

C O P Y

HERVEY, DOW & HINKLE, ATTORNEYS
ROSWELL, NEW MEXICO

March 26, 1956

Hon. E. S. Walker
Commissioner of Public Lands
Santa Fe, New Mexico

Dear Mr. Walker:

We enclose two fully executed copies of the Unit Agreement for the Development and Operation of the (South Saunders Unit) area, with certificates attached for your approval. We also enclose six additional copies of the certificate which are attached to the two executed copies of the agreement. There is to be a hearing before an examiner of the Oil Conservation Commission at Hobbs on Wednesday, March 28th, for the purpose of approval of this agreement. Under the provisions of Section 8, a well must be commenced on or before April 1st.

Mr. Macey promised that after the hearing before the Conservation Commission this matter would be given prompt consideration and if acceptable, the order entered immediately, so that the unit can be approved by you prior to April 1st. The Humble is the operator and is now moving in the rig to start immediate operations on the well.

I would appreciate your setting this up on your calendar so that this can be approved just as soon as you are advised that the same has been approved by the Conservation Commission. One of the executed copies is to be retained by you and the other filed with the Conservation Commission. I would appreciate your signing the six additional copies of the certificate at the same time and returning to us to be attached to the other executed copies of the agreement.

Thanking you for your cooperation in connection with this matter, I am

Yours sincerely,

HERVEY, DOW & HINKLE

By _____

CEH:mp

Encl.

cc - New Mexico Oil Conservation Commission

Mr. R. M. Richardson

Mr. M. L. McMillan

Case 1046

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
(SOUTH SAUNDERS UNIT AREA)
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, made and entered into this the 1st day of March, 1956, by and between the parties subscribing, ratifying or consenting hereto, and hereinafter 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 Commissioner of Public Lands of the State of New Mexico (hereinafter referred to as "Commissioner") is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943) as amended by Sec. 1 of Chapter 162, Laws of 1951, to consent to and approve the development or operation of State lands under agreements made by lessees of State land jointly or severally with other ^{Lessees} ~~leases~~ where such agreements provide for the unit operation or development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 1, Chapter 162, Laws of 1951) to amend with the approval of lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such agreements for the unit operation and development of part of or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as the "Commission") is authorized by an Act of the Legislature (Chapter 72, Laws 1935) to approve this agreement and the conservation provisions hereof; and

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

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

NOW THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this agreement their respective interests in

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the below defined unit area, and agree severally among themselves as follows:

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

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

T. 16 S., R. 33 E., Lea County

Sections 1 and 2: All

T. 16 S., R. 34 E., Lea County

Section 6: $W\frac{1}{2}$

containing 2,417.31 acres, more or less.

Exhibit "A" attached hereto is a map showing the unit area and the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage and kind of ownership of oil and gas interests in all lands in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes in ownership in the unit area render such revision necessary.

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

2. 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". All parties hereto commit to this agreement all interests in unitized substances vested in such parties as set forth in Exhibit "B".

3. UNIT OPERATOR. Humble Oil & Refining Company, a corporation with offices at Houston, Texas, is hereby designated as Unit Operator and by signature hereto agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

4. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time but such resignation shall not become effective until a successor Unit Operator has been selected and approved in the manner provided for in Section 5 of this agreement. The resignation of the Unit Operator shall not release the Unit Operator from any liability or any default by it hereunder occurring prior to the effective date of its resignation.

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

The resignation or removal of the Unit Operator under this agreement shall not terminate his right, title or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, materials and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

5. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests according to their respective acreage interests in all unitized land shall by a majority vote select a successor Unit Operator; provided that, if a majority but less than 65 per cent of the working interests qualified to vote is owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than 65 per cent of the total working interests, 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 Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner at his election may declare this unit agreement terminated.

6. ACCOUNTING PROVISIONS. The Unit Operator shall pay in the first instance all costs and expenses incurred in conducting unit operations hereunder and such costs and expenses and the working interest benefits accruing hereunder shall be apportioned among the owners of the unitized working interests in accordance with an operating agreement by and between the Unit Operator and the other owners of such interest, 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 article, whether one or more, are herein referred to as the "Operating 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 inconsistencies or conflict between this unit agreement and the operating agreement, this unit agreement shall prevail.

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, allocating and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

8. DRILLING TO DISCOVERY: After the effective date hereof and on or before April 1, 1956, the Unit Operator shall commence operations upon an adequate test well for oil and gas in the approximate center of Lot 9 in Section 1, T. 16 S., R. 33 E., N.M.P.M., and shall drill said well with due diligence to a depth sufficient to test the Devonian formation unless it shall, in the opinion of the Unit Operator, be determined that the further drilling of said well shall be unwarranted or impracticable; provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 14,000 feet. Until a discovery of a deposit of unitized substances capable of being produced in paying quantities, Unit Operator

shall continue drilling diligently, one well at a time, allowing not more than six 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 the Commissioner, or until it is reasonably proven to the satisfaction of the Unit Operator that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder.

Any well commenced prior to the effective date of this agreement upon the unit area and drilled to the depth provided herein for the drilling of an initial test well shall be considered as complying with the drilling requirements hereof with respect to the initial well. The Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when in his opinion such action is warranted. Failure to comply with the drilling provisions of this article shall automatically terminate this agreement as to all its terms, conditions and provisions and all rights, privileges and obligations granted by this unit agreement shall cease and terminate as of the date of any such default.

9. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the owners of working interests shall participate in the production therefrom and in all other producing wells which may be drilled pursuant hereto in the proportions that their respective leasehold interests covered hereby on an acreage basis bears to the total number of acres committed to this unit agreement, and such unitized substances shall be deemed to have been produced from the respective leasehold interests participating therein. For the purpose of determining any benefits accruing under this agreement and the distribution of the royalties payable to the State of New Mexico, each separate lease shall have allocated to it such percentage of said production as the number of acres in each lease respectively committed to this agreement bears to the total number of acres committed hereto

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

10. ALLOCATION OF PRODUCTION. All unitized substances produced from each tract in the unitized 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 the unitized land, 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 entire unitized area. It is hereby agreed that production of unitized substances from the unitized area shall be allocated as provided herein, regardless of whether any wells are drilled on any particular tract of said unitized area.

11. PAYMENT OF RENTALS, ROYALTIES AND OVERRIDING ROYALTIES. All rentals due the State of New Mexico shall be paid by the respective lease owners in accordance with the terms of their leases.

All royalties due the State of New Mexico under the terms of the leases committed to this agreement shall be computed and paid on the basis of all unitized substances allocated to the respective leases committed hereto; provided, however, the State shall be entitled to take in kind its share of the oil allocated to the respective leases, and in such case the Unit Operator shall make deliveries of such royalty oil in accordance with the terms of the respective leases.

If the Unit Operator introduces gas obtained from sources other than the unitized lands subject to this agreement into any producing formation for the purpose of repressuring, stimulating or increasing the ultimate recovery of unitized substances therefrom, a like amount of gas, if available, with due allowance for loss or depletion from any cause may be withdrawn from the formation into which the gas was introduced royalty free as to dry gas but not as to the products extracted therefrom; provided, that such withdrawal shall be at such time as may be provided in a plan of operations consented to by the Commissioner and approved by the Commission as conforming to good petroleum engineering practice; and provided further, that such right of withdrawal shall terminate on the termination of this unit agreement.

If any lease committed hereto is burdened with an overriding royalty, payment out of production or other charge in addition to the usual royalty, the owner of each such lease shall bear and assume the same out of the unitized substances allocated to the lands embraced in each such lease as provided herein.

12. LEASES AND CONTRACTS CONFORMED AND EXTENDED INSOFAR AS THEY APPLY TO LANDS WITHIN THE UNITIZED AREA. The terms, conditions and provisions of all leases, subleases, operating agreements and other contracts relating to the exploration, drilling development or operation for oil or gas of the lands committed to this agreement, shall

upon approval hereof by the Commissioner be and the same are hereby expressly modified and amended insofar as they apply to lands within the unitized area to the extent necessary to make the same conform to the provisions hereof and so that the length of the secondary term as to lands within such area will be extended insofar as necessary to coincide with the term of this agreement and the approval of this agreement by the Commissioner and the lessee shall, without further action of the Commissioner or the lessee, be effective to conform the provisions and extend the term of each such lease as to lands within the unitized area to the provisions and terms of this agreement; but otherwise to remain in full force and effect. Each lease committed to this agreement, insofar as it applies to lands within the unitized area, shall continue in force beyond the term provided therein so long as this agreement remains in effect, provided, drilling operations upon the initial test well provided for herein shall have been commenced or said well is in the process of being drilled by the Unit Operator prior to the expiration of the shortest term lease committed to this agreement. Termination of this agreement shall not affect any lease which pursuant to the terms thereof or any applicable laws shall continue in full force and effect thereafter. The commencement, completion, operation or production of a well on any part of the unit area shall be respectively construed and considered as the commencement or completion or operation or production of a well within the terms and provisions of each of the oil and gas leases to the same extent as though such commencement, completion, operation or production was carried on, conducted or obtained from any such leased tract.

Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and to the portion not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Notwithstanding any of the provisions of this agreement to the contrary, any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease, if unitized substances are discovered and are capable of being produced in paying quantities from some part of the lands embraced in such lease committed to this agreement at the expiration of the secondary term of such lease; or if, at the expiration of the secondary term, the lessee or the Unit Operator is then engaged in bona fide drilling or reworking operations on some part of the lands embraced in such lease, the same as to all lands embraced therein shall remain in full force and effect so long as such operations are being diligently

prosecuted, and if they result in the production of unitized substances, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as unitized substances in paying quantities are being produced from any portion of said lands.

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

14. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on land not subject to this agreement.

15. 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. No assignment or transfer of any working, royalty or other interest subject hereto shall be binding upon the Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic or certified copy of the instrument of transfer.

16. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Commissioner and shall terminate in two years after such date unless (a) such date of expiration is extended by the Commissioner, or (b) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which case this agreement shall remain in effect so long as unitized substances can be produced from the unitized land in paying quantities, and should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid. This agreement may be terminated at any time by the mutual consent of the owners of the working interests signatory hereto with the approval of the Commissioner. Likewise, as provided in Section 8 hereof, the failure to comply with the drilling provisions of this unit agreement shall as of the date of any such default, automatically terminate this unit agreement.

17. RATE OF PRODUCTION. All production and the disposal thereof shall be in conformity with allocations, allotments and quotas made or fixed by the Commission and in conformity with all applicable laws and lawful regulations.

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

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

20. 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, war acts of God, Federal, State or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

21. 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 the Unit Agreement so that such tract is not committed to this agreement or the operation thereof hereunder becomes impracticable as a result thereof, such tract may be eliminated from the unitized area, and the interests of the parties readjusted as a result of such tract being eliminated from the unitized area. In the event of a dispute as to the title to any royalty, working or other interest subject hereto, the Unit Operator

may withhold payment or delivery of the allocated portion of the unitized substances involved on account thereof without liability for interest until the dispute is finally settled, provided that no payments of funds due the State of New Mexico shall be withheld. Unit Operator as such is relieved from any responsibility for any defect or failure of any title hereunder.

22. SUBSEQUENT JOINDER. Any oil or gas interest in lands within the unit area not committed hereto prior to the submission of this agreement for final approval either by the Commission or Commissioner may be committed hereto by the owner or owners of such rights subscribing or consenting to this agreement or executing a ratification thereof, and if such owner is also a working interest owner, by subscribing to the operating agreement providing for the allocation of costs of exploration, development and operation. After operations are commenced hereunder, the right of subsequent joinder by a working interest owner shall be subject to all of the requirements of any applicable operating agreement between the working interest owners relative to the allocation of costs of exploration, development and operation. A subsequent joinder shall be effective as of the first day of the month following the filing with the Commissioner and the Commission of duly executed counterparts of the instrument or instruments committing the interest of such owner to this agreement, but such joining party or parties before participating in any benefits shall be required to assume and pay to Unit Operator their proportionate share of the unit expense incurred prior to such party's or parties' joinder in the Unit Agreement, and the Unit Operator shall make appropriate adjustments caused by such joinder, without any retroactive adjustment of revenue.

23. COUNTERPARTS. This agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties or may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described unit area. Provided, however, notwithstanding anything herein contained to the contrary, this agreement shall not be effective unless the owners of all oil and gas leases within the unit area have committed their respective leasehold interests hereto.

IN WITNESS WHEREOF, the undersigned parties hereto have caused this agreement to be executed as of the respective date set opposite their signatures.

ATTEST:

Elizabeth N. Kenney
Assistant Secretary
3-21-56
Dated

HUMBLE OIL & REFINING COMPANY

By Morgan J. Vero
Vice President

Address: P.O. Box 2180
Houston 1, Texas

FORM APPROVED

By DEAC

FORM APPROVED
Hervey, Dow & Hinkle

BY CH

UNIT OPERATOR AND WORKING INTEREST OWNER

TRADE O.K.

W. A. MALEY

By W.A.

ATTEST:

Scyten Howard
Asst. Secretary
Date March 7, 1956

SHELL OIL COMPANY

By J. E. Clark
Vice President

Address: P.O. Box 1509
Midland, Texas

ATTEST:

Chmidt
Assistant Secretary
Date March 12, 1956

PHILLIPS PETROLEUM COMPANY

By K. E. Beall
Vice President

Address: Attn: Land & Geological Dept.
Bartlesville, Oklahoma

ATTEST:

Louis D. Fresh
Secretary
Date March 12, 1956

SKELLY OIL COMPANY

By C. E. Ashman
Vice President

Address: Skelly Building
Tulsa, Okla.

ATTEST:

H. M. Craig
Secretary
Date 3-13-56

GULF OIL CORPORATION

By H. B. G.
Vice President

Address: P.O. Box, Roswell, N. Mex.

ATTEST:

B. J. Phillips
Asst. Secretary
Date 3-16-56

SINCLAIR OIL & GAS COMPANY

By J. J. Moore
Vice President

Address: 901 FAIR Building
FORT WORTH, TEXAS
Non-Operators

Form O.K.
G.A.

STATE OF TEXAS

COUNTY OF HARRIS } ss

On this 24th day of MARCH, 1956, before me personally appeared MORGAN J. DAVIS, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Humble Oil & Refining Company, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said MORGAN J. DAVIS acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires June 1, 1957

Lilla Ellington
Notary Public
NOTARY PUBLIC IN AND FOR
HARRIS COUNTY, TEXAS

My Commission Expires:

STATE OF Texas }
COUNTY OF Midland } ss

On this 7 day of MARCH, 1956, before me personally appeared J. E. Clark, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Shell Oil Company, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said J. E. Clark acknowledged that said instrument is to be the free act and deed of said corporation.

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

Jean Akins
Notary Public
Jean Akins
Notary Public in and for
Midland County, Texas

My Commission Expires:

STATE OF Oklahoma }
COUNTY OF Washington } ss

On this 12th day of MARCH, 1956, before me personally appeared K. E. Beall, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Phillips Petroleum Company, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said K. E. Beall acknowledged said instrument to be the free act and deed of said corporation.

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

Jim Daugherty
Notary Public

My Commission Expires:

JAN 14 1960

STATE OF Oklahoma }
COUNTY OF Tulsa } ss

On this 15th day of March, 1956, before me personally appeared A. L. CANNON, to me personally known, who, being by me duly sworn, did say that he is the Vice President of Skelly Oil Company, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said A. L. CANNON acknowledged said instrument to be the free act and deed of said corporation.

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

Ruth Stueve
Notary Public

My Commission Expires: _____

RUTH STUEVE
Notary Public, Tulsa County, Oklahoma
My Commission Expires November 3, 1959

STATE OF TEXAS }
COUNTY OF TARRANT } ss

On this 13th day of March, 1956, before me personally appeared H. M. Bayer, to me personally known, who, being by me duly sworn, did say that he is the Vice-President of Gulf Oil Corporation, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said H. M. Bayer acknowledged said instrument to be the free act and deed of said corporation.

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

Eva Marie Cooper
Notary Public Eva Marie Cooper

My Commission Expires: _____

June 1, 1957

STATE OF Texas }
COUNTY OF Tarrant } ss

On this 16th day of March, 1956, before me personally appeared P. C. Brooke, to me personally known, who, being by me duly sworn, did say that he is the VICE-President of Sinclair Oil & Gas Company, and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and that said P. C. Brooke acknowledged said instrument to be the free act and deed of said corporation.

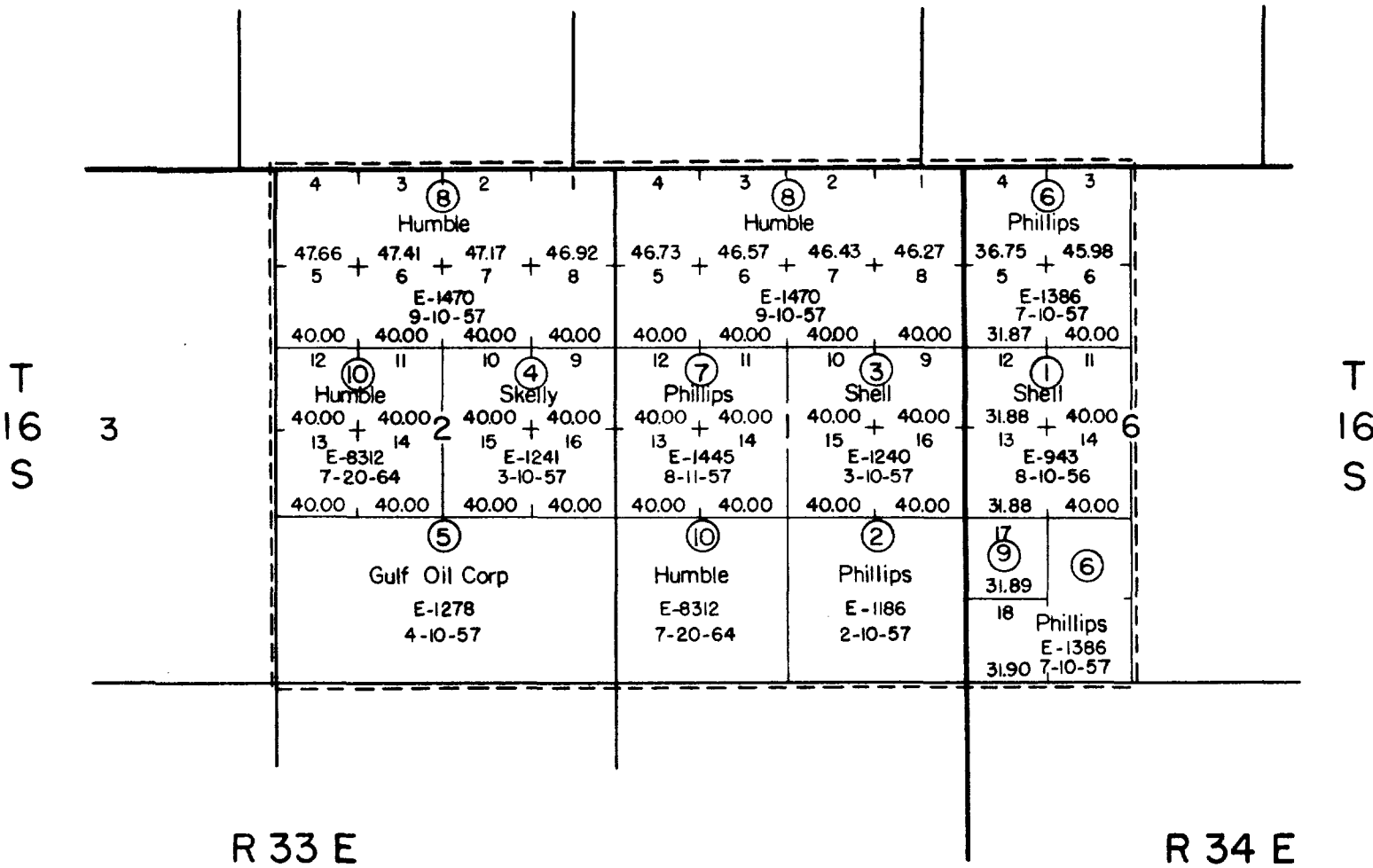
IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal on this, the day and year last above written.

Eloise J. Wright
Notary Public
ELOISE J. WRIGHT, Notary Public
in and for Tarrant County, Texas

My Commission Expires: _____

June 1, 1957

EXHIBIT "A"



SOUTH SAUNDERS UNIT AREA
LEA COUNTY, NEW MEXICO

LEGEND

- Unit Outline
- Tract Numbers
- Total 2,417.31 Acres
- All owned by the State of New Mexico

EXHIBIT "B"
SOUTH SAUNDERS UNIT AREA, IEA COUNTY, NEW MEXICO
TOWNSHIP 16 SOUTH, RANGES 33 AND 34 EAST

SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS
INTERESTS IN ALL LANDS IN THE UNIT AREA

Tract No.	Description of Land	No. of Acres	State Lease No. and Date	Basic Royalty and Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest Owner
1.	<u>T-16-S, R-34-E</u> Sec. 6: Lots 11, 12, 13, 14	143.76	E-943 8-10-46	State-All	Shell Oil Company	None	Shell Oil Company
2.	<u>T-16-S, R-33-E</u> Sec. 1: SE/4	160.00	E-1186 2-10-47	State-All	Phillips Petroleum Company	None	Phillips Petroleum Company
3.	<u>T-16-S, R-33-E</u> Sec. 1: Lots 9, 10, 15, 16	160.00	E-1240 3-10-47	State-All	Shell Oil Company	None	Shell Oil Company
4.	<u>T-16-S, R-33-E</u> Sec. 2: Lots 9, 10, 15, 16	160.00	E-1241 3-10-47	State-All	Skelly Oil Company	None	Skelly Oil Company
5.	<u>T-16-S, R-33-E</u> Sec. 2: S/2	320.00	E-1248 E-1247 4-10-47	State-All	Gulf Oil Corporation	None	Gulf Oil Corporation
6.	<u>T-16-S, R-34-E</u> Sec. 6: Lots 3, 4, 5, 6, 18, E/2 SW/4	266.50	E-1386 7-10-47	State-All	Phillips Petroleum Company	None	Phillips Petroleum Company
7.	<u>T-16-S, R-33-E</u> Sec. 1: Lots 11, 12, 13, 14	160.00	E-1445 8-11-47	State-All	Phillips Petroleum Company	None	Phillips Petroleum Company
8.	<u>T-16-S, R-33-E</u> Sec. 1: Lots 1 thru 8, incl. Sec. 2: Lots 1 thru 8, incl.	695.16	E-1470 9-10-47	State-All	Humble Oil & Refining Company	None	Humble Oil & Refining Company

9.	<u>T-16-S. R-34-E</u> Sec. 6: Lot 17	E-8264 6-15-54	State-All	Sinclair Oil & Gas Company	None	Sinclair Oil & Gas Company
10.	<u>T-16-S. R-33-E</u> Sec. 1: SW/4 Sec. 2: Lots 11, 12, 13, 14	E-8312 7-20-54	State-All	Humble Oil & Refining Company	None	Humble Oil & Refining Company

RECAPITULATION

Percentages of Ownership of Unit Area

Working Interest Ownership

<u>Company</u>	<u>Acres</u>	<u>Percent of Ownership Entire Unit Area</u>
Humble Oil & Refining Company	1015.16	41.9953
Phillips Petroleum Company	586.50	24.2625
Gulf Oil Corporation	320.00	13.2379
Shell Oil Company	303.76	12.5661
Skelly Oil Company	160.00	6.6189
<u>Sinclair Oil & Gas Company</u>	<u>31.89</u>	<u>1.3193</u>
TOTAL	2417.31 Acres	100.0000%

All royalty owned by State of New Mexico; no overriding royalties.

South Saunders Unit Area, 2417.31 Acres, 10 Tracts, Lea County, New Mexico.

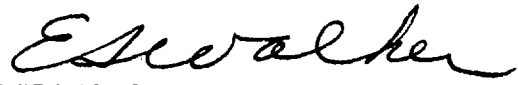
CERTIFICATE OF APPROVAL
BY COMMISSIONER OF PUBLIC LANDS
STATE OF NEW MEXICO
OF UNIT AGREEMENT FOR DEVELOPMENT AND OPERATION
OF SOUTH SAUNDERS UNIT AREA
LEA COUNTY, NEW MEXICO

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 South Saunders Unit Area, Lea County, New Mexico, dated the 1st day of March, 1956, in which the Humble Oil & Refining 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 Agreement, the Commissioner finds:

- (a) That such Agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said field;
- (b) That under the operations proposed, the State will receive its fair share of the recoverable oil or gas in place under its land 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 the Laws of the State of New Mexico, 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 above referred to South Saunders Unit Agreement as to the lands of the State of New Mexico committed thereto, and all oil and gas leases embracing lands of the State of New Mexico committed to said Agreement shall be and the same are hereby amended so that the provisions thereof will conform to the provisions of said Unit Agreement and so that the length of the secondary term of each such lease as to the lands within the unit area will be extended, insofar as necessary, to coincide with the terms of said Unit Agreement, and in the event the term of said Unit Agreement shall be extended as provided therein such extension shall also be effective to extend the term of each oil and gas lease embracing lands of the State of New Mexico committed to said Unit Agreement which would otherwise expire, so as to coincide with the extended term of such Unit Agreement.

IN WITNESS WHEREOF, this certificate of approval is executed as of this the 29th day of March, 1956.



Commissioner of Public Lands of the
State of New Mexico