

CLARENCE E. HINKLE
W. E. BONDURANT, JR.
S. B. CHRISTY, IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.
MICHAEL R. WALLER
W. R. HUGHES, JR.

LAW OFFICES
HINKLE, BONDURANT & CHRISTY
600 HINKLE BUILDING
ROSWELL, NEW MEXICO 88201

October 14, 1966

MIDLAND, TEXAS OFFICE
521 MIDLAND TOWER
(915) MU 3-4691
OF COUNSEL: HIRAM M. DOW
TELEPHONE 622-6510
AREA CODE 505
POST OFFICE Box 10

2864

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico

Re: Custer Mountain Unit Agreement

Gentlemen:

On October 6 we sent to you copies of revised Exhibits "A" and "B" in connection with the Custer Mountain Unit Agreement to be substituted for the exhibits attached to the agreement because of the contraction of the unit area to cover only Section 9, T. 24 S., R. 35 E. The U.S.G.S. wanted these exhibits revised so that the tracts would conform with the tract numbers as originally used in the exhibits. Consequently, the tract numbers have been changed to 5, 6, 7 and 10 instead of 1, 2, 3 and 4. Please substitute the enclosed copies of Exhibits "A" and "B" for the copies which we previously forwarded to you.

Yours very truly,

HINKLE, BONDURANT & CHRISTY

By Clarence E. Hinkle
cl.

CEH:cs

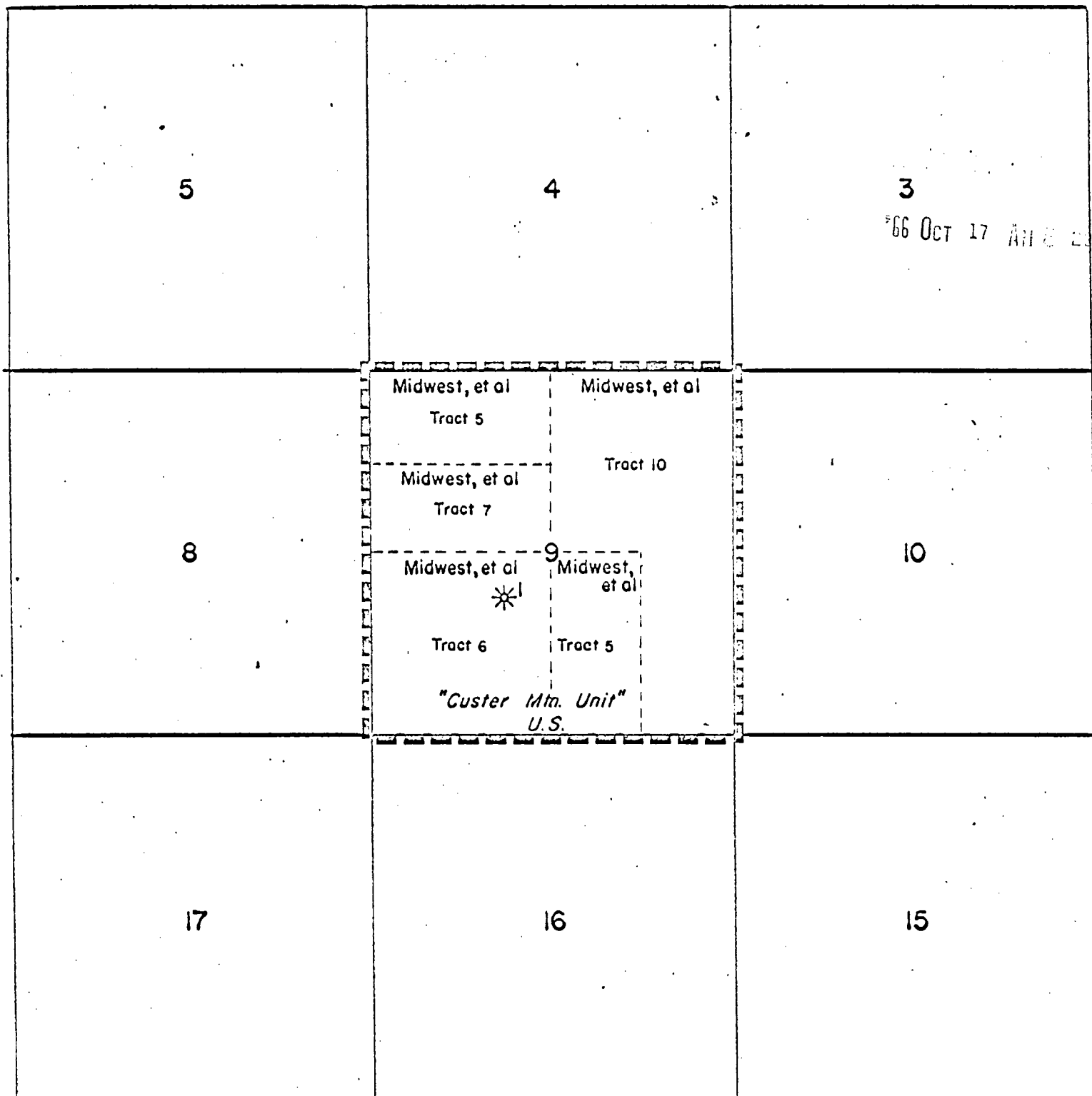
Enc.

cc: Don Dow

cc: U.S.G.S.

REVISED
EXHIBIT A

CUSTER MOUNTAIN UNIT
LEA COUNTY, NEW MEXICO
REVISED EFFECTIVE OCT. 1, 1966
ON ACCOUNT OF CONTRACTION OF
THE UNIT AREA



T-24-S

R-35-E

==== - UNIT OUTLINE

MIDWEST OIL CORPORATION
MIDLAND, TEXAS

CUSTER MOUNTAIN UNIT
LEA COUNTY, NEW MEXICO
LAND OWNERSHIP MAP

SCALE: 1" = 2000'

OCT. 3, 1966

REVISED EXHIBIT "B"

SCHEDULE SHOWING THE PERCENTAGE AND KIND

OF OWNERSHIP OF ALL LANDS IN THE

CUSTER MOUNTAIN UNIT AREA, LEA COUNTY, NEW MEXICO

(REVISED EFFECTIVE OCTOBER 1, 1966 ON ACCOUNT OF CONTRACTION OF THE UNIT AREA)

tract umber	Description of Land	No. of Acres	Serial No. and Expira- tion Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
5	Sec. 9: N/2 NW/4, W/2 SE/4	160.00	NM 01228 10-31-65 (HBP) *	U.S.-All	Midwest Oil Corporation - 1/2 The Superior Oil Company- 1/2	Jos. L. McClellan, Jr. & Mary E. McClellan: 1% Edna Ione Hall: 4% George V. White: 6%	Midwest Oil Corporation - 1/2 The Superior Oil Company- 1/2
6	Sec. 9: SW/4	160.00	NM 01228-A 10-31-65 (HBP) *	U.S.-All	Midwest Oil Corporation - 1/2 The Superior Oil Company- 1/2	Jos. L. McClellan, Jr. & Mary E. McClellan: 1% Frank O. Elliott: 4% George V. White: 6%	Midwest Oil Corporation - 1/2 The Superior Oil Company- 1/2
7	Sec. 9: S/2 NW/4	80.00	NM 01228-B 10-31-65 (HBP) *	U.S.-All	Midwest Oil Corporation - 1/4 The Superior Oil Company- 1/4 Gulf Oil Corporation----- 1/2	Jos. L. McClellan, Jr. & Mary E. McClellan: 1% Edna Ione Hall: 4% George V. White: 3% (1)	Midwest Oil Corporation - 1/4 The Superior Oil Company- 1/4 Gulf Oil Corporation----- 1/2
10	Sec. 9: NE/4 & E/2 SE/4	240.00	NM 07249-B 2-29-66 (HBP) *	U.S.-All	Midwest Oil Corporation - 1/4 The Superior Oil Company- 1/4 Gulf Oil Corporation----- 1/2	Olen F. Featherstone: .5% Martha Featherstone: .5% Harvey E. Roelofs, Trustee for Olen F. Featherstone II: 4% George V. White: 3% (1)	Midwest Oil Corporation - 1/4 The Superior Oil Company- 1/4 Gulf Oil Corporation----- 1/2

FEDERAL LANDS:

-24-S, R-35-E, N.M.P.M.

(1) This overriding royalty interest subject to Midwest Oil Corporation and The Superior Oil Company interests only.

* Midwest Oil Corporation No. 1 Custer Mountain Unit well, located in the NE/4 SW/4 of Section 9, T-24-S, R-35-E, N.M.P.M., Lea County, New Mexico, completed as a commercial producer May 17, 1964. All of Section 9, T-24-S, R-35-E, containing 640 acres, approved as Initial Participating Area by the United States Geological Survey September 16, 1964 and Commissioner of Public Lands, State of New Mexico, August 14, 1964, but effective as of May 17, 1964.

2864

CLARENCE E. HINKLE
W. E. BONDURANT, JR.
S. B. CHRISTY IV
LEWIS C. COX, JR.
PAUL W. EATON, JR.
CONRAD E. COFFIELD
HAROLD L. HENSLEY, JR.

MICHAEL R. WALLER
W. R. HUGHES, JR.

LAW OFFICES
HINKLE, BONDURANT & CHRISTY
600 HINKLE BUILDING
ROSWELL, NEW MEXICO 88201

MIDLAND, TEXAS OFFICE
521 MIDLAND TOWER
(915) MU 3-4691
OF COUNSEL: HIRAM M. DOW

October 6, 1966

TELEPHONE 622-6510
AREA CODE 505
POST OFFICE BOX 10

36 OCT 7 PM 1 1966

Oil Conservation Commission
Box 2088
Santa Fe, New Mexico

Re: Custer Mountain Unit Agreement

Gentlemen:

We enclose copy of revised Exhibits "A" and "B" to be attached to your copy of the Custer Mountain Unit Agreement. These exhibits were revised on account of the contraction of the unit area to one section and show the current ownership of the leasehold interests remaining within the unit area.

Yours very truly,

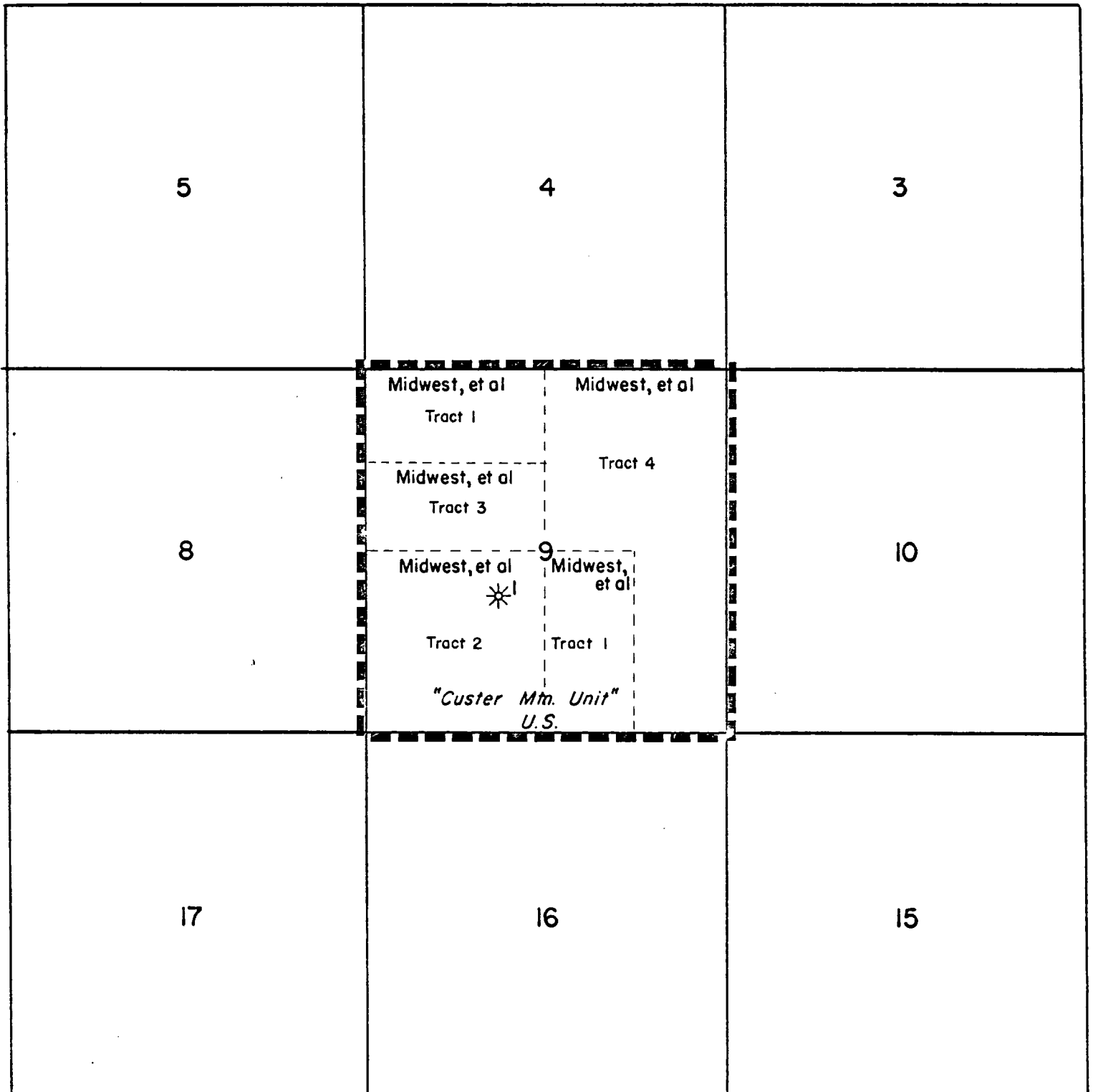
HINKLE, BONDURANT & CHRISTY

By 

CEH:cs
Enc.
cc: Don F. Dow

REVISED
EXHIBIT A

CUSTER MOUNTAIN UNIT
LEA COUNTY, NEW MEXICO
REVISED EFFECTIVE OCT. 1, 1966
ON ACCOUNT OF CONTRACTION OF
THE UNIT AREA



T-24-S

R-35-E

--- - UNIT OUTLINE

MIDWEST OIL CORPORATION
MIDLAND, TEXAS

CUSTER MOUNTAIN UNIT
LEA COUNTY, NEW MEXICO
LAND OWNERSHIP MAP

SCALE: 1" = 2000'

Oct. 3, 1966

REVISED EXHIBIT "B"
SCHEDULE SHOWING THE PERCENTAGE AND KIND
OF OWNERSHIP OF ALL LANDS IN THE
CUSTER MOUNTAIN UNIT AREA, LEA COUNTY, NEW MEXICO
(REVISED EFFECTIVE OCTOBER 1, 1966 ON ACCOUNT OF CONTRACTION OF THE UNIT AREA)

Tract Number	Description of Land	No. of Acres	Serial No. and Expira- tion Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
-----------------	---------------------	-----------------	--	----------------------------------	------------------	--------------------------------------	------------------------------------

FEDERAL LANDS:
T-24-S, R-35-E, N.M.P.M.

1	Sec. 9: N/2 NW/4, W/2 SE/4	160.00	NM 01228 10-31-65 (HBP) *	U.S.-A11	Midwest Oil Corporation - 1/2 The Superior Oil Company- 1/2	Jos. L. McClellan, Jr. & Mary E. McClellan: 1% Edna Ione Hall: 4% George V. White: 6%	Midwest Oil Corporation - 1/2; The Superior Oil Company- 1/2;
2	Sec. 9: SW/4	160.00	NM 01228-A 10-31-65 (HBP) *	U.S.-A11	Midwest Oil Corporation - 1/2 The Superior Oil Company- 1/2	Jos. L. McClellan, Jr. & Mary E. McClellan: 1% Frank O. Elliott: 4% George V. White: 6%	Midwest Oil Corporation - 1/2; The Superior Oil Company- 1/2;
3	Sec. 9: S/2 NW/4	80.00	NM 01228-B 10-31-65 (HBP) *	U.S.-A11	Midwest Oil Corporation - 1/4 The Superior Oil Company- 1/4 Gulf Oil Corporation----- 1/2	Jos. L. McClellan, Jr. & Mary E. McClellan: 1% Edna Ione Hall: 4% George V. White: 3% (1)	Midwest Oil Corporation - 1/4 The Superior Oil Company- 1/4 Gulf Oil Corporation----- 1/2;
4	Sec. 9: NE/4 & E/2 SE/4	240.00	NM 07249-B 2-29-66 (HBP) *	U.S.-A11	Midwest Oil Corporation - 1/4 The Superior Oil Company- 1/4 Gulf Oil Corporation----- 1/2	Olen F. Featherstone: .5% Martha Featherstone: .5% Harvey E. Roeloffs, Trustee for Olen F. Featherstone II: 4% George V. White: 3% (1)	Midwest Oil Corporation - 1/4 The Superior Oil Company- 1/4 Gulf Oil Corporation----- 1/2;

(1) This overriding royalty interest subject to Midwest Oil Corporation and The Superior Oil Company interests only.

* Midwest Oil Corporation No. 1 Custer Mountain Unit well, located in the NE/4 SW/4 of Section 9, T-24-S, R-35-E, N.M.P.M., Lea County, New Mexico, completed as a commercial producer May 17, 1964. All of Section 9, T-24-S, R-35-E, containing 640 acres, approved as Initial Participating Area by the United States Geological Survey September 16, 1964 and Commissioner of Public Lands, State of New Mexico, August 14, 1964, but effective as of May 17, 1964.

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

NO. _____

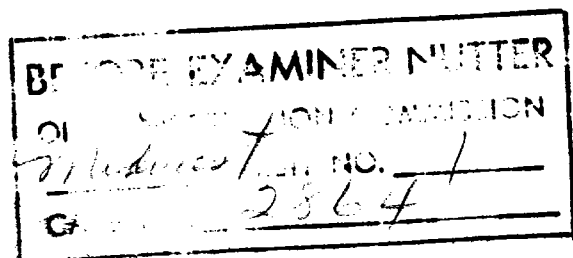
THIS AGREEMENT, entered into as of the ____ day of _____, 1963, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

W I T N E S S E T H:

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

WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal lessees and their representatives to unite with each other, or jointly or separately with others, in collectively adopting and operating a cooperative or unit plan of development or operation of any oil or gas pool, field, or like area, or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 7-11-39 N.M. Statutes 1953 Annotated) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and



WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by an act of the Legislature (Article 3, Chapter 65, Vol. 9, Part 2, 1953 Statutes), to approve this agreement and the conservation provisions hereof; and

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

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

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

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, supra, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to State of New Mexico and privately owned lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof

or the laws of the State of New Mexico are hereby accepted and made a part of this agreement.

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

Township 24 South, Range 35 East, N. M. P. M.:

Section 3: A11	Section 16: A11
Section 4: A11	Section 17: A11
Section 5: A11	Section 18: A11
Section 7: A11	Section 20: A11
Section 8: A11	Section 21: A11
Section 9: A11	Section 22: A11
Section 10: A11	Section 23: A11
Section 14: A11	Section 26: A11
Section 15: A11	Section 27: A11

Comprising 11,525.95 acres, more or less.

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

A and B shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor," or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less than seven copies of the revised exhibits shall be filed with the Supervisor, and two (2) copies thereof shall be filed with the Commissioner and one (1) copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission."

The above-described unit area shall when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this agreement, or shall be contracted to exclude lands not within any participating area whenever such expansion or contraction is necessary or advisable to conform with the purposes of this agreement. Such expansion or contraction shall be effected in the following manner:

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director" or on demand of the Commissioner, after preliminary concurrence by the Director, shall prepare a notice of proposed expansion or contraction describing the contemplated changes in the boundaries of the unit area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

(b) Said notice shall be delivered to the Supervisor, the Commissioner and the Commission and copies thereof mailed to the last

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

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor, the Commissioner and the Commission evidence of mailing of the notice of expansion or contraction and a copy of any objections thereto which have been filed with the Unit Operator, together with an application in sufficient number, for approval of such expansion or contraction and with appropriate joinders.

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

(e) All legal subdivisions of unitized lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent in instances of irregular surveys, however, unusually large lots or tracts shall be considered in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the purpose of elimination under this subsection), no parts of which are entitled to be in a participating area within five years after the first day of the month following the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of the first day thereafter, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless at the expiration of said five-year period diligent drilling operations are in progress

on unitized lands not entitled to participation, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well, except that the time allowed between such wells shall not expire earlier than 30 days after the expiration of any period of time during which drilling operations are prevented by a matter beyond the reasonable control of unit operator as set forth in the section hereof entitled "Unavoidable Delay"; provided that all legal subdivisions of lands not in a participating area and not entitled to become participating under the applicable provisions of this agreement within 10 years after said first day of the month following the effective date of said first initial participating area shall be eliminated as above specified. Determination of creditable "Unavoidable Delay" time shall be made by unit operator and subject to approval of the Director and the Commissioner. The unit operator shall, within 90 days after the effective date of any elimination hereunder, describe the area so eliminated to the satisfaction of the Director and the Commissioner and promptly notify all parties in interest.

If conditions warrant extension of the 10-year period specified in this subsection 2 (e), a single extension of not to exceed two years may be accomplished by consent of the owners of 90 percent of the current unitized working interests and 60 percent of the current unitized basic royalty interests (exclusive of the basic royalty interests of the United States), on a total-non-participating-acreage basis, respectively, with approval of the Dir-

ector and the Commissioner, provided such extension application is submitted to the Commissioner and the Director not later than 60 days prior to the expiration of said 10-year period.

Any expansion of the unit area pursuant to this section which embraces lands theretofore eliminated pursuant to this subsection 2 (e) shall not be considered automatic commitment or recommitment of such lands.

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

4. UNIT OPERATOR. Midwest Oil Corporation, with offices at Midland, Texas, is hereby designated as Unit Operator and by signature hereto as Unit Operator commits to this agreement all interests in unitized substances vested in it and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as owner of interest in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by him.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment

of a participating area or areas hereunder, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six months after notice of intention to resign has been served by Unit Operator on all working interest owners and the Director, the Commissioner and Commission and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment whichever is required by the Supervisor as to Federal lands and by the Commission as to State and privately owned lands unless a new unit operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

Unit Operator shall have the right to resign in like manner and subject to like limitations, as above provided, at any time a participating area established hereunder is in existence, but, in all instances of resignation or removal, until a successor unit operator is selected and approved as hereinafter provided, the working interest owners shall be jointly responsible for performance of the duties of unit operator, and shall not later than 30 days before such resignation or removal becomes effective appoint a common agent to represent them in any action to be taken hereunder.

The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to re-

removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director and the Commissioner.

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

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his or its resignation as Unit Operator or shall be removed as hereinabove provided, or a change of Unit Operator is negotiated by working interest owners, the owners of the working interests in the participating area or areas according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 percent of the working interests qualified to vote are owned by

one party to this agreement, a concurring vote of one or more additional working interest owners shall be required to select a new operator. Such selection shall not become effective until:

(a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and

(b) the selection shall have been filed with the Supervisor and approved by the Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit Operator is not the sole owner of working interests, costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of working interests, all in accordance with the agreement or agreements entered into by and between the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts, and such other rights and obligations as between Unit Operator and the working interest owners as may be agreed upon by Unit Operator and the working

interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement, this unit agreement shall prevail. Three (3) true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one (1) true copy with the Commissioner, prior to approval of this unit agreement by the Director.

8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as otherwise specifically provided herein, the exclusive right, privilege, and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating, and distributing the unitized substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator and, together with this agreement, shall constitute and define the rights, privileges, and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this agreement the Unit Operator, in his capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

9. DRILLING TO DISCOVERY. Within six months after the effective date hereof, the Unit Operator shall begin to drill an

adequate test well at a location approved by the Supervisor if on Federal land or by the Commissioner if on State land or by the Conservation Commission if on privately owned land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Devonian formation has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor if on Federal land or the Commissioner if on State land, that further drilling of said well would be unwarranted or impracticable; provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 15,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 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 said Supervisor if it be on Federal land or of the Commissioner if on State or the Commission if on privately owned land, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during

the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and 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.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within six months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor and the Commissioner, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor and the Commissioner a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the diligent drilling necessary for determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor and the

Commissioner may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and shall:

(a) specify the number and locations of wells to be drilled and the proposed order and time for such drilling; and

(b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor and the Commissioner. 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 month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing unitized substances in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and the Commissioner shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall, within the month of such completion, if practicable, or as soon thereafter as required by the Supervisor or the

Commissioner submit for approval by the Director and the Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all lands in said schedule on approval of the Director and the Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of the unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses and distances shown on the last approved public-land survey as of the effective date of the initial participating area. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, on approval of the Director and the Commissioner. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities, or to exclude land then regarded as reasonably proved not to be pro-

ductive in paying quantities and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, provided, however, that a more appropriate effective date may be used if justified by the Unit Operator and approved by the Director and the Commissioner. No land shall be excluded from a participating area on account of depletion of the unitized substances.

It is the intent of this section that a participating area shall represent the area known or reasonably estimated to be productive in paying quantities; but, regardless of any revision of the participating area, nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the revision of the participating area.

In the absence of agreement at any time between the Unit Operator and the Director and the Commissioner as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States and the State of New Mexico, which shall be determined by the Supervisor for Federal lands and the Commissioner for state lands and the amount thereof deposited, as directed by the Supervisor and the Commissioner respectively, to be held as unearned money until a participating area is finally approved and then applied as earned

or returned in accordance with a determination of the sum due as Federal and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor as to wells drilled on Federal land and of the Commissioner as to wells drilled on State land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall, for the purposes of settlement among all parties other than working interest owners, be allocated to the land on which the well is located so long as such land is not within a participating area established for the pool or deposit from which such production is obtained. Settlement for working interest benefits from such a well shall be made as provided in the unit operating agreement.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, and Commissioner, or unavoidably lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement, each such tract of unitized land shall have allocated

to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area, except that allocation of production hereunder for purposes other than for settlement of the royalty, overriding royalty, or payment out of production obligations of the respective working interest owners, shall be on the basis prescribed in the unit operating agreement whether in conformity with the basis of allocation herein set forth or otherwise. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last-mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal land and the Commission as to State or privately owned land, at such party's sole risk, costs, and expense, drill a well to test any formation for which a participating area has not been established or to test

any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such a well in like manner as other wells are drilled by the Unit Operator under this agreement.

If any well drilled as aforesaid by a working interest owner results in production such that the land upon which it is situated may properly be included in a participating area, such participating area shall be established or enlarged as provided in this agreement and the well shall thereafter be operated by the Unit Operator in accordance with the terms of this agreement and the unit operating agreement.

If any well drilled as aforesaid by a working interest owner obtains production in quantities insufficient to justify the inclusion in a participating area of the land upon which such well is situated, such well may be operated and produced by the party drilling the same subject to the conservation requirements of this agreement. The royalties in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States and any State and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well

by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws, and regulations. Settlement for royalty interest not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws and regulations on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands not subject to this agreement is introduced into any participating area hereunder, for use in repressuring, stimulation of production, or increasing ultimate recovery, which shall be in conformity with a plan first approved by the Supervisor and the Commissioner, a like amount of gas, after settlement as herein provided for any gas transferred from any other participating area and with due allowance for loss or depletion from any cause, may be withdrawn from the formation into which the gas was introduced, royalty free as to dry gas, but not as to the products extracted therefrom; provided that such withdrawal shall be at such time as may be provided in the plan of operations or as may otherwise be consented to by the Supervisor and the Commissioner as conforming to good petroleum engineering practice; and provided further that such right of withdrawal shall terminate on the termination of this unit agreement.

Royalty due the United States shall be computed as provided in the operating regulations and paid in value or delivered

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

Royalty due on account of State lands shall be computed and paid on the basis of all unitized substances allocated to such lands.

15. RENTAL SETTLEMENT. Rental or minimum royalties due on leases committed hereto shall be paid by working interest owners responsible therefor under existing contracts, laws, and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof due under their leases. Rental or minimum royalty for lands of the United States subject to this agreement shall be paid at the rate specified in the respective leases from the United States unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rates specified in the respective leases.

With respect to any lease on non-Federal land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered

thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and thereafter until the required drilling operations are commenced upon the land covered thereby or some portion of such land is included within a participating area.

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

17. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of unitized substances from unitized lands by wells on land not subject to this agreement, or, with prior consent of the Director and the Commissioner, pursuant to applicable regulations pay a fair and reasonable compensatory royalty, as determined by the Supervisor as to Federal lands and by the Commissioner as to State lands.

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for oil or gas on lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does hereby establish,

alter, change, or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

(a) The development and operation of lands subject to this agreement under the terms hereof shall be deemed full performance of all obligations for development and operation with respect to each and every part or separately owned tract subject to this agreement, regardless of whether there is any development of any particular part or tract of the unit area, notwithstanding anything to the contrary in any lease, operating agreement or other contract by and between the parties hereto, or their respective predecessors in interest, or any of them.

(b) Drilling and producing operations performed hereunder upon any tract of unitized lands will be accepted and deemed to be performed upon and for the benefit of each and every tract of unitized land, and no lease shall be deemed to expire by reason of failure to drill or produce wells situated on the land therein embraced.

(c) Suspension of drilling or producing operations on all unitized lands pursuant to direction or consent of the Secretary and the Commissioner, or their duly authorized representatives, shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of unitized land.

(d) Each lease, sublease or contract relating to the ex-

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

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the land committed so long as such lease remains subject hereto, provided that production is had in paying quantities under this unit agreement prior to the expiration date of the term of such lease, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this agreement, prior to the end of the primary term of such lease and are being diligently prosecuted at that time, such

lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease embracing lands of the State of New Mexico which is made subject to this agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(h) The segregation of any Federal lease committed to this agreement is governed by the following provision in the fourth paragraph of Sec. 17 (j) of the Mineral Leasing Act, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease heretofore or hereafter committed to any such (unit) plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization: Provided, however, That any such lease as to the non-unitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is pro-

duced in paying quantities."

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

19. COVENANTS RUN WITH LAND. The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or con-

veyance of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any working interest, royalty, or other interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, photostatic, or certified copy of the instrument of transfer.

20. EFFECTIVE DATE AND TERM. This agreement shall become effective upon approval by the Director and the Commissioner or their duly authorized representatives as of the date of approval by the Director and shall terminate five (5) years from said effective date unless:

(a) such date of expiration is extended by the Director and the Commissioner, or

(b) it is reasonably determined prior to the expiration of the fixed term or any extension thereof that the unitized land is incapable of production of unitized substances in paying quantities in the formations tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the Director and Commissioner, or

(c) a valuable discovery of unitized substances has been made or accepted on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be pro-

duced in quantities sufficient to pay for the cost of producing same from wells on unitized land within any participating area established hereunder and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or

(d) it is terminated as heretofore provided in this agreement.

This agreement may be terminated at any time by not less than 75 per centum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and Commissioner; notice of any such approval to be given by the Unit Operator to all parties hereto.

21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION.

The Director is hereby vested with authority to alter or modify from time to time in his discretion the quantity and rate of production under this agreement when such quantity and rate is not fixed pursuant to Federal or State law or does not conform to any state-wide voluntary conservation or allocation program, which is established, recognized, and generally adhered to by the majority of operators in such State, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification. Without regard to the foregoing, the Director is also hereby vested with authority to alter or modify from time to time in his discretion the rate of prospecting and development and the quantity and rate of production

under this agreement when such alteration or modification is in the interest of attaining the conservation objectives stated in this agreement and is not in violation of any applicable Federal or State law; 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 developing in the absence of the specific written approval thereof by the Commissioner and as to any lands of the State of New Mexico or privately owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the Commission.

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

22. CONFLICT OF SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the Unit Operator, working interest owners or any of them are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, in-

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

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

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

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

26. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while, but only so long as, the Unit Operator despite the exercise of due care and diligence is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

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

28. LOSS OF TITLE. In the event title to any tract of unitized land shall fail and the true owner cannot be induced to

join in this unit agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working interest, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal and State land or leases, no payments of funds due the United States or the State of New Mexico should be withheld, but such funds of the United States shall be deposited as directed by the Supervisor and such funds of the State of New Mexico shall be deposited as directed by the Commissioner to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the owner of the working interest in that tract may withdraw said tract from this agreement by written notice to the Director, the Commissioner, and the Unit Operator prior to the approval of this agreement by the Director and Commissioner. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agree-

ment, and, if the interest is a working interest, by the owner of such interest also subscribing to the unit operating agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements or approvals, if any, pertaining to such joinder, as may be provided for in the unit operating agreement. After final approval hereof joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as committed hereto. Joinder to the unit agreement by a working interest owner, at any time, must be accompanied by appropriate joinder to the unit operating agreement, if more than one committed working interest owner is involved, in order for the interest to be regarded as committed to this unit agreement. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director; provided, however, that as to State lands such subsequent joinder must be approved by the Commissioner.

30. COUNTERPARTS. This agreement may be executed in any number of counterparts no one of which needs to be executed by all

parties or may be ratified or consented to by separate instrument in writing specifically referring hereto and shall be binding upon all those parties who have executed such a counterpart, ratification, or consent hereto with the same force and effect as if all such parties had signed the same document and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above-described unit area.

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

ATTEST:

Secretary

Date: _____

MIDWEST OIL CORPORATION

By _____

Address: _____

UNIT OPERATOR & WORKING INTEREST OWNER

WORKING INTEREST OWNERS:

ATTEST:

Secretary

Date: _____

ATLANTIC REFINING COMPANY

By _____

Address: _____

ATTEST:

Secretary

Date: _____

GULF OIL CORPORATION

By _____

Address: _____

ATTEST:

Secretary

Date: _____

MARATHON OIL COMPANY

By _____

Address: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

ATTEST:

Secretary

Date: _____

Date: _____

Date: _____

Date: _____

SHELL OIL COMPANY

By _____

Address: _____

SINCLAIR OIL & GAS COMPANY

By _____

Address: _____

SKELLY OIL COMPANY

By _____

Address: _____

SOCONY MOBIL OIL COMPANY, INC.

By _____

Address: _____

Address: _____

Address: _____

Address: _____

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, _____ of MIDWEST OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____.

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, _____ of ATLANTIC REFINING COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____.

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, _____ of GULF OIL CORPORATION, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____.

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, _____ of MARATHON OIL COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____.

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, _____ of SHELL OIL COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, _____ of SINCLAIR OIL & GAS COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, _____ of SKELLY OIL COMPANY, a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

The foregoing instrument was acknowledged before me this _____ day of _____, 1963, by _____, _____ of SOCONY MOBIL OIL COMPANY, INC., a _____ corporation, on behalf of said corporation.

My Commission Expires: _____

Notary Public

STATE OF _____)
COUNTY OF _____) ss.

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

_____.

Notary Public
My Commission Expires:
_____.

STATE OF _____)
COUNTY OF _____) ss.

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

_____.

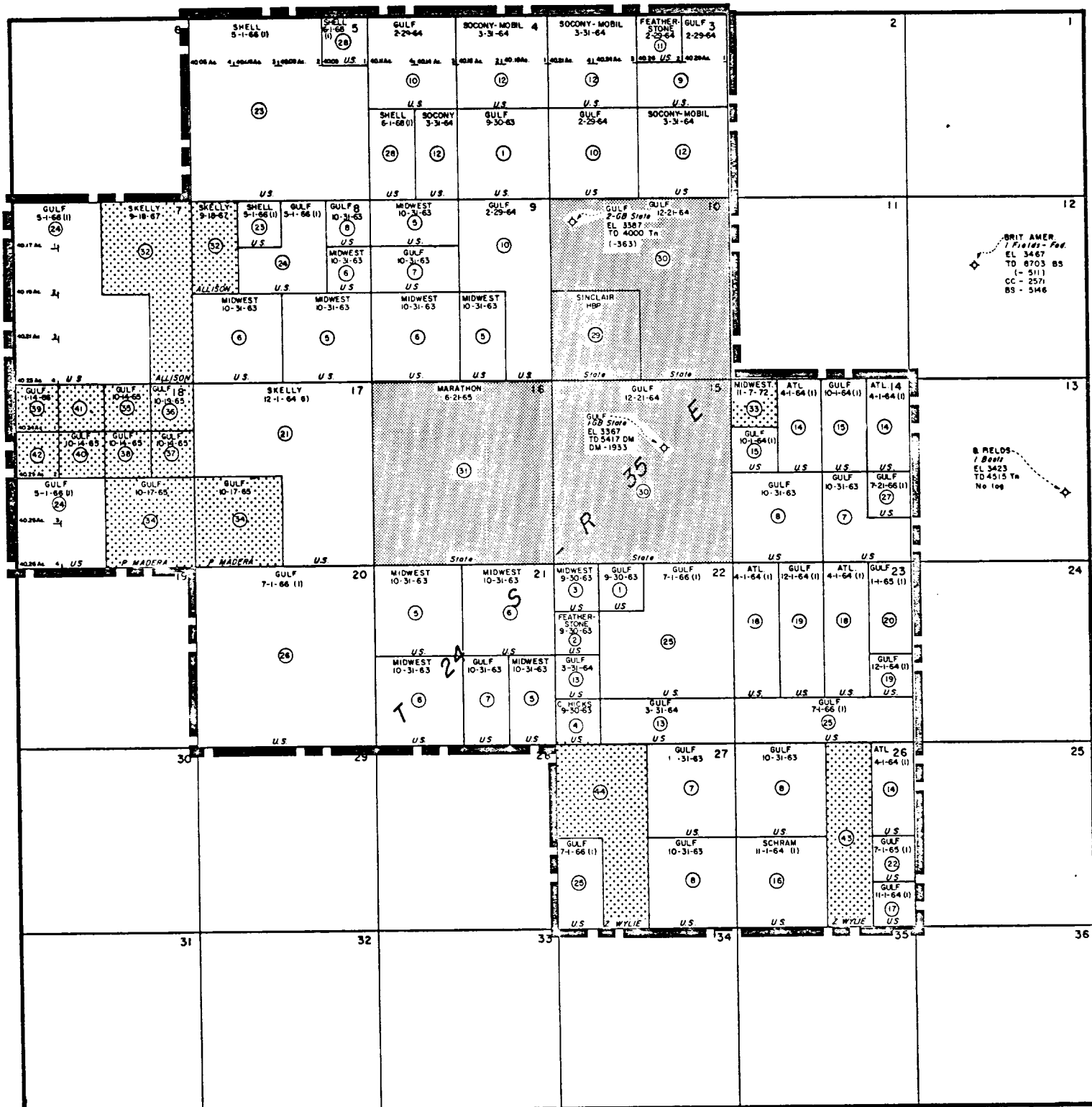
Notary Public
My Commission Expires:
_____.

STATE OF _____)
COUNTY OF _____) ss.

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

_____.

Notary Public
My Commission Expires:
_____.



LEGEND

- FEDERAL
- STATE
- FEE
- UNIT OUTLINE



MIDWEST OIL CORPORATION
MIDLAND, TEXAS

CUSTER MOUNTAIN UNIT
LEA COUNTY, NEW MEXICO

LAND OWNERSHIP MAP

SCALE: 1" = 4000'

EXHIBIT "A"

4-15-63

EXHIBIT "B"
 SCHEDULE SHOWING THE PERCENTAGE AND KIND
 OF OWNERSHIP OF ALL LANDS IN THE
 CUSTER MOUNTAIN UNIT AREA, LEA COUNTY, NEW MEXICO

Tract Number	Description of Land	No. of Acres	Serial No. and Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
<u>FEDERAL LANDS:</u>							
<u>T-24-S, R-35-E, N.M.P.M.:</u>							
1	Sec. 4: SE $\frac{1}{4}$ Sec. 22: NE $\frac{1}{4}$ NW $\frac{1}{4}$	200.00	LC 067187-B 9-30-63	U.S. - All	Gulf Oil Corporation	\$750.00 per acre payable out of 5%.	*Gulf Oil Corporation - All
2	Sec. 22: SW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	LC 067187-C 9-30-63	U.S. - All	Martha Featherstone		Martha Featherstone All
3	Sec. 22: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	LC 067187-E 9-30-63	U.S. - All	Midwest Oil Corporation	\$750.00 per acre payable out of 5%.	Midwest Oil Corporation - All
4	Sec. 22: SW $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	LC 067187-F 9-30-63	U.S. - All	Charles W. Hicks		Charles W. Hicks All
5	Sec. 8: SE $\frac{1}{4}$ Sec. 9: N $\frac{1}{2}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 21: NW $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$	560.00	NM 01228 10-31-63	U.S. - All	Midwest Oil Corporation	Jos. L. McClellan, Jr.: 1% Edna Ione Hall: 4% George V. White: 6%	Midwest Oil Corporation - All
6	Sec. 8: SW $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 9: SW $\frac{1}{4}$ Sec. 21: SW $\frac{1}{4}$, NE $\frac{1}{4}$	680.00	NM 01228-A 10-31-63	U.S. - All	Midwest Oil Corporation	Jos. L. McClellan, Jr.: 1% Frank O. Elliott: 4% George V. White: 6%	Midwest Oil Corporation - All
7	Sec. 9: S $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 14: W $\frac{1}{2}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 21: W $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 27: NE $\frac{1}{4}$	440.00	NM 01228-B 10-31-63	U.S. - All	Gulf Oil Corporation	Jos. L. McClellan, Jr.: 1% Edna Ione Hall: 4%	*Gulf Oil Corporation - All

Tract Number	Description of Land	No. of Acres	Serial No. and Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
FEDERAL LANDS (Cont'd):							
8	Sec. 8: NE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 14: SW $\frac{1}{4}$ Sec. 26: NW $\frac{1}{4}$; Sec. 27: SE $\frac{1}{4}$	520.00	NM 01228-C 10-31-63	U.S.-All	Gulf Oil Corporation	Jos. L. McClellan: 1% Frank O. Elliott: 4%	*Gulf Oil Corporation -- All
9	Sec. 3: S $\frac{1}{2}$ NE $\frac{1}{4}$, Lot 1	120.29	NM 07249-A 2-29-64	U.S.-All	Gulf Oil Corporation	Jesse Thomson Kinahan: 5%	*Gulf Oil Corporation -- All
10	Sec. 3: SW $\frac{1}{4}$ Sec. 4: Lots 3, 4, & S $\frac{1}{2}$ NW $\frac{1}{4}$ Sec. 9: NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$	560.24	NM 07249-B 2-29-64	U.S.-All	Gulf Oil Corporation	Olen F. Featherstone: .5% Martha Featherstone: .5% Harvey E. Roelofs, Trustee for Olen F. Featherstone II: 4%	*Gulf Oil Corporation -- All
11	Sec. 3: Lot 2	40.26	NM 07249-C 2-29-64	U.S.-All	Olen F. Featherstone		Olen F. Featherstone All
12	Sec. 3: Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, SE $\frac{1}{4}$ Sec. 4: Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$	560.80	NM 07303 3-31-64	U.S.-All	Socony-Mobil Oil Co.	Peggy E. Baetz: 5%	Socony-Mobil Oil Co. -- All
13	Sec. 22: NW $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$	160.00	NM 07303-B 3-31-64	U.S.-All	Gulf Oil Corporation	Peggy E. Baetz: 5%	*Gulf Oil Corporation -- All
14	Sec. 14: E $\frac{1}{2}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 26: E $\frac{1}{2}$ NE $\frac{1}{4}$	240.00	NM 044032 4-1-64	U.S.-All	Atlantic Refining Co.	Walter L. Morrison: 3%	Atlantic Refining Co. -- All
15	Sec. 14: SW $\frac{1}{4}$ NW $\frac{1}{4}$, W $\frac{1}{2}$ NE $\frac{1}{4}$	120.00	NM 045805 10-1-64	U.S.-All	Gulf Oil Corporation	Frank E. Boyle: 5%	*Gulf Oil Corporation -- All
16	Sec. 26: SW $\frac{1}{4}$	160.00	NM 046677 11-1-64	U.S.-All	Harry F. Schram		Harry F. Schram All
17	Sec. 26: SE $\frac{1}{4}$ SE $\frac{1}{4}$	40.00	NM 046677-A 11-1-64	U.S.-All	Gulf Oil Corporation	Harry F. Schram: 5%	*Gulf Oil Corporation -- All

Tract Number	Description of Land	No. of Acres	Serial No. and Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
FEDERAL LANDS (Cont'd):							
18	Sec. 23: W½NW¼, NW¼SW¼, W½NE¼, NW¼SE¼	240.00	NM 051278 4-1-64	U.S.-All	Atlantic Refining Company	Kenneth H. Bruhl: 5%	Atlantic Refining Company -All
19	Sec. 23: E½NW¼, NE¼SW¼, NE¼SE¼	160.00	NM 058111-A 12-1-64	U.S.-All	Gulf Oil Corporation	Roger L. Holmes: 5%	*Gulf Oil Corporation -- All
20	Sec. 23: E½NE¼	80.00	NM 059758 1-1-65	U.S.-All	Gulf Oil Corporation	L.B.Hodges & Bertrand O. Baetz: 5%	*Gulf Oil Corporation -- All
21	Sec. 17: N½, SE¼	480.00	NM 060640 12-1-64	U.S.-All	Skelly Oil Co.	W. J. Hill: 4%	Skelly Oil Co. - All
22	Sec. 26: NE¼SE¼	40.00	NM 098794-A	U.S.-All	Gulf Oil Corporation	Francis M. Bright: 5%	*Gulf Oil Corporation -- All
23	Sec. 5: Lots 2, 3, 4, S½N½, S½ Sec. 8: NE¼NW¼	641.74	NM 0127575-A 5-1-66	U.S.-All	Shell Oil Co.	Ruth O. McCullen: 5%	Shell Oil Co. -- All
24	Sec. 7: Lots 1, 2, 3, 4, E½W½, W½SE¼, Sec. 8: SE¼NW¼, W½NE¼ Sec. 18: Lots 3, 4, E½SW¼	681.31	NM 0127605 5-1-66	U.S.-All	Gulf Oil Corporation	Robt. W. Polchow and Geo. W. Prechter -- 5%	*Gulf Oil Corporation -- All
25	Sec. 22: NE¼, SE¼NW¼, NE¼SW¼, N½SE¼ Sec. 23: S½SW¼, S½SE¼ Sec. 27: W½SW¼	560.00	NM 0156295 7-1-66	U.S.-All	Gulf Oil Corporation	Elsie G. Gorman: 5%	*Gulf Oil Corporation -- All
26	Sec. 20: All	640.00	NM 0168610 7-1-66	U.S.-All	Gulf Oil Corporation	3/4 x 5%: Daniel M. Smith, Jr. 1/16 x 5%: Gaylord Ewing Smith 1/16 x 5%: Daniel Murray Smith III 1/16 x 5%: Daniel M. Smith III, Custodian for Paul Hanson Smith 1/16 x 5%: Mrs. Sandra Smith Pierson	*Gulf Oil Corporation -- All

Tract Number	Description of Land	No. of Acres	Serial No. and Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
27	Sec. 14: NE $\frac{1}{2}$ SE $\frac{1}{4}$	40.00	NM 0201634	U.S.-All	Gulf Oil Corporation	D.J.Payne: 5%	*Gulf Oil Corporation - All
28	Sec. 4: W $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 5: Lot 1	120.82		U.S.-All	Not Leased		Not Leased
TWENTY-EIGHT (28) FEDERAL TRACTS COMPRISING 8,205.46 ACRES, OR 71.191% OF UNIT AREA							

STATE LANDS:

T-24-S, R-35-E, NMPM

29	Sec. 10: SW $\frac{1}{4}$	160.00	B-1505 (HBP)	State-All	Sinclair Oil & Gas Co.	None	Sinclair Oil & Gas Co. - All
30	Sec. 10: NE $\frac{1}{2}$, SE $\frac{1}{4}$ Sec. 15: All	1,120.00	E-8742 12-21-64	State-All	Gulf Oil Corporation	None	*Gulf Oil Corporation - All
31	Sec. 16: All	640.00	E-9129 6-21-65	State-All	Marathon Oil Co.	None	Marathon Oil Co. - All

THREE (3) STATE OF NEW MEXICO TRACTS COMPRISING 1,920.00 ACRES, OR 16.658% OF UNIT AREA

FEE LANDS:

T-24-S, R-35-E, NMPM

32	Sec. 7: NE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 8: W $\frac{1}{2}$ NW $\frac{1}{4}$	320.00	9-18-67	John Gillam Allison 25% of 1/8 Mont C. Allison - 25% of 1/8 Wm. Anderson Allison - 25% of 1/8 Thomas Leonard Allison 25% of 1/8	Skelly Oil Co.	None	Skelly Oil Co. - All
TOTAL:				1/8			

Tract Number	Description of Land	No. of Acres	Serial No. and Expiration Date of Lease	Basic Royalty & Percentage	Lessee of Record	Overriding Royalty and Percentage	Working Interest and Percentage
FEE LANDS (Cont'd):							
33	Sec. 14: NW $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	11-7-72	J.M. Richardson Lyeth, Jr., & Munro Long - year Lyeth: 11.25% of 1/8	Midwest Oil Corporation	George V. White: 6% J.M. Richardson Lyeth, Jr., & Munro Long - year Lyeth: 6.25%	Midwest Oil Corporation - All
			11-7-72	Onez N. Rooney: 11.25% of 1/8	Midwest Oil Corporation	George V. White: 6% Onez N. Rooney: 6.25%	Midwest Oil Corporation - All
			8-7-72	W.H. Flowers: 12.5% of 1/8	L.C. Harris		
				J.C. Turner: 6.25% of 1/8			
				W.E. Harber: 6.25% of 1/8			
				Edwin Mathews Bedford: .50% of 1/8			
				Henry D. Bedford: .50% of 1/8			
				Charles F. Bedford: .50% of 1/8			
				Rachel B. Bowen: .50% of 1/8			
				Ellen Ann Wallace Williams: .50% of 1/8			
				**W.S. Patterson, et al: .50% of 1/8			
34	Sec. 18: SE $\frac{1}{4}$	320.00	10-17-65	Pearl A. Madera; Malcolm R. Madera; Rubert Madera; Ruford Madera; R.F. Madera, Jr.; Mildred A. Broman: 43.75% of 1/8	Gulfoil Corporation	Pearl A. Madera, et al: 1/32 x 8/8	*Gulf Oil Corporation - All
	Sec. 17: SW $\frac{1}{4}$		10-17-65				
				***E. F. King: 43.75% of 1/8	Gulf Oil Corporation	E. F. King: 1/32 x 8/8	*Gulf Oil Corporation - All
				Limpia Royalties, Inc.: 12.50% of 1/8	Not Leased		Not Leased

		Serial No. and Expiration Date		Basic Royalty & Percentage		Lessee of Record		Overriding Royalty and Percentage		Working Interest and Percentage	
Tract Number	Description of Land	No. of Acres	tion of Lease	Royalty	& Percentage						

FEE LANDS (Cont'd)

35	Sec.18: NW $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	10-14-65	V.O.Allen, a feme sole: 1/8		Gulf Oil Corpora- tion	None			*Gulf Oil Cor- poration - All	
36	Sec.18: NE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	10-19-65	R.H.Hutchinson		Gulf Oil Corpora- tion	None			*Gulf Oil Cor- poration - All	
37	Sec.18: SE $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	10-14-65	Zack Jones		Gulf Oil Corpora- tion	None			*Gulf Oil Cor- poration - All	
38	Sec.18: SW $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	10-14-65	Theodore Douglas Jones: 1/8 of 1/8 J.C.Jones: 1/8 of 1/8 Dorothy Hutchinson: 1/8 of 1/8 Clarence Jones: 1/8 of 1/8 Frank L.Jones,Jr.:1/8 of 1/8 Bobby Roy Jones: 1/8 of 1/8 Will Raymond Jones: 1/8 of 1/8 Linnie Corinne Stewart: 1/8 of 1/8		Gulf Oil Corpora- tion	None			*Gulf Oil Cor- poration - All	
39	Sec.18: Lot 1	40.24	1-14-66	F.D.Green: 1/8		Gulf Oil Corpora- tion	None			*Gulf Oil Cor- poration - All	
40	Sec.18: SE $\frac{1}{4}$ NW $\frac{1}{4}$	40.00	10-14-65	Robt.Hutchinson: 50% of 1/8 Rubert Madera:50% of 1/8		Gulf Oil Corpora- tion	None				
41	Sec.18: NE $\frac{1}{4}$ NW $\frac{1}{4}$	40.00		H. H. Jones		Not Leased				Not Leased	
42	Sec.18: Lot 2	40.25		Calvin O. Marchbanks: 33.33% of 1/8 Tishia E. Raney: 66.66% of 1/8		Not Leased				Not Leased	

Tract Number	Description of Land	No. of Acres	Serial No. and Expiration Date of Lease	Basic Royalty & Percentage	Overriding Royalty and Percentage	
					Lessee of Record	Working Interest and Percentage

FEE LANDS (Cont'd)

43	Sec. 26: W $\frac{1}{2}$ E $\frac{1}{2}$	160.00	Mrs. Zula B. Wylie: 60% of 1/8 Miss Georgia Bryant: 40% of 1/8	Not Leased	Not Leased
44	Sec. 27: NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$	240.00	Mrs. Zula B. Wylie: 60% of 1/8 Miss Georgia Bryant: 40% of 1/8	Not Leased	Not Leased

THIRTEEN (13) TRACTS OF FEE LANDS COMPRISING 1,400.49 ACRES, OR 12.151% OF UNIT AREA

TOTAL: 44 TRACTS COMPRISING 11,525.95 ACRES IN ENTIRE UNIT AREA

* Midwest Oil Corporation will earn fifty percent (50%) working interest upon completion of initial test well to a depth sufficient to test the Devonian Formation, but not to exceed a depth of 15,500 feet.

** This 1/16 royalty interest payable on account of the 1/2 mineral interest held by W. S. Patterson is payable as follows:

Veronica L. Felt and William J. Kendall:	.39% of 1/8
Frank Partlow:	.39% of 1/8
H. T. Schaefer:	.39% of 1/8
George F. Doran and Earl C. Miller:	.39% of 1/8
A. F. Buckles:	.39% of 1/8
A. M. Gorbin:	.39% of 1/8
W. S. Patterson:	3.90% of 1/8

*** Subject to 3.125% non-participating royalty to Ethel A. Doran Estate.

MIDWEST OIL CORPORATION

1500 WILCO BUILDING

MIDLAND, TEXAS

GENERAL OFFICES
1700 BROADWAY
DENVER 2, COLORADO

DIVISION OFFICE
1200 CONTINENTAL NATIONAL
BANK BUILDING
FORT WORTH 2, TEXAS

BEFORE EXAMINED BY	
OIL	5
CASE NO. 248	

CUSTER MOUNTAIN UNIT

T-24S R-35E

Lea County, New Mexico

CONFIDENTIAL
MIDWEST OIL CORP.

TABLE OF CONTENTS

INTRODUCTION	Page 1
GEOLOGICAL AND GEOPHYSICAL REPORT	Page 2 & 3
CONCLUSION	Page 3
COST ESTIMATE	Page 4, 5, & 6

ENCLOSURES:

GEOPHYSICAL MAPS

Reflection Seismic Maps

Permian

Devonian

Permian-Devonian Isopach

CUSTER MOUNTAIN UNIT
Lea County, New Mexico

INTRODUCTION

Midwest Oil Corporation is proposing the formation of a unit, herein called the Custer Mountain Unit, to be located in T-24S, R-35E, Lea County, New Mexico, for the purpose of drilling a 15,500 foot Devonian test.

The proposed unit will be comprised of 18 sections involving Federal, State of New Mexico and patented fee lands. A tentative drillsite has been selected in the south half of Section 9, T-24S, R-35E.

GEOLOGICAL REPORT

GEOLOGICAL AND GEOPHYSICAL ABSTRACT

The Custer Mountain Unit is located along the northeastern side of the Delaware Basin approximately 14 miles northwest of the Jal, New Mexico townsite. The Delaware Basin facies grade into the Central Basin Platform facies, approximately five miles to the northeast and the Shelf (back-reef facies) 12 miles to the northwest.

The area of interest is a seismic anomaly located along a general north-south trending pre-Pennsylvanian structural ridge line positioned between the highly productive Bell Lake Unit, Antelope Ridge Unit, and the recently completed Skelly No. 1 West Jal Unit, an indicated prolific Pennsylvanian gas producer.

Located eight miles to the west of the prospect area is the prominent multipay Bell Lake Anticline where three Devonian gas wells, two Pennsylvanian gas wells, and one Bone Spring oil well are producing from a structure similar to the one outlined by the prospect area. Structural and stratigraphic conditions associated with indicated faulting serve to provide the necessary trapping mechanisms.

The objective horizons in this area of interest will include the Cherry Canyon and Brushy Canyon members of the Delaware Mountain Group, Bone Spring, Wolfcamp, Pennsylvanian and Devonian.

Using seismic information as a determining factor the proposed unit of 18 sections has been outlined. Acreage has been included to take into consideration each of the possible trapping conditions favorable for the accumulation of oil and/or gas in the prospect area.

GEOLOGICAL DISCUSSION

The key wells near this prospect are located in the Bell Lake Unit eight miles to the west, Antelope Ridge Unit three miles to the west and the Skelly No. 1 West Jal Unit eleven miles southeast.

The Bell Lake Unit structure is currently developed with three Devonian gas wells, two Pennsylvanian gas wells and one Bone Spring oil well. The Pennsylvanian producers have potentialized from six to 13 million cubic feet of gas per day with up to 40 barrels of distillate per million cubic feet of gas. Devonian production can be considered very good as indicated by potentials of 6.4 to 30 million cubic feet of gas per day with distillate production comparable to that of the Pennsylvanian. The Bone Spring limestone is currently producing from the upper 150 feet with additional shows noted at deeper intervals in this formation.

This well has produced in excess of 50,000 barrels of 40 deg. gravity oil. Previous testing, coring and sample shows in the Delaware Mountain Group have indicated 300 feet of possible pay that has never been production tested. Gas to surface on drillstem tests and gas shows in the drilling mud over a 220 foot section of the Delaware Mountain Group indicate the total 3500 foot interval to be one of the prime objectives for substantial oil and gas production. Crest wells in the Bell Lake Unit have established Devonian production while flank wells, barren in the Devonian, have found the Pennsylvanian and Bone Spring productive. There is essentially 1200 feet of west dip on the Devonian formation between Continental's No. 4 Bell Lake Unit and No. 5- M Bell Lake Unit, which are separated by a distance of one mile. This suggests very strongly, a down to the west fault flanking the field on the west side with production established on both sides but from two different formations. There is a definite evidence that the Bell Lake Unit has established production from reservoir conditions generated by structural closure as well as stratigraphic trapping due to lithologic changes and associated faulting, so that production may be anticipated on the flanks as well as the crest of the indicated structure.

The Antelope Ridge Unit currently has one completed well and another nearing completion depth. The discovery well, Shell No. 1 Harris Federal, has been recently completed as a Devonian gas discovery and was reported to have been potentialized at a rate of 50 million cubic feet of gas per day through a 24/64 inch choke, plus 23 barrels of distillate per million cubic feet of gas. The second well is a one and one-half mile south offset to the discovery. All of the detailed well information relative to either well has not yet been released by Shell, so it is not possible to accurately describe other possible productive formations established by these tests.

Skelly Oil Company's recent prolific Pennsylvanian discovery, the No. 1 West Jal Unit, has been potentialized for a tremendous 310 million cubic feet of gas per day on a calculated absolute open flow. This well was drilled into the Devonian formation which was found to be none productive. A safe assumption might be that this well is related to but not positioned on the crest of a Devonian structure since favorable reservoir characteristics were found to exist in this formation although hydrocarbons were not present in commercial quantity. It is, therefore, assumed that the Pennsylvanian gas production is probably stratigraphic in nature.

The Delaware Mountain group is composed largely of sands with interbedded shale and limestone units. Stratigraphic and structurally controlled reservoirs are present throughout the entire sequence. However, virtually all reservoirs below the Bell Canyon are related in some manner to structure. Carbonate porosity development and clean sand pinchouts are present on the flanks of deeper features, and carbonate and some sand reservoirs are coincident with the crests of closed structural highs. The Bone Spring and Wolfcamp are made up predominately of finely crystalline limestones and interbedded dolomites with fracture and vugular porosity. Sand lenses of fine grained, friable, slightly argillaceous quartz sand interfingered between the beds of limestone are found in the Bone Spring formation while the Wolfcamp is comprised of chiefly crystalline limestones interbedded with shales. Primary porosity development is the controlling factor for oil accumulation in these two formations. The Pennsylvanian consists of interbedded shales, limestones and sandstones. The basin facies of the Pennsylvanian are primarily carbonates with some sands, and production has been established from each of these deposits. Primary porosity and permeability development here again is the controlling factor for oil and/or gas production. The Devonian consists of finely crystalline limestone and some dolomite with fracture and vugular porosity. Structure closure and associated porosity, permeability and fracturing serve as desired reservoir conditions.

Seismic data has been used to locate and define the prospect area. Briefly, the prospect was surveyed by utilizing shallow shot patterns consisting of 36 twenty foot shot holes directed into geophone trace patterns consisting of 21 geophones per station. Control points were located one-third of a mile apart which is considered adequate for the size structure detected. Data quality ranged from very poor to good. Continuous reflection mapping was not possible due to the inconsistent data quality so that the prepared maps have been constructed from a combination of continuous reflection ties and average dip segments. It was possible to construct maps identified as the Permian and Devonian horizons and an associated isopach map from these horizons. Positive identification of reflected events was not possible due to a lack of accurate velocity information. Nevertheless it is felt that the prepared maps are reliable insofar as the establishment of a drillable structure is concerned.

CONCLUSION

From the seismic mapping in this area a structure of significant importance has been located centering in Section 9, T-24S, R-35E. There is approximately 400 feet of controlled Devonian closure associated with a tremendous thinning effect indicated from the flanks to the apex of the structure as shown on the Yates-Devonian Isopach.

The outline of the 18 section unit has been derived from combining seismic information with the general geologic structural, stratigraphic and associated faulting conditions occurring in the known productive wells in the area. All the acreage included in the outline can be considered potentially productive. Sections 4, 5, 7, 8, 9, 16, 17, and 18 are considered as prospective from the Delaware Mountain Group down through and including the Devonian. Sections 15, 20, 21, 22, and 27 are considered prospective from the Delaware Mountain Group through and including the Pennsylvanian formations. Sections 3, 10, 14, 23, and 26 are associated with down thrown fault block which indicates some 800 feet of closure against the faults which could serve as an excellent Devonian reservoir. The Delaware Mountain Group through and including the Pennsylvanian can also be considered prospective.

No acreage outside the limits of control or considered non-prospective has been included in the proposed unit.

COST ESTIMATE

~~MIDWEST OIL CORPORATION~~
~~AUTHORITY FOR DRILLING~~

BUDGET STATUS:

DATE PREPARED April 23, 1963REQUEST FOR 19

BUDGET ITEM No. _____

AFE No. _____

L. OR R. NUMBER _____

TO: DRILL _____ RECOMPLETE _____

LEASE Custer Mountain Unit WELL NO. 1 LOCATION 1980' FWL & 660' FSL ofSection 9, T-24-S, R-34-ECOUNTY/PARISH Lea STATE New MexicoFIELD _____ WILDCAT ☒ DEVELOPMENT ☐

MIDWEST W.I. _____ % SPACING PATTERN _____

PROJECTED DEPTH 15,500 PRODUCING FORMATION Devonian

AVAILABLE P. L. OUTLET _____ DRILLING CONTRACTOR _____

MUST COMMENCE OPERATIONS ☐ DRILLING ☐ BY August 15 19 63

INTANGIBLE DRILLING COSTS

PRODUCING
WELL COSTDRY
HOLE COST

1. FOOTAGE <u>12,000</u> FT. @ \$ <u>10.50</u> PER FT.	\$ <u>126,000</u>	\$ <u>126,000</u>
2. DAYWORK <u>100</u> DAYS WDP @ \$ <u>1500</u> DAY	<u>150,000.</u>	<u>150,000.</u>
<u>10</u> DAYS WODP @ \$ <u>1100</u> DAY	<u>11,000.</u>	<u>11,000.</u>
3. CORING _____ FEET AT \$ _____ PER FT.		
CORE ANALYSIS \$ _____ SIDE WALL CORES \$ _____		
4. WELL SURVEYS & TEST SERVICES:		
DRILLSTEM TESTS <u>12</u>	<u>6,000.</u>	<u>6,000.</u>
ELECTRIC LOGGING _____	<u>9,500.</u>	<u>9,500.</u>
MICROLOGGING _____		
RADIOACTIVITY LOGGING _____		
MUD LOGGING _____	<u>30,000.</u>	<u>30,000.</u>
OTHER SURVEYS _____		
5. EQUIPMENT RENTALS:		
TOOLS, PACKERS, ETC. \$ <u>40,000</u> GEOLOGRAPH \$ _____	<u>40,000.</u>	<u>40,000.</u>
6. LABOR: CONTRACT \$ <u>3,000</u> COMPANY \$ _____	<u>3,000.</u>	<u>3,000.</u>
7. FUEL \$ _____ WATER \$ <u>10,000</u>	<u>5,000.</u>	<u>5,000.</u>
8. DIGGING PITS \$ _____ FILLING PITS \$ <u>500</u>	<u>500.</u>	<u>500.</u>
9. GRADING: LOCATION \$ <u>2,000</u> ROADS \$ <u>3,000</u>	<u>5,000.</u>	<u>5,000.</u>
10. TEAMING & TRUCKING _____	<u>6,000.</u>	<u>5,000.</u>
11. CEMENTING: CONDUCTOR _____	<u>1,000.</u>	<u>1,000.</u>
SURFACE \$ <u>1,500</u> INTERMEDIATE \$ <u>10,000</u>	<u>11,500.</u>	<u>11,500.</u>
PRODUCTION STRING \$ <u>1000</u> LINER \$ <u>1000</u>	<u>2,000.</u>	<u>2,000.</u>
12. DRILLING MUD & CHEMICALS _____	<u>200,000</u>	<u>200,000.</u>
13. ACIDIZING \$ <u>4,000</u> FRACTURING \$ _____ PERF. \$ <u>1,000</u>	<u>5,000</u>	
14. BITS <u>4 - 8 3/4 @ \$855</u> <u>75 - 6 1/8" @ 11,710</u>	<u>12,565.</u>	<u>12,565.</u>
15. SUPERVISION & OVERHEAD:		
ENGINEERING _____	<u>4,000.</u>	<u>3,000.</u>
GEOLOGICAL _____	<u>4,000.</u>	<u>4,000.</u>
DISTRICT EXPENSE & OVERHEAD _____	<u>3,000.</u>	<u>3,000.</u>
16. LOSS AND DAMAGES _____	<u>1,000.</u>	<u>1,000.</u>
17. MISCELLANEOUS:		
FLOATING EQUIPMENT _____	<u>4,000.</u>	<u>3,000.</u>
SCRATCHERS & CENTRALIZERS _____	<u>2,000.</u>	<u>1,500.</u>
WELDING _____	<u>800.</u>	<u>600.</u>
SWABBING _____	<u>1,000.</u>	
OTHER _____		
18. CONTRIBUTIONS TO BE RECEIVED <u>Shell Oil Co.</u>		<u>5,000.</u>
TOTAL INTANGIBLE DRILLING COSTS _____	\$ <u>643,865.</u>	\$ <u>629,165.</u>

PAGE 2

PRODUCING
WELL COST

DRY
HOLE COST

2. CASING:

6300	FT. OF	7" 23# N-80 XL	@ \$	/FT.	20,412	20,412.
2200	FT. OF	7" 26# N-80 LT&C	@ \$	/FT.	7,986.	7,986.
2500	FT. OF	7" 29# N-80 LT&C	@ \$	/FT.	10,125.	10,125.
1500	FT. OF	7" 32# N-80 LT&C	@ \$	/FT.	6,705	6,705
	FT. OF		@ \$	/FT.		
	FT. OF		@ \$	/FT.		
	FT. OF		@ \$	/FT.		
	FT. OF		@ \$	/FT.		

TUEING:					
3500	FT. OF	5 1/2" 17# P-110 HYDRIL FJ	@ S	3.27	/FT. 11,445.
	FT. OF		@ S		/FT.

3. Rods:			
_____ FT. OF _____	@ \$ _____	/FT.	
_____ FT. OF _____	@ \$ _____	/FT.	

WELL PUMP		
-----------	--	--

4. PACKERS & SUBSURFACE EQUIPMENT		
-----------------------------------	--	--

5. WELL HEAD EQUIPMENT:		
-------------------------	--	--

CASING HEAD ASSEMBLY		
----------------------	--	--

TUBING HEAD ASSEMBLY		
----------------------	--	--

MANIFOLD & FLOW CONTROL ASSEMBLY

7. PUMPING UNIT	ENGINE		
-----------------	--------	--	--

9. MISCELLANEOUS: _____

TOTAL WELL EQUIPMENT. \$ _____ \$ _____

5.

5.

10. TANK BATTERY:

WELDED: NO. _____ SIZE & TYPE _____ @ \$ _____ \$ _____ \$ _____

BOLTED: No. _____ SIZE & TYPE _____ @ \$ _____

SEPARATOR \$ _____ HEATER TREATER \$ _____

14. FLOW LINE:

FT. OF _____ @ S _____ / FT. _____

21. MISCELLANEOUS: _____

TOTAL LEASE EQUIPMENT \$ _____ \$ _____

TOTAL EQUIPMENT _____ \$ _____ \$ _____

TOTAL COST		2	2
------------	--	---	---

MIDWEST'S _____ % INTEREST _____ \$ _____ \$ _____

REMARKS:

PREPARED BY: _____

DATE APPROVED _____

DEPARTMENTAL APPROVALS:

AUTHORITY: _____

BOD. DEPT. _____ GEOL. DEPT. _____

BY: _____

AND DEPT _____

MIDWEST OIL CORPORATION
AUTHORITY FOR DRILLING

PAGE 2

WELL EQUIPMENT				PRODUCING WELL COST	DRY HOLE COST
2. CASING:					
700	FT. OF	20" 94# H-40 ST&C	@ \$ 12.92 /FT.	9,044.	9,044.
2000	FT. OF	13 3/8" 54.50# J-55 ST&C	@ \$ 6.62 /FT.	13,240.	13,240.
800	FT. OF	13 3/8" 61# J-55 ST&C	@ \$ 7.36 /FT.	5,888.	5,888.
1000	FT. OF	13 3/8" 68# J-55 ST&C	@ \$ 8.15 /FT.	8,150.	8,150.
200	FT. OF	13 3/8" 72# N-80 LT&C	@ \$ 10.44 /FT.	2,088.	2,088.
600	FT. OF	9 5/8" 43.5# P-110 XL	@ \$ 7.56 /FT.	4,536.	4,536.
5900	FT. OF	9 5/8" 43.5# N-80 XL	@ \$ 6.19 /FT.	36,521.	36,521.
1300	FT. OF	9 5/8" 47# N-80 XL	@ \$ 6.69 /FT.	8,697.	8,697.
3000	FT. OF	9 5/8" 47# P-110 XL	@ \$ 8.16 /FT.	24,480.	24,480.
1200	FT. OF	9 5/8" 53.5 P-110 XL	@ \$ 9.29 /FT.	11,148.	11,148.
TUBING:					
15,500	FT. OF	2 3/8" EUE P-110	@ \$ 1.23 /FT.	19,065.	
	FT. OF		@ \$ /FT.		
3. RODS:					
	FT. OF		@ \$ /FT.		
	FT. OF		@ \$ /FT.		
WELL PUMP					
4. PACKERS & SUBSURFACE EQUIPMENT				850.	
5. WELL HEAD EQUIPMENT:					
Casing Head Assembly				4,000.	
Tubing Head Assembly				2,000.	
Manifold & Flow Control Assembly				2,000.	
7. Pumping Unit ENGINE					
9. MISCELLANEOUS:					
TOTAL WELL EQUIPMENT				\$208,380.	\$169,020.
LEASE EQUIPMENT					
10. TANK BATTERY:					
WELDED: NO. SIZE & TYPE @ \$				\$	\$
BOLTED: NO. 2 SIZE & TYPE HT 500 @ \$				3,000	
SEPARATOR S 2000 HEATER TREATER S				2,000.	
14. FLOW LINE:					
1500	FT. OF	2 3/8" J-55 EUE tbg.	@ \$.67 /FT.	1,005.	
21. MISCELLANEOUS:					
TOTAL LEASE EQUIPMENT				\$ 6,005.	\$
TOTAL EQUIPMENT				\$214,385.	\$
TOTAL COST				\$858,250.	\$798,185.
MIDWEST'S % INTEREST				\$	\$

REMARKS:

This estimate covers a minimum charge and does not allow for contingencies. Approximately 25% should be allowed above this estimate for contingencies.

PREPARED BY:	DATE APPROVED
DEPARTMENTAL APPROVALS:	AUTHORITY:
PROD. DEPT. GEOL. DEPT.	BY:
LAND DEPT.	