

4772

RANDOLPH M. RICHARDSON

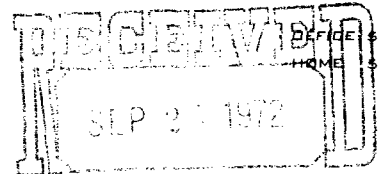
OIL AND GAS LAND AND UNIT CONSULTANT

FEDERAL - STATE - FEE

P. O. BOX 819

ROSWELL, NEW MEXICO 88201

September 18, 1972



OIL CONSERVATION COMM.  
Santa Fe

Re: Walker Draw Unit  
Eddy County, New Mexico

Oil Conservation Commission  
State of New Mexico  
State Land Office Building  
Santa Fe, New Mexico 87501

*BA*  
*file*  
*over*

Gentlemen:

Under date of August 21, 1972, by Order No. R-4372, Case No. 4792, you approved the captioned Walker Draw Unit, Eddy County, New Mexico.

Due to unforeseen circumstances, it has been determined that this Unit will not be finally approved by the U.S.G.S.

Unit Operator did drill and complete, as a dry and abandoned hole, the initial test well which was called for under the Unit Agreement.

This well did reach its objective depth before approval by the U.S.G.S., consequently, was not considered as the initial test well.

Please close your file on this Unit and if you need any additional information please advise.

Thank you very much.

Yours very truly,

R. M. Richardson

RMR:sm

cc: Mr. David Fasken  
608 First National Bank Building  
Midland, Texas 79701

CERTIFICATION--DETERMINATION

Pursuant to the authority vested in the Secretary of the Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U. S. C., secs. 181, et seq., and delegated to the Oil and Gas Supervisors of the Geological Survey (33 F. R. 5812), I do hereby:

A. Approve the attached agreement for the development and operation of the Walker Draw Unit Area, State of New Mexico.

B. Certify and determine that the unit plan of development and operation contemplated in the attached agreement is necessary and advisable in the public interest for the purpose of more properly conserving the natural resources.

C. Certify and determine that the drilling, producing, rental, minimum royalty, and royalty requirements of all Federal leases committed to said agreement are hereby established, altered, changed, or revoked to conform with the terms and conditions of this agreement.

Dated \_\_\_\_\_.

\_\_\_\_\_  
Oil and Gas Supervisor, United States  
Geological Survey

Contract Number \_\_\_\_\_

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE  
WALKER DRAW UNIT AREA  
COUNTY OF EDDY  
STATE OF NEW MEXICO  
NO. \_\_\_\_\_

THIS AGREEMENT, entered into as of the 15<sup>th</sup> day of  
October, 1971, by and between the parties subscribing, ratify-  
ing, or consenting hereto, and herein referred to as the "parties hereto,"

WITNESSETH:

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

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

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

WHEREAS the Oil Conservation Commission of the State of New  
Mexico is authorized by an Act of the Legislature (Article 3, Chapter 65,

Vol. 9, Part 2, 1953 Statutes), to approve this agreement and the conservation provisions hereof; and

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

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

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

1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of February 25, 1920, as amended, *supra*, and all valid pertinent regulations, including operating and unit plan regulations, heretofore issued thereunder or valid, pertinent, and reasonable regulations hereafter issued thereunder are accepted and made a part of this agreement as to Federal lands, provided such regulations are not inconsistent with the terms of this agreement; and as to 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.

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit A is hereby designated and recognized as constituting the unit area, containing 7,040 acres, more or less.

Exhibit A shows, in addition to the boundary of the unit area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit B attached hereto is a schedule showing to

the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests in all land in the unit area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits A and B shall be revised by the Unit Operator whenever changes in the unit area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less than five copies of the revised exhibits shall be filed with the Supervisor, and two copies thereof shall be filed with the Commissioner, and one copy with the New Mexico Oil Conservation Commission, hereinafter referred to as "Commission".

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

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

(b) Said notice shall be delivered to the Supervisor, the Commissioner, and the Commission and copies thereof mailed to the last known address of each working interest owner, lessee, and lessor whose interests are affected, advising that 30 days will be allowed for sub-

mission to the Unit Operator of any objections.

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

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

(e) All legal subdivisions of lands (i.e., 40 acres by Government survey or its nearest lot or tract equivalent; in instances of irregular surveys unusually large lots or tracts shall be considered in multiples of 40 acres or the nearest aliquot equivalent thereof), no parts of which are entitled to be in a participating area on or before the fifth anniversary of the effective date of the first initial participating area established under this unit agreement, shall be eliminated automatically from this agreement, effective as of said fifth anniversary, and such lands shall no longer be a part of the unit area and shall no longer be subject to this agreement, unless diligent drilling operations are in progress on unitized lands not entitled to participation on said fifth anniversary, in which event all such lands shall remain subject hereto for so long as such drilling operations are continued diligently, with not more than 90 days' time elapsing between the completion of one such well and the commencement of the next such well. All legal subdivisions of lands not entitled to be in a participating area within 10 years after the effective date of the first initial participating area approved under this agreement shall be automatically eliminated from this agreement as of said tenth anniversary.

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

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

18 Any expansion of the unit area pursuant to this section which em- 18  
19 braces lands theretofore eliminated pursuant to this subsection 2(e) shall 19  
20 not be considered automatic commitment or recommitment of such lands. 20

21 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land 21  
22 committed to this agreement shall constitute land referred to herein as 22  
23 "unitized land" or "land subject to this agreement." All oil and gas in any 23  
24 and all formations of the unitized land down to the depth of 10,280 feet sub- 24  
25 surface are unitized under the terms of this agreement and herein are called 25  
26 "unitized substances". 26

27 4. UNIT OPERATOR: David Fasken, 608 First National 27  
28 Bank Building, Midland, Texas, 79701, is hereby designated as Unit 28  
29 Operator and by signature hereto as Unit Operator agrees and consents to 29  
30 accept the duties and obligations of Unit Operator for the discovery, 30  
31 development, and production of unitized substances as herein provided. 31

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

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

20 Unit Operator shall have the right to resign in like manner and 20  
21 subject to like limitations as above provided at any time a participating 21  
22 area established hereunder is in existence, but, in all instances of resig- 22  
23 nation or removal, until a successor unit operator is selected and ap- 23  
24 proved as hereinafter provided, the working interest owners shall be 24  
25 jointly responsible for performance of the duties of unit operator, and 25  
26 shall not later than 30 days before such resignation or removal becomes 26  
27 effective appoint a common agent to represent them in any action to be 27  
28 taken hereunder. 28

29 The resignation of Unit Operator shall not release Unit Operator 29

1 from any liability for any default by it hereunder occurring prior to the effec- 1  
2 tive date of its resignation. 2

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

8 The resignation or removal of Unit Operator under this agreement 8  
9 shall not terminate its right, title, or interest as the owner of a working 9  
10 interest or other interest in unitized substances, but upon the resignation 10  
11 or removal of Unit Operator becoming effective, such Unit Operator shall 11  
12 deliver possession of all wells, equipment, materials, and appurtenances 12  
13 used in conducting the unit operations to the new duly qualified successor 13  
14 Unit Operator or to the common agent, if no such new Unit Operator is 14  
15 elected, to be used for the purpose of conducting unit operations here- 15  
16 under. Nothing herein shall be construed as authorizing removal of any 16  
17 material, equipment and appurtenances needed for the preservation of any 17  
18 wells. 18

19 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Opera- 19  
20 tor shall tender his or its resignation as Unit Operator or shall be re- 20  
21 moved as hereinabove provided, or a change of Unit Operator is negotiated 21  
22 by working interest owners, the owners of the working interests in the 22  
23 participating area or areas according to their respective acreage inter- 23  
24 ests in such participating area or areas, or, until a participating area 24  
25 shall have been established, the owners of the working interests accord- 25  
26 ing to their respective acreage interests in all unitized land, shall by 26  
27 majority vote select a successor Unit Operator: Provided, That, if a 27  
28 majority but less than 75 per cent of the working interests qualified to vote 28  
29 are owned by one party to this agreement, a concurring vote of one or 29

1 more additional working interest owners shall be required to select a new 1  
2 operator. Such selection shall not become effective until 2

3 (a) a Unit Operator so selected shall accept in writing the 3  
4 duties and responsibilities of Unit Operator, and 4

5 (b) the selection shall have been approved by the Supervisor 5  
6 and the Commissioner. 6

7 If no successor Unit Operator is selected and qualified as herein 7  
8 provided, the Director and Commissioner at their election may declare 8  
9 this unit agreement terminated. 9

10 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREE- 10  
11 MENT. If the Unit Operator is not the sole owner of working interests, 11  
12 costs and expenses incurred by Unit Operator in conducting unit opera- 12  
13 tions hereunder shall be paid and apportioned among and borne by the ow- 13  
14 ners of working interests, all in accordance with the agreement or agree- 14  
15 ments entered into by and between the Unit Operator and the owners of 15  
16 working interests, whether one or more, separately or collectively. Any 16  
17 agreement or agreements entered into between the working interest owners 17  
18 and the Unit Operator as provided in this section, whether one or more, 18  
19 are herein referred to as the "unit operating agreement." Such unit 19  
20 operating agreement shall also provide the manner in which the working 20  
21 interest owners shall be entitled to receive their respective proportionate 21  
22 and allocated share of the benefits accruing hereto in conformity with their 22  
23 underlying operating agreements, leases, or other independent contracts, 23  
24 and such other rights and obligations as between Unit Operator and the 24  
25 working interest owners as may be agreed upon by Unit Operator and the 25  
26 working interest owners; however, no such unit operating agreement 26  
27 shall be deemed either to modify any of the terms and conditions of this 27  
28 unit agreement or to relieve the Unit Operator of any right or obligation 28  
29 established under this unit agreement, and in case of any inconsistency 29

or conflict between this unit agreement and the unit operating agreement, this unit agreement shall govern. Three true copies of any unit operating agreement executed pursuant to this section should be filed with the Supervisor and one true copy with the Commissioner, prior to approval of this unit agreement.

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

9. DRILLING TO DISCOVERY. Within 6 months after the effective date hereof, the Unit Operator shall begin to drill an adequate test well at a location approved by the Supervisor, if on Federal land, or by the Commissioner if on State land, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the Morrow formation of Pennsylvanian age has been tested or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling, completing, and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the

Supervisor, if located on Federal lands, or the Commissioner, if located on State lands, that further drilling of said well would be unwarranted or impracticable, provided, however, that Unit Operator shall not in any event be required to drill said well to a depth in excess of 10,000 feet. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling one well at a time, allowing not more than 6 months between the completion of one well and the beginning of the next well, until a well capable of producing unitized substances in paying quantities is completed to the satisfaction of said Supervisor, if on Federal lands, or the Commissioner, if on State lands, or until it is reasonably proved that the unitized land is incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5, hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Supervisor and Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted.

It is recognized that one or more wells capable of producing from the Morrow formation may have been completed on land within the Unit Area and committed to the Unit Agreement. Upon completion of a well drilled under the terms of this Agreement as a well capable of producing unitized substances in paying quantities from the Morrow formation, lands proven productive in paying quantities by wells drilled prior to unitization shall be admitted to participation effective as of the effective date of the initial Morrow formation participating area. Settlement for any production had from any wells heretofore completed in the Morrow formation shall be on a lease basis (conformable with any underlying agreements affecting the

1 same) until the effective date that any heretofore drilled well (and the land 1  
2 around it reasonably proved to be productive in paying quantities) is ad- 2  
3 mitted to the Morrow formation participating area. 3

4 Upon failure to commence any well provided for in this section 4  
5 within the time allowed, including any extension of time granted by the Super- 5  
6 visor and the Commissioner, this agreement will automatically terminate; 6  
7 upon failure to continue drilling diligently any well commenced hereunder, 7  
8 the Supervisor and the Commissioner may, after 15-days notice to the Unit 8  
9 Operator, declare this Unit Agreement terminated. 9

10 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. 10

11 Within 6 months after completion of a well capable of producing unitized 11  
12 substances in paying quantities, the Unit Operator shall submit for the 12  
13 approval of the Supervisor and the Commissioner an acceptable plan of 13  
14 development and operation for the unitized land which, when approved by 14  
15 the Supervisor and the Commissioner, shall constitute the further drilling 15  
16 and operating obligations of Unit Operator under this agreement for the 16  
17 period specified therein. Thereafter, from time to time before the expira- 17  
18 tion of any existing plan, the Unit Operator shall submit for the approval 18  
19 of the Supervisor and the Commissioner a plan for an additional specified 19  
20 period for the development and operation of the unitized land. 20

21 Any plan submitted pursuant to this section shall provide for the 21  
22 exploration of the unitized area and for the diligent drilling necessary for 22  
23 determination of the area or areas thereof capable of producing unitized 23  
24 substances in paying quantities in each and every productive formation and 24  
25 shall be as complete and adequate as the Supervisor and the Commissioner 25  
26 may determine to be necessary for timely development and proper conser- 26  
27 vation of the oil and gas resources of the unitized area and shall: 27

28 (a) specify the number and locations of any wells to be 28

29 drilled and the proposed order and time for such drilling; and 29

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

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

Plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and Commissioner are authorized to grant a reasonable extension of the 6-month period herein prescribed for submission of an initial plan of development where such action is justified because of unusual conditions or circumstances. After completion hereunder of a well capable of producing any unitized substance in paying quantities, no further wells, except such as may be necessary to afford protection against operations not under this agreement and such as may be specifically approved by the Supervisor and the Commissioner, shall be drilled except in accordance with a plan of development approved as herein provided.

11. PARTICIPATION AFTER DISCOVERY. Upon completion of a well capable of producing unitized substances in paying quantities or as soon thereafter as required by the Supervisor or the Commissioner, the Unit Operator shall submit for approval by the Supervisor and the Commissioner a schedule, based on subdivisions of the public-land survey or aliquot parts thereof, of all land then regarded as reasonably proved to be productive in paying quantities; all lands in said schedule on approval of the Supervisor and the Commissioner to constitute a participating area, effective as of the date of completion of such well or the effective date of this unit agreement, whichever is later. The acreages of both Federal and non-Federal lands shall be based upon appropriate computations from the courses

1 and distances shown on the last approved public-land survey as of the effect- 1  
2 ive date of each initial participating area. Said schedule shall also set forth 2  
3 the percentage of unitized substances to be allocated as herein provided to 3  
4 each tract in the participating area so established, and shall govern the 4  
5 allocation of production commencing with the effective date of the participat- 5  
6 ing area. A separate participating area shall be established for each separ- 6  
7 ate pool or deposit of unitized substances or for any group thereof which is 7  
8 produced as a single pool or zone, and any two or more participating areas so 8  
9 established may be combined into one, on approval of the Supervisor and the 9  
10 Commissioner. When production from two or more participating areas, so 10  
11 established, is subsequently found to be from a common pool or deposit said 11  
12 participating areas shall be combined into one effective as of such appro- 12  
13 priate date as may be approved or prescribed by the Supervisor and the 13  
14 Commissioner. The participating area or areas so established shall be 14  
15 revised from time to time, subject to like approval, to include additional 15  
16 land then regarded as reasonably proved to be productive in paying quanti- 16  
17 ties or necessary for unit operations, or to exclude land then regarded as 17  
18 reasonably proved not to be productive in paying quantities and the schedule 18  
19 of allocation percentages shall be revised accordingly. The effective date 19  
20 of any revision shall be the first of the month in which is obtained the know- 20  
21 ledge or information on which such revision is predicated, provided, how- 21  
22 ever, that a more appropriate effective date may be used if justified by the 22  
23 Unit Operator and approved by the Supervisor and the Commissioner. No 23  
24 land shall be excluded from a participating area on account of depletion of 24  
25 the unitized substances, except that any participating area established under 25  
26 the provisions of this unit agreement shall terminate automatically when- 26  
27 ever all completions in the formation on which the participating area is 27  
28 based are abandoned. 28

1           It is the intent of this section that a participating area shall repre- 1  
2 sent the area known or reasonably estimated to be productive in paying quan- 2  
3 tities; but, regardless of any revision of the participating area, nothing 3  
4 herein contained shall be construed as requiring any retroactive adjustment 4  
5 for production obtained prior to the effective date of the revision of the parti- 5  
6 cipating area. 6

7           In the absence of agreement at any time between the Unit Operator 7  
8 and the Supervisor and the Commissioner as to the proper definition or re- 8  
9 definition of a participating area, or until a participating area has, or areas 9  
10 have, been established as provided herein, the portion of all payments af- 10  
11 fected thereby shall be impounded in a manner mutually acceptable to the 11  
12 owners of working interests and the Supervisor and the Commissioner. 12  
13 Royalties due the United States and the State of New Mexico shall be deter- 13  
14 mined by the Supervisor for Federal land and the Commissioner for State 14  
15 land and the amounts thereof shall be deposited, as directed by the Super- 15  
16 visor and the Commissioner, to be held as unearned money until a partici- 16  
17 pating area is finally approved and then applied as earned or returned in 17  
18 accordance with a determination of the sum due as Federal royalty and 18  
19 State royalty on the basis of such approved participating area. 19

20           Whenever it is determined, subject to the approval of the Super- 20  
21 visor as to wells drilled on Federal lands and of the Commissioner as to 21  
22 wells drilled on State land, that a well drilled under this agreement is not 22  
23 capable of production in paying quantities and inclusion of the land on which 23  
24 it is situated in a participating area is unwarranted, production from such 24  
25 well shall, for the purposes of settlement among all parties other than 25  
26 working interest owners, be allocated to the land on which the well is lo- 26  
27 cated unless such land is already within the participating area established 27  
28 for the pool or deposit from which such production is obtained. Settlement 28

1 for working interest benefits from such a well shall be made as provided in 1  
2 the unit operating agreement. 2

3 12. ALLOCATION OF PRODUCTION: All unitized substances 3  
4 produced from each participating area established under this agreement, ex- 4  
5 cept any part thereof used in conformity with good operating practices within 5  
6 the unitized area for drilling, operating, camp and other production or develop- 6  
7 ment purposes, for repressuring or recycling in accordance with a plan of 7  
8 development approved by the Supervisor and Commissioner or unavoidably 8  
9 lost, shall be deemed to be produced equally on an acreage basis from the 9  
10 several tracts of unitized land of the participating area established for such 10  
11 production and, for the purpose of determining any benefits accruing under 11  
12 this agreement, each such tract of unitized land shall have allocated to it such 12  
13 percentage of said production as the number of acres of such tract included 13  
14 in said participating area bears to the total acres of unitized land in said 14  
15 participating area, except that allocation of production hereunder for pur- 15  
16 poses other than for settlement of the royalty, overriding royalty, or payment 16  
17 out of production obligations of the respective working interest owners, shall 17  
18 be on the basis prescribed in the unit operating agreement whether in conform- 18  
19 ity with the basis of allocation herein set forth or otherwise. It is hereby 19  
20 agreed that production of unitized substances from a participating area shall 20  
21 be allocated as provided herein regardless of whether any wells are drilled on 21  
22 any particular part or tract of said participating area. If any gas produced 22  
23 from one participating area is used for repressuring or recycling purposes 23  
24 in another participating area, the first gas withdrawn from such last-mentioned 24  
25 participating area for sale during the life of this agreement shall be considered 25  
26 to be the gas so transferred until an amount equal to that transferred shall be 26  
27 so produced for sale and such gas shall be allocated to the participating area 27  
28 from which initially produced as such area was last defined at the time of such 28  
29 final production. 29

1           13.   DEVELOPMENT OR OPERATION OF NON-PARTICIPATING           1  
2   LAND OR FORMATIONS.   Any party hereto owning or controlling the work-           2  
3   ing interest in any unitized land having thereon a regular well location may           3  
4   with the approval of the Supervisor as to Federal land, the Commission           4  
5   as to State or privately owned land, at such party's sole risk, costs, and           5  
6   expense, drill a well to test any formation for which a participating area           6  
7   has not been established or to test any formation for which a participating           7  
8   area has been established if such location is not within said participating           8  
9   area, unless within 90 days of receipt of notice from said party of his inten-           9  
10   tion to drill the well the Unit Operator elects and commences to drill such a           10  
11   well in like manner as other wells are drilled by the Unit Operator under           11  
12   this agreement.           12

13           If any well drilled as aforesaid by a working interest owner results           13  
14   in production such that the land upon which it is situated may properly be in-           14  
15   cluded in a participating area, such participating area shall be established           15  
16   or enlarged as provided in this agreement and the well shall thereafter be           16  
17   operated by the Unit Operator in accordance with the terms of this agree-           17  
18   ment and the unit operating agreement.           18

19           If any well drilled as aforesaid by a working interest owner obtains           19  
20   production in quantities insufficient to justify the inclusion of the land upon           20  
21   which such well is situated in a participating area, such well may be oper-           21  
22   ated and produced by the party drilling the same subject to the conservation           22  
23   requirements of this agreement.   The royalties in amount or value of pro-           23  
24   duction from any such well shall be paid as specified in the underlying lease           24  
25   and agreements affected.           25

26           14.   ROYALTY SETTLEMENT:   The United States and any           26  
27   State and any royalty owner who, is entitled to take in kind a share of the           27  
28   substances now unitized hereunder shall hereafter be entitled to the right to           28  
29   take in kind its share of the unitized substances, and Unit Operator, or the           29

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

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

25 Royalty due the United States shall be computed as provided in the 25  
26 operating regulations and paid in value or delivered in kind as to all unitized 26  
27 substances on the basis of the amounts thereof allocated to unitized Federal 27  
28 land as provided herein at the rates specified in the respective Federal 28  
29 leases, or at such lower rate or rates as may be authorized by law or regu- 29

lation; provided, that for leases on which the royalty rate depends on the daily average production per well, said average production shall be determined in accordance with the operating regulations as though each participating area were a single consolidated lease.

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

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

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

With respect to any lease on other than Federal or State land containing provisions which would terminate such lease unless drilling operations are commenced upon the land covered thereby within the time therein specified or rentals are paid for the privilege of deferring such drilling operations, the rentals required thereby shall, notwithstanding any other provision of this agreement, be deemed to accrue and become payable during the term thereof as extended by this agreement and until the required drilling operations are commenced upon the land covered thereby or until some portion of such land is included within a participating area.

16. CONSERVATION. Operations hereunder and production of unitized substances shall be conducted to provide for the most economical

1 and efficient recovery of said substances without waste, as defined by or 1  
2 pursuant to State or Federal law or regulation. 2

3 17. DRAINAGE. The Unit Operator shall take such measures 3  
4 as the Supervisor as to Federal lands, or the Commissioner as to State 4  
5 lands, deems appropriate and adequate to prevent drainage of unitized sub- 5  
6 stances from unitized land by wells on land not subject to this agreement. 6

7 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. 7  
8 The terms, conditions, and provisions of all leases, subleases, and other 8  
9 contracts relating to exploration, drilling, development, or operation for 9  
10 oil or gas on lands committed to this agreement are hereby expressly modi- 10  
11 fied and amended to the extent necessary to make the same conform to the 11  
12 provisions hereof, but otherwise to remain in full force and effect; and the 12  
13 parties hereto hereby consent that the Secretary as to Federal leases and 13  
14 the Commissioner as to State leases, shall and each by his approval hereof, 14  
15 or by the approval hereof by his duly authorized representative, does hereby 15  
16 establish, alter, change, or revoke the drilling, producing, rental, mini- 16  
17 mum royalty, and royalty requirements of Federal and State leases com- 17  
18 mitted hereto and the regulations in respect thereto to conform said require- 18  
19 ments to the provisions of this agreement, and, without limiting the general- 19  
20 ity of the foregoing, all leases, subleases, and contracts are particularly 20  
21 modified in accordance with the following: 21

22 (a) the development and operation of lands subject to this 22  
23 agreement under the terms hereof shall be deemed full per- 23  
24 formance of all obligations for development and operation with 24  
25 respect to each and every separately owned tract subject to 25  
26 this agreement, regardless of whether there is any develop- 26  
27 ment of any particular tract of the unit area; 27

28 (b) Drilling and producing operations performed hereunder 28  
29 upon any tract of unitized lands will be accepted and deemed 29

1 to be performed upon and for the benefit of each and every tract 1  
2 of unitized land, and no lease shall be deemed to expire by rea- 2  
3 son of failure to drill or produce wells situated on the land 3  
4 therein embraced. 4

5 (c) Suspension of drilling or producing operations on all uni- 5  
6 tized lands pursuant to direction or consent of the Secretary and 6  
7 the Commissioner, or their duly authorized representatives, 7  
8 shall be deemed to constitute such suspension pursuant to such 8  
9 direction or consent as to each and every tract of unitized land. 9

10 A suspension of drilling or producing operations limited to speci- 10  
11 fied lands shall be applicable only to such lands. 11

12 (d) Each lease, sublease or contract relating to the explora- 12  
13 tion, drilling, development or operation for oil or gas of lands 13  
14 other than those of the United States or the State of New Mexico 14  
15 committed to this agreement, which, by its terms might expire 15  
16 prior to the termination of this agreement, is hereby extended 16  
17 beyond any such terms so provided therein so that it shall be 17  
18 continued in full force and effect for and during the term of this 18  
19 agreement. 19

20 (e) Any Federal lease for a fixed term of twenty (20) years 20  
21 or any renewal thereof or any part of such lease which is made 21  
22 subject to this agreement shall continue in force beyond the term 22  
23 provided therein until the termination hereof. Any other Federal 23  
24 lease committed hereto shall continue in force beyond the term 24  
25 so provided therein or by law as to the land committed so long 25  
26 as such lease remains subject hereto, provided that production 26  
27 is had in paying quantities under this unit agreement prior to 27  
28 the expiration date of the term of such lease, or in the event 28  
29 actual drilling operations are commenced on unitized land, in 29

1 accordance with the provisions of this agreement, prior to the 1  
2 end of the primary term of such lease and are being diligently 2  
3 prosecuted at that time, such lease shall be extended for two years 3  
4 and so long thereafter as oil or gas is produced in paying quanti- 4  
5 ties in accordance with the provisions of the Mineral Leasing 5  
6 Act Revision of 1960. 6

7 (f) Each sublease or contract relating to the operation and 7  
8 development of unitized substances from lands of the United States 8  
9 committed to this agreement, which by its terms would expire 9  
10 prior to the time at which the underlying lease, as extended by 10  
11 the immediately preceding paragraph, will expire, is hereby 11  
12 extended beyond any such term so provided therein so that it 12  
13 shall be continued in full force and effect for and during the term 13  
14 of the underlying lease as such term is herein extended. 14

15 (g) Any lease embracing lands of the State of New Mexico 15  
16 which is made subject to this agreement, shall continue in force 16  
17 beyond the term provided therein as to the lands committed hereto 17  
18 until the termination hereof, subject to the provisions of subsection 18  
19 (e) of Section 2 and subsection (i) of this Section 18. 19

20 (h) The segregation of any Federal lease committed to this 20  
21 agreement is governed by the following provision in the fourth 21  
22 paragraph of Sec. 17(j) of the Mineral Leasing Act, as amended 22  
23 by the Act of September 2, 1960 (74 Stat. 781-784): "Any 23  
24 (Federal) lease heretofore or hereafter committed to any such 24  
25 (unit) plan embracing lands that are in part within and in part 25  
26 outside of the area covered by any such plan shall be segregated 26  
27 into separate leases as to the lands committed and the lands not 27  
28 committed as of the effective date of unitization: Provided, how- 28  
29 ever, that any such lease as to the non-unitized portion shall 29

1	continue in force and effect for the term thereof but for not less	1
2	than two years from the date of such segregation and so long	2
3	thereafter as oil or gas is produced in paying quantities."	3
4	(i) Any lease embracing lands of the State of New Mexico	4
5	having only a portion of its lands committed hereto, shall be	5
6	segregated as to the portion committed and the portion not com-	6
7	mitted, and the provisions of such lease shall apply separately	7
8	to such segregated portions commencing as of the effective date	8
9	hereof; provided, however, notwithstanding any of the provisions	9
10	of this agreement to the contrary any lease embracing lands of	10
11	the State of New Mexico having only a portion of its lands com-	11
12	mitted hereto shall continue in full force and effect beyond the	12
13	term provided therein as to all lands embraced in such lease,	13
14	if oil or gas is discovered and is capable of being produced in	14
15	paying quantities from some part of the lands embraced in such	15
16	lease at the expiration of the secondary term of such lease; or if,	16
17	at the expiration of the secondary term, the Lessee or the Unit	17
18	Operator is then engaged in bona fide drilling or reworking	18
19	operations on some part of the lands embraced in such lease, the	19
20	same, as to all lands embraced therein, shall remain in full force	20
21	and effect so long as such operations are being diligently prose-	21
22	cuted, and if they result in the production of oil or gas, said	22
23	lease shall continue in full force and effect as to all of the lands	23
24	embraced therein, so long thereafter as oil or gas in paying	24
25	quantities is being produced from any portion of said lands.	25
26	(j) Any lease, other than a Federal lease or State lease, hav-	26
27	ing only a portion of its lands committed hereto shall be segre-	27
28	gated as to the portion committed and the portion not committed,	28
29	and the provisions of such lease shall apply separately to such	29

segregated portions commencing as of the effective date hereof.

In the event any such lease provides for a lump-sum rental payment, such payment shall be prorated between the portions so segregated in proportion to the acreage of the respective tracts.

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

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

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

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

1 approval of the Supervisor and Commissioner, or 1

2 (c) a valuable discovery of unitized substances has been made or 2

3 accepted on unitized land during said initial term or any ex- 3

4 tension thereof, in which event the agreement shall remain 4

5 in effect for such term and so long as unitized substances can 5

6 be produced in quantities sufficient to pay for the cost of pro- 6

7 ducing same from wells on unitized land within any participat- 7

8 ing area established hereunder and, should production cease, 8

9 so long thereafter as diligent operations are in progress for 9

10 the restoration of production or discovery of new production 10

11 and so long thereafter as the unitized substances so discovered 11

12 can be produced as aforesaid, or 12

13 (d) it is terminated as heretofore provided in this agreement. 13

14 This agreement may be terminated at any time by not less than 75 per centum, 14

15 on an acreage basis, of the working interest owners signatory hereto, with 15

16 the approval of the Supervisor and Commissioner; notice of any such ap- 16

17 proval to be given by the Unit Operator to all parties hereto. 17

18 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUC- 18

19 TION. The Director is hereby vested with authority to alter or modify 19

20 from time to time in his discretion the quantity and rate of production under 20

21 this agreement when such quantity and rate is not fixed pursuant to Federal 21

22 or State law or does not conform to any state-wide voluntary conservation 22

23 or allocation program, which is established, recognized, and generally 23

24 adhered to by the majority of operators in such State, such authority being 24

25 hereby limited to alteration or modification in the public interest, the pur- 25

26 pose thereof and the public interest to be served thereby to be stated in the 26

27 order of alteration or modification. Without regard to the foregoing, the 27

28 Director is also hereby vested with authority to alter or modify from time 28

29 to time in his discretion the rate of prospecting and development and the 29

1 quantity and rate of production under this agreement when such alteration 1  
2 or modification is in the interest of attaining the conservation objectives 2  
3 stated in this agreement and is not in violation of any applicable Federal or 3  
4 State law; provided, further, that no such alteration or modification shall 4  
5 be effective as to any land of the State of New Mexico, as to the rate of 5  
6 prospecting and developing in the absence of the specific written approval 6  
7 thereof by the Commissioner and as to any lands of the State of New Mexico 7  
8 or privately owned lands subject to this agreement as to the quantity and 8  
9 rate of production in the absence of specific written approval thereof by the 9  
10 Commission. 10

11 Powers in this section vested in the Director shall only be exer- 11  
12 cised after notice to Unit Operator and opportunity for hearing to be held 12  
13 not less than 15 days from notice. 13

14 22. APPEARANCES. Unit Operator shall, after notice to other 14  
15 parties affected, have the right to appear for and on behalf of any and all in- 15  
16 terests affected hereby before the Department of the Interior, The Com- 16  
17 missioner of Public Lands of the State of New Mexico, and the New Mexico 17  
18 Oil Conservation Commission and to appeal from orders issued under the 18  
19 regulations of said Department, the Commission, or Commissioner or to 19  
20 apply for relief from any of said regulations or in any proceedings relative 20  
21 to operations before the Department of the Interior, the Commissioner, or 21  
22 Commission, or any other legally constituted authority; provided, however, 22  
23 that any other interested party shall also have the right at his own expense 23  
24 to be heard in any such proceeding. 24

25 23. NOTICES. All notices, demands or statements required 25  
26 hereunder to be given or rendered to the parties hereto shall be deemed 26  
27 fully given if given in writing and personally delivered to the party or sent 27  
28 by postpaid registered or certified mail, addressed to such party or parties 28  
29 at their respective addresses set forth in connection with the signatures 29

hereto or to the ratification or consent hereof or to such other address as any such party may have furnished in writing to party sending the notice, demand or statement.

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

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or produce unitized substances from any of the lands covered by this agreement shall be suspended while the Unit Operator, despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State, or municipal law or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not. No unit obligation which is suspended under this section shall become due less than thirty (30) days after it has been determined that the suspension is no longer applicable. Determination of creditable "Unavoidable Delay" time shall be made by the Unit Operator subject to approval of the Supervisor and the Commissioner.

26. NONDISCRIMINATION. In connection with the performance of work under this agreement, the operator agrees to comply with all 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.

27. LOSS OF TITLE. In the event title to any tract of unitized

1 land shall fail and the true owner cannot be induced to join in this unit agree- 1  
2 ment, such tract shall be automatically regarded as not committed hereto 2  
3 and there shall be such readjustment of future costs and benefits as may be 3  
4 required on account of the loss of such title. In the event of a dispute as to 4  
5 title as to any royalty, working interest, or other interests subject thereto, 5  
6 payment or delivery on account thereof may be withheld without liability for 6  
7 interest until the dispute is finally settled; provided, that, as to Federal 7  
8 and State land or leases, no payments of funds due the United States or the 8  
9 State of New Mexico should be withheld, but such funds of the United States 9  
10 shall be deposited as directed by the Supervisor and such funds of the State of 10  
11 New Mexico shall be deposited as directed by the Commissioner to be held as 11  
12 unearned money pending final settlement of the title dispute, and then applied 12  
13 as earned or returned in accordance with such final settlement. 13

14 Unit Operator as such is relieved from any responsibility for any 14  
15 defect or failure of any title hereunder. 15

16 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of 16  
17 any substantial interest in a tract within the unit area fails or refuses to sub- 17  
18 scribe or consent to this agreement, the owner of the working interest in that 18  
19 tract may withdraw said tract from this agreement by written notice delivered 19  
20 to the Supervisor, the Commissioner, and the Unit Operator prior to the ap- 20  
21 proval of this agreement by the Supervisor and the Commissioner. Any oil or 21  
22 gas interests in lands within the unit area not committed hereto prior to sub- 22  
23 mission of this agreement for final approval may thereafter be committed 23  
24 hereto by the owner or owners thereof subscribing or consenting to this agree- 24  
25 ment, and, if the interest is a working interest, by the owner of such interest 25  
26 also subscribing to the unit operating agreement. After operations are com- 26  
27 menced hereunder, the right of subsequent joinder, as provided in this 27  
28 section, by a working interest owner is subject to such requirements or 28  
29 approvals, if any, pertaining to such joinder, as may be provided for in the 29  
30 unit operating agreement. After final approval hereof, joinder by a non- 30

1 working interest owner must be consented to in writing by the working inter- 1  
2 est owner committed hereto and responsible for the payment of any benefits 2  
3 that may accrue hereunder in behalf of such non-working interest. A non- 3  
4 working interest may not be committed to this unit agreement unless the 4  
5 corresponding working interest is committed hereto. Joinder to the unit 5  
6 agreement by a working-interest owner, at any time, must be accompanied 6  
7 by appropriate joinder to the unit operating agreement, if more than one com- 7  
8 mitted working-interest owner is involved, in order for the interest to be 8  
9 regarded as committed to this unit agreement. Except as may otherwise 9  
10 herein be provided, subsequent joinders to this agreement shall be effective 10  
11 as of the first day of the month following the filing with the Supervisor and 11  
12 the Commissioner of duly executed counterparts of all or any papers neces- 12  
13 sary to establish effective commitment of any tract to this agreement unless 13  
14 objection to such joinder is duly made within 60 days by the Supervisor, provid- 14  
15 ed, however, that as to State land all subsequent joinders must be approved 15  
16 by the Commissioner. 16

17 29. COUNTERPARTS. This agreement may be executed in any 17  
18 number of counterparts no one of which needs to be executed by all parties 18  
19 or may be ratified or consented to by separate instrument in writing speci- 19  
20 fically referring hereto and shall be binding upon all those parties who have 20  
21 executed such a counterpart, ratification, or consent hereto with the same 21  
22 force and effect as if all such parties had signed the same document and 22  
23 regardless of whether or not it is executed by all other parties owning or 23  
24 claiming an interest in the lands within the above described unit area. 24

25 30. SURRENDER. Nothing in this agreement shall prohibit the 25  
26 exercise by any working interest owner of the right to surrender vested in 26  
27 such party by any lease, sublease, or operating agreement as to all or any 27  
28 part of the lands covered thereby, provided that each party who will or might 28  
29 acquire such working interest by such surrender or by forfeiture as hereafter 29

1	set forth, is bound by the terms of this agreement.	1
2	If as a result of any such surrender the working interest rights as	2
3	to such lands become vested in any party other than the fee owner of the	3
4	unitized substances, said party may forfeit such rights and further benefits	4
5	from operation hereunder as to said land to the party next in the chain of	5
6	title who shall be and become the owner of such working interest.	6
7	If as the result of any such surrender or forfeiture working interest	7
8	rights become vested in the fee owner of the unitized substances, such owner	8
9	may:	9
10	(1) accept those working interest rights subject to this agree-	10
11	ment and the unit operating agreement; or	11
12	(2) Lease the portion of such land as is included in a parti-	12
13	cipating area established hereunder subject to this agreement	13
14	and the unit operating agreement; or	14
15	(3) Provide for the independent operation of any part of such	15
16	land that are not then included within a participating area estab-	16
17	lished hereunder.	17
18	If the fee owner of the unitized substances does not accept the work-	18
19	ing interest rights subject to this agreement and the unit operating agree-	19
20	ment or lease such lands as above provided within six (6) months after the	20
21	surrendered or forfeited working interest rights become vested in the fee	21
22	owner, the benefits and obligations of operations accruing to such lands	22
23	under this agreement and the unit operating agreement shall be shared by	23
24	the remaining owners of unitized working interests in accordance with their	24
25	respective working interest ownerships, and such owners of working inter-	25
26	ests shall compensate the fee owner of unitized substances in such lands by	26
27	paying sums equal to the rentals, minimum royalties, and royalties appli-	27
28	cable to such lands under the lease in effect when the lands were unitized.	28
29	An appropriate accounting and settlement shall be made for all	29

benefits accruing to or payments and expenditures made or incurred on behalf of such surrendered or forfeited working interest subsequent to the date of surrender or forfeiture, and payment of any moneys found to be owing by such an accounting shall be made as between the parties within thirty (30) days. In the event no unit operating agreement is in existence and a mutually acceptable agreement between the proper parties thereto cannot be consummated, the Supervisor, subject to the approval of the Commissioner, may prescribe such reasonable and equitable agreement as he deems warranted under the circumstances.

The exercise of any right vested in a working interest owner to reassign such working interest to the party from whom obtained shall be subject to the same conditions as set forth in this section in regard to the exercise of a right to surrender.

31. TAXES. The working interest owners shall render and pay for their account and the account of the royalty owners all valid taxes on or measured by the unitized substances in and under or that may be produced gathered and sold from the land subject to this contract after the effective date of this agreement, or upon the proceeds or net proceeds derived therefrom. The working interest owners on each tract shall and may charge the proper proportion of said taxes to the royalty owners having interests in said tract, and may currently retain and deduct sufficient of the unitized substances or derivative products, or net proceeds thereof from the allocated share of each royalty owner to secure reimbursement for the taxes so paid. No such taxes shall be charged to the United States or the State of New Mexico or to any lessor who has a contract with his lessee which requires the lessee to pay such taxes.

32. NO PARTNERSHIP. It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this agreement contained, expressed or implied, nor any operations conducted

1 hereunder, shall create or be deemed to have created a partnership or association 1  
2 between the parties hereto or any of them. 2

3 33. CONFLICT OF SUPERVISION: Neither the Unit Operator nor the 3  
4 Working Interest Owners nor any of them shall be subject to any forfeiture, termi- 4  
5 nation or expiration of any rights hereunder or under any leases or contracts subject 5  
6 hereto, or to any penalty or liability on account of delay or failure in whole or in 6  
7 part to comply with any applicable provision thereof to the extent that the Unit 7  
8 Operator, Working Interest Owners or any of them are hindered, delayed or pre- 8  
9 vented from complying therewith by reason of failure of the Unit Operator to obtain 9  
10 in the exercise of due diligence, the concurrence of proper representatives of the 10  
11 United States and proper representatives of the State of New Mexico in and about any 11  
12 matters or things concerning which it is required herein that such concurrence be 12  
13 obtained. The parties hereto, including the Commission, agree that all powers 13  
14 and authority vested in the Commission in and by any provisions of this agreement 14  
15 are vested in the Commission and shall be exercised by it pursuant to the provisions 15  
16 of the laws of the State of New Mexico and subject in any case to appeal or judicial 16  
17 review as may now or hereafter be provided by the laws of the State of New Mexico. 17

18 IN WITNESS WHEREOF, the parties hereto have caused this agreement to be 18  
19 executed and have set opposite their respective names the date of execution. 19

UNIT OPERATOR AND WORKING INTEREST OWNER

Date: \_\_\_\_\_

\_\_\_\_\_  
David Fasken  
608 First National Bank Bldg.  
Midland, Texas 79701

Date: \_\_\_\_\_

\_\_\_\_\_  
Barbara Fasken, wife of David Fasken

STATE OF CALIFORNIA X

COUNTY OF MARIN X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of  
\_\_\_\_\_, 197\_\_\_\_, by David Fasken and Barbara Fasken, wife of David Fasken.

\_\_\_\_\_  
Notary Public, Marin County, California

EXECUTION BY WORKING INTEREST OWNERS

ATTEST:

ALLIED CHEMICAL CORPORATION

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

STATE OF \_\_\_\_\_ X

COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 197\_\_\_\_, by \_\_\_\_\_ who is  
\_\_\_\_\_ of ALLIED CHEMICAL CORPORATION, a \_\_\_\_\_  
(state)  
corporation, for and on behalf of said corporation.

My Commission Expires:

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

\_\_\_\_\_

EXECUTION BY WORKING INTEREST OWNERS

ATTEST:

CITIES SERVICE OIL COMPANY

\_\_\_\_\_  
Secretary

Date: \_\_\_\_\_

By: \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_

STATE OF \_\_\_\_\_ X

COUNTY OF \_\_\_\_\_ X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 197\_\_\_\_\_, by \_\_\_\_\_  
who is \_\_\_\_\_ of CITIES SERVICE OIL COMPANY, a \_\_\_\_\_  
\_\_\_\_\_ corporation, for and on behalf of said corporation.  
(state)

My Commission Expires:

\_\_\_\_\_

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

Unit Agreement for Development and Operation of the Walker Draw Unit Area,  
County of Eddy, State of New Mexico

EXECUTION BY WORKING INTEREST OWNERS

Date: \_\_\_\_\_

\_\_\_\_\_  
F. H. Fuhrman (single)  
501 Midland Tower Building  
Midland, Texas 79701

STATE OF TEXAS           X

COUNTY OF MIDLAND    X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 197\_\_\_\_, by F. H. Fuhrman, a single man.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public, Midland County,  
Texas

Unit Agreement for Development and Operation of the Walker Draw Unit Area,  
County of Eddy, State of New Mexico

EXECUTION BY WORKING INTEREST OWNERS

ATTEST:

GULF OIL CORPORATION

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_

Date: \_\_\_\_\_

Address: \_\_\_\_\_ P. O. Box 1938

\_\_\_\_\_  
Roswell, New Mexico 88201

STATE OF NEW MEXICO    X

COUNTY OF CHAVES       X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 197\_\_\_\_, by \_\_\_\_\_ who is  
\_\_\_\_\_ of GULF OIL CORPORATION, a \_\_\_\_\_ corporation,  
(state)  
for and on behalf of said corporation.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public, Chaves County,  
New Mexico

Unit Agreement for Development and Operation of the Walker Draw Unit Area,  
County of Eddy, State of New Mexico

EXECUTION BY WORKING INTEREST OWNERS

Date: \_\_\_\_\_

\_\_\_\_\_  
L. C. Harris  
Post Office Box 1714  
Roswell, New Mexico 88201

Date: \_\_\_\_\_

\_\_\_\_\_  
Marion V. Harris, wife of L. C. Harris

STATE OF NEW MEXICO    X

COUNTY OF CHAVES       X

          The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 197\_\_\_\_ by L. C. HARRIS and MARION V. HARRIS,  
wife of L. C. Harris.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public, Chaves County,  
New Mexico

EXECUTION BY WORKING INTEREST OWNERS

Date: \_\_\_\_\_

\_\_\_\_\_  
R. B. Holt  
801 First National Bank Bldg.  
Midland, Texas 79701

Date: \_\_\_\_\_

\_\_\_\_\_  
Joan Holt

STATE OF TEXAS           X

COUNTY OF MIDLAND    X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day  
of \_\_\_\_\_, 197\_\_\_\_, by R. B. Holt and Joan Holt, wife of R. B.  
Holt.

My Commission Expires:  
\_\_\_\_\_

\_\_\_\_\_  
Notary Public in and for Midland County,  
Texas

Unit Agreement for Development and Operation of Walker Draw Unit Area,  
County of Eddy, State of New Mexico

EXECUTION BY WORKING INTEREST OWNERS

ATTEST:

UNION OIL COMPANY OF CALIFORNIA

\_\_\_\_\_  
Secretary

By \_\_\_\_\_

Date: \_\_\_\_\_

Address: 300 Security National Building  
Roswell, New Mexico 88201

STATE OF NEW MEXICO      X

COUNTY OF CHAVES        X

The foregoing instrument was acknowledged before me this \_\_\_\_\_ day of \_\_\_\_\_, 197\_\_\_\_, by \_\_\_\_\_, who is \_\_\_\_\_ of UNION OIL COMPANY OF CALIFORNIA, a \_\_\_\_\_ corporation, for and on behalf of said corporation.

My Commission Expires:

\_\_\_\_\_

\_\_\_\_\_  
Notary Public, Chaves County,  
New Mexico