

UNIT AGREEMENT

MILNESAND (SAN ANDRES) UNIT

ROOSEVELT COUNTY, NEW MEXICO

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I N D E X

<u>SECTION</u>		<u>PAGE</u>
1	Enabling Act and Regulations	2
2	Unit Area and Definitions	2
3	Exhibits	6
4	Expansion	7
5	Unitized Land and Unitized Substances	8
6	Unit Operator	8
7	Resignation or Removal of Unit Operator	9
8	Successor Unit Operator	10
9	Accounting Provisions and Unit Operating Agreement	11
10	Rights and Obligations of Unit Operator	12
11	Plan of Operations	12
12	Easements or Use of Surface	14
13	Tract Participation	14
14	Tracts Qualified for Unit Participation	17
15	Allocation of Unitized Substances	19
16	Royalty Settlement	23
17	Rental Settlement	24
18	Conservation	25
19	Drainage	25
20	Leases and Contracts Conformed and Extended	25
21	Mathematical Errors	27
22	Covenants Run with Land	27
23	Effective Date and Term	28
24	Rate of Prospecting, Development and Production	30
25	Nondiscrimination	30
26	Appearances	30
27	Notices	31
28	No Waiver of Certain Rights	31
29	Unavoidable Delay	31
30	Loss of Title	32
31	Nonjoinder and Subsequent Joinder	33
32	Counterparts	34
33	Taxes	34
34	Conflict of Supervision	35
35	No Partnership	35
36	Production as of the Effective Date	36
37	Border Agreement	36
	EXHIBIT A (Map of Unit Area)	
	EXHIBIT B (Schedule of Ownership)	
	EXHIBIT C (Tract Participation)	

UNIT AGREEMENT  
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ROOSEVELT COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "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 or gas interests in the Unit Area subject to this Agreement; and

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

WHEREAS, the Mineral Leasing Act of February 25, 1920 (41 Stat. 437, as amended 30 U.S.C. Sections 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 parties hereto hold sufficient interests in the Milnesand (San Andres) Unit Area, covering the land hereinafter described to give reasonably effective control of

operation therein; and

WHEREAS, it is the purpose of the parties hereto to enable institution and consummation of secondary recovery operations, conserve natural resources, to prevent waste and secure the 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:

SECTION 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 and valid, pertinent and reasonable regulations hereafter issued thereunder are accepted and made a part of this Agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this Agreement; and as to non-Federal lands, the oil and gas operating regulations in effect as of the effective date hereof governing drilling and producing operations, not inconsistent with the terms hereof or the laws of the State in which the non-Federal land is located, are hereby accepted and made a part of this Agreement.

SECTION 2. UNIT AREA AND DEFINITIONS. For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Union Texas Petroleum" shall mean "Union Texas Petroleum, a division of Allied Chemical Corporation".

(b) The area described by tracts in Exhibit B and depicted on Exhibit A attached hereto is hereby designated and

recognized as constituting the Unit Area, and is described as follows:

ROOSEVELT COUNTY, NEW MEXICO

T. 8 S., R. 34 E.

Section 12: E/2, SW/4, E/2 NW/4, SW/4 NW/4

Section 13: All

Section 14: E/2

Section 23: NE/4, NE/4 SE/4

Section 24: E/2, NW/4, N/2 SW/4, SE/4 SW/4

Section 25: NE/4, E/2 SE/4

T. 8 S., R. 35 E.

Section 5: SW/4, W/2 SE/4

Section 6: S/2 S/2

Section 7: All

Section 8: N/2 NW/4, SW/4 NW/4, NW/4 NE/4

Section 18: All

Section 19: All

Section 20: SW/4, W/2 NW/4, S/2 SE/4

containing 5,370.18 acres, more or less.

(c) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(d) "Director" is defined as the Director of the United States Geological Survey.

(e) "Secretary" is defined as the Secretary of the Interior of the United States of America or any other person duly authorized to exercise the powers vested in that office.

(f) "Department" is defined as the Department of the Interior of the United States of America.

(g) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey for the region in

which the Unit Area is situated.

(h) "Unitized Formation" means that interval underlying the Unit Area which is productive of Unitized Substances and the vertical limits of which extend from a point at the top of the "B" marker of the San Andres formation to 190 feet below said top of the "B" marker; said interval having been heretofore found to occur in Union Texas Petroleum's (formerly El Chorro's) Heffelfinger No. 2 well (located 660 feet FNL and FWL, Section 18, Township 8 South, Range 35 East, Roosevelt County, New Mexico) at an indicated depth of from 4530 feet to 4720 feet, as recorded on the Well Perforators, Inc., Radioactivity log, said log being measured from a Kelly bushing elevation of 4250 feet above sea level.

(i) "Unitized Substances" means all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation.

(j) "Unit Participation" of a Working Interest Owner as used herein shall mean the sum of the Tract Participations of such Working Interest Owner, either Primary Phase or Secondary Phase, whichever is pertinent, as shown by Tracts for each such Working Interest Owner in Exhibit C to this Agreement.

(k) "Working Interest" means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, which interest is chargeable with and obligated to pay or bear, either in cash or out of production or otherwise, all or a portion of the cost of drilling, developing, producing and operating the Unitized Formation.

(l) "Working Interest Owner" means a party hereto who owns a Working Interest. The owner of oil and gas rights that are

free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths (7/8) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth (1/8) interest therein.

(m) "Royalty Interest" means a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

(n) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.

(o) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more entered into separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 9, *infra*, and shall be styled "Unit Operating Agreement, Milnesand (San Andres) Unit, Roosevelt County, New Mexico".

(p) "Unit Manager" is defined as the person or corporation appointed by the Unit Working Interest Owners to perform the duties of the Unit Operator until the selection and qualification of a successor Unit Operator as provided for in Section 8 hereof.

(q) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the unitized land.

(r) "Primary Phase of Operations" sometimes referred to as "Primary Phase" is defined as the period of unitized operations commencing with the effective date of this Agreement and ending at 7 o'clock A. M. the first day of the calendar month next following the month in which the total volume of merchantable oil produced from the Unit Area, subsequent to September 1, 1966, exceeds 2,284,845 barrels. For the purposes of this definition the



Operator's Monthly Reports, Form C-115, filed with the New Mexico Oil Conservation Commission shall be deemed the controlling evidence of the production of 2,284,845 barrels of oil after September 1, 1966.

(s) "Secondary Phase of Operations" sometimes referred to as "Secondary Phase" is defined as the period of unitized operations subsequent to the completion of the Primary Phase of Operations, i.e., the period of time commencing at 7:00 o'clock A.M. the first day of the calendar month next following the month in which the total volume of merchantable oil produced from the Unit Area, subsequent to September 1, 1966, exceeds 2,284,845 barrels and ending with the termination of unitized operations.

(t) "Tract" is defined as each parcel of land described as such and given a tract number in Exhibit B.

SECTION 3. EXHIBITS. Exhibit A attached hereto is a map showing the Unit Area and the boundaries and identity of tracts and leases in said Unit 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 comprising each tract, percentage and kind of ownership of oil and gas interests in all land in the Unit Area. Exhibit C is a schedule showing the percentage of participation credited to each tract during Primary Phase and Secondary Phase on the basis of the commitment of all tracts to this unit agreement. 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, B and C shall be revised by the Unit Operator whenever changes render such revision necessary or when requested by the Supervisor, and not less than four copies

thereof shall be filed with the Supervisor as required.

SECTION 4. EXPANSION. The Unit Area may when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this Agreement. Such expansion shall be effected in the following manner:

(a) The Working Interest Owner or Owners of a tract or tracts desiring to bring such tract or tracts into this Unit shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the tract participation to be assigned to such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise), if three or more Working Interest Owners having in the aggregate eighty percent (80%) or more Secondary Phase Participation have agreed to such tract or tracts being brought into the Unit, then Unit Operator shall:

(1) After preliminary concurrence by the Director prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the Primary and Secondary Phase Participations to be assigned thereto and the proposed effective date thereof; and

(2) Deliver copies of said notice to the Supervisor, each Working Interest Owner and to the lessee and lessor whose interests are affected, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above with the Supervisor the following: (a) Evidence of mailing or delivering copies of said notice of expansion; (b) An application for approval of such expansion; (c) An instrument containing the appropriate joinders reflecting the qualifications of the new tract in the same manner required for the qualification of tracts under Section 14 hereof; and (d) Copies of any objections received.

The expansion shall, after due consideration of all pertinent information and approval by the Commission and the Supervisor, become effective as of the date prescribed in the notice thereof, preferably the first day of a month subsequent to the date of notice or on such other date as set by the Commission and the Supervisor in the order or instrument approving such expansion. In any approved expansion of the Unit Area, the revised Tract Participations of those Tracts which were committed prior to each such expansion shall remain in the same ratio one to another.

SECTION 5. 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, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the Unitized Formation are called "Unitized Substances". Nothing herein shall be construed to unitize, pool or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation as above described.

SECTION 6. UNIT OPERATOR. Union Texas Petroleum is hereby designated the Unit Operator, and by signing this

instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, 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 a Working Interest Owner. The term "Working Interest Owner" when used herein shall include the Unit Operator as the owner of a Working Interest when such an interest is owned by it.

SECTION 7. RESIGNATION OR REMOVAL OF UNIT OPERATOR.

Unit Operator shall have the right to resign at any time, 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 (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners and the Director, and until all unit wells are placed in a condition satisfactory to the Supervisor for suspension or abandonment of operations, whichever is intended by the Unit Manager, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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 shall, upon default or failure in the performance of its duties or obligations hereunder, or for any other cause, be subject to removal by two or more of the committed Working Interest Owners having in the aggregate eighty percent (80%) or more Unit Participation for the Secondary Phase of Operations exclusive of the Unit Participation of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon

notice thereof to the Director.

In all such instances of effective resignation or removal, until a successor to Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for the performance of the duties of the Unit Operator and shall, not later than thirty (30) days before such resignation or removal becomes effective, appoint a Unit Manager to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this Agreement shall not terminate its rights, 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 wells, equipment, books and records, materials, appurtenances and any other assets used in connection with the Unit operations and owned by the Working Interest Owners to the new duly qualified successor Unit Operator or to the Unit Manager 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 the removal of any materials, equipment or appurtenances needed for the preservation of any wells. Nothing herein contained shall be construed to relieve or discharge any Unit Operator who resigns or is removed hereunder for any liability or duties accruing or performable by it prior to the effective date of such resignation or removal.

SECTION 8. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall select a successor Unit Operator as herein provided. Such selection shall not become effective until (a) a Unit Operator so

selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Supervisor. If no successor Unit Operator or Unit Manager is selected and approved as herein provided, the Director, at his election, may declare this Agreement terminated.

In selecting a successor Unit Operator the affirmative vote of three or more Working Interest Owners having a total of at least sixty percent (60%) or more of the total Voting Interest in the Unit shall prevail, provided that if any one Working Interest Owner has a voting interest of more than forty percent (40%), its negative vote or failure to vote shall not be regarded as sufficient unless supported by the vote of one or more other Working Interest Owners having a combined voting interest of at least five percent (5%). If the Unit Operator who is removed votes only to succeed itself or fails to vote, the successor Unit Operator may be selected by the affirmative vote of at least fifty-one percent (51%) of the Voting Interest remaining after excluding the Voting Interest of Unit Operator so removed. In voting under this Section 8 each Working Interest Owner shall have a Voting Interest equal to its Secondary Phase Unit Participation.

SECTION 9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. Costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with 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 the 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 Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Unit Agreement shall prevail. Three true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Supervisor prior to approval of this Agreement.

SECTION 10. 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. Upon request acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this Agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement it being understood that under this Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

SECTION 11. PLAN OF OPERATIONS. It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this Agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of Unitized

Substances, prevent waste and conserve natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor and the Commission, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil and any one or more other substances or combination of substances, whether produced from the Unitized Formation or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. After commencement of secondary operations, Unit Operator shall furnish the Supervisor monthly injection and production reports for each well in the Unit. The Working Interest Owners and the Supervisor shall be furnished periodic reports on the progress of the plan of operation and any revisions or changes thereto necessary to meet changed conditions or to protect the interests of all parties to this Agreement, which revisions and changes shall be subject to approval by the Commission and the Supervisor. Subject to like approval the Plan of Operation may be revised as conditions may warrant.

The initial plan of operation shall be filed for approval with the Supervisor and the Commission concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor and the Commission may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period



of operation.

SECTION 12. EASEMENTS OR USE OF SURFACE. The parties hereto, to the extent of their rights and interest, hereby grant to Working Interest Owners the right to use as much of the surface of the land within the Unit Area as may reasonably be necessary for unit operations and for the removal of Unitized Substances from the Unit Area, including the free use of water from the Unit Area for unit operations, insofar as such rights are granted by the oil and gas leases.

SECTION 13. TRACT PARTICIPATION. In Exhibit C attached hereto there are listed and numbered the various tracts within the Unit Area, and set forth opposite each tract are figures calculated and determined in accordance with the factors set forth in this section which represent the percentage of participation which would be allocated to each tract in the Unit Area during the Primary and Secondary Phases of Operations, respectively, as those terms are defined herein if all tracts in the Unit Area qualify for participation in Unitized Substances.

Beginning at 7:00 A.M. on the effective date hereof and until 7 o'clock A. M. on the first day of the month next following the date when cumulative oil production from all of the tracts described in Exhibit B from the Unitized Formation, subsequent to September 1, 1966, equals 2,284,845 barrels, the participation of each tract shall be equal to:

Primary Phase =  $0.25 \times A/B + 0.75 \times C/D$  where:

A = Total quantity of oil produced from such Tract from the Unitized Formation during the period from January 1, 1966, to September 1, 1966.

B = Total quantity of oil produced from all Tracts in the Unit Area from the Unitized Formation during the

period from January 1, 1966, to September 1, 1966.

C = Total remaining barrels of primary oil to be produced from such Tract from and after September 1, 1966, as presented in the Engineering Study, Waterflood Feasibility, Proposed Milnesand (San Andres) Unit, dated February 1968 and prepared by the Technical Subcommittee.

D = Total remaining barrels of primary oil to be produced from all Tracts in the Unit Area from and after September 1, 1966, as shown for such Tracts in the Engineering Study, Waterflood Feasibility, Proposed Milnesand (San Andres) Unit, dated February 1968 and prepared by the Technical Subcommittee.

For purposes of determining when the 2,284,845 barrels of oil has been produced in reference to this provision, the Operator's Monthly Production Report, Form C-115, on file with the New Mexico Oil Conservation Commission shall be deemed the controlling evidence.

Beginning at 7 o'clock A. M. on the first day of the month following the date when the 2,284,845 barrels referred to immediately above shall have been produced, the participation of each tract shall be based:

$$\text{Secondary Phase} = 0.75 \times A/B + 0.05 \times C/D + 0.20$$

$\times E/F$  where:

A = Total number of ultimate primary barrels of oil produced or to be produced from such Tract as presented in the Engineering Study, Waterflood Feasibility, Proposed Milnesand (San Andres) Unit, dated February 1968 and prepared by the Technical Subcommittee.

B = Total number of ultimate primary barrels of oil produced or to be produced from all Tracts in the Unit Area as shown for such Tracts in the Engineering Study, Waterflood Feasibility, Proposed Milnesand (San Andres) Unit, dated February 1968 and prepared by the Technical Subcommittee.

C = Total porosity acre feet attributable to such Tract as presented in the Engineering Study, Waterflood Feasibility, Proposed Milnesand (San Andres) Unit, dated February 1968 and prepared by the Technical Subcommittee.

D = Total porosity acre feet attributable to all Tracts in the Unit Area as shown for such Tracts in the Engineering Study, Waterflood Feasibility, Proposed Milnesand (San Andres) Unit, dated February 1968 and prepared by the Technical Subcommittee.

E = Total quantity of oil produced from such Tract from the Unitized Formation from date of initial completion to September 1, 1966.

F = Total quantity of oil produced from all Tracts in the Unit Area from the Unitized Formation from date of initial completion to September 1, 1966.

The percentages computed for Primary and Secondary Phases are shown on Exhibit C and are based on data approved by the Working Interest Owners.

In the event less than all tracts are qualified for participation on the effective date hereof, the Primary and Secondary Phase Participation percentages shall be calculated by using the

same Tract factors and formula which were used to arrive at the Tract Participation of each tract as set out in the original Exhibit C but applying the same only to those Tracts which are qualified for participation effective as of the effective date of the Unit Agreement.

SECTION 14. TRACTS QUALIFIED FOR PARTICIPATION. On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participate in the production of Unitized Substances therefrom shall be those tracts more particularly described in Exhibit B that corner or have a common boundary (tracts separated only by a public highway or a railroad right-of-way shall be considered to have a common boundary), and that otherwise qualify as follows:

(a) Each tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest therein have become parties to this Agreement and as to which Royalty Owners owning seventy-five percent (75%) or more of the Royalty Interest therein have become parties to this Agreement.

(b) Each tract as to which Working Interest Owners owning one hundred percent (100%) of the Working Interest therein have become parties to this Agreement, and as to which Royalty Owners owning less than seventy-five percent (75%) of the Royalty Interest therein have become parties to this Agreement, and as to which (1) all Working Interest Owners in such tracts have joined in a request for the inclusion of such tract to this Agreement, and as to which (2) seventy-five percent (75%) of the combined Secondary Phase voting interests of Working Interest Owners in all tracts that meet the requirements of Section 14 (a) above have voted in favor of the inclusion of such tract. For the purpose of this Section 14 (b) the voting interest of a Working Interest

Owner shall be equal to the ratio that its Secondary Phase Participation attributable to tracts which qualify under Section 14 (a) bears to the total Secondary Phase Participation of all Working Interest Owners attributable to all tracts which qualify under Section 14 (a).

(c) Each tract as to which Working Interest Owners owning less than one hundred percent (100%) of the Working Interest therein have become parties to this Agreement, regardless of the percentage of Royalty Interest therein that is committed hereto, and as to which (1) the Working Interest Owner who operates the tract and all other Working Interest Owners in such tract who have become parties to this agreement have joined in a request for inclusion of such tract and have executed and delivered an indemnity agreement indemnifying and agreeing to hold harmless the other Working Interest Owners that are parties hereto, their successors and assigns, against all claims and demands that may be made by the owners of Working Interests in such tract who are not parties to this Agreement, and which arise out of the inclusion of the tract; and as to which (2) seventy-five percent (75%) or more of the combined voting interest of the Working Interest Owners in all tracts that meet the requirements of Section 14 (a) and 14 (b) have voted in favor of the inclusion of such tract and to accept the indemnity agreement. For the purpose of this Section 14 (c), the voting interest of each Working Interest Owner shall be equal to the ratio that its Secondary Phase Participation attributable to tracts that qualify under Sections 14 (a) and 14 (b) bears to the total Secondary Phase Participation of all other Working Interest Owners attributable to all tracts that qualify under Sections 14 (a) and 14 (b). Upon the qualification of such a tract, the Tract Participations under either the Primary or Secondary Phase

of operations which would have been attributed to the non-subscribing owners of the working interest in such tract, had they become parties to this Agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such tract who have become parties to such agreements in proportion to their respective working interests in the tract.

As the objective of this Unit Agreement is to have lands in the Unit Area operated and entitled to participation under the terms hereof, it is agreed that, notwithstanding anything else herein, no joinder shall be considered a commitment to this Unit Agreement unless the tract involved is qualified under this Section 14 hereof, Tracts Qualified for Participation. The record interest shall supplant the royalty interest with respect to Federal lands for the purposes of this section.

If, on the effective date of this Agreement, there is any tract or tracts which have not been committed as above provided, then such tract or tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement for final approval by the Supervisor, file therewith a schedule of those tracts which have been committed and made subject to this Agreement and are entitled to participate in the production from the Unit Area hereunder. Said schedule shall set forth opposite each such committed tract the lease number, the owner of record of the lease, and the percentage participation of such tract which shall be computed according to the participation formula set out in Section 13 (Tract Participation) above. This schedule of participation shall be Exhibit C of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is approved by the Supervisor.

SECTION 15. ALLOCATION OF UNITIZED SUBSTANCES. All

Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices as concerns the Unitized Formation on unitized land for drilling, operating, camp and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the Unit Area in accordance with the respective tract participation effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedule of participation in Exhibit C. The amount of Unitized Substances so allocated to each tract, and only that amount (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such Tract) shall, for all intents, uses and purposes, be deemed to have been produced from such tract.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for, to the parties executing, consenting to or ratifying this Agreement entitled to share in the production from such tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

No tract committed to this Agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances, and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tract.

If the Working Interest or Royalty Interest in any tract,

on or after the effective date hereof, is divided with respect to separate parcels or portions of such tract and owned severally by different persons, the percentage participation assigned to such tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 16, Royalty Settlement, hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party responsible therefor under the controlling lease or contract. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the Unitized Substances currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the Unit Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and



the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto. Notwithstanding the foregoing, Unit Operator shall not make a sale into interstate commerce of any other party's share of gas production without first giving such other party sixty (60) days' notice of such intended sale.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all royalty on the lease or leases and tracts contributed by it and received into the Unit, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such royalty on the lease or leases and tracts contributed by it to the Unit Area.

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any tract or tracts within the Unit Area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 31 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 30 (Loss of Title), the schedule of participation as shown in Exhibit C, subject to Section 13 (Tract Participation) or Section 31 (Nonjoinder and Subsequent Joinder), whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners and the Supervisor to show the new percentage participation of all the then effectively committed tracts; and the revised Exhibit C, upon approval by the Supervisor, shall

govern all the allocation of production from and after the effective date thereof until a new schedule is filed and approved by the Supervisor. In any such revised Exhibit C pursuant to this paragraph, the Tract Participation of the previously qualified Tracts shall remain in the same ratio one to the other.

SECTION 16. ROYALTY SETTLEMENT. The United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances produced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator 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 royalty due under their leases, except that such royalty shall be computed in accordance with the terms 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 rate 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, such average production shall

be determined in accordance with the operating regulations as though the unitized lands were a single consolidated lease.

If the amount of production or the proceeds thereof accruing to any Royalty Owner (except the United States of America) in a tract depends upon the average production per well or the average pipeline run per well from such tract during any period of time, then such production shall be determined from and after the effective date hereof by dividing the quantity of Unitized Substances allocated hereunder to such tract during such period of time by the number of wells located thereon capable of producing as of the effective date hereof.

All royalty due the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective tract or tracts committed hereto, in lieu of actual production from such tract or tracts.

Each Royalty Owner (other than the United States of America) that ratifies this Agreement represents and warrants that he is the owner of a Royalty Interest in a tract or tracts within the Unit Area as his interest appears in Exhibit B attached hereto. If any Royalty Interest in a tract or tracts should be lost by title failure or otherwise in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties shall be adjusted accordingly.

SECTION 17. RENTAL SETTLEMENT. Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective

lease obligations for the payment of any rental or minimum royalty in lieu thereof, due under their leases. Rental or minimum royalty for lands of the United States of America subject to this Agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 18. 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 Federal and State laws and regulations.

SECTION 19. DRAINAGE. The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from unitized land by wells on land not subject to this Agreement.

SECTION 20. 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, 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 leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

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, producing or secondary recovery operations performed hereunder upon any tract of unitized lands shall 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 land therein embraced.

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

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil and gas 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.

(e) Termination of this Agreement shall not affect any lease which, pursuant to the terms thereof or any applicable laws,

shall continue in force and effect thereafter.

(f) Any lease which is made subject to this Agreement shall continue in force beyond the term provided therein as to the lands committed hereto as long as such lands remain subject hereto.

(g) The segregation of any Federal lease committed to this Agreement is governed by the following provision in the fourth paragraph of Section 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 produced in paying quantities."

SECTION 21. MATHEMATICAL ERRORS. It is hereby agreed by all parties to this Agreement that Unit Operator is empowered to correct any mathematical or clerical errors which might exist in the pertinent exhibits to this Agreement upon approval by the Supervisor.

SECTION 22. 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 coveyance 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 subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

SECTION 23. EFFECTIVE DATE AND TERM. This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7 o'clock A. M. of the first day of the calendar month next following:

(a) The execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners owning a combined Secondary Phase Unit Participation of seventy-five percent (75%) or more, and the execution or ratification of the Agreement by Royalty Owners owning a combined interest of sixty-five percent (65%) or more, of the Royalty Interest, in said Unit Area; and

(b) The approval of this Agreement by the Director or his duly authorized representative and the Commission; and

(c) The filing of at least one counterpart of this Agreement for record in the office of the County Clerk of Roosevelt County, New Mexico, by the Unit Operator; and provided, further, that if (a), (b) and (c) above are not accomplished on or before July 1, 1969, this Agreement shall ipso facto expire on said date (hereinafter called "expiration date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a

combined Secondary Phase Unit Participation of seventy-five percent (75%) or more, and the Working Interest Owners owning a combined Secondary Phase Unit Participation of sixty-five percent (65%) or more committed to this Agreement have decided to extend said expiration date for a period not to exceed twelve (12) months (hereinafter called "extended expiration date"). If said expiration date is so extended and (a), (b) and (c) are not accomplished on or before said extended expiration date, this Agreement shall ipso facto expire on said extended expiration date and thereafter be of no further force and effect.

Unit Operator shall, within thirty (30) days after the effective date of this Agreement, file for record in the office where a counterpart of this Agreement is recorded, a certificate to the effect that this Agreement has become effective according to its terms and stating further the effective date.

The term of this Agreement shall be for and during the time that Unitized Substances are or can be produced in paying quantities from the Unit Area and so long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, and so long thereafter as such unitized substances can be produced as aforesaid.

This Agreement may be terminated at any time with the approval of the Supervisor by Working Interest Owners owning seventy-five percent (75%) or more Secondary Phase Unit Participation whenever such Working Interest Owners determine that Unit Operations are no longer in the interest of conservation. Notice of any such termination shall be given by Unit Operator to all parties hereto.

Upon termination of this Agreement, the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts.



If not otherwise provided by the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit Operations.

SECTION 24. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION.

All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development to alter or modify the quantity and rate of production under this Agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided, further, that no such alteration or modification shall be effective as to the rate of prospecting and development on privately-owned lands subject to this Agreement or as to the quantity and rate of production from such lands 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 fifteen days from notice.

SECTION 25. NONDISCRIMINATION. In connection with the performance of work under this Agreement, the Unit Operator agrees to comply with all of the provisions of Section 202 (1) to (7) inclusive, of Executive Order 11246, (30 F.R. 12319), which are hereby incorporated by reference in this Agreement.

SECTION 26. APPEARANCES. Unit Operator shall have the right to appear for or on behalf of any and all interests affected

hereby before the Department and the Commission, and to appeal from any order issued under the rules and regulations of the Department or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Department or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 27. NOTICES. All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid 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 or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 28. 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 Federal or State law or rule or regulation issued thereunder in any way affecting such party, or as a waiver by any such party or any right beyond his or its authority to waive.

SECTION 29. UNAVOIDABLE DELAY. All obligations under this Agreement requiring the Unit Operator to commence or continue secondary recovery operations 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 agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 30. LOSS OF TITLE. In the event title to any tract of unitized land shall fail so as to render the tract inoperable under this Agreement and the true owner cannot be induced to join this Unit Agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. If a tract is removed from this Unit Agreement because of the failure of title, Unit Operator, subject to Section 13 hereof, shall recompute the Tract Participation of each of the tracts remaining subject to this Agreement and shall revise Exhibit C accordingly. The revised exhibits shall be effective as of the first day of the calendar month in which such failure of title is finally determined.

If title to a Working Interest fails, the rights and obligations of Working Interest Owners by reason of the failure of title shall be governed by the Unit Operating Agreement. If title to a Royalty Interest fails, but the tract to which it relates remains qualified, the parties whose title failed shall not be entitled to share hereunder with respect to such interest. In the event of a dispute as to title as to any Royalty, Working Interest or other interest subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to Federal land or leases, no payments of funds due the United States of America shall be withheld, but such funds shall be deposited as directed by the

Supervisor, 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.

SECTION 31. NONJOINDER 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 Supervisor and the Unit Operator prior to the approval of this Agreement by the Supervisor.

Any oil or gas interest in the Unitized Formation not committed hereto prior to the effective date of this Agreement may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 14 (Tracts Qualified for Unit Participation) hereof, at any time during a period of six (6) months after the effective date of the Unit Agreement on the same basis of participation as provided in said Section 14, by the owner or owners thereof subscribing, ratifying or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that after such six months the right of subsequent joinder as provided in this Section shall be subject to such requirements or approvals and on such equitable basis as may be agreed upon by Working Interest Owners owning in the aggregate eighty percent (80%) or more Secondary Phase Participation and the Supervisor. Joinder to this Agreement by a Working Interest Owner, at any time, must be evidenced by his execution or ratification of this Agreement and the Unit Operating

Agreement. Joinder to this Agreement, after the expiration of the six (6) month period provided for subsequent joinder, by a Royalty Owner must be evidenced by his execution or ratification of this Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such Royalty Owner. Except as may be otherwise herein provided, subsequent joinder to this Agreement shall be effective at 7 o'clock A. M. of the first day of the month following the filing with the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any tract or interest to this Agreement, unless objection to such joinder by the Supervisor is duly made within sixty (60) days after such filing.

SECTION 32. COUNTERPARTS. This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and 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 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 land within the above described Unit Area.

SECTION 33. TAXES. Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by

the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the United States nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 34. 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 provisions thereof to the extent that the said Unit Operator or the 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 in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto, including the Commission, agree that all powers and authority which by any provisions of this Agreement are vested in the Commission 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.

SECTION 35. NO PARTNERSHIP. The duties, obligations and liabilities of the parties hereto are intended to be several and not joint or collective. This Agreement is not intended to create, and shall not be construed to create, an association or trust, or to impose a partnership duty, obligation or liability with regard to any one or more of the parties hereto. Each party hereto shall be individually responsible for its own obligations as herein provided.

SECTION 36. PRODUCTION AS OF THE EFFECTIVE DATE. Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area pertaining to the interests to be unitized in order to ascertain the amount of merchantable oil above the pipeline connection in such tanks as of 7 o'clock A. M. on the effective date hereof. All such oil which has then been produced legally shall be and remain the property of the Interest Owner entitled thereto, the same as if the Unit had not been formed; and such parties shall promptly remove said oil from the Unit Area. Any such oil not so removed shall be sold by Unit Operator for the account of such parties, subject to the payment of all royalty to Royalty Owners under the terms and provisions of the Unit Agreement and any leases and other contracts. Any oil that is in excess of the prior allowable of the wells from which it was produced shall be deemed to be Unitized Substances produced after the effective date hereof.

If on the effective date hereof any tract is over produced with respect to the allowable of the wells on that tract and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be deemed to be a part of the Unitized Substances produced after the effective date hereof and shall be charged to such tract as having been delivered to the parties entitled to Unitized Substances allocated to such tract.

SECTION 37. BORDER AGREEMENTS. Unit Operator, with concurrence of Working Interest Owners having a combined Secondary Phase Unit Participation of seventy-five percent (75%) or more, may, subject to approval of the Supervisor, enter into a border-protection agreement or agreements with the Working Interest Owners of adjacent lands along the exterior boundary of the Unit Area with respect to the operations in the border area for the maximum

ultimate recovery, conservation purposes and proper protection of the parties and interests.

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

ALLIED CHEMICAL CORPORATION

\_\_\_\_\_  
Date

By \_\_\_\_\_  
Attorney-in-Fact



STATE OF TEXAS        X

COUNTY OF HARRIS    X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1969, by \_\_\_\_\_, Attorney-in-Fact for ALLIED CHEMICAL CORPORATION, a New York corporation, on behalf of said corporation.

My commission expires:

\_\_\_\_\_

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

STATE OF               X

COUNTY OF             X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 1969, by \_\_\_\_\_.

My commission expires:

\_\_\_\_\_

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

STATE OF               X

COUNTY OF             X

BEFORE ME, the undersigned authority, on this day personally appears \_\_\_\_\_, known to me to be the person who executed the foregoing instrument as \_\_\_\_\_ of \_\_\_\_\_, and acknowledged to me that he executed the same for the purposes and consideration therein expressed; as the act and deed of said corporation and in the capacity therein stated.

GIVEN under my hand and seal of office this \_\_\_\_\_ day of \_\_\_\_\_, 1969.

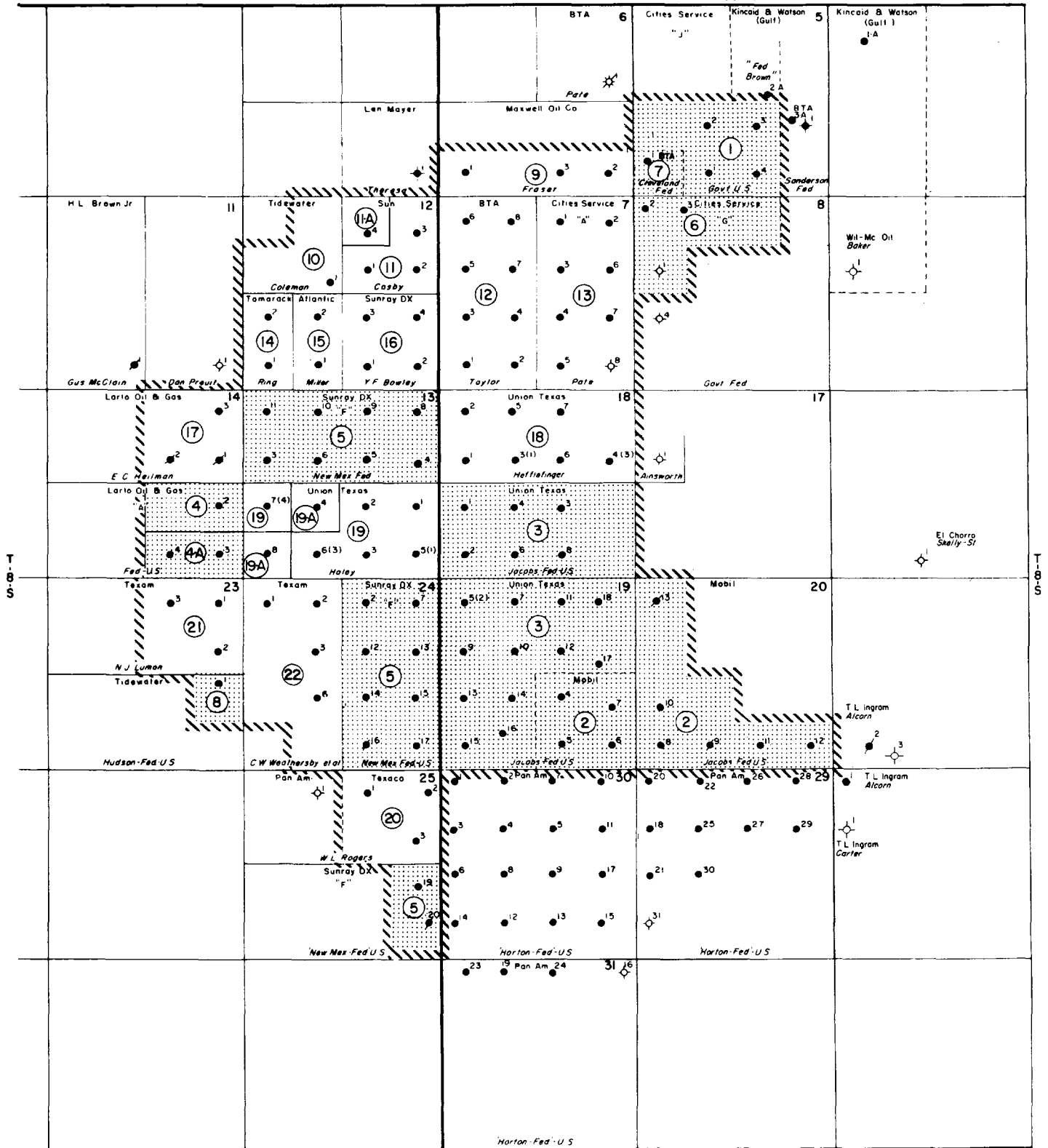
My commission expires:

\_\_\_\_\_

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

R-34-E

R-35-E



R-34-E

R-35-E

## LEGEND

- SAN ANDRES WELLS
- PRODUCING WELLS
  - SHUT-IN OR TEMPORARILY ABANDONED
  - ★ PERMANENTLY ABANDONED
  - ✕ DRY HOLE

- FEDERAL ACREAGE
- FEE ACREAGE
- UNIT AREA BOUNDARY
- ③ TRACT NUMBER

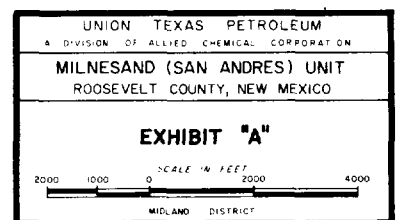


EXHIBIT B - UNIT AGREEMENT  
MILNESAND (SAN ANDRES) UNIT  
ROOSEVELT COUNTY, NEW MEXICO  
T-8-S; R-34-E; R-35-E; NMPM

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO.		BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY		WORKING INTEREST OWNER AND PERCENTAGE
			AND EXPIR.	DATE OF LEASE			OWNER AND PERCENTAGE	OWNER AND PERCENTAGE	
1	N/2 SW/4 & SE/4 SW/4 200.00 & W/2 SE/4 Sec. 5, T-8-S, R-35-E		NM 0231691 HBP		U.S.A.-A11	Cities Service Oil Company	Charles Schusterman 2.5% Don Schusterman 2.5%	Cities Service Oil Company-A11	
2	SE/4 Sec. 19 and SW/4 & S/2 SE/4 & W/2 NW/4 Sec. 20, T-8-S, R-35-E	480.00	LC 060978 HBP		U.S.A.-A11	Mobil Oil Corp.	None	Mobil Oil Corp.- A11	
3	S/2 Sec. 18, N/2 Sec. 19, to 4800'; N/2 SW/4 Sec. 19, to 4850' ; SE/4 SW/4 Sec. 19, to 4830' ; SW/4 SW/4 Sec. 19, to 4825"; T-8-S, R-35-E	786.94	LC 060978 HBP		U.S.A.-A11	Mobil Oil Corp.	None	Allied Chem.- 61.6667% Kewanee Oil-5.0000% Mobil Oil-33.3333%	
4	N/2 of SE/4 of Sec. 14, T-8-S, R-34-E	80.00	LC 062178 HBP		U.S.A.-A11	Sunray DX & Texaco, Inc.	E. R. Kain 0.5% J. E. Moore 0.5% M. L. Kester 0.5% E. K. Patterson 0.5% F. H. Miller 0.5% F. W. Blocksom 0.5% M. W. Coll 1.0%	Lario 50.0000% Texaco 25.0000% Sunray DX 25.0000%	

EXHIBIT B To Unit Agreement (Continued)

Milnesand (San Andres) Unit

Roosevelt County, New Mexico

T-8-S; R-34-E; R-35-E; NMPM

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND EXPIR. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
4-A	S/2 of SE/4 of Sec. 14, T-8-S, R-34-E	80.00	LC 062178 HBP	U.S.A.-A11	Sunray-DX & Texaco	E. R. Kain 0.5%	Lario O & G-
						J. E. Moore 0.5%	66.66667%
						M. L. Kester 0.5%	Sunray DX-
						E. K. Patterson 0.5%	33.33333%
						F. H. Miller 0.5%	Texaco-0.0%
						F. W. Blocksom 0.5%	After payout of wells 3 & 4
						M. W. Coll 1.0%	Texaco 25%
							Sunray DX 25%
							Lario 50%
5	N/2 Sec. 13; E/2 Sec. 24; E/2 of SE/4 Sec. 25 T-8-S, R-34-E	720.00	LC 062178 HBP	U.S.A.-A11	Sunray DX & Texaco	J. E. Moore 0.5%	Sunray DX
						M. L. Kester 0.5%	50.00000%
						E. R. Kain 0.5%	Texaco-50.00000%
						E. K. Patterson 0.5%	
						F. H. Miller 0.5%	
						F. W. Blocksom 0.5%	
						M. W. Coll 1.0%	
6	NW/4 of NE/4; W/2 of NW/4; NE/4 of NW/4 of Sec. 8, T-8-S, R-35-E	160.00	LC 062471 HBP	U.S.A.-A11	Citites Service Oil Company	3% of 8/8 PPI until \$320,000 has been received from production from all of Sec. 8, T-8-S, R-35-E to Laura Lodewick	Citites Service Oil Company-All

EXHIBIT B To Unit Agreement (Continued)

[illegible]

EXHIBIT B To Unit Agreement (Continued)

Milnesand (San Andres) Unit

Roosevelt County, New Mexico

T-8-S; R-34-E; R-35-E; NMPM

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND EXPIR. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
9	S/2 S/2 of Sec. 6 T-8-S, R-35-E	157.46	HBP	J. A. Neill & Cities Service Wife Pearl Oil Company Neill-23.90016% Roy G. Barton, Jr.- 6.51832% L. Maude Albrecht, a feme sole- 17.38183% Murray Blank-3.04185% Hilda B. Perrin- .06786% United States Trust Co. of New York, Trustee of Helen B. Spinola Trust-.06786% Lawrence Bull-.06786% United States Trust Co. of New York, Trustee of Margaret B. Bull Trust-.06786% E. Ruth Platt, a feme sole-5.43192% Kewanee Oil Company- 34.76367% Helen Sweeney-2.17270% Dr. Reber Van Matre, as his separate property- 1.08640% Eugene L. Middleton, as his separate property-.27155%	None	Maxwell Oil Co.- 54.9288% Cities Service- 41.8401% Texaco, Inc.- 3.2311%	

Milnesand (San Andres) Unit  
Roosevelt County, New Mexico  
T-8-S; R-34-E; R-35-E; NMPM

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND EXPIR. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
9	S/2 S/2 of Sec. 6			Mercedes Goodell as her separate property-.27155% Clarence E. Middleton as his separate property-.27155%			
(Cont)	T-8-S, R-35-E			Grace Edna Offenhouser as her separate property-.27155% J. W. Simpson, whose wife is Rose Simpson-4.34551%			
10	NE/4 of NW/4; SE/4 of NW/4; SW/4 of NW/4 Sec. 12, T-8-S, R-34-E	120.00	HBP	Margaret Cosby Buie-4.16640 of Tenneco Oil Co. 50% Fern Parks Cone-6.25040% of Tenneco Oil Co. 50% Marjorie C. Kastman (Guardian of Estate of S. E. Cone NCM)-81.25040% of Tenneco Oil Co. 50% Martha Cosby Marshall-4.16640% of Tenneco Oil Co. 50% Martha Cosby Mathis-4.16640% of Tenneco Oil Co. 50%	Getty Oil Co. Tenneco Oil Co.	None	Getty Oil Co.-50% Tenneco Oil Co.-50%

EXHIBIT B To Unit Agreement (Continued)  
Milnesand (San Andres) Unit  
Roosevelt County, New Mexico  
T-8-S; R-34-E; R-35-E; NMPM

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND EXPIR. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
11	E/2 NE/4 & SW/4 NE/4 Sec. 12, T-8-S, R-34-E	120.00	HBP	Margaret Cosby Buie-17.64706% Martha Cosby Marshall-17.64706% Marjorie Cone Kastman(Guardian of the Estate of S. E. Cone)-5.88235% Fern Parks Cone-5.88235% Y. F. Bowley & Wife, Gertrude F. Bowley-35.29412% Lois E. Blakely-17.64706%	Sun Oil Co.	Jack Griffin 3.0762%	Sun Oil Co.-62.5% Atlantic-Richfield-37.5%
11-A	NW/4 NE/4 Sec. 12, T-8-S, R-34-E	40.00	HBP	Margaret Cosby Buie-17.64706% Martha Cosby Marshall-17.64706% Marjorie Cone Kastman (Guardian of Estate of S. E. Cone)-5.88235% Fern Parks Cone-5.88235% Y. F. Bowley & wife, Gertrude F. Bowley-35.29412% Lois E. Blakely-17.64706%	Sun Oil Co.	Jack Griffin 3.0762%	Sun Oil Co.-All until Sun recovers 200% of cost on well No. 4. Then Atlantic-Richfield comes in for 37.5% and Sun retains 62.5%



EXHIBIT B To Unit Agreement (Continued)  
 Milnesand (San Andres) Unit  
 Roosevelt County, New Mexico  
 T-8-S; R-34-E; R-35-E; NMPM

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND EXPIR. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
12	W/2 Sec. 7, T-8-S, R-35-E	310.36	HBP	I. Mae Heffle- finger-75.00000% W. C. & Margaret Hefflefinger- 25.00000%	BTA Oil Producers None as agent-A11		
13	E/2 Sec. 7, T-8-S, R-35-E	320.00	HBP	Cecil Pate & Ruby Jewel Pate, his wife- 22.50000% C. S. Hightower & Lottie M. Hightower, his wife-9.37500% Rosamond J. Webber & Selwyn Webber, her husband-3.12500% Roberta Huddleston, a widow-5.00000% Helen Huddleston Osborne-3.12500% Pauline Huddleston Ilgenfritz & Hugh Ilgenfritz, her husband-8.43750% Cecil T. Huddleston, Jr. & June M. Huddleston- his wife-8.43750% Earl Walker & Venice E. Walker, his wife- 12.50000%	Cities Service Oil Company the sum of \$4000. has been paid to Earl Walker and Venice E. Walker, his wife. Cities Service Oil Company-72.5% Gulf Oil Corporation- 27.5%		

EXHIBIT B To Unit Agreement (Continued)  
Milnesand (San Andres) Unit  
Roosevelt County, New Mexico  
T-8-S; R-34-E; R-35-E; NMPM

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND EXPIR. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
13	E/2 Sec. 7, T-8-S,			C. C. Easter & Maggie Easter, his wife-16.25000%			
(Cont)	R-35-E			Carol P. Feltscher Walters-2.50000%			
				Docia Carroll & Joe Carroll, her husband-1.56250%			
				Mabel B. Olsson & Orbie Olsson, her husband-3.12500%			
				Docia Carroll-2.50000%			
				S. E. Johnson-1.56250%			
14	W/2 of SW/4 of Sec. 12, T-8-S, R-34-E	80.00	HBP	Dessa M. Ring, Mobil Oil Corp. a widow-All	Mobil Oil Corp.-18.75%	Hastings Harcourt-50.0000%	
						Mary Trainer-12.5000%	
						Georgann Uihlein-8.3334%	
						John F. Uihlein-8.3333%	
						Joseph E. Uihlein-8.3333%	
						Robert A. Uihlein-12.5000%	

EXHIBIT B To Unit Agreement (Continued)  
Milnesand (San Andres) Unit  
Roosevelt County, New Mexico  
T-8-S; R-34-E; R-35-E; NMPM

<u>TRACT NO.</u>	<u>DESCRIPTION OF LAND</u>	<u>NO. OF ACRES</u>	<u>SERIAL NO. AND EXPIR. DATE OF LEASE</u>	<u>BASIC ROYALTY AND OWNERSHIP PERCENTAGE</u>	<u>LESSEE OF RECORD</u>	<u>OVERRIDING ROYALTY OWNER AND PERCENTAGE</u>	<u>WORKING INTEREST OWNER AND PERCENTAGE</u>
15	E/2 of SW/4 of Sec. 12, T-8-S, R-34-E	80.00	HBP	Helen Hall Connell & George B. Connell-50% Jean Clark Miller 50%	Atlantic-Richfield Company	None	Atlantic-Richfield Company-All
16	SE/4 of Sec. 12, T-8-S, R-34-E	160.00	HBP	Letha M. York- 4.16667% Rita M. Childers- 4.16667% Cuma M. Strong- 16.66667% Y. F. Bowley- 33.33334% G. B. Jones- 11.11111% Zenobia Finley- 11.11111% Idella Jones White-5.55555% Merle Jones Stribling- 5.55555% Fletcher V. & Cuma M. Strong- 8.333333%	Sunray-DX Oil Co. Texaco, Inc. Mobil Oil Corp.	None	Sunray-DX Oil Co.- 25% Texaco, Inc.-25% Mobil Oil Corp.- 50%

EXHIBIT B To Unit Agreement (Continued)  
 Milnesand (San Andres) Unit  
 Roosevelt County, New Mexico  
 T-8-S; R-34-E; R-35-E; MMPM

TRACT NO	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND EXPIR. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	OWNER AND PERCENTAGE
17	NE/4 Sec. 14, T-8-S, 160.00 R-34-E		HBP	R. W. Armstrong- 3.57144% Fred L. Allison-1.78574% Two States Serv. Co.-1.78574% A. M. Routh-2.50000% Aileen Thompson, Adm. of Estate of M. S. Thompson- 2.67856% Harry R. Eavers- 2.67856% William R. Hollis- 3.57144% W. A. Yeager-8.03576% J. M. Armstrong- 3.57144% Georgia Goss Harston- 0.89280% Way Enterprises, Inc.- 1.78572% Lily A. Carden-0.89280% Deltex Royalty Co., Inc.- 1.78574% Daniel L. & Joyce E. Hannifin-1.78574% Charles D. Mehr- 0.89280% E. S. Grear-1.78572%	Lario	Bonnie H. Morrison- 5.46875%	Lario-All

EXHIBIT B To Unit Agreement (Continued)  
Milnesand (San Andres) Unit  
Roosevelt County, New Mexico  
T-8-S; R-34-E; R-35-E; NMPM

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND EXPIR. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
17	NE/4 Sec. 14, T-8-S,			James C. Compton- 6.25000%			
(Cont)	R-34-E			Charles C. Compton-2.34376%			
				Allie Compton- 3.90624%			
				E. C. Heilman- 47.50000%			
18	N/2 Sec. 18, T-8-S,	315.42	HBP	W. C. Heflefinger, Trustee of the Margaret Heflefinger Trust-7.50000%	Allied Chemical Corporation	None	Allied Chemical Corporation- 61.66667% Kewanee Oil Co.- 5.00000% Mobil Oil Corporation- 33.33333%
	R-35-E to 4800'			W. C. Heflefinger, Trustee of the Lisa Ann Heflefinger Trust-7.50000%			
				W. C. Heflefinger, Trustee of the Mark William Heflefinger Trust-7.50000%			
				W. C. Heflefinger- 40.62496%			
				I. Mae Heflefinger, Trustee and Inde- pendent Executrix under will of D.			
				Heflefinger-27.50000% Norman R. Rousselot-9.37504%			

EXHIBIT B To Unit Agreement (Continued)

Milnesand (San Andres) Unit

Roosevelt County, New Mexico

T-8-S; R-34-E; R-35-E; NMPM

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND EXPIR. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
19	SE/4 & NW/4 SW/4 & SE/4 SW/4 Sec. 13 T-8-S, R-34-E	240.00	HBP	J. M. Armstrong-7.81252% Deltex Royalty Co., Inc.-3.90624% E. S. Grear-0.78124% A. R. Haley-50.00000% Daniel L. Hannifin-0.78124% Kathryn McCormick-9.37504% Roger B. Owings-7.81252%	Allied Chemical Corporation	None	Allied Chemical Corporation-61.66667% Kewanee Oil Co.-5.00000% Mobil Oil Corporation-33.33333%
19-A	NE/4 SW/4, & SW/4 SW/4, Sec. 13, T-8-S, R-34-E	80.00	HBP	J. M. Armstrong-7.81252% Deltex Royalty Co., Inc.-3.90624% E. S. Grear-0.78124% A. R. Haley-50.00000% Daniel L. Hannifin-0.78124% Kathryn McCormick-9.37504% Roger B. Owings-7.81252%	Allied Chemical Corporation	Mobil Oil Corp. 8.33333%	Allied Chemical Corporation-95% Kewanee Oil Co.-5%

EXHIBIT B To Unit Agreement (Continued)  
Milnesand (San Andres) Unit  
Roosevelt County, New Mexico  
T-8-S; R-34-E; R-35-E; MPM

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND EXPIR. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
19-A (Cont)	NE/4 SW/4, & SW/4 SW/4, Sec. 13, T-8-S, R-34-E			Way Enterprises, Inc.-3.90624% Welcome Oil & Royalty Corp.-1.56248% W. A. Yeager-14.06248%			
20	NE/4 of Sec. 25, T-8-S, R-34-E	160.00	HBP	Ruth Rogers-50.00000% Neva Blanche Hargrove-16.66672% Vernon Rogers-16.66672% Estate of M. Luetta Rogers-4.16672% Stanley Allen Rogers-3.12496% Billie Johanna R. Dixon-3.12496% Ruth Rogers, Guardian of the Estate of Roberta Lynn Rogers-3.12496% Ruth Rogers, Guardian of the Estate of Marietta Irene Rogers-3.12496%	Texaco, Inc.	None	Texaco, Inc.-All

XHIBIT B To Unit Agreement (Continued)  
 ilnesand (San Andres) Unit  
 oosevelt County, New Mexico  
 -8-S; R-34-E; R-35-E; NMPM

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND EXPIR. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER AND PERCENTAGE
21	NE/4 of Sec. 23 T-8-S, R-34-E	160.00	HBP	Vera Luman Brown & H. C. Shell Oil Brown-16.66672% Odell Cook & Erma Jean Cook- 5.55552% Noble Luman & Virgie Luman- 16.66672% Cordiller Luman individually & as Administratrix of the Estate of Joe Luman, deceased 38.88880% Cordy Luman-5.55552% Geraldine Luman Williams & T. G. Williams-16.66672%	Hunt Oil	Felecia Guilliams- 6.25000% Hunt Oil Company- 6.25000% Shell Companies Foundation-6.25000%	J. Kirk Cansler, R. L. Redline, Jr. & Delma Baucum- All
22	NW/4; N/2 SW/4; SE/4 SW/4, Sec. 24, T-8-S, R-34-E	280.00	HBP	Delma Baucum & Lula Mae Baucum-.26041% Beatrice Maney Braniff-0.19531% Adorine M. Mahoney- 0.19532% Jim & Mary McCoy-1.56250% D. I. McNulty-0.39062% M. J. McNulty-0.78125%	Skelly Oil	A. D. Bell-0.91146% J. Kirk Cansler, R. L. Redline, Jr. & Delma Baucum- 1.82292% Midland National Bank, A/C Wesley E. & Lorena S. Krueger-0.91146% Skelly Oil Co.- 5.46875%	J. Kirk Cansler, R. L. Redline, Jr. & Delma Baucum- All



EXHIBIT B To Unit Agreement (Continued)

Milnesand (San Andres) Unit  
Roosevelt County, New Mexico  
T-8-S; R-34-E; R-35-E; NMPM

TRACT NO.	DESCRIPTION OF LAND	NO. OF ACRES	SERIAL NO. AND EXPIR. DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP		LESSEE OF RECORD	OVERRIDING ROYALTY		WORKING INTEREST
				PERCENTAGE			OWNER AND PERCENTAGE		OWNER AND PERCENTAGE
22	NW/4; N/2 SW/4;			R. L. Redline,					
(Cont)	SE/4 SW/4 Sec. 24,			Jr.-0.26042%					
	T-8-S, R-34-E			Irene Terrill-					
				3.51563%					
				Texam Oil Corp.-					
				0.26042%					
				Flora Weathersby					
				individually &					
				as Executrix of					
				Estate of C. W.					
				Weathersby,					
				deceased-3.51562%					
				Oscar C. Weathersby-					
				1.56250%					

14 Fee Tracts - 2783.24 Acres - Consisting of 51.8277% of Unit Area

RECAPITULATION OF NUMBER OF ACRES:

Federal Lands	2586.94 Acres	48.1723% of Unit Area
Fee Lands	2783.24 Acres	51.8277% of Unit Area
	5370.18 Acres	100.0000% of Unit Area

EXHIBIT "C"  
Attached to Unit Agreement  
Milnesand (San Andres) Unit  
Roosevelt County, New Mexico  
T-8-S; R-34-E; R-35-E; NMPM

<u>Tract No.</u>	<u>Description of Land</u>	<u>Tract Participation Percent During Primary Phase</u>	<u>Tract Participation Percent During Secondary Phase</u>
1	N/2 SW/4; SE/4 SW/4; & W/2 SE/4; Sec. 5, T-8-S; R-35-E	2.19800	1.60751
2	SE/4 Sec. 19; SW/4; S/2 SE/4; & W/2 NW/4 Sec. 20; T-8-S; R-35-E	14.75021	8.02764
3	S/2 Sec. 18; N/2 and SW/4 Sec. 19, T-8-S, R-35-E	28.22179	23.70086
4	N/2 SE/4; Sec. 14; T-8-S, R-34-E	0.03728	0.17215
4-A	S/2 SE/4; Sec. 14; T-8-S, R-34-E	0.17168	0.64422
5	N/2 Sec. 13; E/2 Sec. 24; & E/2 SE/4 Sec. 25; T-8-S, R-34-E	14.47187	18.31980
6	NW/4 NE/4; W/2 NW/4; & NE/4 NW/4; Sec. 8; T-8-S, R-35-E	0.62401	0.71811
7	SW/4 SW/4; Sec. 5; T-8-S, R-35-E	0.89002	1.15538
8	NE/4 SE/4; Sec. 23; T-8-S, R-34-E	0.13153	0.20130
9	S/2 S/2; Sec. 6; T-8-S; R-35-E	0.58519	0.97386
10	NE/4 NW/4; SE/4 NW/4; SW/4 NW/4; Sec. 12; T-8-S, R-34-E	0.41360	0.45156
11	E/2 NE/4; SW/4 NE/4; Sec. 12; T-8-S, R-34-E	0.96968	1.48648
11-A	NW/4 NE/4; Sec. 12; T-8-S, R-34-E	0.19382	0.33305
12	W/2; Sec. 7; T-8-S, R-35-E	7.32601	8.40717
13	E/2; Sec. 7; T-8-S, R-35-E	4.52624	4.30593

<u>Tract No.</u>	<u>Description of Land</u>	<u>Tract Participation Percent During Primary Phase</u>	<u>Tract Participation Percent During Secondary Phase</u>
14	W/2 SW/4; Sec. 12; T-8-S, R-34-E	0.29462	0.66463
15	E/2 SW/4; Sec. 12; T-8-S; R-34-E	1.68694	2.11553
16	SE/4; Sec. 12; T-8-S, R-34-E	4.29345	4.76808
17	NE/4; Sec. 14; T-8-S, R-34-E	0.03192	0.28263
18	N/2; Sec. 18; T-8-S, R-35-E	7.53155	8.12870
19	SE/4; NW/4 SW/4; & SE/4 SW/4; Sec. 13; T-8-S, R-34-E	6.48864	7.14144
19-A	NE/4 SW/4; SW/4 SW/4; Sec. 13; T-8-S, R-34-E	0.28206	0.95283
20	NE/4; Sec. 25; T-8-S, R-34-E	1.03013	1.09548
21	NE/4; Sec. 23; T-8-S, R-34-E	0.62933	1.06783
22	NW/4; N/2 SW/4; SE/4 SW/4; Sec. 24; T-8-S, R-34-E	2.22043	3.27783
TOTALS		100.00000	100.00000