "A" attached hereto is a map on which is outlined the herein-established unit area, together with the ownership of the land and leases in said area. Exhibit "B" attached hereto is a schedule showing the nature and extent of ownership of oil and gas rights in all land in the unit area

to which this agreement will become applicable by signature hereto, or to a counterpart hereof, by the owners of such rights. Said schedule shall be revised by the Operator whenever any change in the unit area or ownership of rights renders such change necessary, and the revised schedule shall be filed with the record of this agreement.

UNITIZED SUBSTANCES 3. All oil, gas, natural gasoline, and associated fluid hydrocarbons producible from the land subject to this agreement, in any and all sands or horizons, are unitized under the terms of this agreement and are hereinafter called "unitized substances."

UNITIZED ZONES 4. For the purposes of this agreement, the unitized deposits shall be separated into two zones which are hereby designated respectively, the Grayburg zone and the Sub-Grayburg zone. The Grayburg zone shall include all unitized deposits producible from any sand or horizon not more than 3,300 feet below the surface of the unit area, including unitized deposits producible from wells heretofore drilled and completed in said area. The Sub-Grayburg zone shall include all sands or deposits located below the Grayburg zone.

OPERATOR 5. Grayburg Unit Association is hereby designated as Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it, if any, as set forth in the schedule attached hereto marked Exhibit B, and agrees and consents to accept the duties and obligations of Operator to conduct and manage the operation of said unit area for the discovery and development of unitized substances as hereinafter provided and is hereinafter called "Operator."

The right to relinquish all rights as Operator may be exercised whenever said Operator is not in default under this agreement, but no Operator shall be relieved from the duties and obligations of Operator for a period of 6 months after notice of intention to relinquish such duties and obligations has been served by it on all other parties hereto and the Secretary of the Interior, unless a new Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Operator prior to the expiration of said period. At any time prior to the date on which relinquishment by or removal of Operator becomes effective, the parties hereto or a duly qualified new Operator may elect to purchase on reasonable terms all or any part of the retiring Operator's equipment, material, and appurtenances in or upon the land subject to this agreement, provided that no such equipment, material, or appurtenances so selected for purchase shall be removed pending determination of reasonable terms of purchase. Any equipment, material, and appurtenances not so purchased and not necessary for the preservation of wells may be removed by the retiring Operator at any time within 6 months after the relinquishment or removal becomes effective, but if not so removed shall become the joint property of the owners of operating rights in land then subject to this agreement.

Assignment of any right or rights as Operator shall be subject to approval by the Secretary of the Interior.

SUCCESSOR OPERATOR 6. Whenever the Operator shall discontinue or relinquish its rights as Operator or shall fail to fulfill its duties and obligations as Operator under this agreement, the owners of the majority of the participating acreage operating interests in the unit area, or the owners of operating rights according to their total acreage interest in the unit area until a participating area shall have been established, shall select a new Operator. Such selection shall not become effective until (a) an Operator so selected shall agree and consent in writing to accept the duties and responsibilities of Operator, and (b) the selection shall have been approved by the Secretary of the Interior. In the absence of the selection of an acceptable Operator by owners of operating rights within 90 days of notice so to do by the Secretary of the Interior, said Secretary may designate

an Operator or declare this agreement terminated. The Operator shall be subject to removal by the owners of operating rights in the same manner as herein provided for the selection of a new Operator.

**RIGHTS AND
OBLIGATIONS
OF OPERATOR**

7. Except as hereinafter specified, the exclusive right, privilege, and duty of exercising any and all rights of the parties signatory hereto which are necessary or convenient for prospecting for, producing, storing, and disposing of the unitized substances are hereby vested in Operator and shall be exercised by said Operator as provided in this agreement. Acceptable evidence of title to said rights shall be deposited with said Operator, and, together with this agreement, shall constitute and define Operator's rights, privileges, and obligations in the premises; provided, that nothing herein shall be construed to transfer title to any land or leases, it being understood that Operator shall have rights of possession and use only and exclusively for the purposes herein specified. Operator shall pay all costs and expenses of operations with respect to unitized land, and shall charge such costs to the account of the operating rights in the tracts comprising said land until a participating area shall have been established, and thereafter such costs shall be charged to the account of the operating rights in the participating area. On or before the 25th day of each calendar month, Operator shall render to the owners of unitized interests entitled thereto an accounting of the operations on unitized lands during the previous calendar month, and shall pay in value or deliver to each party entitled thereto a proportionate and allocated share of the products produced hereunder.

The development and operation of land subject to this agreement under the terms hereof shall be deemed full performance by Operator of all obligations for such 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.

8. (a) **REPRESSURING Conservation:** All natural gas produced from the cooperative and unit area, subject hereto, (except the amount used for development and operations in the said area or unavoidably lost), shall be returned to one or more of the oil producing formations of the said area; for which purpose the Operator shall acquire and install all necessary equipment, pipe lines, and other facilities, shall use existing wells or drill wells for gas input purposes, make alterations in existing wells or drill new wells for the purpose of increasing the supply of natural gas from zones productive of oil and gas, or of gas only, and in general do all things deemed to be desirable or necessary for the maintenance of formation pressures and repressuring of the area subject hereto, including the shutdown of any well producing with an excessive gas-oil ratio; and that all gas produced from the said area may be used for such repressuring purposes without accounting or compensation to the lessee of the lands from which it is produced. The Operator shall submit for approval by the oil and gas supervisor a plan of operations to carry out the purposes of this paragraph, which plan shall be effective upon approval of said supervisor and shall be subject to modification whenever such action is deemed necessary or advisable by the supervisor to accomplish the purposes of this agreement.

(b) **Natural Gasoline:** The Operator is hereby specifically authorized, in its sole discretion, to acquire and install equipment and facilities for the extraction of natural gasoline, and in the event that any natural gasoline or other products are sold the proceeds therefrom shall be credited to the respective leases covering the participating area subject hereto in the manner that the costs of conducting repressuring operation are distributed to such leases.

(c) **Plant Investment:** All capital charges for the acquisition and installment of equipment, pipe lines, drilling of input wells, and of gas wells for the repressuring system, shall be borne by the owners of operating rights of lands subject hereto in the proportion that the number of acres of each participating in production hereunder bears to the total number of acres participating in production hereunder, it being understood that 40 acres shall be regarded as participating for each well produced from the Grayburg zone as herein defined, and that as to deeper zones the participating area

shall be determined as set forth in paragraph 11 hereof; and it is further understood that where the participating area of any deeper zone or zones is overlapped by the participating area of an upper zone or zones, the acreage of said overlapped area shall be multiplied by two or more according to the number of overlapping zones.

(d) **Operating Expenses:** All costs of operating the repressuring system, including maintenance of (but not additions to) plant, equipment, pipe lines, gas and input wells, shall be borne by the owners of operating rights of lands subject hereto in the proportion that production of oil from the lands of the respective owners of operating rights bears to the total production hereunder.

PARTICIPATION 9. Each of the parties shall participate in the production from the said Gray-
GRAYBURG ZONE burg zone to the extent that such production is obtained from lands contributed to the unit plan by them. All costs of drilling, equipping, re-drilling or abandoning wells and of the construction of service equipment and facilities to be used in the operation of wells or for the handling, treating, processing, or storage of the products thereof and of all repairs of a substantial nature, including replacement of equipment, shall be borne by the lessee of the land upon which said wells are drilled. Operating expenses, (exclusive of major repairs), and administrative expenses of the operator shall be borne by each of the parties in the proportion that the number of wells producing on the lands of each party hereto bears to the total number of producing wells operated hereunder.

DRILLING 10. Within 90 days after notice by the Secretary of the Interior so to do, Opera-
TO tor shall begin to drill an adequate test well at a location to be approved by the
DISCOVERY Federal oil and gas supervisor and thereafter continuously drill such well to a depth of approximately 5,000 feet, unless a horizon commercially productive of oil or gas shall be discovered below the Grayburg zone or the well shall be demonstrated unsuccessful below said zone at a depth of less than 5,000 feet, and thereafter, within 90 days after further notice from the Secretary of the Interior, shall continue drilling one well at a time until a commercially productive well is completed to the satisfaction of said supervisor unless or until it is reasonably proven that the unit area subject to this agreement is incapable of commercial production below said Grayburg zone; provided that, except as provided in Section 18 hereof, no notice shall be given by the Secretary of the Interior under the provisions of this section within two years after the effective date of this agreement; and provided further that, unless otherwise directed by said Secretary, Operator may so drill on his own initiative.

PARTICIPATION 11. The cost of drilling a test well or wells, as provided in the preceding section,
DEEPER ZONES shall be borne by the owners of operating rights committed to this agreement in proportion to the acreage interests of each such owner, and upon completion of a commercially productive well in any measure below the Grayburg zone as hereinabove defined, Operator shall submit for approval by the Secretary of the Interior a schedule of lands, based on aliquot parts of subdivisions of the public-land survey, including all lands within the unit area subject to this agreement then regarded as reasonably proven to be commercially productive of oil or gas; all lands in said schedule on approval by said Secretary to constitute a participating area, effective as of the date of first production. Said schedule shall set forth the ownership of operating rights to all lands included therein and the percentage acreage interest of each owner in the total participating area subject to this agreement. Such percentage acreage interest shall govern the participation of the owner in costs and benefits of operation from and after the date the participating area becomes effective. The participating area so established shall be revised from time to time, in like manner and subject to like approval, to include additional lands regarded as reasonably proven to have been commercially productive or to exclude lands regarded as reasonably proven not to have been commercially productive; and a new schedule of percentage acreage interests conformable thereto shall thereupon be fixed. No land shall be excluded from the participating area on account of depletion of the unitized

substances. It is the intent of this section that the participating area shall at all times represent the area known or reasonably estimated to be commercially productive as of the effective date of the participating area first submitted and approved; and when such productive limits of the unit area under agreement shall have been fully and finally determined, the participating area shall become fixed; and all accounts, including any contribution toward the cost of exploratory operations, shall be adjusted, with interest allowance at five per cent (5%) as though such fixed participating area had been the participating area first constituted after completion of a commercially productive well. This section shall not provide for retroactive adjustment of royalties to the United States.

For the purpose of making such adjustment or of enforcing any payment by any party, Operator is authorized to withhold from such party any payments that might be otherwise due him, and to apply such further legal or equitable remedies as may be appropriate.

ALLOCATION 12. As to any measure below the aforesaid Grayburg zone, all unitized substances produced from each participating area subject to this agreement, except any part thereof used for production and development purposes thereunder, or unavoidably lost, shall be apportioned among and allocated on an acreage basis to the several tracts of land comprising said participating area and each such tract shall have allocated to it such percentage of said production as its area bears to the said participating area.

DEVELOPMENT AFTER DISCOVERY 13. Upon completion, to the satisfaction of the Federal oil and gas supervisor, of a commercially productive well in any zone below the Grayburg zone in the area subject hereto, Operator shall submit for the approval of said supervisor a plan for the further development of the unit area as to said zone, which plan when so approved shall constitute the further drilling obligations of Operator and shall include an adequate and effective well-casing and well-spacing program, shall provide for complete exploration of the unit area under agreement and for the determination of the commercially productive area thereof, shall afford protection to the interests of the parties hereto and of the United States against operations not under this agreement, and shall specify the number of wells proposed to be drilled to production during each calendar year; provided that, upon approval of said supervisor, said plan for further development may be modified from time to time to meet changed conditions and the drilling obligations shall be conformed thereto. All parties hereto and any and all interested parties approving or consenting to this agreement agree that after completion of one commercially productive well no further wells, except such as may be necessary to afford protection against operations not under this agreement, shall be drilled until such plan of development shall have been approved in writing by said supervisor, and that all drilling requirements of leases, operating agreements, or other contracts affecting the unit area subject to this agreement are hereby modified to conform to and be satisfied by the drilling requirements of this agreement.

✓ **DEVELOPMENT OR OPERATION BY PARTIES OTHER THAN OPERATOR** 14. Any party hereto owning or controlling a majority interest of the operating rights in any tract included in the non-participating area having thereon a regular well location in accordance with the approved well spacing program may drill a well at such location at his own expense, unless Operator elects and commences to drill such well within 90 days of receipt of notice from said party of his intention to drill the well.

If such well, drilled at the expense of said party, results in production such that the land upon which it is situated may properly be included in the participating area said party shall be reimbursed one hundred percent (100%) of the average cost of drilling similar producing wells in the participating area subject to this agreement and appropriate revision shall be made in the participating area.

If any well drilled on the non-participating area by Operator or by said party obtains production insufficient to justify inclusion in the participating area of the land on which said well is situated, said party at his election, within 30 days of determination of such insufficiency, shall be wholly re-

sponsible for and may operate and produce the well at his sole expense and for his sole benefit. If such well was drilled by Operator, said party shall pay the Operator a fair salvage value price for the casing and other equipment left in the well.

Wells drilled at the sole expense of any party or produced at his sole expense and for his sole benefit shall be subject to the drilling and producing requirements of this agreement the same as though drilled or produced by Operator; and royalties in amount or value of production from any such well on land of the United States shall be paid as specified in the lease affected, unless otherwise authorized in writing by the Secretary of the Interior.

RENTAL AND ROYALTY PAYMENTS 15. Operator, on behalf of the respective lessees, shall pay all rentals and royalties due the United States on account of lands subject to this agreement and shall distribute the cost thereof to the parties hereto conformably with their respective rental and royalty obligations. On request of any party hereto, Operator shall pay other royalties on his behalf in accordance with a schedule furnished by him and charge the cost thereof to his account; provided, that Operator shall incur thereby no responsibility to pay royalty owner, but such responsibility shall be and remain an obligation of the owners of the operating rights on the lands subject hereto.

GOVERNMENT ROYALTIES AND RENTALS 16. Royalty to the United States shall be paid at the rates specified in the respective Federal leases based on the amount of production from the Grayburg zone of each leasehold and as to the Sub-Grayburg zone based on the amount of production allocated to the tracts thereof; provided that, for leases in which the royalty rate on oil depends on the average daily oil production per well, the royalty rate in each participating area shall be determined for each lease by the average daily production of the oil wells subject to this agreement producing from that participating area; and for leases in which the royalty rate on gas depends on the average daily gas production per well, the royalty in each participating area shall be determined for each lease by the average daily production of gas per well subject to this agreement producing from that participating area.

CONSERVATION 17. Operations shall be conducted so as to provide for the most economical and efficient recovery of unitized substances to the end that maximum ultimate yield may be obtained without waste. For the purpose of more properly conserving the natural resources of the lands embraced within this agreement, the production of unitized substances shall at all times be without waste as defined by State or Federal law; shall be limited to such production as can be put to beneficial use with adequate realization of fuel values; and in the discretion of the Secretary of the Interior shall be limited by the beneficial demand as determined by said Secretary for gas or for oil, whichever would tend to avoid excessive production of either oil or gas.

DRAINAGE 18. Operator shall take appropriate and adequate measures to prevent drainage of oil or gas from lands subject to this agreement by wells on land not subject to this agreement, or, with approval of the Secretary of the Interior, pay a fair and reasonable compensatory royalty as determined by the Federal oil and gas supervisor.

LEASES CONFORMED TO AGREEMENT 19. The parties hereto or consenting hereto holding leases embracing lands of the United States subject to this agreement consent that the Secretary of the Interior shall, and said Secretary by his approval of this agreement does, establish, alter, change, or revoke the drilling, producing, and royalty requirements of such leases and the regulations in respect thereof, to conform said requirements to the provisions of this agreement.

The Secretary of the Interior further agrees and consents that during the effective life of this agreement, the prospecting, drilling, and producing operations performed by the operator upon any lands subject hereto will be accepted and deemed to be operations under and for the benefit of all such leases; that suspension of operations or production on any such lease shall be deemed not to have occurred if there be operations or production on any part of the unit area subject to this agreement; that no such lease shall be deemed to expire by reason of failure to produce wells situated on land therein embraced; and that suspension of all operations and production on the unit area pursuant to direction or consent of said Secretary shall be deemed to constitute such suspension pursuant to such direction or consent with respect to each such lease.

COVENANTS RUN WITH LAND 20. The covenants herein run with the land until this agreement terminates, and any grant, transfer, or lease of interest in lands or leases subject hereto shall be conditioned on the assumption of all privileges and obligations hereunder by the grantee, transferee, lessee, or other successor in interest and as to Federal land shall be subject to approval by the Secretary of the Interior.

EFFECTIVE DATE AND TERM 21. This agreement shall become effective on the first of the calendar month next following approval by the Secretary of the Interior and shall terminate one year from said date unless (1) such date of expiration is extended by the Secretary of the Interior; or (2) there shall have been placed in operation a compressor plant capable of returning to the formation as much gas as is being produced from the Grayburg zone at the effective date of this agreement and an acceptable plan for the operation of said plant has been approved under the terms of this agreement, in which case this agreement shall remain in effect as long as unitized substances can be produced from the unitized lands in paying quantities; or (3) it is proved at an earlier date that the repressuring of the Grayburg zone is incapable of successful operation and, with the approval of the Secretary of the Interior, notice of termination is given by Operator to all parties in interest at their last known address; provided that this agreement may be terminated at any time by consent of the owners of 75 per centum on an acreage basis of the operating rights signatory hereto with the approval of the Secretary of the Interior.

RATE OF DEVELOPMENT AND PRODUCTION 22. All production and the disposal thereof shall be in conformity with allocations, allotments, and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute; provided, that the Secretary of the Interior is vested with authority, pursuant to the amendatory acts of March 4, 1931, and of August 21, 1935, 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, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest served thereby to be stated in the order of alteration or modification.

DETERMINATIONS BY OPERATOR AND REVIEW THEREOF 23. Operator shall determine the date of first authentic knowledge of information on which revision of any participating area shall be predicated; shall determine whether any well, horizon, land, or area subject to this agreement is proven or regarded as reasonably proven to be or to have been commercially productive or not commercially productive, it being understood and agreed that commercial productivity shall be the productive capacity estimated to be sufficient to return normal drilling and production costs under wise and skillful management; and shall determine other matters involved in this agreement for which a different method of determination is not herein established: Provided, that Operator shall give timely notice of all such determinations to all interested parties, including the Secretary of the Interior: Provided, further, that all such determinations may be reviewed by the Secretary of the Interior on his own initiative or on written request of any interested party, notice of any such review to be given to all interested parties, including Operator, within 60

days after receipt of notice of Operator's determination; and provided, further, that any matters so reviewed, on request or consent of Operator, may be submitted to a committee of three competent persons appointed by said Secretary, one on nomination of Operator, one on nomination of the other interested parties, and the third on nomination of the first two, the cost of such committee to be a cost of operation and its report (which shall be binding on the committee when concurred in by any two of its members) to be submitted to said Secretary and copies thereof by him to Operator and other interested parties; and Provided, further, that opportunity shall be given in said review for all interested parties to present their contentions and supporting evidence by written or oral communication to said committee or said Secretary, and that after consideration of all credible evidence said Secretary shall render a reasonable decision based thereon and in conformity therewith, which decision, so made and rendered, shall be final and binding on all parties hereto or consenting hereto.

COUNTERPARTS 24. 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.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their officers thereunto duly authorized the 3 day of June, 1943.

ATTEST:

H. B. DUCHAND
Asst. Secretary

GRAYBURG UNIT ASSOCIATION

By C. C. SPICER
President

Reg 6-1-43 Spencer

ATTEST:

H. B. DUCHAND
Secretary

GRAYBURG OIL COMPANY OF NEW MEXICO

By C. C. SPICER
President

ATTEST:

M. C. CAMPBELL
Asst. Secretary

WESTERN PRODUCTION COMPANY, INC.

By H. H. MADDREN
Vice President

Reg 7-14-38 Maddren

State of California }
County of Los Angeles } ss.

On this 3 day of June A. D., 1943, before me personally appeared C. C. Spicer, to me personally known, who, being by me duly sworn, did say that he is the President of Grayburg Unit Assn., a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said C. C. Spicer 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 the day and year first above written.

CHAUNCEY C. JOHNSTON
Notary Public in and for said County and State
My Commission Expires July 15, 1946

State of California }
County of Los Angeles } ss.

On this 3 day of June A. D., 1943, before me personally appeared C. C. Spicer, to me personally known, who, being by me duly sworn, did say that he is the President of Grayburg Oil Co. of N. M., a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said C. C. Spicer 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 the day and year first above written.

CHAUNCEY C. JOHNSTON
Notary Public in and for said County and State
My Commission Expires July 15, 1946

State of California }
County of Los Angeles } ss.

On this 3 day of June A. D., 1943, before me personally appeared H. H. Maddren, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Western Production Co. Inc., a corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed on behalf of said corporation by authority of its Board of Directors, and said H. H. Maddren 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 the day and year first above written.

CHAUNCEY C. JOHNSTON
Notary Public in and for said County and State
My Commission Expires July 15, 1946

✓
APPROVAL—CERTIFICATION—DETERMINATION

Pursuant to the statutory authority in the Secretary of the Interior under the Act approved March 4, 1931, 46 Stat. 1523, 30 U. S. C. 184, and the Act approved August 21, 1935, 49 Stat. 674, 30 U. S. C. 222, amending the Act approved February 25, 1920, 41 Stat. 437, 30 U. S. C. 181, in order to secure the proper protection of the public interest, I, Oscar L. Chapman, Assistant Secretary of the Interior, this 5th day of Oct., 1943, hereby take the following action:

A. Approve the attached cooperative and unit agreement entered into between Grayburg Unit Association and others subscribing thereto.

B. Determine and certify that the plan of development and operation of the area subject to the GRAYBURG COOPERATIVE AND UNIT AGREEMENT, NEW MEXICO, contemplated in said agreement is for the purpose of more properly conserving the oil or gas resources of said area and is necessary and advisable in the public interest.

C. Certify that each and every lease heretofore or hereafter issued for lands of the United States and made subject to said agreement, from the effective date thereof, and concurrently therewith, shall be modified as to the drilling, producing, and royalty provisions of such lease to conform with said agreement, that the prospecting, drilling, and producing operations performed by the operator upon any lands subject to said agreement will be accepted and deemed to be operations under and for the benefit of all subject leases, and each such lease shall be deemed to continue in force and effect so long as oil or gas is produced in paying quantities anywhere in said area, including the term of any suspension of operations pursuant to any order or consent of the Secretary of the Interior and to continue until the termination of said agreement.

(SEAL)

OSCAR L. CHAPMAN
Assistant Secretary of the Interior

CONSENT OF ROYALTY OWNER

The undersigned, _____, owner _____ of royalty interest as to lands subject to the foregoing Grayburg Cooperative and Unit Agreement, which said royalty interest and lands are described below, does hereby consent to the inclusion of said lands under said Grayburg Cooperative and Unit Agreement, and does hereby ratify, approve and consent to all the terms thereof.

DESCRIPTION _____

State of _____ }
County of _____ } ss.

On this _____ day of _____, A. D., 1943, before me personally appeared _____ known to me to be the person... described in and who executed the foregoing Instrument, and acknowledged to me that ...he _____ executed the same as _____ 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 first above written.

Notary Public in and for said County and State
My Commission Expires _____

CONSENT OF ROYALTY OWNER

The undersigned, _____, owner _____ of royalty interest as to lands subject to the foregoing Grayburg Cooperative and Unit Agreement, which said royalty interest and lands are described below, does hereby consent to the inclusion of said lands under said Grayburg Cooperative and Unit Agreement, and does hereby ratify, approve and consent to all the terms thereof.

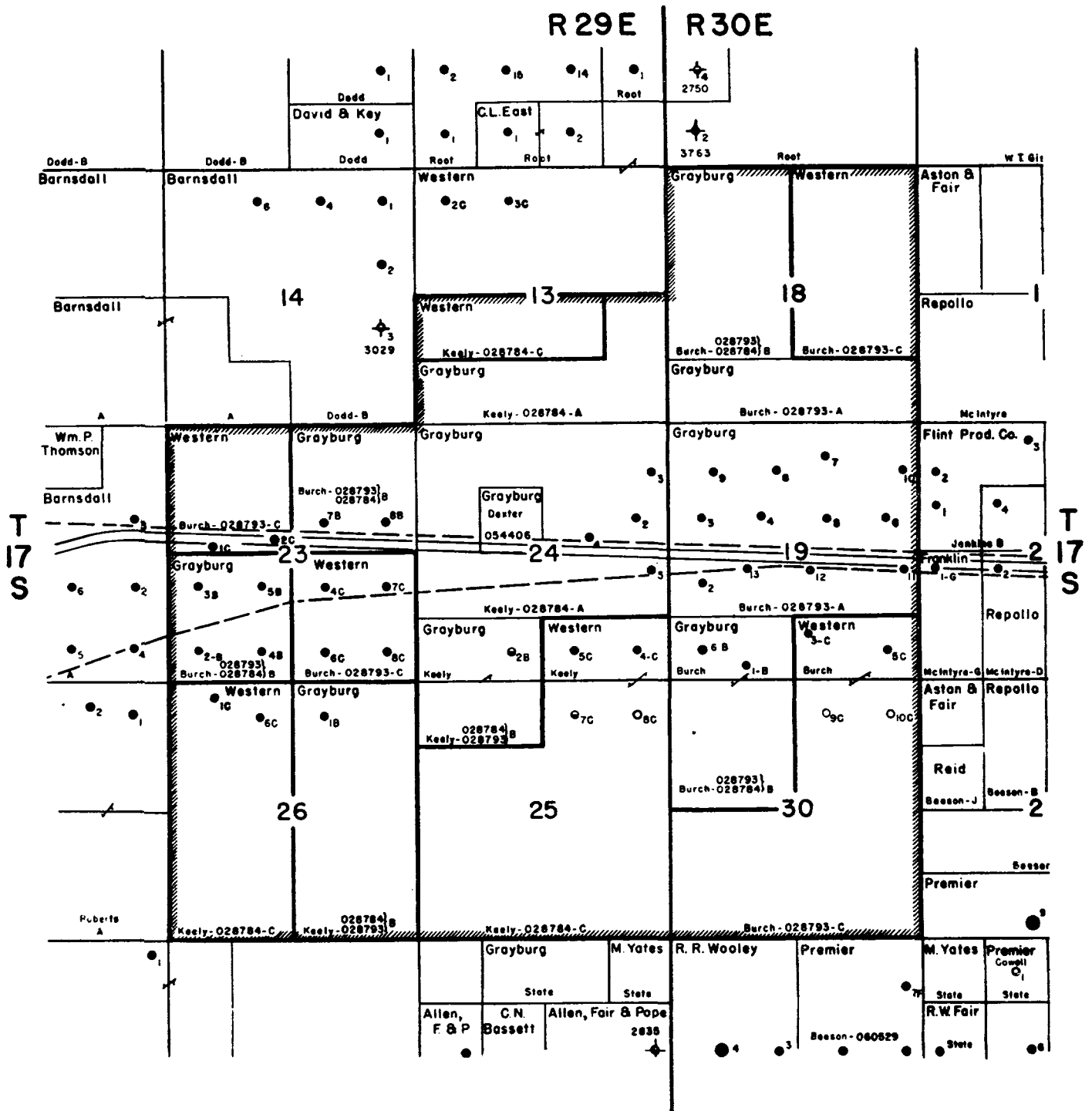
DESCRIPTION _____

State of _____ }
County of _____ } ss.

On this _____ day of _____, A. D., 1943, before me personally appeared _____ known to me to be the person... described in and who executed the foregoing Instrument, and acknowledged to me that ...he _____ executed the same as _____ 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 first above written.

Notary Public in and for said County and State
My Commission Expires _____



LEGEND

Keely-028784-C Las Cruces (U.S.A) Permit or Lease Number

- Producing Wells
- Drilling Wells
- Locations
- Operators Boundary
- Area Boundary

EXHIBIT "A"

OWNERSHIP MAP
Of the

GRAYBURG COOPERATIVE AND UNIT AREA

Eddy County, New Mexico

Scale 1" = 3000'

**GRAYBURG COOPERATIVE AND UNIT AREA
OWNERSHIP OF OIL AND GAS RIGHTS**

Name of Lease	U. S. Serial No.	Description of Lands	Acreage	Minimum U. S. Government Royalty (per cent)	Overriding Royalties	Per cent	Maximum Net Company Interest (per cent)
GRAYBURG OIL COMPANY OF NEW MEXICO:							
Burch	028793-A	S½-S½ N¾	Sec. 18—T17S—R30E 157.43 } Sec. 19—T17S-R30E 472.27 } Total Burch "A" Lease..... 629.70	5.0	Mary Lorena Higgins, Trustee..... Zana May Welter..... J. D. Long..... Howe Walker B. F. Rose Anna R. Welter..... C. H. Kyte..... Ronald K. Deford..... J. B. Purcell..... Marshall & Winston..... F. A. Andrews..... F. S. Winston..... Mrs. Geo. H. Williams.....	.5 1.0 .25 .25 .25 1.0 .5 .5 .25 .5 .5 1.5 .5	87.5
						7.50	
Keely	028784-A	NE-SE S½-S½ N½-N½ SW-NW S½-NE N½-S½	Sec. 13—T17S-R29E 40 " " 160 Sec. 24 " 160 " " 40 " " 80 " " 160 Total Keely "A" Lease..... 640	5.0	Mary Lorena Higgins, Trustee..... Mrs. C. A. Russell..... Oil Royalties Corp. Marshall & Winston..... F. S. Winston..... J. D. Long Howe Walker R. L. Long Leah McDonald Elvv Barker Quilla Dexter H. G. Watson, Trustee.....	1.6875 .25 .5 1.5 .375 .25 .25 .5 .9375 .5 .5625 .1875	87.5
						7.5000	
Burch	028793 } B 028784 } Cons.	N¾-W½ S½-SW NW NE SW	Sec. 18—T17S-R30E 232.17 Sec. 19 " 77.41 Sec. 30 " 154.94 Sec. 23—T17S-R29E..... 160 " " 160 Total Burch "B" Lease..... 784.52	12.5			87.5
Keely	028784 } B 028793 } Cons.	E½ S½-SW N½-NW	Sec. 26—T17S-R29E..... 320 Sec. 24 " 80 Sec. 25 " 80 Total Keely "B" Lease..... 480	12.5			87.5
Dexter	054406	SE-NW	Sec. 24—T17S-R29E..... 40 Total Grayburg Acreage.... 2574.22	12.5			87.5
WESTERN PRODUCTION COMPANY, INC.:							
Burch	028793-C	NW SE N¾-E½ S½-SE NE S½	Sec. 23—T17S-R29E 160 " " 160 Sec. 18—T17S-R30E 240 Sec. 19 " 80* Sec. 30 " 160 " " 315.22 Total Burch Lease..... 1115.22	12.5	C. J. Dexter..... J. W. Berry 	2.5 2.5 	82.5
						5.0	
Keely	028784-C	W½ S½-SE E½ S¾-W½ N½-SW NW-SE	Sec. 26—T17S-R29E 320* Sec. 24 " 80* Sec. 25 " 320 " " 240 Sec. 13 " 80 " " 40 Total Keely Lease..... 1080 Total Western Acreage..... 2195.22 Total Grayburg Acreage.... 2574.22 Total Acreage 4769.44	12.5	C. J. Dexter J. W. Berry 	2.5 2.5 	82.5
						5.00	

* Royalties on these properties slightly exceed ⅛, being computed on basis of daily production in accordance with royalty table as set forth in leases.
Exchange leases on straight ⅛ royalties have been applied for.