

NEW MEXICO OIL CONSERVATION COMMISSION

SANTA FE, NEW MEXICO

APPLICATION FOR APPROVAL OF BEARD

UNIT AREA, LEA COUNTY, NEW MEXICO

New Mexico Oil Conservation Commission
Santa Fe, New Mexico

COMES the undersigned PHILLIPS PETROLEUM COMPANY, a Delaware corporation with an operating office at Bartlesville, Oklahoma, and files herewith three copies of a proposed Unit Agreement for the development and operation of the Beard Unit Area, Lea County, New Mexico, and hereby makes application for the approval of said agreement and plan by the New Mexico Oil Conservation Commission as provided by law, and in support thereof shows:

1. That the Unit Area designated in said Unit Agreement covers a total of 11,678.91 acres situated in Townships 24 and 25 South, Range 34 East, and Township 25 South, Range 35 East, Lea County, New Mexico. That 8,759.39 acres of the lands in said proposed Unit Area are lands of the United States, and 959.52 acres are lands of the State of New Mexico, and that 1,960.00 acres are fee or privately owned lands. That said Unit Area is more particularly described by the plat and schedule of ownership attached to said proposed Unit Agreement, made a part thereof and for purposes of identification marked Exhibits "A" and "B" respectively.

2. That applicant owns the oil and gas leases covering the lands of the State of New Mexico included in the Unit Area and owns options to acquire the operating rights under the oil and gas leases covering the lands of the United States included in the Unit Area and owns oil and gas leases covering all of the fee lands (except one-half (1/2) section) included in the Unit Area; and applicant believes that all other owners of interests in the said lands will agree within a reasonable time to commit the same to said Unit Agreement; that said Unit Agreement is an agreed plan for the development and operation of said Unit Area, which plan has the effect of preventing waste and is fair to the royalty owners in said Unit Area.

3. That the Unit Area described in the proposed Unit Agreement has heretofore been designated by the Director of the United States Geological Survey as one suitable and proper for unitization, and that all lands embraced

therein are believe to be situated upon the same geological structure.

4. That the undersigned, Phillips Petroleum Company, is designated as the Unit Operator in said agreement, and the Unit Operator is given the authority under the terms of said agreement to carry on all operations which are necessary for the exploration and development of the Unit Area for oil and gas, subject to the regulations of the Secretary of the Interior, the Commissioner of Public Lands of the State of New Mexico, the New Mexico Oil Conservation Commission, and the terms of the respective leases. That a test well is to be drilled by the Phillips Petroleum Company upon the proposed Unit Area in accordance with the provisions of said agreement.

5. That said Unit Agreement was approved as to form by the Acting Director, Geological Survey, United States Department of the Interior on May 17, 1948, and is in substantially the same form as Unit Agreements heretofore approved by the Commissioner of Public Lands of the State of New Mexico, the Secretary of the Interior, and the New Mexico Oil Conservation Commission, and it is believed that operations to be carried on under the terms thereof will promote the economical and efficient recovery of oil and gas to the end that the maximum yield may be obtained from the field or area, if oil or gas should be discovered in paying quantities, and that such agreement will be in the interest of conservation of oil and gas and the prevention of waste as contemplated by the Oil Conservation Statutes of the State of New Mexico.

6. That upon an order being entered by the New Mexico Oil Conservation Commission approving said Unit Agreement, and after the approval thereof by the Commissioner of Public Lands of the State of New Mexico, and the Secretary of the Interior of the United States, an approved copy of said agreement will be filed with the New Mexico Oil Conservation Commission.

WHEREFORE, the undersigned applicant respectfully requests that a public hearing be held on the matter of the approval and adoption of said Unit Agreement and plan as provided by the Statutes of the State of New Mexico and the regulations of the New Mexico Oil Conservation Commission, and that upon said hearing said Unit Agreement be approved and adopted by the New Mexico Oil Conservation Commission.

PHILLIPS PETROLEUM COMPANY

By:

Raymond A. Lynch
Raymond A. Lynch
Division Attorney
P. O. Box 791
Midland, Texas

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF
BEARD UNIT AREA
LEA COUNTY, NEW MEXICO

I. SEC. No. _____

THIS AGREEMENT, entered into as of the _____ day of _____, 1948, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as the "parties hereto", WITNESSETH:

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, 30 U.S.C. Secs. 181, et seq.), as amended by the Act of August 8, 1946 (60 Stat. 950), 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 an act of the Legislature (Chap. 72, Laws 1935) to approve this agreement and the conservation provisions hereof; and

WHEREAS, the parties hereto hold sufficient interests in the Beard Unit Area 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 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, and as to nonfederal land applicable state laws are accepted and made 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, N. M.

Township 24 South, Range 34 East
Sec. 36 - S $\frac{1}{2}$;

Township 25 South, Range 34 East
Secs. 1, 2, 11, 12, 13, 14
23 & 24 - all;
Sec. 25 - N $\frac{1}{2}$;

Township 25 South, Range 35 East
Sec. 5 - S $\frac{1}{2}$;
Secs. 6, 7, 8, 17, 18, 19 &
20 - all;
Sec. 21 - W $\frac{1}{2}$;
Sec. 28 - NW $\frac{1}{4}$;
Sec. 29 - N $\frac{1}{2}$;
Sec. 30 - N $\frac{1}{2}$;

Lea County, New Mexico, containing
11,678.91 acres, more or less.

Exhibit "A" attached hereto is a map showing the unit area and the known ownership of all land and leases in said area. Exhibit "B" attached hereto is a schedule showing the percentage and kind of ownership of oil and gas interests in all land in the unit area. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in the unit area or other changes render such revision necessary, and not less than six copies of the revised exhibits shall be filed with the Oil and Gas Supervisor.

The above described unit area shall be expanded or contracted, whenever such action is necessary or desirable to conform with the purposes of this agreement, in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the U. S. Geological Survey, hereinafter referred to as "Director", or on demand of the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "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 Oil and Gas Supervisor, hereinafter referred to as "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 thirty (30) days will be allowed for submission to the Unit Operator of any objections.

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

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, gas, natural gasoline, and associated fluid hydrocarbons 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.

Phillips Petroleum Company, a corporation, with offices at Bartlesville, Oklahoma, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is

made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances.

The Unit Operator may resign as Unit Operator whenever not in default under this agreement, but no Unit Operator shall be relieved from the duties and obligations of Unit Operator for a period of six (6) months after it has served notice of intention to resign on all owners of working interests subject hereto and the Director and Commissioner, unless a new Unit Operator shall have been selected and approved and shall have assumed the duties and obligations of Unit Operator prior to the expiration of said six (6) month period. Upon default or failure in the performance of its duties or obligations under this agreement, the Unit Operator may be removed by a majority vote of owners of working interests determined in like manner as herein provided for the selection of a successor Unit Operator. Prior to the effective date of relinquishment by or within six (6) months after removal of Unit Operator, the duly qualified successor Unit Operator shall have an option to purchase on reasonable terms all or any part of the equipment, material, and appurtenances in or upon the land subject to this agreement, owned by the retiring Unit Operator and used in its capacity as such operator, or if no qualified successor operator has been designated, the working interest owners may purchase such equipment, material, and appurtenances. At any time within the next ensuing three (3) months any equipment, material and appurtenances not purchased and not necessary for the preservation of wells may be removed by the retiring Unit Operator, but if not removed shall become the joint property of the owners of unitized working interests in the participating area or, if no participating area has been established, in the entire unit area. The termination of the rights as Unit Operator under this agreement shall not terminate the right, title or interest of such Unit Operator in its separate capacity as owner of interests in unitized substances.

5. SUCCESSOR UNIT OPERATOR.

Whenever the Unit Operator shall relinquish the right as Unit Operator or shall be removed, the owners of the unitized working interests in the participating area on an acreage basis, or in the unit area on an acreage basis until a participating area shall have been established, shall select a new Unit Operator. A majority vote of the working interests qualified to vote shall be required to select a new Unit Operator; PROVIDED, That, if a majority

but less than seventy-five per cent (75%) of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of at least one additional working interest owner 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.

6. UNIT ACCOUNTING AGREEMENT.

If the Unit Operator is not the sole owner of working interests, all costs and expenses incurred in conducting unit operations hereunder and the working interest benefits accruing hereunder shall be apportioned among the owners of unitized working interests in accordance with a unit accounting agreement by and between the Unit Operator and the other owners of such 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 accounting agreement". No such agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between this unit agreement and the unit accounting agreement this unit agreement shall prevail. Three true copies of any unit accounting agreement executed pursuant to this section shall be filed with the Supervisor.

7. 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, and disposing of the unitized substances are hereby vested in 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.

The Unit Operator shall pay all costs and expenses of operation with respect to the unitized land. If and when the Unit Operator is not the sole owner of all working interests, such costs shall be charged to the account of the owner or owners of working interests, and the Unit Operator shall be reimbursed therefor by such owners and shall account to the working interest owners for their respective shares of the revenue and benefits derived from operations hereunder, all in the manner and to the extent provided in the unit accounting agreement. The Unit Operator shall render each month to the owners of unitized interests entitled thereto an accounting of the operations on unitized land during the previous calendar month, and shall pay in value or deliver in kind to each party entitled thereto a proportionate and allocated share of the benefits accruing hereunder in conformity with operating agreements, leases or other independent contracts between the Unit Operator and the parties hereto either collectively or individually.

The development and operation of land subject to this agreement under the terms hereof shall be deemed full performance by the Unit Operator of all obligations for such development and operation with respect to each and every part or separately owned tract of land 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 any of them.

8. DRILLING TO DISCOVERY

Within six (6) months after the effective date hereof, Unit Operator shall begin to drill an adequate test well at a location to be approved by the Supervisor if such location is upon lands of the United States, and if upon State lands or patented lands, such location shall be approved by the Oil Conservation Commission of the State of New Mexico, hereinafter referred to as the "Commission", and thereafter continue such drilling diligently until a well not less than seven thousand (7,000) feet in depth has been drilled, unless at a lesser depth the upper sands of the Delaware Mountain Group have been adequately tested, or unless at a lesser depth unitized substances shall

be discovered which can be produced in paying quantities, or the Unit Operator shall, at any time, establish to the satisfaction of the Supervisor as to a well on federal land, or the Commission as to a well on state land or patented land, that further drilling of said well would not be warranted. If the first or any subsequent test well fails to result in 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 six (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 land or patented land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign, as provided in Section 4 hereof, after any well drilled under this section is placed in a satisfactory condition for suspension or is plugged and abandoned pursuant to applicable regulations. 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 of this section, the Director and 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.

9. PLAN OF FURTHER DEVELOPMENT AND OPERATION.

Within six (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 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 exploration of the unitized area and for the determination of the commercially productive area thereof 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, 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 the approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the six (6) month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. All parties hereto 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 except in accordance with a plan of development approved as herein provided.

10. 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 subdivision 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 shall also 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. 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 following the date of first authentic 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.

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 apportionment of any sums accrued or paid 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, 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 and the amount thereof deposited with the District Land Office of the Bureau of Land Management and the Commissioner of Public Lands, respectively, to be held as unearned money until the 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 the Commissioner as to wells on state land, and the Commission as to patented 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 be allocated to the land on which the well is located so long as that well is not within a participating area established for the pool or deposit from which such production is obtained.

11. ALLOCATION OF PRODUCTION

All unitized substances produced from each participating area established under this agreement, except any part thereof used for production or development purposes hereunder, 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 that accrue on an acreage basis, each such tract shall have allocated to it such percentage of said production as its area bears to the 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.

12. DEVELOPMENT OR OPERATION ON NONPARTICIPATING LAND.

Any party hereto, other than the Unit Operator, owning or controlling a majority of the working interests in any unitized land not included in a participating area and having thereon a regular well location in accordance with a well spacing pattern established under an approved plan of development and operation may drill a well at such location at his own expense, unless within ninety (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 such well is not drilled by the Unit Operator and results in production such that the land upon which it is situated may properly be included in a participating area, the party paying the cost of drilling such well shall be reimbursed as provided in the unit accounting agreement for the cost of drilling similar wells in the unit area, and the well shall be operated pursuant to the terms of this agreement as though the well had been drilled by the Unit Operator.

If any well drilled by the Unit Operator or by an owner of working interests, as provided in this section, obtains production insufficient to

justify inclusion of the land on which said well is situated in a participating area, said owner of working interests at his election, within thirty (30) days after determination of such insufficiency, shall be wholly responsible for and may operate and produce the well at his sole expense and for his sole benefit. If such well was drilled by the Unit Operator and said owner of working interests elects to operate said well, he shall pay the Unit Operator a fair salvage value for the casing and other necessary equipment left in the well.

Wells drilled or produced at the sole expense and for the sole benefit of an owner of working interest other than the Unit Operator shall be operated pursuant to the terms and provisions of this agreement. Royalties in amount or value of production from any such well shall be paid as specified in the lease affected.

13. ROYALTIES AND RENTALS.

The Unit Operator, on behalf of the parties hereto, shall pay in value or deliver in kind, according to the rights of the parties established by underlying leases or agreements, all royalties due upon production allocated to unitized land and shall pay all rentals or minimum royalties due on unitized land. All such payments or deliveries in kind shall be charged by the Unit Operator to the appropriate working interest owners as provided in the unit operating agreement. Nothing herein contained shall operate to relieve the lessees of federal or state land from their obligations under the terms of their respective leases to pay rentals and royalties.

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.

Rental or minimum royalty for land of the United States subject to this agreement shall be paid at the rates specified in the respective federal

leases, or such rental or minimum royalty may be waived, suspended, or reduced to the extent authorized by law and applicable regulations.

14. CONSERVATION.

Operations hereunder and production of unitized substances shall be conducted to provide for the most economical and efficient recovery of said substances, to the end that the maximum efficient yield may be obtained without waste, as defined by or pursuant to state or federal law or regulation; and production of unitized substances shall be limited to such production as can be put to beneficial use with adequate realization of fuel and other values.

15. 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.

16. LEASES AND CONTRACTS CONFORMED TO AGREEMENT

The parties hereto holding interests in leases embracing unitized land of the United States or of the State of New Mexico consent that the Secretary and Commissioner, respectively, may, and said Secretary and Commissioner, by their approval of this agreement do hereby establish, alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of such leases and the regulations in respect thereto, to conform said requirements to the provisions of this agreement, but otherwise the terms and conditions of said leases shall remain in full force and effect.

Said parties further consent and agree, and the Secretary and Commissioner by their approval hereof determine, that during the effective life of this agreement, drilling and producing operations performed by the Unit Operator upon any unitized land will be accepted and deemed to be operations under and for the benefit of all unitized leases embracing land of the United States or the State of New Mexico; and that no such lease shall be deemed to expire by reason of failure to produce wells situated on land therein embraced. Any federal lease for a 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 until the termination hereof.

Any other federal lease or state lease committed hereto shall continue in force as to the committed land so long as the lease remains committed hereto, provided a valuable deposit of unitized substances is discovered prior to the expiration date of the primary term of such lease. Authorized suspension of all operations and production on the unitized land shall be deemed to constitute authorized suspension with respect to each unitized lease.

The parties hereto holding interests in land within the unit area other than federal land consent and agree, to the extent of their respective interests, that all leases or other contracts concerning such land shall be modified to conform to the provisions of this agreement and shall be continued in force and effect during the life of this agreement.

17. COVENANTS RUN WITH LAND.

The covenants herein shall be construed to be covenants running with the land with respect to the interests 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, and as to federal land shall be subject to approval by the Secretary and as to state land shall be subject to approval by the Commissioner.

18. EFFECTIVE DATE AND TERM.

This agreement shall become effective upon approval by the Commissioner and Secretary and shall terminate on June 1, 1953, 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 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 the 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 case the agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, or (d) it is terminated as provided in Section 5 or Section 8 hereof. This agreement may be terminated at any time by not less

than seventy-five (75) per centum, on an acreage basis, of the owners of working interests signatory hereto with the approval of the Director and the Commissioner.

19. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION.

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. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such alteration or modification shall be effective as to any land of the State of New Mexico as to the rate of prospecting and development in the absence of the specific written approval thereof by the 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.

20. 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. The parties hereto, including the Commission, agree that all powers and authority vested in the Commission in and by any provisions of this contract are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws

of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

21. 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, lockouts, acts of God, federal, state or municipal laws or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

22. 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. Any separate counterpart, consent or ratification duly executed after approval hereof by the Secretary and the Commissioner shall be effective on the first day of the month next following the filing thereof with the Supervisor and the Commissioner, unless objection thereto is made by the Director or Commissioner and notice of such objection is served upon the appropriate parties within sixty (60) days after such filing.

23. 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 subcontracts.

24. LOSS OF TITLE.

In the event title to any tract of unitized land or substantial interest therein shall fail and the true owner cannot be induced to join this unit agreement, so that such tract is not committed to this unit agreement, there shall be such readjustment of participation as may be required on account of such failure of title. In the event of a dispute as to title

or as to any interest in unitized land, the Unit Operator may withhold payment or delivery on account thereof 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 shall be withheld but such funds shall be deposited with the District Land Office of the Bureau of Land Management and Commissioner of Public Lands of the State of New Mexico, respectively, to be held as unearned money pending final settlement of the title dispute and then applied as earned or returned in accordance with such final settlement.

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

ATTEST:

PHILLIPS PETROLEUM COMPANY

Assistant Secretary

BY _____
Vice President

Unit Operator and Owner of operating
rights and working interests

CERTIFICATION - DETERMINATION

Pursuant to the authority vested in the Secretary of the 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 Beard 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 _____

Director, United States Geological Survey

CERTIFICATE OF APPROVAL BY COMMISSIONER OF
PUBLIC LANDS, STATE OF NEW MEXICO, OF UNIT
AGREEMENT FOR DEVELOPMENT AND OPERATION OF
BEARD UNIT AREA, LEA COUNTY,
NEW MEXICO

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, an agreement for the development and operation of the Beard Unit Area, Lea County, New Mexico, dated _____, 19____, in which the Phillips Petroleum Company is designated as Operator and which has been executed by various parties owning and holding oil and gas leases embracing lands within the unit area and upon examination of said agreements, the Commissioner finds:

a. That such agreement will and tend to **promote** the conservation of oil and gas and the better utilization of reservoir energy in said field;

b. That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its lands in the area affected;

c. That the agreement is in other respects for the best interest of the State;

d. That the agreement provides for the unit operation of the field, for the allocation of production, and the sharing of proceeds from a part of the area covered by the agreement on an acreage basis as specified in the agreement;

NOW, THEREFORE, by virtue of the authority conferred upon me by Chapter 88 of the Laws of the State of New Mexico, 1943, approved April 14, 1943, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said agreement, as to the lands of the State of New Mexico included in said Beard Unit Agreement, and subject to all the provisions of the aforesaid Chapter 88 of the Laws of the State of New Mexico, 1943.

Executed this _____ day of _____, 194____

Commissioner of Public Lands
of the State of New Mexico

C O N S E N T

In consideration of the execution by the respective parties thereto of the foregoing Unit Agreement to which this consent is attached, the undersigned owners of royalty or other oil or gas interests in the lands included within the Unit Area described in the foregoing Unit Agreement hereby severally each to the extent of its particular ownership or interests briefly described in the Exhibit "B" attached to said Unit Agreement consent to the inclusion within said Unit Area of the lands to which said ownership or interests apply; approve and adopt the terms of said Unit Agreement as applicable to said several lands and interests; agree that the drilling and development requirements of all leases and other contracts in which their several rights and interests are created or defined shall be deemed fully performed by performance of the provisions of said Unit Agreement; and agree that payment for or delivery of (whichever may be required under prior agreements) oil, and of the proceeds of gas duly made upon the basis of production allocated under said Unit Agreement to the particular lands to which such rights or interests apply, regardless of actual production therefrom, shall constitute full performance of all such obligation to the undersigned existing under such leases or other contra.

With respect to and for the purposes of this Agreement, each of the undersigned hereby release and waive any right of homestead.

This consent may be executed in any number of counterparts, each one of which shall be an original.

_____, 1948

_____, 1948

_____, 1948

_____, 1948

_____, 1948

_____, 1948

_____, 1948

_____, 1948

_____, 1948

_____, 1948

PERSONAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) SS.

On this the _____ day of _____, 19____ personally appeared before me

to me known to be the person who executed the foregoing instrument as Lessee,
and acknowledged that _____ 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 above written.

My commission Expires:

Notary Public

PERSONAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) SS.

On this the _____ day of _____, 19____ personally appeared before me

to me known to be the person who executed the foregoing instrument as Lessee,
and acknowledged that _____ 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 above written.

My commission Expires:

Notary Public.

PERSONAL ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____) SS.

On this the _____ day of _____, 19____, personally appeared before me

to me known to be the person who executed the foregoing instrument as Lessee,
and acknowledged that _____ executed the same as _____ free act and deed.

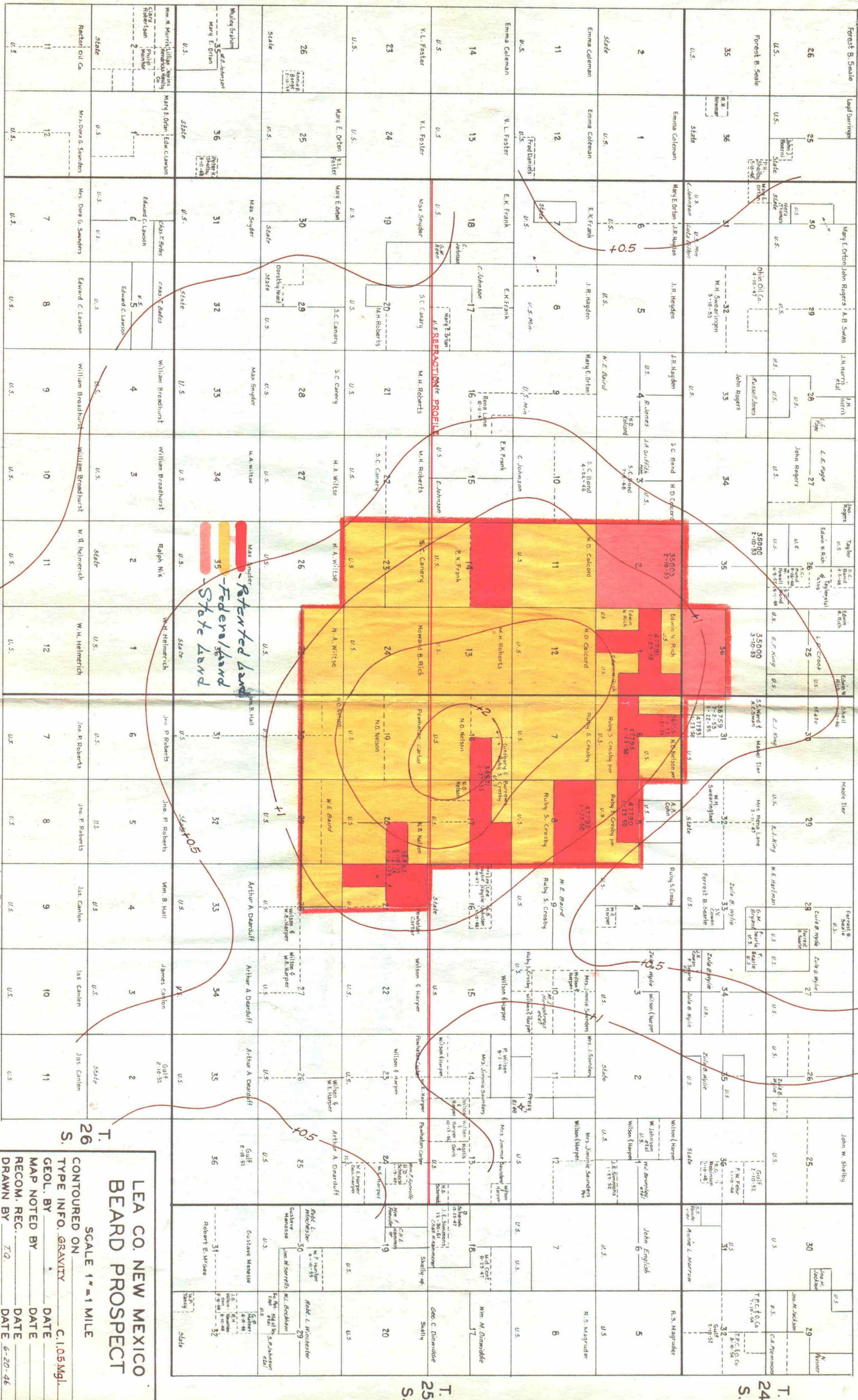
IN WITNESS WHEREOF I have hereunto set my hand and affixed my official seal
the day and year in this certificate above written.

र.३३६.

R. 34 E.

R. 35 F.

R. 36 E.



LEA CO. NEW MEXICO
BEARD PROSPECT

SCALE 1"=1 MILE

T. 26

CONTINUED ON _____

TYPE INFO. GRAVITY

GEOL. BY _____

MAP NOTED BY _____

RECOM. REC. _____

DRAWN BY _____
REVISED BY _____

...

1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 2679, 26

ACKNOWLEDGMENT BY CORPORATION

STATE OF _____)
COUNTY OF _____) SS.

On this the _____ day of _____, 19____, personally appeared

_____ to me personally known, who being by me duly sworn did say that he is the
_____ of _____

and that the seal affixed to the foregoing 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 _____

acknowledges 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 the day and year in this certificate above written

My Commission Expires:

Notary Public.

ACKNOWLEDGMENT BY CORPORATION

STATE OF _____)
COUNTY OF _____) SS.

On this the _____ day of _____, 19____, personally appeared

_____ to me personally known, who being by me duly sworn did say that he is the
_____ of _____

and that the seal affixed to the foregoing 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 _____

acknowledges 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 the day and year in this certificate above written.

My Commission Expires:

Notary Public

ACKNOWLEDGMENT BY CORPORATION

STATE OF _____)
COUNTY OF _____) SS.

On this the _____ day of _____, 19____ personally appeared

_____ to me personally known, who being by me djly sown did say that he is the
_____ of _____

and that the seal affixed to the foregoing instrument is the corporate seal
of said corporation, and that instrument was signed and sealed in behalf of
said corporation by authority of its board of directors, and said _____

acknowledges 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 the day and year in this certificate above written.

My Commission Expires:

Notary Public

R 34 E

R 35 E

EXHIBIT "A"

35

36

31

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28



FEDERAL LANDS



STATE LANDS



PATENTED LAND



UNIT OUTLINE

36

31

BEARD UNIT
LEA CO. NEW MEX.

SCALE 2" = 1 MILE

Drawn by: R.E.V.

Date: 4-2-48

EXHIBIT "B"

SCHEDULE OF OWNERSHIP OF OIL AND GAS RIGHTS,
BEARD AREA, LEA COUNTY, NEW MEXICO

The following is a schedule showing the nature and extent of the ownership of oil and gas rights in all of the lands within the proposed unit area:

FEDERAL LANDS

1. Tract "D" Lease Las Crucus 060782

Application for lease dated January 9, 1943 covers (among other lands outside Unit Area) approximately 320 acres within the Unit Area described as follows:

Township 25 South, Range 34 East N.M.P.M.

Section 1: Lots 2,3,4, W/2 SW, W/2 SE, SE SE

This application for lease made by Jack Harris is subject to Agreement and Option dated October 27, 1947, between applicant and Phillips Petroleum Company. Upon approval of the Unit Agreement and issuance of lease Phillips Petroleum Company will exercise its option as to lands within the Unit Area, and thereupon the ownership of the Oil and Gas lease within the Unit Area, will be as follows:

Operating Rights	-	Phillips Petroleum Co.	All
Overriding Royalty	-	Jack Harris	- 2.5%

2. Tracts E and Q - Lease Las Crucus 061400

Lease dated July 1, 1945, covers approximately 2320.54 acres within the Unit Area described as follows:

Township 25 South, Range 35 East N.M.P.M.

Section 6: Lots 1,2,3,4, S $\frac{1}{2}$ NE $\frac{1}{4}$

Section 17: S $\frac{1}{2}$

Section 18: Lots 3,4, E $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$

Section 19: All

Section 20: W $\frac{1}{2}$

Section 29: N $\frac{1}{2}$

Section 30: Lot 1, NE $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ NE $\frac{1}{4}$

This lease presently owned by Don G. McCormick is subject to agreement and option dated July 22, 1947, between lessee and Phillips Petroleum Company. Upon approval of the Unit Agreement Phillips Petroleum Company will exercise its option, and thereupon the ownership of the Oil and Gas lease will be as follows:

Operating Rights	-	Phillips Petroleum Co.	- All
Overriding Royalty	-	Don G. McCormick	- 2.5%

3. Tract K - Las Crucus 060994

Lease dated June 1, 1945, covers (among other lands outside the Unit Area) approximately 1638.85 acres within the Unit Area described as follows:

Township 25 South, Range 35 East N.M.P.M.

Section 5: $S\frac{1}{2} S\frac{1}{2}$, NESE
Section 6: Lot 7, $S\frac{1}{2} SE\frac{1}{4}$, $SE\frac{1}{4} SW\frac{1}{4}$
Section 7: All
Section 8: $S\frac{1}{4}$
Section 17: $N\frac{1}{4} NW\frac{1}{4}$
Section 18: Lots 1,2, $E\frac{1}{2} NW\frac{1}{4}$, $N\frac{1}{2} NE\frac{1}{4}$

This lease presently owned by Norma Belle is subject to Agreement Option dated June 5, 1947 between lessee and Phillips Petroleum Company. Upon approval of the Unit Agreement Phillips Petroleum Company will exercise its option as to lands within the Unit Area, and thereupon the ownership of the Oil and Gas lease within the Unit Area will be as follows:

Operating rights	-	Phillips Petroleum Company	- All
Overriding Royalty	-	Norma Belle	$1\frac{7}{8}\%$
		Stanley W. Crosby	$5/8$ or 1%

4. Tract J - Las Crucus 061350

Lease dated February 1, 1945, covers approximately 2160 acres within the Unit Area described as follows:

Township 25 South, Range 34 East N.M.P.M.

Section 11: $S\frac{1}{2}$
Section 12: All
Section 13: All
Section 14: $S\frac{1}{2}$
Section 24: $NE\frac{1}{4}$, $N\frac{1}{2} NW\frac{1}{4}$

This lease presently owned by Aaron W. White is subject to Agreement and Option dated December 10, 1946, between lessee and Phillips Petroleum Company. Upon approval of the Unit Agreement Phillips Petroleum Company will exercise its option and thereupon the ownership of the Oil and Gas lease will be as follows:

Operating rights	-	Phillips Petroleum Company	- All
Overriding Royalty	-	Aaron W. White	- $2\frac{1}{2}\%$

5. Tract O - Lease Las Crucus - 061633

Lease dated May 1, 1945, covers (among other lands outside Unit Area) approximately 400 acres within the Unit Area described as follows:

Township 25 South, Range 34 East N.M.P.M.

Section 23: $N\frac{1}{2}$
Section 24: $S\frac{1}{2} NW\frac{1}{4}$

This lease presently owned by C. M. Pope, Jr. is subject to Agreement and Option dated March 3, 1947, between lessee and Phillips Petroleum Company. Upon approval of the Unit Agreement Phillips Petroleum Company will exercise its option as to land within the Unit Area and thereupon ownership of the Oil and Gas lease within the Unit Area will be as follows:

Operating rights	-	Phillips Petroleum Company	- All
Overriding Royalty	-	C. M. Pope, Jr.	- $2\frac{1}{2}\%$

6. Tract P - Las Crucus 061449

Lease dated January 1, 1945, covers (among other lands outside Unit Area) approximately 960 acres within the Unit Area described as follows:

Township 25 South, Range 34 East N.M.P.M.
Section 23: $S\frac{1}{2}$
Section 24: $S\frac{1}{2}$
Section 25: $N\frac{1}{2}$

This lease presently owned by Charles P. Miller is subject to Agreement and Option dated December 23, 1946, between lessee and Phillips Petroleum Company. Upon approval of the Unit Agreement Phillips Petroleum Company will exercise its option as to lands within the Unit Area, and thereupon the ownership of the oil and gas lease within the Unit Area will be as follows:

Operating rights	-	Phillips Petroleum Company	-	All
Overriding Royalty	-	Charles P. Miller		$2\frac{1}{2}\%$

7. Tract S - Las Crucus 062572

Lease dated May 1, 1945 covers (among other lands outside Unit Area) approximately 320 acres within the Unit Area described as follows:

Township 25 South, Range 35 East N.M.P.M.
Section 20: $SE\frac{1}{4}, N\frac{1}{2} NE\frac{1}{4}$
Section 21: $E\frac{1}{2} SW\frac{1}{4}$

This lease presently owned by Helen E. Mapes is subject to Agreement and Option dated March 17, 1947, between lessee and Phillips Petroleum Company. Upon approval of the Unit Agreement Phillips Petroleum Company will exercise its option, as to lands within the Unit Area, and thereupon the ownership of the Oil and Gas lease within the Unit Area will be as follows:

Operating rights	-	Phillips Petroleum Company	-	All
Overriding Royalty	-	Helen E. Mapes		$2\frac{1}{2}\%$

8. Tract U - Las Crucus 062797

Lease dated October 1, 1945, covers (among other lands outside Unit Area) approximately 160 acres within the Unit Area described as follows:

Township 25 South, Range 35 East N.M.P.M.
Section 28: $NW\frac{1}{4}$

This lease presently owned by Josephine Nolen is subject to Agreement and Option dated August 22, 1947, between lessee and Phillips Petroleum Company. Upon approval of the Unit Agreement Phillips Petroleum Company will exercise its option as to lands within the Unit Area, and thereupon the ownership of the Oil and Gas lease within the Unit Area will be as follows:

Operating rights	-	Phillips Petroleum Company	-	All
Overriding Royalty	-	Josephine Nolen		$\frac{1}{2}$ of 1%

9. Tract I - Las Crucus 060883

Lease dated July 1, 1945, covers approximately 320 acres within the Unit Area described as follows:

Township 25 South, Range 34 East N.M.F.M.
Section 11: $N\frac{1}{2}$

This lease presently owned by Elsie G. Gorman is subject to Agreement and Option dated May 7, 1947, between lessee and Phillips Petroleum Company. Upon approval of the Unit Agreement Phillips Petroleum Company will exercise its option, and thereupon the ownership of the Oil and Gas lease will be as follows:

Operating rights	-	Phillips Petroleum Company	-	All
Overriding Royalty	-	Elsie G. Gorman		$2\frac{1}{2}\%$

10. Tract R - Las Cruces 067160

Application for lease, covers (among other lands outside Unit Area) approximately 160 acres within the Unit Area described as follows:

Township 25 South, Range 35 East N.M.P.M.
Section 30: $S\frac{1}{2}$ $N\frac{1}{2}$

This application for lease made by Janet B. Robinson is subject to Agreement and Option dated February 16, 1948, between lessee and Phillips Petroleum Company. Upon approval of the Unit Agreement and issuance of lease Phillips Petroleum Company will exercise its option as to lands within the Unit Area, and thereupon ownership of the oil and gas lease within the Unit Area will be as follows:

Operating rights	-	Phillips Petroleum Company	- All
Overriding Royalty	-	Janet B. Robinson	3%

FEE LANDS

1. Tract C

Lease dated January 23, 1945, covers approximately 320 acres within the Unit Area described as follows:

Township 25 South, Range 34 East
Section 1: Lot 1, $S\frac{1}{2}$ $NE\frac{1}{4}$, $NE\frac{1}{2}$ $SE\frac{1}{4}$, $S\frac{1}{2}$ $NW\frac{1}{4}$, $E\frac{1}{2}$ $SW\frac{1}{4}$

This lease is owned as follows:

Working Interest - (7/8)	-	Phillips Petroleum Company	- All
Royalty Interest - (1/8)	-	W. E. Baird Jr, and Kate Louise Baird	1/10
		Frederick R. Baird and Winnie O. Baird	4/15
		Paulina Baird, a feme sole	8/15
		R. F. Madera and Pearl A. Madera	3/40
		Rupert Madera and Lois Madera	1/40

Oil Payment - \$10,000 to be paid out of 1/8 of 7/8 of all oil.

W. E. Baird, Jr & wife	3/15
Frederick R. Baird & wife	4/15
Paulina Baird, a feme sole	8/15

2. Tract F

Leases dated January 22, 1945, July 2, 1943 and January 23, 1948, cover (among other lands outside Unit Area) approximately 80 acres, described as follows:

Township 25 South, Range 35 East
Section 6: $E\frac{1}{2}$ $NW\frac{1}{4}$

These leases are owned as follows:

Working Interest - (7/8)	Phillips Petroleum Company	- All
Royalty Interest - (1/8)	E. N. Kirby and Addie Lou Kirby	7/16
	W. E. Baird, Jr. and Kate Louise Baird	1/32
	R. F. Madera & Pearl A. Madera	3/128
	Robert Madera and Lois E. Madera	1/128
	Southland Royalty Company	1/2

Oil Payment - 1/16 of \$8,000.00 to be paid out of 1/16 of 1/8 of 7/8 of all oil produced from entire lease.

W. E. Baird, Jr. and
Kate Louise Baird

3. Tract G.

Lease dated January 23, 1945, covers (among other lands outside Unit Area) approximately 160 acres within the Unit Area described as follows:

Township 25 South, Range 35 East N.M.P.M.

Section 6: N/2 S/2

This lease is owned as follows:

Working Interest - (7/8)	-	Phillips Petroleum Company	-	All
Royalty Interest - (1/8)	-	W. E. Baird Jr. and Kate Louise Baird		1/10
		Frederick R. Baird and Winnie O. Baird		4/15
		Pauline Baird, a femme sole		8/15
		R. F. Madera and Pearl A. Madera		3/40
		Rupert Madera and Lois Madera		1/40

Oil Payment - \$10,000 to be paid out of 1/8 of 7/8
of all oil produced from entire lease
W. E. Baird, Jr. & wife 3/15
Frederick R. Baird & wife 4/15
Pauline Baird, a femme sole 8/15

4. Tract H

Lease dated January 23, 1945, covers (among other lands outside Unit Area) approximately 120 acres within the Unit Area described as follows:

Township 25 South, Range 35 East N.M.P.M.

Section 5: N $\frac{1}{2}$ SW $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$

This lease is owned as follows:

Working Interest - (7/8)	-	Phillips Petroleum Company	-	All
Royalty Interest - (1/8)		W. E. Baird Jr. and Kate Louise Baird		1/10
		Frederick R. Baird and Winnie O. Baird		4/15
		Pauline Baird, a femme sole		8/15
		R. F. Madera and Pearl A. Madera		3/40
		Rupert Madera and Lois Madera		1/40

Oil Payment - \$14,000 to be paid out of 1/8 of 7/8
of all oil produced from entire lease
W. E. Baird 3/15
Frederick R. Baird 4/15
Pauline Baird 8/15

5. Tract L

Lease dated January 23, 1945 covers approximately 320 acres within the Unit Area described as follows:

Township 25 South, Range 35 East N.M.P.M.

Section 8 - N $\frac{1}{2}$

This lease is owned as follows:

Working Interest - (7/8)	-	Phillips Petroleum Company	-	All
Royalty Interest - (1/8)	-	W. E. Baird Jr. and Kate Louise Baird		1/10
		Frederick R. Baird and Winnie O. Baird		4/15

5. Tract L - Cont'd

Paulina Baird, a femme sole	8/15
R. F. Madera and	
Pearl A. Madera	3/40
Rupert Madera and	
Lois Madera	1/40

Oil Payment - \$16,000 to be paid out of 1/8 of 7/8 of all oil.

W. E. Baird, Jr. & Wife	3/15
Frederick R. Baird & wife	4/15
Paulina Baird, a femme sole	8/15

6. Tract M

Lease dated February 27, 1943, covers approximately 320 acres within the Unit Area described as follows:

Township 25 South, Range 35 East N.M.P.M.

Section 17: $S\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$

Section 18: $S\frac{1}{2}$ NE $\frac{1}{4}$

This lease is owned as follows:

Working Interest - (7/8)	-	Phillips Petroleum Company	-	All
Royalty Interest - (1/8)	-	Willie Henry and		
		Ellen Henry		15/16
		W. E. Baird Jr. and		
		Kate L. Baird		1/32
		R. F. Madera and		
		Pearl A. Madera		3/128
		Rupert Madera and		
		Lois Madera		1/128

7. Tract T

Lease dated September 16, 1944, September 12, 1944, June 18, 1943, November 6, 1944, November 1, 1944, January 5, 1945, covers approximately 320 acres within the Unit Area described as follows:

Township 25 South, Range 35 East N.M.P.M.

Section 21: NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$

Section 20: $S\frac{1}{2}$ NE $\frac{1}{4}$

These leases are owned as follows:

Working interest 7/8 Phillips Petroleum Company

Royalty Interest:

SW NE Section 20	John H. Medlin & Bessie G.	1/8
	L. E. Page & Edna	1/2
	W. E. Baird, Jr. & Kate Louise	3/16
	R. F. Madera & Pearl A.	9/64
	Rupert Madera & Lois	3/64
SE NE Section 20	John H. Medlin & Bessie G.	3/8
	W. E. Baird, Jr. & Kate L.	3/16
	R. F. Madera & Pearl A.	9/64
	Rupert Madera & Lois	3/64
	Dr. Guy T. Natrina	1/16
	W. S. Patterson	1/8
	Wm. G. Kendall	1/32
	James R. Haynes & Frank Haynes	1/32
NW Section 21	John H. Medlin & Bessie G.	1/2
	Sunshine Royalty Company	1/4
	Leonard Oil Company	1/4

NW SW Section 21

John H. Medlin & Bessie G.	1/8
Charles H. E. Kammerer	1/2
W. E. Baird, Jr. & Kate L.	3/16
R. F. Madera & Pearl A.	9/64
Rupert Madera & Lois	3/64

SW SW Section 21

John H. Medlin & Bessie G.	1/8
L. E. Page & Edna	1/2
W. E. Baird, Jr. & Kate L.	3/16
R. F. Madera & Pearl A.	9/64
Rupert Madera & Lois	3/64

8. Tract N.

This tract covers approximately 320 acres within the Unit Area described as follows:

Township 35 South, Range 34 East
Section 14: N $\frac{1}{2}$

This is not leased, the mineral ownership being as follows:

Euromex Oil Company	1/6
C. T. Bates	1/6
E. W. Whitney	1/6
Mrs. Fred W. Dumerase	1/6
W. P. Chism	1/3

STATE OF NEW MEXICO LANDS

1. Tract A - Lease B-10160-1

Lease dated March 10, 1943, covering (among other lands outside Unit Area) 320 acres in the Unit Area described as follows:

Township 24 South, Range 34 East N.M.P.M.
Section 36: S $\frac{1}{2}$

This lease is owned as follows:

Working Interest - (7/8)	-	Phillips Petroleum Company	-	All
Royalty Interest - (1/8)	-	State of New Mexico	-	All

2. Tract B - Lease B-10094-2

Lease dated February 10, 1943, covering 639.52 acres within the Unit Area described as follows:

Township 25 South, Range 34 East N.M.P.M.
Section 2: All

This lease is owned as follows:

Working Interest - (7/8)	-	Phillips Petroleum Company	-	All
Royalty Interest - (1/8)		State of New Mexico	-	All