

1 UNIT AGREEMENT
2 FOR THE DEVELOPMENT AND OPERATION OF THE
3 POT MESA UNIT AREA
4 Mc KINLEY COUNTY, NEW MEXICO

5 THIS AGREEMENT entered into as of the _____ day of _____
6 1971, by and between the parties subscribing, ratifying or consenting
7 hereto, and herein referred to as the "parties hereto".

8 WITNESSETH:

9 WHEREAS, the parties hereto are the owners of working, royalty,
10 or other oil and gas interests in the unit area subject to this agree-
11 ment; and

12 WHEREAS, the Mineral Leasing Act of February 25, 1920, 41 Stat.
13 437, as amended, 30 U.S.C. Secs. 181 et seq., authorizes Federal
14 lessees and their representatives to unite with each other, or jointly
15 or separately with others, in collectively adopting and operating a
16 cooperative or unit plan of development or operation of any oil or
17 gas pool, field or like area, or any part thereof for the purpose of
18 more properly conserving the natural resources thereof whenever deter-
19 mined and certified by the Secretary of the Interior to be necessary
20 or advisable in the public interest; and

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

26 WHEREAS, the Oil Conservation Commission of the State of New
27 Mexico is authorized by an Act of the Legislature (Article 3, Chapter
28 65, Vol. 9, Page 2, 1953 Statutes) to approve this agreement and
29 the conservation provisions hereof; and

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

1 WHEREAS, it is the purpose of the parties hereto to conserve
2 natural resources, prevent waste, and secure other benefits obtain-
3 able through development and operation of the area subject to this
4 agreement under the terms, conditions, and limitations herein set
5 forth;

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

10 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of
11 February 25, 1920, as amended, supra, and all valid pertinent regu-
12 lations, including operating and unit plan regulations, heretofore
13 issued thereunder or valid, pertinent, and reasonable regulations
14 hereafter issued thereunder are accepted and made a part of this
15 agreement as to Federal lands, provided such regulations are not
16 inconsistent with the terms of this agreement; and as to State of
17 New Mexico lands, the oil and gas operating regulations in effect
18 as of the effective date hereof governing drilling and producing
19 operations, not inconsistent with the terms hereof or the laws of
20 the State of New Mexico are hereby accepted and made a part of this
21 agreement.

22 2. UNIT AREA. The area specified on the map attached hereto
23 marked Exhibit "A" is hereby designated and recognized as constituting
24 the unit area, containing acres, more or less.

25 Exhibit "A" shows, in addition to the boundary of the unit
26 area, the boundaries and identity of tracts and leases in said area
27 to the extent known to the Unit Operator. Exhibit "B" attached hereto
28 is a schedule showing to the extent known to the Unit Operator, the
29 acreage, percentage and kind of ownership of oil and gas interests
30 in all land in the unit area. However, nothing herein or in said

1 schedule or map shall be construed as a representation by any party
2 hereto as to the ownership of any interest other than such interest
3 or interests as are shown in said map or schedule as owned by such
4 party. Exhibits "A" and "B" shall be revised by the Unit Operator
5 whenever changes in the unit area render such revision necessary,
6 or when requested by the Oil and Gas Supervisor, hereinafter referred
7 to as "Supervisor", or when requested by the Commissioner of Public
8 Lands of the State of New Mexico, hereinafter referred to as "Com-
9 missioner", and not less than five copies of the revised exhibits
10 shall be filed with the Supervisor, and two copies thereof shall be
11 filed with the Commissioner.

12 The above-described unit area shall when practicable be expanded
13 to include therein any additional lands or shall be contracted to
14 exclude lands whenever such expansion or contraction is deemed to
15 be necessary or advisable to conform with the purposes of this agree-
16 ment. Such expansion or contraction shall be effected in the following
17 manner:

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

25 (b) Said notice shall be delivered to the Supervisor and the
26 Commissioner, and copies thereof mailed to the last known address of
27 each working interest owner, lessee and lessor whose interests are
28 affected, advising that 30 days will be allowed for submission to the
29 Unit Operator of any objections.

30 (c) Upon expiration of the 30-day period provided in the preceding

1 item (b) hereof, Unit Operator shall file with the Supervisor and
2 the Commissioner evidence of mailing of the notice of expansion or
3 contraction and a copy of any objections thereto which have been
4 filed with the Unit Operator, together with an application in suffi-
5 cient number, for approval of such expansion or contraction and with
6 appropriate joinders.

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

11 (e) All legal subdivisions of lands (i.e., 40 acres by govern-
12 ment survey or its nearest lot or tract equivalent; in instances of
13 irregular surveys unusually large lots or tracts shall be considered
14 in multiples of 40 acres or the nearest aliquot equivalent thereof),
15 no parts of which are entitled to be in a participating area on or
16 before the fifth anniversary of the effective date of the first initial
17 participating area established under this unit agreement, shall be
18 eliminated automatically from this agreement, effective as of said
19 fifth anniversary, and such lands shall no longer be a part of the
20 unit area and shall no longer be subject to this agreement, unless
21 diligent drilling operations are in progress on unitized lands not
22 entitled to participation on said fifth anniversary, in which event
23 all such lands shall remain subject hereto for so long as such drilling
24 operations are continued diligently, with not more than 90 days' time
25 elapsing between the completion of one such well and the commence-
26 ment of the next such well. All legal subdivisions of lands not
27 entitled to be in a participating area within 10 years after the
28 effective date of the first initial participating area approved under
29 this agreement shall be automatically eliminated from this agreement
30 as of said tenth anniversary. All lands proved productive by diligent

1 drilling operations after the aforesaid 5-year period shall become
2 participating in the same manner as during said 5-year period.
3 However, when such diligent drilling operations cease, all non-
4 participating lands shall be automatically eliminated effective
5 as of the 91st day thereafter. The Unit Operator shall within 90
6 days after the effective date of any elimination hereunder, describe
7 the area so eliminated to the satisfaction of the Supervisor and the
8 Commissioner and promptly notify all parties in interest.

9 If conditions warrant extension of the 10-year period specified
10 in this subsection 2(e), a single extension of not to exceed 2 years
11 may be accomplished by consent of the owners of 90% of the working
12 interests in the current non-participating unitized lands and the
13 owners of 60% of the basic royalty interests (exclusive of the basic
14 royalty interests of the United States and State of New Mexico) in
15 non-participating unitized lands with approval of the Director and
16 Commissioner, provided such extension application is submitted to the
17 Director and Commissioner not later than 60 days prior to the expira-
18 tion of said 10-year period.

19 Any expansion of the unit area pursuant to this section which
20 embraces lands theretofore eliminated pursuant to this subsection
21 2(e) shall not be considered automatic commitment or recommitment
22 of such lands.

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

28 4. UNIT OPERATOR. Sun Oil Company is hereby designated as Unit
29 Operator and by signature hereto as Unit Operator agrees and consents
30 to accept the duties and obligations of Unit Operator for the dis-
31 covery, development and production of unitized substances as herein

1 provided. Whenever reference is made herein to the Unit Operator,
2 such reference means the Unit Operator acting in that capacity and
3 not as an owner of interest in unitized substances, and the term
4 "working interest owner" when used herein shall include or refer to
5 Unit Operator as the owner of a working interest when such an interest
6 is owned by him.

7 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator
8 shall have the right to resign at any time prior to the establish-
9 ment of a participating area or areas hereunder, but such resignation
10 shall not become effective so as to release Unit Operator from the
11 duties and obligations of Unit Operator and terminate Unit Operator's
12 rights as such for a period of 6 months after notice of intention to
13 resign has been served by Unit Operator on all working interest owners
14 and the Supervisor and Commissioner and until all wells then drilled
15 hereunder are placed in a satisfactory condition for suspension or
16 abandonment whichever is required by the Supervisor as to federal
17 lands and by the Commissioner as to state lands, unless a new Unit
18 Operator shall have been selected and approved and shall have taken
19 over and assumed the duties and obligations of Unit Operator prior to
20 the expiration of said period.

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

30 The resignation of Unit Operator shall not release Unit Operator

1 from any liability for any default by it hereunder occurring prior
2 to the effective date of his resignation.

3 The Unit Operator may, upon default or failure in the perform-
4 ance of his duties or obligations hereunder, be subject to removal
5 by the same percentage vote of the owners of working interests as
6 herein provided for the selection of a new Unit Operator. Such
7 removal shall be effective upon notice thereof to the Supervisor
8 and the Commissioner.

9 The resignation or removal of Unit Operator under this agree-
10 ment shall not terminate its right, title or interest as the owner
11 of a working interest or other interest in unitized substances, but
12 upon the resignation or removal of Unit Operator becoming effective,
13 such Unit Operator shall deliver possession of all wells, equipment,
14 materials and appurtenances used in conducting the unit operations
15 to the new duly qualified successor Unit Operator or to the common
16 agent, if no such new Unit Operator is elected, to be used for the
17 purpose of conducting unit operations hereunder. Nothing herein
18 shall be construed as authorizing removal of any material, equipment,
19 and appurtenances needed for the preservation of any wells.

20 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall
21 tender his or its resignation as Unit Operator or shall be removed
22 as hereinabove provided, or a change of Unit Operator is negotiated
23 by working interest owners, the owners of the working interests in
24 the participating area or areas according to their respective acreage
25 interests in such participating area or areas, or, until a partici-
26 pating area shall have been established, the owners of the working
27 interests according to their respective acreage interests in all
28 unitized land, shall by majority vote select a successor Unit Operator:
29 Provided, That, if a majority but less than 75 percent of the working
30 interests qualified to vote are owned by one party to this agreement,

1 a concurring vote of one or more additional working interest owners
2 shall be required to select a new operator. Such selection shall
3 not become effective until

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

6 (b) the selection shall have been approved by the Supervisor
7 and the Commissioner.

8 If no successor Unit Operator is selected and qualified as
9 herein provided, the Director and Commissioner at their election
10 may declare this unit agreement terminated.

11 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If
12 the Unit Operator is not the sole owner of working interests, costs
13 and expenses incurred by Unit Operator in conducting unit operations
14 hereunder shall be paid and apportioned among and borne by the owners
15 of working interests, all in accordance with the agreement or agree-
16 ments entered into by and between the Unit Operator and the owners
17 of working interests, whether one or more, separately or collectively.
18 Any agreement or agreements entered into between the working interest
19 owners and the Unit Operator as provided in this section, whether
20 one or more, are herein referred to as the "unit operating agreement".
21 Such unit operating agreement shall also provide the manner in which
22 the working interest owners shall be entitled to receive their respec-
23 tive proportionate and allocated share of the benefits accruing hereto
24 in conformity with their underlying operating agreements, leases,
25 or other independent contracts, and such other rights and obligations
26 as between Unit Operator and the working interest owners as may be
27 agreed upon by Unit Operator and the working interest owners; however,
28 no such unit operating agreement shall be deemed either to modify any
29 of the terms and conditions of this unit agreement or to relieve the
30 Unit Operator of any right or obligation established under this unit

1 agreement, and in case of any inconsistency or conflict between
2 this unit agreement and the unit operating agreement, this unit
3 agreement shall govern. Three true copies of any unit operating
4 agreement executed pursuant to this section should be filed with
5 the Supervisor and one true copy with the Commissioner, prior to
6 approval of this unit agreement.

7 8. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR. Except as other-
8 wise specifically provided herein, the exclusive right, privilege,
9 and duty of exercising any and all rights of the parties hereto
10 which are necessary or convenient for prospecting for, producing,
11 storing, allocating and distributing the unitized substances are
12 hereby delegated to and shall be exercised by the Unit Operator as
13 herein provided. Acceptable evidence of title to said rights shall
14 be deposited with said Unit Operator and, together with this agree-
15 ment, shall constitute and define the rights, privileges and obliga-
16 tions of Unit Operator. Nothing herein, however, shall be construed
17 to transfer title to any land or to any lease or operating agreement,
18 it being understood that under this agreement the Unit Operator, in
19 his capacity as Unit Operator, shall exercise the rights of possession
20 and use vested in the parties hereto only for the purposes herein
21 specified.

22 9. DRILLING TO DISCOVERY. Within 6 months after the effective
23 date hereof, the Unit Operator shall begin to drill an adequate test
24 well at a location approved by the Supervisor, if on federal land,
25 or by the Commissioner if on state land, unless on such effective
26 date a well is being drilled conformably with the terms hereof, and
27 thereafter continue such drilling diligently until all formations of
28 Pennsylvanian age have been tested or until at a lesser depth unitized
29 substances shall be discovered which can be produced in paying quanti-
30 ties (to-wit: quantities sufficient to repay the costs of drilling,

1 completing and producing operations, with a reasonable profit) or
2 the Unit Operator shall at any time establish to the satisfaction
3 of the Supervisor as to federal lands or the Commissioner as to
4 state lands that further drilling of said well would be unwarranted
5 or impracticable, provided, however, that Unit Operator shall not
6 in any event be required to drill said well to a depth in excess of
7 11,000 feet. Until the discovery of a deposit of unitized substances
8 capable of being produced in paying quantities, the Unit Operator
9 shall continue drilling one well at a time, allowing not more than
10 6 months between the completion of one well and the beginning of the
11 next well, until a well capable of producing unitized substances
12 in paying quantities is completed to the satisfaction of the Super-
13 visor if on federal lands or the Commissioner if on state lands or
14 until it is reasonably proved that the unitized land is incapable
15 of producing unitized substances in paying quantities in the formations
16 drilled hereunder. Nothing in this section shall be deemed to limit
17 the right of the Unit Operator to resign as provided in Section 5
18 hereof, or as requiring Unit Operator to commence or continue any
19 drilling during the period pending such resignation becoming effective
20 in order to comply with the requirements of this section. The Super-
21 visor and Commissioner may modify the drilling requirements of this
22 section by granting reasonable extensions of time when, in their
23 opinion, such action is warranted.

24 Upon failure to commence any well provided for in this section
25 within the time allowed, including any extension of time granted by
26 the Supervisor, this agreement will automatically terminate; upon
27 failure to continue drilling diligently any well commenced hereunder,
28 the Supervisor may, after 15-days notice to the Unit Operator, declare
29 this unit agreement terminated.

1 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6
2 months after completion of a well capable of producing unitized
3 substances in paying quantities, the Unit Operator shall submit for
4 the approval of the Supervisor and the Commissioner an acceptable
5 plan of development and operation for the unitized land which, when
6 approved by the Supervisor and the Commissioner, shall constitute
7 the further drilling and operating obligations of the Unit Operator
8 under this agreement for the period specified therein. Thereafter,
9 from time to time before the expiration of any existing plan, the
10 Unit Operator shall submit for the approval of the Supervisor and
11 the Commissioner a plan for an additional specified period for the
12 development and operation of the unitized land.

13 Any plan submitted pursuant to this section shall provide for
14 the exploration of the unitized area and for the diligent drilling
15 necessary for determination of the area or areas thereof capable of
16 producing unitized substances in paying quantities in each and every
17 productive formation and shall be as complete and adequate as the
18 Supervisor and the Commissioner may determine to be necessary for
19 timely development and proper conservation of the oil and gas resources
20 of the unitized area and shall:

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

24 (b) to the extent practicable specify the operating
25 practices regarded as necessary and advisable for proper
26 conservation of natural resources.

27
28 Separate plans may be submitted for separate productive zones, subject
29 to the approval of the Supervisor and the Commissioner.

30 Plans shall be modified or supplemented when necessary to meet

1 changed conditions or to protect the interests of all parties to
2 this agreement. Reasonable diligence shall be exercised in complying
3 with the obligations of the approved plan of development. The Super-
4 visor and Commissioner are authorized to grant a reasonable extension
5 of the 6-month period herein prescribed for submission of an initial
6 plan of development where such action is justified because of unusual
7 conditions or circumstances. After completion hereunder of a well
8 capable of producing any unitized substance in paying quantities,
9 no further wells, except such as may be necessary to afford protec-
10 tion against operations not under this agreement and such as may be
11 specifically approved by the Supervisor and the Commissioner, shall
12 be drilled except in accordance with a plan of development approved
13 as herein provided.

14 11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well
15 capable of producing unitized substances in paying quantities or as
16 soon thereafter as required by the Supervisor and Commissioner, the
17 Unit Operator shall submit for approval by the Supervisor and the
18 Commissioner a schedule, based on subdivisions of the public land
19 survey or aliquot parts thereof, of all land then regarded as reason-
20 ably proved to be productive in paying quantities; all lands in said
21 schedule on approval of the Supervisor and the Commissioner to con-
22 stitute a participating area, effective as of the date of completion
23 of such well or the effective date of this unit agreement, whichever
24 is later. The acreages of both federal and non-federal lands shall
25 be based upon appropriate computations from the courses and distances
26 shown on the last approved public land survey as of the effective date
27 of each initial participating area. Said schedule shall also set forth
28 the percentage of unitized substances to be allocated as herein pro-
29 vided to each tract in the participating area so established, and
30 shall govern the allocation of production commencing with the effective

1 date of the participating area. A separate participating area
2 shall be established for each separate pool or deposit of unitized
3 substances or for any group thereof which is produced as a single
4 pool or zone, and any two or more participating areas so established
5 may be combined into one, on approval of the Supervisor and the Com-
6 missioner. When production from two or more participating areas, so
7 established, is subsequently found to be from a common pool or deposit
8 said participating areas shall be combined into one effective as of
9 such appropriate date as may be approved or prescribed by the Super-
10 visor and the Commissioner. The participating area or areas so
11 established shall be revised from time to time, subject to like approval,
12 to include additional land then regarded as reasonably proved to be
13 productive in paying quantities or necessary for unit operations, or
14 to exclude land then regarded as reasonably proved not to be produc-
15 tive in paying quantities and the schedule of allocation percentages
16 shall be revised accordingly. The effective date of any revision
17 shall be the first of the month in which is obtained the knowledge
18 or information on which such revision is predicated, provided, however,
19 that a more appropriate effective date may be used if justified by
20 the Unit Operator and approved by the Supervisor and Commissioner.
21 No land shall be excluded from a participating area on account of
22 depletion of the unitized substances, except that any participating
23 area established under the provisions of this unit agreement shall
24 terminate automatically whenever all completions in the formation on
25 which the participating area is based are abandoned.

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

1 date of the revision of the participating area.

2 In the absence of agreement at any time between the Unit
3 Operator and the Supervisor and the Commissioner as to the proper
4 definition or redefinition of a participating area, or until a
5 participating area has, or areas have, been established as provided
6 herein, the portion of all payments affected thereby shall be im-
7 pounded in a manner mutually acceptable to the owners of working
8 interests and the Supervisor and Commissioner. Royalties due the
9 United States and the State of New Mexico shall be determined by
10 the Supervisor for federal land and the Commissioner for state land
11 and the amount thereof deposited, as directed by the Supervisor
12 and the Commissioner respectively, to be held as unearned money
13 until a participating area is finally approved and then applied as
14 earned or returned in accordance with a determination of the sum due
15 as federal and state royalty on the basis of such approved partici-
16 pating area.

17 Whenever it is determined, subject to the approval of the
18 Supervisor as to wells drilled on federal land and of the Commissioner
19 as to wells drilled on state land, that a well drilled under this
20 agreement is not capable of production in paying quantities and
21 inclusion of the land on which it is situated in a participating
22 area is unwarranted, production from such well shall, for the purposes
23 of settlement among all parties other than working interest owners,
24 be allocated to the land on which the well is located unless such
25 land is already within the participating area established for the
26 pool or deposit from which such production is obtained. Settlement
27 for working interest benefits from such a well shall be made as
28 provided in the unit operating agreement.

29 12. ALLOCATION OF PRODUCTION. All unitized substances produced
30 from each participating area established under this agreement, except

1 any part thereof used in conformity with good operating practices
2 within the unitized area for drilling, operating, camp and other
3 production or development purposes, for repressuring or recycling
4 in accordance with a plan of development approved by the Supervisor
5 and Commissioner, or unavoidably lost, shall be deemed to be produced
6 equally on an acreage basis from the several tracts of unitized land
7 of the participating area established for such production and, for
8 the purpose of determining any benefits accruing under this agreement,
9 each such tract of unitized land shall have allocated to it such per-
10 centage of said production as the number of acres of such tract included
11 in said participating area bears to the total acres of unitized land
12 in said participating area, except that allocation of production here-
13 under for purposes other than for settlement of the royalty, overriding
14 royalty or payment out of production obligations of the respective
15 working interest owners, shall be on the basis prescribed in the unit
16 operating agreement whether in conformity with the basis of alloca-
17 tion herein set forth or otherwise. It is hereby agreed that produc-
18 tion of unitized substances from a participating area shall be allo-
19 cated as provided herein regardless of whether any wells are drilled
20 on any particular part or tract of said participating area. If any
21 gas produced from one participating area is used for repressuring
22 or recycling purposes in another participating area, the first gas
23 withdrawn from such last mentioned participating area for sale during
24 the life of this agreement shall be considered to be the gas so trans-
25 ferred until an amount equal to that transferred shall be so produced
26 for sale and such gas shall be allocated to the participating area
27 from which initially produced as such area was last defined at the
28 time of such final production.

29 13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR
30 FORMATIONS. Any party hereto owning or controlling the working interest

1 in any unitized land having thereon a regular well location may
2 with the approval of the Supervisor as to federal lands and the
3 Commissioner as to state lands, at such party's sole risk, cost and
4 expense, drill a well to test any formation for which a participating
5 area has not been established or to test any formation for which a
6 participating area has been established if such location is not within
7 said participating area, unless within 90 days of receipt of notice
8 from said party of his intention to drill the well the Unit Operator
9 elects and commences to drill such a well in like manner as other
10 wells are drilled by the Unit Operator under this agreement.

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

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

25 14. ROYALTY SETTLEMENT. The United States and any state and
26 any royalty owner who is entitled to take in kind a share of the
27 substances now unitized hereunder shall hereafter be entitled to the
28 right to take in kind its share of the unitized substances, and Unit
29 Operator, or the working interest owner in case of the operation of
30 a well by a working interest owner as herein provided for in special

1 cases, shall make deliveries of such royalty share taken in kind
2 in conformity with the applicable contracts, laws and regulations.
3 Settlement for royalty interest not taken in kind shall be made by
4 working interest owners responsible therefor under existing contracts,
5 laws and regulations, or by the Unit Operator on or before the last
6 day of each month for unitized substances produced during the pre-
7 ceding calendar month; provided, however, that nothing herein con-
8 tained shall operate to relieve the lessees of any land from their
9 respective lease obligations for the payment of any royalties due
10 under their leases.

11 If gas obtained from lands not subject to this agreement is
12 introduced into any participating area hereunder, for use in re-
13 pressuring, stimulation of production, or increasing ultimate recovery,
14 in conformity with a plan of operations approved by the Supervisor
15 and Commissioner, a like amount of gas, after settlement as herein
16 provided for any gas transferred from any other participating area
17 and with appropriate deduction for loss from any cause, may be with-
18 drawn from the formation into which the gas is introduced, royalty
19 free as to dry gas, but not as to any products which may be extracted
20 therefrom; provided that such withdrawal shall be at such time as
21 may be provided in the approved plan of operations or as may other-
22 wise be consented to by the Supervisor and the Commissioner as con-
23 forming to good petroleum engineering practices; and provided further,
24 that such right of withdrawal shall terminate on the termination of
25 this unit agreement.

26 Royalty due the United States shall be computed as provided
27 in the operating regulations and paid in value or delivered in kind
28 as to all unitized substances on the basis of the amounts thereof
29 allocated to unitized federal land as provided herein at the rates
30 specified in the respective federal leases, or at such lower rate or

1 rates as may be authorized by law or regulation; provided, that
2 for leases on which the royalty rate depends on the daily average
3 production per well, said average production shall be determined
4 in accordance with the operating regulations as though each partici-
5 pating area were a single consolidated lease.

6 Royalty due on production from state lands shall be computed
7 and paid on the basis of all unitized substances allocated to such
8 lands.

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

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

22 With respect to any lease on other than federal or state land
23 containing provisions which would terminate such lease unless drilling
24 operations are commenced upon the land covered thereby within the time
25 therein specified or rentals are paid for the privilege of deferring
26 such drilling operations, the rentals required thereby shall, not-
27 withstanding any other provision of this agreement, be deemed to
28 accrue and become payable during the term thereof as extended by this
29 agreement and until the required drilling operations are commenced
30 upon the land covered thereby or until some portion of such land is

1 included within a participating area.

2 16. CONSERVATION. Operations hereunder and production of
3 unitized substances shall be conducted to provide for the most
4 economical and efficient recovery of said substances without waste,
5 as defined by or pursuant to state or federal law or regulations.

6 17. DRAINAGE. The Unit Operator shall take such measures
7 as the Supervisor and Commissioner deem appropriate and adequate
8 to prevent drainage of unitized substances from unitized land by
9 wells on land not subject to this agreement.

10 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms,
11 conditions and provisions of all leases, subleases and other contracts
12 relating to exploration, drilling, development or operation for oil
13 or gas on lands committed to this agreement are hereby expressly
14 modified and amended to the extent necessary to make the same conform
15 to the provisions hereof, but otherwise to remain in full force and
16 effect; and the parties hereto hereby consent that the Secretary as
17 to federal lands and the Commissioner as to state lands shall, and
18 each by his approval hereof or by the approval hereof by his duly
19 authorized representatives, does hereby establish, alter, change,
20 or revoke the drilling, producing, rental, minimum royalty and royalty
21 of federal and state leases committed hereto and the regulations in
22 respect thereto to conform said requirements to the provisions of
23 this agreement, and without limiting the generality of the foregoing,
24 all leases, subleases and contracts are particularly modified in
25 accordance with the following:

26 (a) The development and operation of lands subject to this
27 agreement under the terms hereof shall be deemed full per-
28 formance of all obligations for development and operation
29 with respect to each and every separately owned tract subject
30 to this agreement, regardless of whether there is any

1 development of any particular tract of the unit area.

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

8 (c) Suspension of drilling or producing operations on
9 all unitized lands pursuant to direction or consent of
10 the Secretary and the Commissioner, or their duly
11 authorized representatives, shall be deemed to constitute
12 such suspension pursuant to such direction or consent
13 as to each and every tract of unitized land. A suspension
14 of drilling or producing operations limited to specified
15 lands shall be applicable only to such lands.

16 (d) Each lease, sublease or contract relating to the
17 exploration, drilling, development or operation for oil
18 or gas of lands other than those of the United States
19 or State of New Mexico committed to this agreement,
20 which, by its terms might expire prior to the termination
21 of this agreement, is hereby extended beyond any such term
22 so provided therein so that it shall be continued in full
23 force and effect for and during the term of this agreement.

24 (e) Any federal lease for a fixed term of twenty (20)
25 years or any renewal thereof or any part of such lease
26 which is made subject to this agreement shall continue
27 in force beyond the term provided therein until the ter-
28 mination thereof. Any other federal lease committed hereto
29 shall continue in force beyond the term so provided therein
30 or by law as to the land committed so long as such lease

1 remains subject hereto, provided that production is had in paying
2 quantities under this unit agreement prior to the expiration date
3 of the term of such lease, or in the event actual drilling operations
4 are commenced on unitized land, in accordance with the provisions of
5 this agreement, prior to the end of the primary term of such lease
6 and are being diligently prosecuted at that time, such lease shall
7 be extended for two years and so long thereafter as oil or gas is
8 produced in paying quantities in accordance with the provisions of
9 the Mineral Leasing Act Revision of 1960.

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

18 (g) Any lease embracing lands of the State of New Mexico which is
19 made subject to this agreement, shall continue in force beyond the
20 term provided therein as to the lands committed hereto until
21 the termination hereof, subject to the provisions of subsection (e)
22 of Section 2 and subsection (i) of this Section 18.

23 (h) The segregation of any federal lease committed to this agreement
24 is governed by the following provision in the fourth paragraph of
25 Sec. 17(j) of the Mineral Leasing Act, as amended by the Act of
26 September 2, 1960 (74 Stat. 781-784): "Any (federal) lease hereto-
27 fore or hereafter committed to any such (unit) plan embracing lands
28 that are in part within and in part outside of the area covered by any
29 such plan shall be segregated into separate leases as to the lands
30 committed and the lands not committed as of the effective date of

1 unitization; Provided, however, That any such lease as to the non-
2 unitized portion shall continue in force and effect for the term
3 thereof but for not less than two years from the date of such segre-
4 gation and so long thereafter as oil or gas is produced in paying
5 quantities".

6 (i) Any lease, other than a federal or state lease, having only a
7 portion of its lands committed hereto shall be segregated as to the
8 portion committed and the portion not committed, and the provisions
9 of such lease shall apply separately to such segregated portions
10 commencing as of the effective date hereof. In the event any such
11 lease provides for a lump-sum rental payment, such payment shall be
12 prorated between the portions so segregated in proportion to the
13 acreage of the respective tracts.

14 (j) Any lease embracing lands of the State of New Mexico having
15 only a portion of its lands committed hereto, shall be segregated
16 as to the portion committed and the portion not committed, and the
17 provisions of such lease shall apply separately to such segregated
18 portions commencing as of the effective date hereof; provided, how-
19 ever, notwithstanding any of the provisions of this agreement to
20 the contrary any lease embracing lands of the State of New Mexico
21 having only a portion of its lands committed hereto shall continue
22 in full force and effect beyond the term provided therein as to all
23 lands embraced in such lease at the expiration of the secondary term
24 of such lease; or if, at the expiration of the secondary term, the
25 lessee or the Unit Operator is then engaged in bona fide drilling
26 or reworking operations on some part of the lands embraced in such
27 lease, the same, as to all lands embraced therein, shall remain in
28 full force and effect so long as such operations are being diligently
29 prosecuted, and if they result in the production of oil or gas, said
30 lease shall continue in full force and effect as to all of the lands

1 embraced therein, so long thereafter as oil or gas in paying quanti-
2 ties is being produced from any portion of said lands.

3 19. COVENANTS RUN WITH LAND. The covenants herein shall be
4 construed to be covenants running with the land with respect to the
5 interest of the parties hereto and their successors in interest until
6 this agreement terminates, and any grant, transfer or conveyance of
7 interest in land or leases subject hereto shall be and hereby is
8 conditioned upon the assumption of all privileges and obligations
9 hereunder by the grantee, transferee or other successor in interest.
10 No assignment or transfer of any working interest, royalty or other
11 interest subject hereto shall be binding upon Unit Operator until
12 the first day of the calendar month after Unit Operator is furnished
13 with the original, photostatic or certified copy of the instrument of
14 transfer.

15 20. EFFECTIVE DATE AND TERM: This agreement shall become
16 effective upon approval by the Secretary or his duly authorized
17 representative and shall terminate five (5) years from said effective
18 date unless

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

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

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

1 sufficient to pay for the cost of producing same from wells on
2 unitized land within any participating area established hereunder
3 and, should production cease, so long thereafter as diligent opera-
4 tions are in progress for the restoration of production or discovery
5 of new production and so long thereafter as unitized substances so
6 discovered can be produced as aforesaid, or

7 (d) it is terminated as heretofore provided in this agreement.
8 This agreement may be terminated at any time by not less than 75 per
9 centum, on an acreage basis, of the working interest owners signatory
10 hereto, with the approval of the Supervisor and Commissioner; notice
11 of any such approval to be given by the Unit Operator to all parties
12 hereto.

13 21 RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION. The
14 Director is hereby vested with authority to alter or modify from
15 time to time in his discretion the quantity and rate of production
16 under this agreement when such quantity and rate is not fixed pursuant
17 to federal or state law or does not conform to any statewide voluntary
18 conservation or allocation program, which is established, recognized
19 and generally adhered to by the majority of operators in such state,
20 such authority being hereby limited to alteration or modification in
21 the public interest, the purpose thereof and the public interest to
22 be served thereby to be stated in the order of alteration or modifica-
23 tion. Without regard to the foregoing, the Director is also hereby
24 vested with authority to alter or modify from time to time in his
25 discretion the rate of prospecting and development and the quantity
26 and rate of production under this agreement when such alteration or
27 modification is in the interest of attaining the conservation objectives
28 stated in this agreement and is not in violation of any applicable
29 federal or state law.

30 Powers in this section vested in the Director shall only be

1 exercised after notice to Unit Operator and opportunity for hearing
2 to be held not less than 15 days from notice.

3 22. APPEARANCES. Unit Operator shall, after notice to other
4 parties affected, have the right to appear for and on behalf of any
5 and all interests affected hereby before the Department of the Interior
6 and to appeal from orders issued under the regulations of said Depart-
7 ment or to apply for relief from any of said regulations or in any
8 proceedings relative to operations before the Department of the
9 Interior or any other legally constituted authority; provided, how-
10 ever, that any other interested party shall also have the right at
11 his own expense to be heard in any such proceeding.

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

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

27 25. UNAVOIDABLE DELAY. All obligations under this agreement
28 requiring the Unit Operator to commence or continue drilling or to
29 operate on or produce unitized substances from any of the lands
30 covered by this agreement shall be suspended while the Unit Operator,

1 despite the exercise of due care and diligence, is prevented from
2 complying with such obligations, in whole or in part, by strikes,
3 acts of God, federal, state or municipal law or agencies, unavail-
4 able accidents, uncontrollable delays in transportation, inability
5 to obtain necessary materials in open market, or other matters
6 beyond the reasonable control of the Unit Operator whether similar
7 to matters herein enumerated or not. No unit obligation which is
8 suspended under this section shall become due less than thirty (30)
9 days after it has been determined that the suspension is no longer
10 applicable. Determination of creditable "Unavoidable Delay" time
11 shall be made by the Unit Operator subject to approval of the Super-
12 visor and Commissioner.

13 26. NONDISCRIMINATION. In connection with the performance
14 of work under this agreement, the operator agrees to comply with
15 all the provisions of Section 202 (1) to (7) inclusive of Executive
16 Order 11246 (30 F.R. 12319), which are hereby incorporated by reference
17 in this agreement.

18 27. LOSS OF TITLE. In the event title to any tract of unitized
19 land shall fail and the true owner cannot be induced to join in this
20 unit agreement, such tract shall be automatically regarded as not
21 committed hereto and there shall be such readjustment of future costs
22 and benefits as may be required on account of the loss of such title.
23 In the event of a dispute as to title as to any royalty, working
24 interest or other interests subject thereto, payment or delivery
25 on account thereof may be withheld without liability for interest
26 until the dispute is finally settled; provided, however, that, as
27 to federal and state land or leases, no payments of funds due the
28 United States or the State of New Mexico should be withheld, but
29 such funds of the United States shall be deposited as directed by
30 the Supervisor and such funds of the State of New Mexico shall be

1 deposited as directed by the Commissioner to be held as unearned
2 money pending final settlement of the title dispute, and then
3 applied as earned or returned in accordance with such final settle-
4 ment.

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

7 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any
8 substantial interest in a tract within the unit area fails or refuses
9 to subscribe or consent to this agreement, the owner of the working
10 interest in that tract may withdraw said tract from this agreement
11 by written notice delivered to the Supervisor, the Commissioner and
12 the Unit Operator prior to the approval of this agreement by the
13 Supervisor and Commissioner. Any oil or gas interests in lands
14 within the unit area not committed hereto prior to submission of
15 this agreement for final approval may thereafter be committed hereto
16 by the owner or owners thereof subscribing or consenting to this agree-
17 ment, and, if the interest is a working interest, by the owner of
18 such interest also subscribing to the unit operating agreement.
19 After operations are commenced hereunder, the right of subsequent
20 joinder, as provided in this section, by a working interest owner
21 is subject to such requirements or approvals, if any, pertaining to
22 such joinder, as may be provided for in the unit operating agreement.
23 After final approval hereof, joinder by a non-working interest owner
24 must be consented to in writing by the working interest owner committed
25 hereto and responsible for the payment of any benefits that may accrue
26 hereunder in behalf of such non-working interest. A non-working interest
27 may not be committed to this unit agreement unless the corresponding
28 working interest is committed hereto. Joinder to the unit agreement
29 by a working interest owner, at any time, must be accompanied by
30 appropriate joinder to the unit operating agreement, if more than one

1 committed working interest owner is involved, in order for the
2 interest to be regarded as committed to this unit agreement. Except
3 as may otherwise herein be provided, subsequent joinders to this
4 agreement shall be effective as of the first day of the month following
5 the filing with the Supervisor and Commissioner of duly executed
6 counterparts of all or any papers necessary to establish effective
7 commitment of any tract to this agreement unless objection to such
8 joinder is duly made within 60 days by the Supervisor.

9 29. COUNTERPARTS. This agreement may be executed in any
10 number of counterparts no one of which needs to be executed by all
11 parties or may be ratified or consented to by separate instrument in
11 writing specifically referring hereto and shall be binding upon all
12 those parties who have executed such a counterpart, ratification or
13 consent hereto with the same force and effect as if all such parties
14 had signed the same document and regardless of whether or not it is
15 executed by all other parties owning or claiming an interest in the
16 lands within the above described unit area.

17 30. NO PARTNERSHIP. It is expressly agreed that the relation
18 of the parties hereto is that of independent contractors and nothing
19 in this agreement contained, expressed or implied, nor any operations
20 conducted hereunder, shall create or be deemed to have created a
21 partnership or association between the parties hereto or any of them.

22 IN WITNES WHEREOF, the parties hereto have caused this agree-
23 ment to be executed and have set opposite their respective names the
24 date of execution.

ATTEST:

SUN OIL COMPANY

By _____
President
UNIT OPERATOR AND WORKING INTEREST OWNER

Secretary

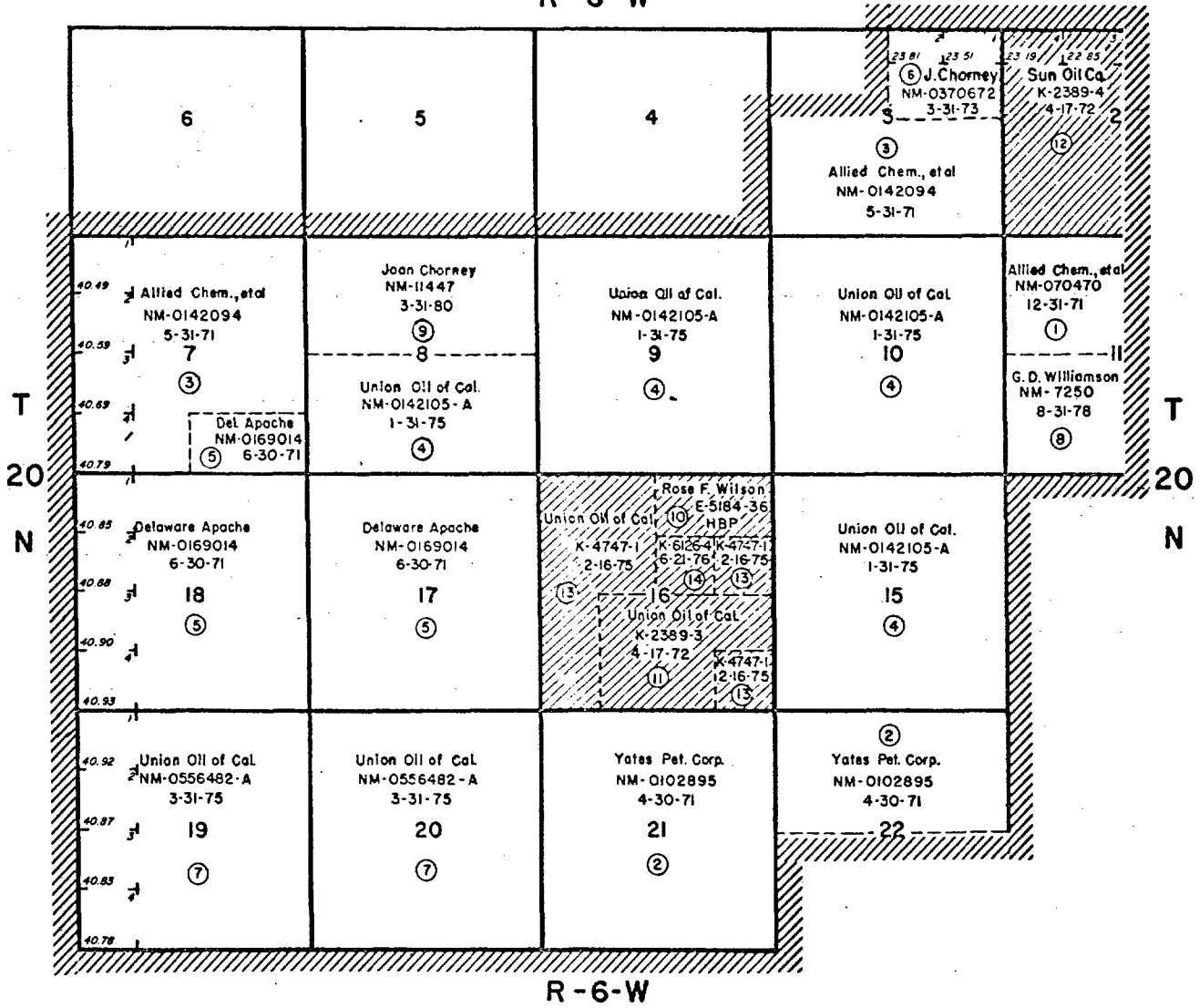
STATE OF _____)
COUNTY OF _____) ss

The foregoing instrument was acknowledged before me this ____ day
of _____ 1971 by _____,
of Sun Oil Company, a New Jersey corporation, on behalf of said corpora-
tion.

My Commission Expires:

Notary Public

R-6-W



○ Tract Number

▨ Unit Outline

□ Federal Lands
7,496.84 Acres, 89.01% of area

▨ State of New Mexico Lands
926.04 Acres, 10.99% of area

Total: 8,422.88 Acres, 100% of area

POT MESA UNIT AREA

McKinley County, New Mexico

Scale: 1"=4000'
Exhibit "A"

EXHIBIT "B"

SCHEDULE SHOWING ALL LANDS AND OWNERSHIP WITHIN THE UNIT AREA
POT MESA UNIT AREA, MCKINLEY COUNTY, NEW MEXICO

Tract No.	Description	Acres	Lease No. & Basic		Expiration Date	Royalty & Lessee of Record Percentage	Overriding Royalty & Percentage	Working Interest & Percentage
			Range	Section				
All in Township 20 North, Range 6 West								
1	Sec. 11 - NW $\frac{1}{4}$	160.00	NW	070470	12/31/71	USA 12 $\frac{1}{2}$ % Allied Chemical Corp. - 5/6 Texas Pacific Oil Co. - 1/6	Amco Oil Corp. - 1%	*Allied Chem. Co. 5/6 *Texas Pacific Co. - 1/6
2	Sec. 21 - All Sec. 22 - N $\frac{1}{2}$	960.00	NW	0102895	4/30/71	USA 12 $\frac{1}{2}$ % Yates Petroleum Corp. - All	Jack McCaw - 5%	*Yates Petroleum Corp. - All
3	Sec. 3 - S $\frac{1}{2}$ Sec. 7 - Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, NE $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	882.56	NW	0142094	5/31/71	USA 12 $\frac{1}{2}$ % Allied Chemical Corp. - 5/6 Texas Pacific Oil Co. - 1/6	Amco Oil Corp. - 2 $\frac{1}{2}$ %	*Allied Chemical Corp. - 5/6 *Texas Pacific Co. - 1/6
4	Sec. 8 - S $\frac{1}{2}$ Sec. 9 - All Sec. 10 - All Sec. 15 - All	2,240.00	NW	0142105-A	1/31/75	USA 12 $\frac{1}{2}$ % Union Oil Co. of California - All	Lionel R. Levinson - 4%	*Union Oil Co. California -
5	Sec. 7 - S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 17 - All Sec. 18 - Lots 1, 2, 3, 4, E $\frac{1}{2}$ W $\frac{1}{2}$, E $\frac{1}{2}$ (All)	1,363.56	NW	0169014	6/30/71	USA 12 $\frac{1}{2}$ % Delaware-Apache Corp. - All	F. J. Bradshaw - 1% Raymond Chorney - 1 $\frac{1}{2}$ %	*Delaware-Apach Corp. - All
6	Sec. 3 - Lots 1, 2, S $\frac{1}{2}$ NE $\frac{1}{4}$	127.32	NW	0370672	3/31/73	USA 12 $\frac{1}{2}$ % Joan Chorney - All	Stanley M. Edwards - 2 $\frac{1}{2}$ % L. C. Driskell - 2 $\frac{1}{2}$ %	*Joan Chorney -
7	Sec. 19 - Lots 1, 2, 3, 4, E $\frac{1}{2}$, E $\frac{1}{2}$ W $\frac{1}{2}$ (All) Sec. 20 - All	1283.40	NW	0556482-A	3/31/75	USA 12 $\frac{1}{2}$ % Union Oil Co. of California - All	Ed. H. Watson - 1% Raymond Chorney - 3%	*Union Oil Co. California -
8	Sec. 11 - SW $\frac{1}{4}$	160.00	NW	7250	8/31/78	USA 12 $\frac{1}{2}$ % G. Dee Williamson - All	Lucy M. English and Ernest A. Hanson - 3%	*G. Gee William All

EXHIBIT "B"

Tract No.	Description	Acres	Lease No. & Expiration Date	Basic Royalty & Percentage	Lessee of Record & Percentage	Overriding Royalty & Percentage	Working Interest & Percentage
9	Sec. 8 - N $\frac{1}{2}$	320.00	NM 11447 3/31/80	USA 12 $\frac{1}{2}$ %	Joan Chorney - All	Stanley M. Edwards 2 $\frac{1}{2}$ % L. C. Driskell - 2 $\frac{1}{2}$ %	*Joan Chorney -
	Total	<u>7,496.84</u>	acres federal lands, 89.01% of unit area				
10	Sec. 16 - N $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	E-5184-36 HBP	State 12 $\frac{1}{2}$ %	Rose F. Wilson - All	None	Rose F. Wilson
11	Sec. 16 - N $\frac{1}{2}$ SE $\frac{1}{4}$, SW $\frac{1}{4}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$	200.00	K-2389-3 4/17/72	State 12 $\frac{1}{2}$ %	Union Oil Co. of California - All	Dorothy Chorney - 1%	*Union Oil Co. of California - A
12	Sec. 2 - Lots 3, 4, S $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ (W $\frac{1}{2}$)	286.04	K-2389-4 4/17/72	State 12 $\frac{1}{2}$ %	Sun Oil Co. - All	Stanley M. Edwards 1% L. C. Driskell - 1%	Sun Oil Co. - A
13	Sec. 16 - SE $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ SE $\frac{1}{4}$	320.00	K-4747-1 2/16/75	State 12 $\frac{1}{2}$ %	Union Oil Co. of California - All	Raymond Chorney - 4%	*Union Oil Co. of California - A
14	Sec. 16 - SW $\frac{1}{4}$ NE $\frac{1}{4}$	40.00	K-6126-4 6/21/76	State 12 $\frac{1}{2}$ %	Delaware-Apache Corp. - All	Raymond Chorney - 2 $\frac{1}{2}$ %	*Delaware-Apache Corp. - All
	Total	926.04 acres, State of New Mexico lands, 10.99% of unit area					
		7,496.84 acres federal lands, 89.01% of unit area					
		<u>926.04</u> acres state lands, <u>10.99%</u> of unit area					
		8,422.88 acres					
		100.00%					

*Sun Oil Company will earn an interest in these tracts in consideration of formation of unit and drilling obligations.