

UNIT AGREEMENT  
FOR THE DEVELOPMENT AND OPERATION  
OF THE HUERFANITO UNIT AREA  
SAN JUAN COUNTY, STATE OF NEW MEXICO

I-Sec. No. 943

THIS AGREEMENT, entered into as of the 31<sup>st</sup> day of May, 1951, by and between the parties subscribing, ratifying, or consenting hereto, and herein referred to as the "parties hereto",

W I T N E S S E I H:

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

WHEREAS, the Act of February 25, 1920, 41 Stat. 437, as amended by the Act of August 8, 1946, 60 Stat. 950, 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 under 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 rules and regulations governing the leasing of restricted allotted Indian lands for oil and gas, except allotments made to the members of the Five Civilized Tribes and the Osage Indians in Oklahoma, promulgated by the Secretary of the Interior (25 C.F.R. 189.24(c) under and pursuant to the Act of Congress approved March 3, 1909, 35 Stat. 783, 25 U.S.C. Sec. 396 and the oil and gas leases covering said allotted Indian lands provide for the commitment of such leases to a cooperative or unit plan of development or operation.

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Chap. 88, Laws 1943) to consent to or approve this agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

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

WHEREAS, the parties hereto hold sufficient interests in the Huerfanito 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 Acts of March 3, 1909 and 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 and Indian lands, provided such regulations are not inconsistent with the terms of this agreement; and, as to non-Federal and non-Indian lands, applicable State laws and operating regulations not inconsistent with the terms hereof are hereby accepted and made a part of this agreement.

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

NEW MEXICO PRINCIPAL MERIDIAN, NEW MEXICO

Township 26 N., Range 9 W.

All Secs. 1--2--3--4--12

N $\frac{1}{2}$  Sec. 10

N $\frac{1}{2}$  Sec. 11

Township 27 N., Range 9 W.

All Secs. 22--23

W $\frac{1}{2}$  Sec. 24

W $\frac{1}{2}$  Sec. 25

All Secs. 26, 27, 28, 33, 34, 35 and 36.

10,245.36 acres, more or less

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

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

(a) Unit Operator, on its own motion or on demand of the Director of the Geological Survey, hereinafter referred to as "Director," or on demand of the State Commissioner 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.

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

(c) Upon expiration of the 30-day period provided in the preceding item (b) hereof, Unit Operator shall file with the Supervisor and State Commissioner 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.

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

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

3. UNITIZED SUBSTANCES. All oil and gas in any and all formations of the unitized land are unitized under the terms of this agreement and herein are called "unitized substances."

4. UNIT OPERATOR. Magnolia Petroleum Company, a corporation, is hereby designated as Unit Operator and by signature hereto commits to this agreement all interests in unitized substances vested in it as set forth in Exhibit "B", and agrees and consents to accept the duties and obligations of Unit Operator for the discovery, development, and production of unitized substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in unitized substances, and the term "working interest owner" when used herein shall include or refer to Unit Operator as the owner of a working interest when such an interest is owned by it.

5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have the right to resign at any time prior to the establishment of a participating area or areas hereunder, but such resignation shall not

become effective so as to release him from his duties and obligations and terminate his rights as such for a period of 6 months after notice of intention to resign has been served by him on all working interest owners, the Director, and State Commissioner, and until all wells then drilled hereunder are placed in a satisfactory condition for suspension or abandonment as may be required by the Supervisor as to Federal and Indian lands and the State Commission as to State and privately-owned lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period. Unit Operator shall have the right to resign after a participating area or areas have been established provided a successor Unit Operator has been selected and approved and has agreed to accept the duties and responsibilities of Unit Operator effective upon the relinquishment of such duties and responsibilities by the retiring Unit Operator. The resignation of Unit Operator shall not release Unit Operator from any liability for any default by it hereunder occurring prior to the effective date of its resignation.

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of working interests determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director and State Commissioner. If removal because of default or failure occurs during the existence of a participating area established hereunder, the working interest owners jointly shall be responsible for performance of the duties of the Unit Operator until a successor Unit Operator is selected and approved as herein provided and shall, not later than the effective date of such removal, appoint a common agent to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this agreement shall not terminate his right, title, or interest as the owner of a working interest or other interest in unitized substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall

deliver possession of all equipment, materials, and appurtenances used in conducting the unit operations and owned by the working interest owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall resign as Unit Operator or shall be removed as hereinabove provided, the owners of the working interests in the participating area or areas, according to their respective acreage interests in such participating area or areas, or, until a participating area shall have been established, the owners of the working interests according to their respective acreage interests in all unitized land, shall by majority vote select a successor Unit Operator: Provided, That, if a majority but less than 75 percent of the working interests qualified to vote are owned by one party to this agreement, a concurring vote of sufficient additional parties, so as to constitute in the aggregate not less than 75 percent of the total working interests, shall be required to select a new operator. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Director and State Commissioner. If no successor Unit Operator is selected and qualified as herein provided, the Director and State Commissioner at their election may declare this unit agreement terminated.

7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT.

If the Unit Operator is not the sole owner of working interests, costs and expenses incurred in conducting unit operations hereunder shall be paid in the first instance by Unit Operator, and such costs and expenses so paid by Unit Operator shall be apportioned among and borne by the owners of working interests and the Unit Operator reimbursed, all in accordance with the agreement or agreements entered into by and between

the Unit Operator and the owners of working interests, whether one or more, separately or collectively. Any agreement or agreements entered into between the working interest owners and the Unit Operator as provided in this section, whether one or more, are herein referred to as the "unit operating agreement." Such unit operating agreement shall also provide the manner in which the working interest owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases, or other independent contracts and as between the working interest owners and Unit Operator may provide for such limitations upon the power of the Unit Operator respecting the liability of the working interest owners for cost of operations hereunder as may be agreed upon by Unit Operator and the working interest owners; however, no such unit operating agreement shall be deemed either to modify any of the terms and conditions of this unit agreement or to relieve the Unit Operator of any right or obligation established under this unit agreement, and in case of any inconsistency or conflict between the unit agreement and the unit operating agreement this unit agreement shall prevail. Three true copies of any unit operating agreement executed pursuant to this section shall be filed with the Supervisor.

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

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 of 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 such location is upon lands of the United States or of Indians, and if upon State or privately owned lands, such location shall be approved by the State Commission, or the State Commissioner, whichever is appropriate, unless on such effective date a well is being drilled conformably with the terms hereof, and thereafter continue such drilling diligently until the same has attained a depth of 7200 feet, or until at a lesser depth unitized substances shall be discovered which can be produced in paying quantities (to-wit: quantities sufficient to repay the costs of drilling and producing operations, with a reasonable profit) or the Unit Operator shall at any time establish to the satisfaction of the Supervisor that further drilling of said well would be unwarranted or impracticable. Until the discovery of a deposit of unitized substances capable of being produced in paying quantities, the Unit Operator shall continue drilling diligently one well at a time, allowing not more than 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 or Indian land, or the State Commissioner if on State, or the State Commission if on privately-owned land, or until it is reasonably proved that the unitized land is



incapable of producing unitized substances in paying quantities in the formations drilled hereunder. Nothing in this section shall be deemed to limit the right of the Unit Operator to resign as provided in Section 5 hereof, or as requiring Unit Operator to commence or continue any drilling during the period pending such resignation becoming effective in order to comply with the requirements of this section. The Director and the State Commissioner may modify the drilling requirements of this section by granting reasonable extensions of time when, in their opinion, such action is warranted. Upon failure to comply with the drilling provisions of this section, the Director and the State Commissioner may, after reasonable notice to the Unit Operator, and each working interest owner, lessee, and lessor at their last known addresses, declare this unit agreement terminated.

10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Within 6 months after completion of a well capable of producing unitized substances in paying quantities, the Unit Operator shall submit for the approval of the Supervisor, the State Commissioner, and the State Commission, an acceptable plan of development and operation for the unitized land which, when approved by the Supervisor, the State Commissioner, and the State Commission, shall constitute the further drilling and operating obligations of the Unit Operator under this agreement for the period specified therein. Thereafter, from time to time before the expiration of any existing plan, the Unit Operator shall submit for the approval of the Supervisor, the State Commissioner, and the State Commission, a plan for an additional specified period for the development and operation of the unitized land. Any plan submitted pursuant to this section shall provide for the exploration of the unitized area and for the determination of the area or areas thereof capable of producing unitized substances in paying quantities in each and every productive formation and shall be as complete and adequate as the Supervisor, the State Commissioner and the State Commission may determine to be necessary for timely development and proper conservation of the oil and gas resources of the unitized area and

shall (a) specify the number and locations of any wells to be drilled and the proposed order and time for such drilling; and (b) to the extent practicable specify the operating practices regarded as necessary and advisable for proper conservation of natural resources. Separate plans may be submitted for separate productive zones, subject to the approval of the Supervisor, the State Commissioner and the State Commission. Said plan or plans shall be modified or supplemented when necessary to meet changed conditions or to protect the interests of all parties to this agreement. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of development. The Supervisor and State 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 oil and gas in paying quantities no further wells, except such as may be necessary to afford protection against operations not under this agreement or such as may be specifically approved by the Supervisor and State Commission 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 State Commissioner, the Unit Operator shall submit for approval by the Director, the State Commissioner and the State Commission a schedule, based on sub-divisions of the public-land survey or aliquot parts thereof, of all unitized land then regarded as reasonably proved to be productive of unitized substances in paying quantities; all land in said schedule on approval of the Director, the State Commissioner and the State Commission to constitute a participating area, effective as of the date of first production. Said schedule also shall set forth the percentage of unitized substances to be allocated as herein provided to each unitized tract in the participating area so established, and shall govern the allocation of production from and after

the date the participating area becomes effective. A separate participating area shall be established in like manner for each separate pool or deposit of unitized substances or for any group thereof produced as a single pool or zone, and any two or more participating areas so established may be combined into one with the consent of the owners of all working interests in the lands within the participating areas so to be combined, and approval of the Director, the State Commissioner and the State Commission. The participating area or areas so established shall be revised from time to time, subject to like approval, whenever such action appears proper as a result of further drilling operations or otherwise, to include additional land then regarded as reasonably proved to be productive in paying quantities or to exclude land then regarded as reasonably proved not to be productive and the percentage of allocation shall also be revised accordingly. The effective date of any revision shall be the first of the month in which is obtained the knowledge or information on which such revision is predicated, unless a more appropriate effective date is specified in the schedule. No land shall be excluded from a participating area on account of depletion of the unitized substances.

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

In the absence of agreement at any time between the Unit Operator and the Director, the State Commissioner and the State Commission as to the proper definition or redefinition of a participating area, or until a participating area has, or areas have, been established as provided herein, the portion of all payments affected thereby may be impounded in a manner mutually acceptable to the owners of working interests, except royalties due the United States, Indians and the State of New Mexico,

which shall be determined by the Supervisor for Federal or Indian land, and by the State Commissioner for State land, and the amount thereof deposited, as directed by the Supervisor and State Commissioner, respectively, to be held as unearned money until a participating area is finally approved and then applied as earned or returned in accordance with a determination of the sum due as Federal, Indian and State royalty on the basis of such approved participating area.

Whenever it is determined, subject to the approval of the Supervisor, as to wells on Federal and Indian land, and of the State Commissioner as to wells on State land, and the State Commission as to wells on privately-owned land, that a well drilled under this agreement is not capable of production in paying quantities and inclusion of the land on which it is situated in a participating area is unwarranted, production from such well shall be allocated to the land on which the well is located so long as that well is not within a participating area established for the pool or deposit from which such production is obtained.

12. ALLOCATION OF PRODUCTION. All unitized substances produced from each participating area established under this agreement, except any part thereof used in conformity with good operating practices within the unitized area for drilling, operating, camp and other production or development purposes, for repressuring or recycling in accordance with a plan of development approved by the Supervisor, State Commissioner and the State Commission, or unavoidable lost, shall be deemed to be produced equally on an acreage basis from the several tracts of unitized land of the participating area established for such production and, for the purpose of determining any benefits accruing under this agreement each such tract of unitized land shall have allocated to it such percentage of said production as the number of acres of such tract included in said participating area bears to the total acres of unitized land in said participating area. It is hereby agreed that production of unitized substances from a participating area shall be allocated as provided herein regardless of whether any wells are drilled on any particular

part or tract of said participating area. If any gas produced from one participating area is used for repressuring or recycling purposes in another participating area, the first gas withdrawn from such last mentioned participating area for sale during the life of this agreement shall be considered to be the gas so transferred until an amount equal to that transferred shall be so produced for sale and such gas shall be allocated to the participating area from which initially produced as constituted at the time of such final production.

13. DEVELOPMENT OR OPERATION OF NON-PARTICIPATING LAND OR FORMATIONS. Any party hereto owning or controlling the working interest in any unitized land having thereon a regular well location may with the approval of the Supervisor as to Federal or Indian land, the State Commissioner as to State land, and the State Commission as to privately-owned land, at such party's sole risk, cost and expense, drill a well to test any formation for which a participating area has not been established or to test any formation for which a participating area has been established if such location is not within said participating area, unless within 90 days of receipt of notice from said party of his intention to drill the well the Unit Operator elects and commences to drill such well in like manner as other wells are drilled by the Unit Operator under this agreement.

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

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

in amount or value of production from any such well shall be paid as specified in the underlying lease and agreements affected.

14. ROYALTY SETTLEMENT. The United States, the Indians, the State and all royalty owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to the right to take in kind their share of the unitized substances allocated to such tract, and Unit Operator, or in case of the operation of a well by a working interest owner as herein in special cases provided for, such working interest owner, shall make deliveries of such royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for royalty interests not taken in kind shall be made by working interest owners responsible therefor under existing contracts, laws, and regulations, on or before the last day of each month for unitized substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any royalties due under their leases.

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

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

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

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

With respect to any lease on non-Federal or non-Indian land containing provisions which would terminate such lease unless drilling operations were within the time therein specified commenced upon the land covered thereby or rentals paid for the privilege of deferring such drilling operations, the rentals required thereby, notwithstanding any other provision of this agreement, shall be deemed to accrue and become payable during the term thereof as extended by this agreement, and thereafter until the required drilling operations are commenced upon the land covered thereby

or some portion of such land is included within a participating area.

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

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

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary and the State Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty, and royalty requirements of Federal, Indian and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this agreement, and, without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

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



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

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

(d) Each lease, sublease or contract relating to the exploration, drilling, development or operation for oil or gas on lands other than those of the United States, Indians and the State of New Mexico, committed to this agreement, which, by its terms might expire prior to the termination of this agreement, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of this agreement. Termination of this agreement shall not affect any lease which, pursuant to the terms thereof or applicable law, shall continue in full force and effect thereafter.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal or Indian lease committed hereto shall continue in force beyond the term so provided therein or by law as to the committed land so long as such land remains committed hereto provided unitized substances are discovered in paying quantities within the unit area prior to the expiration date of the primary term of such lease.

(f) Each sublease or contract relating to the operation and development of unitized substances from lands of the United States or the Indians committed to this agreement, which by its terms would expire prior to the time at which the underlying lease, as extended by the immediately

preceding paragraph, will expire, is hereby extended beyond any such term so provided therein so that it shall be continued in full force and effect for and during the term of the underlying lease as such term is herein extended.

(g) Any lease having only a portion of its lands committed hereto shall be segregated as to the portion committed and the portion not committed, and the terms of such lease shall apply separately to such 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 interests of the parties hereto and their successors in interest until this agreement terminates, and any grant, transfer, or conveyance, of interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee, or other successor in interest. No assignment or transfer of any working, royalty or other interest subject hereto shall be binding upon 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 Indian Commissioner and the Director and shall terminate in five (5) years after such date unless (a) such date of expiration is extended by the Director and State 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 formation tested hereunder and after notice of intention to terminate the agreement on such ground is given by the Unit Operator to all parties in interest at their last known addresses, the agreement is terminated with the approval of the

Director and State Commissioner, or (c) a valuable discovery of unitized substances has been made on unitized land during said initial term or any extension thereof, in which event the agreement shall remain in effect for such term and so long as unitized substances can be produced from the unitized land in paying quantities, i.e., in this particular instance in quantities sufficient to pay for the cost of producing same, and, should production cease so long thereafter as diligent operations are in progress for the restoration of production or discovery of new production and so long thereafter as the unitized substances so discovered can be produced as aforesaid, or (d) it is terminated as provided in this Unit Agreement.

This agreement may be terminated at any time by not less than 76 percentum, on an acreage basis, of the owners of working interests signatory hereto, with the approval of the Director and State Commissioner.

21 RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. All production and the disposal thereof shall be in conformity with allocation, allotments, and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director is hereby vested with authority to alter or modify from time to time, in his discretion, the rate of prospecting and development and within the limits made or fixed by the State Commission to alter or modify the quantity and rate of production under this agreement, such authority being hereby limited to alteration or modification in the public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification; provided further that no such alteration or modification shall be effective as to any land of the State of New Mexico, as to the rate of prospecting and development, in the absence of the specific written approval thereof by the State Commissioner and as to any lands of the State of New Mexico or privately-owned lands subject to this agreement as to the quantity and rate of production in the absence of specific written approval thereof by the State Commission.

22. CONFLICT OR SUPERVISION. Neither the Unit Operator nor the working interest owners nor any of them shall be subject to any forfeiture, termination, or expiration of any rights hereunder or under any

leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provision thereof to the extent that the said Unit Operator, working interest owners or any of them are hindered, delayed, or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or thing concerning which it is required herein that such concurrence be obtained. The parties hereto, including the State Commission, agree that all powers and authority vested in the State Commission in and by any provisions of this contract are vested in the State Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

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

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

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

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

27. FAIR EMPLOYMENT. The Unit Operator shall not discriminate against any employee, or applicant for employment because of race, creed, color, or national origin, and an identical provision shall be incorporated in all sub-contracts.

28. LOSS OF TITLE. In the event title to any tract or unitized land or substantial interest therein shall fail and the true owner cannot be induced to join this unit agreement, so that such tract is not committed to this unit agreement, or the operation thereof hereunder becomes impractical as a result thereof, such tract automatically shall be regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any royalty, working, or other interests subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided, that, as to Federal, Indian and State land or leases, no payments of funds due the United States, Indians or the State of New

Mexico shall be withheld, but such funds shall be deposited as directed by the Supervisor, and with the Commissioner of Public Lands of the State of New Mexico, respectively, to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

29. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any substantial interest in a tract within the unit area fails or refuses to subscribe or consent to this agreement, the working interest owner in that tract may withdraw said tract from this agreement by written notice to the Director, State Commissioner and the Unit Operator prior to the approval of this agreement by the Director. Any oil or gas interests in lands within the unit area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement and, if the interest is a working interest by the owner of such interest also subscribing to the Unit Operating Agreement. After operations are commenced hereunder, the right of subsequent joinder, as provided in this section, by a working interest owner is subject to such requirements, or approvals, if any, pertaining to such joinder, as may be provided for in the Unit Operating Agreement. After final approval hereof, joinder by a non-working interest owner must be consented to in writing by the working interest owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Prior to final approval hereof, joinder by any owner of a non-working interest must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Except as may be provided otherwise herein, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor, the State Commissioner and the State Commission of duly

executed counterparts of all or any papers necessary to establish effective commitment of any tract to this agreement unless objection to such joinder is duly made within 60 days by the Director, State Commissioner, or State Commission.

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

31 SURRENDER. During the life of this agreement, no right to surrender any lease or operating agreement reserved in any such instrument shall be exercised as to any lands within a participating area established pursuant to this agreement. There shall be no restrictions on the right to surrender any lease or operating agreement embracing nonparticipating lands if that right is reserved in such instrument, subject, however, to the conditions hereinafter prescribed: (a) if a lease or portion thereof embracing nonparticipating lands is terminated as a result of a surrender to the lessor such lands shall not be deemed committed to this agreement unless and until such lands are recommitted hereto by an agreement with the Unit Operator; (b) if operating rights are surrendered to a lessee said lessee shall have the right to become a party to a unit accounting agreement with the Unit Operator, effective as of the date of such surrender, or may with the consent of the lessor withdraw such lease from the unit agreement and operate such lease independently but in accord with the conservation provisions of the unit agreement, provided, that

if neither of these alternatives is adopted within a period of 6 months following the effective date of surrender, the lease shall automatically terminate as to the lands remaining in the unit area.

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

DESCRIPTION OF INTERESTS COMMITTED  
TO HUERFANITO UNIT AGREEMENT BY  
REFERENCE TO TRACT NUMBERS IN  
EXHIBIT "B" ATTACHED TO UNIT  
AGREEMENT

SIGNATURES AND ADDRESSES

MAGNOLIA PETROLEUM COMPANY

BY R. E. Blustein  
President

Tracts: 2--3--6--8--10--11--12--  
14--17--~~18~~ 20, and 15.

ATTEST:

[Signature]  
Secretary

Address: Magnolia Building  
Dallas, Texas

Date May 31st 1951

UNIT OPERATOR

APPROVED	
Legal	<u>[Signature]</u>
Title R	<u>[Signature]</u>
Engr.	
Gas	<u>[Signature]</u>
Land	<u>[Signature]</u>
Prod.	



WORKING INTEREST OWNERS

Frank M. Denman, Jr.  
Frank M. Denman, Jr.

Tract No. 1

Address: Box 1826  
Wichita Falls, Tex.  
Date 1-8-52

SKELLY OIL COMPANY

By W. H. Astman  
Vice President

Tract No. 4

ATTEST: M. Sturtevant  
Asst Secretary

Approved as to  
Form [Signature]

Address: Box 1650 Tulsa, Okla.  
Box 1650 Tulsa, Okla.  
Date June 25, 1951

~~BYRD PROS. CO.~~ THREE STATES NATURAL GAS CO.

By K. M. Wilson  
Vice President

Tract No. 5--7 and 9.

ATTEST: [Signature]  
Secretary

Address: 1205 Tower Petroleum Building  
Dallas, Texas  
Date 11/2/52

~~PIXBYXENGLISH~~

~~TRACT NOS. 5, 6, 7 and 9~~

Address: Farmington, New Mexico  
Date \_\_\_\_\_

~~LESLIE CONDIT~~

~~TRACT NO. 6~~

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

~~NANCY HARTMAN~~

~~TRACT NO. 12~~

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

Date \_\_\_\_\_

STANDARD OIL COMPANY OF TEXAS

By *J. Fox*  
Vice President

ATTEST: *V. C. Clark*  
Assistant Secretary

Address: P.O. Box 1249

Houston, Texas

Date \_\_\_\_\_

~~D. R. Ponder~~

~~TRACT NO. 13~~

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

Date \_\_\_\_\_

SOUTHERN UNION GAS COMPANY

By *Robert Hughes*  
Vice President

ATTEST: *H. M. Conner*  
Secretary

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

Dallas, Texas

Date \_\_\_\_\_

*F. D. Jernigan*  
F. D. Jernigan

TRACT NO. 18 and 19

Address: 4548 Belknap Ave.

Dallas, Texas

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

LEASE AND ROYALTY OWNERS

\_\_\_\_\_  
Mary Lee Cornell

Tract No. 1

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

Albuquerque, New Mexico

Date \_\_\_\_\_

\_\_\_\_\_  
Reese Cleveland

Tract No. 2

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

\_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
P. L. Crandell

Tract No. 3

\_\_\_\_\_  
Address: Rankin, Texas

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

\_\_\_\_\_  
Glen R. Gentle

Tracts No. 4--5--6--7--10

\_\_\_\_\_  
Hazel L. Gentle

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

\_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
Executor Estate of Virginia Burk  
Ballard, Deceased

Tract No. 8

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

\_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
Carroll T. Payne

Tract No. 9

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

\_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
Francis Xavier Obold

Tract No. 11

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

\_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
Estate of Kate Mylander \_\_\_\_\_

Tract No. 12

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

\_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
Joe R. Love

Tract No. 14

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

\_\_\_\_\_  
Date \_\_\_\_\_

\_\_\_\_\_  
John Burroughs

Tract No. 17

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

\_\_\_\_\_  
Date \_\_\_\_\_

EXHIBIT "B"  
SCHEDULE SHOWING THE PERCENTAGE AND KIND OF OWNERSHIP OF OIL AND GAS INTERESTS  
IN ALL LAND IN THE HEREINANTO UNIT AGREEMENT

TRACT NO.	DESCRIPTION	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	LAND OWNER & PERCENTAGE OF ROYALTY	RECORD OWNER OF LEASE OR APPLICATION	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER UNDER OPTION AGREEMENT, LEASE OR ASSIGNMENT & PERCENTAGE OF INTEREST
<u>FEDERAL LANDS</u>							
1	Sec. 4, T. 26 N., R. 9 W.	642.56	(N.M.) 03491 2/1/48	USA 12 $\frac{1}{2}$ %	Frank M. Denman, Jr.	Mary Lee & Dudley Cornell Stanolind O&G 2 $\frac{1}{2}$ % 2 $\frac{1}{2}$ %	Frank M. Denman, Jr.
2	Sec. 28 & 33 T. 27N., R. 9W	1280.00	(Santa Fe) 078081 2/1/48	USA 12 $\frac{1}{2}$ %	Reese Cleveland Magnolia Petr. Co. *	Reese Cleveland 2 $\frac{1}{2}$ %	Magnolia Petr. Co.
3	S $\frac{1}{2}$ Sec. 34, S $\frac{1}{2}$ Sec. 35, 2241.88 T. 27 N., R. 9 W Sec. 1, 3; N $\frac{1}{2}$ Sec. 10, T. 26 N., R. 9W.	078135 2/1/48	USA 12 $\frac{1}{2}$ %	Magnolia Petr. Co.	P. L. Crandell	3%	Magnolia Petr. Co.
4	Sec. 22, 23, NW $\frac{1}{4}$ Sec. 24, T. 27N., R. 9W	1440.00	078356 2/1/48	USA 12 $\frac{1}{2}$ %	Glenn R. Gentle	Glenn R. Gentle 3%	Skelly Oil Co.
5	N $\frac{1}{2}$ Sec. 26, T. 27 N., 9 R. 9W.	320.00	078356A 2/1/48	USA 12 $\frac{1}{2}$ %	Leola Cundiff 3/4 Largo Nat. GasCo 1/4	Glenn R. Gentle 2%	Three States Nat. Gas Co.
6	N $\frac{1}{2}$ SW $\frac{1}{4}$ , N $\frac{1}{2}$ Sec. 27, T. 27 N., R. 9W.	400.00	078356-B 2/1/48	USA 12 $\frac{1}{2}$ %	Magnolia Petr. Co.	Glenn R. Gentle 2%	Magnolia Petr. Co.
7	SE $\frac{1}{4}$ Sec. 26, T. 27 N., R. 9 W.	160.00	078358 9/1/49	USA 12 $\frac{1}{2}$ %	Leola Cundiff 3/4 Largo Nat. Gas Co. 1/4	Hazel L. Gentle 2%	Three States Nat. Gas Co.

\* Assignee under assignment filed for approval

TRACT NO.	DESCRIPTION	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	LAND OWNER & PERCENTAGE OF ROYALTY	RECORD OWNER OF LEASE OR APPLICATION	OVERRIDING ROYALTY OWNER AND PERCENTAGE	WORKING INTEREST OWNER UNDER OPTION AGREEMENT, LEASE OR ASSIGNMENT & PERCENTAGE OF INTEREST
(Santa Fe)							
8	N $\frac{1}{2}$ Sec. 11, N $\frac{1}{2}$ , SW $\frac{1}{4}$ , W $\frac{1}{2}$ SF $\frac{1}{4}$ Sec. 12, T. 26 N., R. 9 W.	880.00	078388 6/1/49	USA 12 $\frac{1}{2}$ %	Magnolia Petr. Co.	Virginia Burk Ballard Estate 2%	Magnolia Petr. Co.
9	E $\frac{1}{2}$ SF $\frac{1}{4}$ Sec. 12, T. 26 N., R. 9 W	80.00	078434 2/1/48	USA 12 $\frac{1}{2}$ %	Nancy Harman	Carroll T. Payne 2 $\frac{1}{2}$ %	Three States Nat. Gas Co.
10	SW $\frac{1}{4}$ Sec. 26, SF $\frac{1}{2}$ , S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 27, N $\frac{1}{2}$ Sec. 34, N $\frac{1}{2}$ Sec. 35, T. 27 N., R. 9 W	1040.00	080117 8/1/49	USA 12 $\frac{1}{2}$ %	Magnolia Petr. Co.	Glenn R. Gentle 2%	Magnolia Petr. Co.
TOTAL FEDERAL LANDS		8,484.44 acres					
STATE LANDS							
11	SW $\frac{1}{2}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , NW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 2, T. 26 N., R. 9 W	120.00	E-5379 7/10/51	State 12 $\frac{1}{2}$ %	Magnolia Petr. Co.	Francis Xavier Obold 3%	Magnolia Petr. Co.
12	Lots 1, 3, SF $\frac{1}{2}$ Sec. 2, T. 26 N., R. 9 W.	240.41	B-9320 9/29/41	State 12 $\frac{1}{2}$ %	Magnolia Petr. Co.	Kate Wylander Est. 3%	Magnolia Petr. Co.
13	Lots 2, 4, SF $\frac{1}{4}$ NE $\frac{1}{4}$ , SE $\frac{1}{4}$ NW $\frac{1}{4}$ , SE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 2, T. 26 N., R. 9 W.	240.51	B-11122 3/20/44	State 12 $\frac{1}{2}$ %	Standard Oil Co. of Texas		Standard Oil Co of Texas
14	SF $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 36, T. 27 N., R. 9 W	40.00	B-11370 8/3/44	State 12 $\frac{1}{2}$ %	Magnolia Petr. Co.	Joe R. Love 3%	Magnolia Petr. Co.
15	NE $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 2, T. 26 N., R. 9 W.	40.00	E-5116 4/6/51	State 12 $\frac{1}{2}$ %	Magnolia Petr. Co.	D. R. Ponder John R. Brenhand ) 3%	Magnolia Petr. Co.
16	NE $\frac{1}{4}$ , NE $\frac{1}{4}$ NW $\frac{1}{4}$ , NE $\frac{1}{4}$ SW $\frac{1}{4}$ , W $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 36, T. 27 N., R. 9 W.	400.00	F-1199 2/10/44	State 12 $\frac{1}{2}$ %	Southern Union Gas Co.		Southern Union Gas Co.

TRACT NO.	DESCRIPTION	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	LAND OWNER & PERCENTAGE OF ROYALTY	RECORD OWNER OF LEASE OR APPLICATION	OVERRIDING ROYALTY OWNER & PERCENTAGE	WORKING INTEREST OWNER UNDER OPTION AGREEMENT, LEASE OR ASSIGNMENTS & PERCENTAGE OF INTEREST
17	SE $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 36 T. 27 N., R. 9W.	40.00	E-3148 12/10/49	State 12 $\frac{1}{2}$ %	Magnolia Petr.Co.	John Burroughs 5% \$25 per acre from 7/256 (1/32 of 7/8) of production	Magnolia Petr. Co.
TOTAL STATE LANDS		1,120.92 Acres					

NAVAJO ALLOTTED INDIAN LANDS

18	SW $\frac{1}{2}$ Sec. 24 T. 27 N., R. 9W.	160.00	1-149-IND -8467 6/28/51	Allot. No. 062702 Kay-ne-pah 12 $\frac{1}{2}$ %	F. D. Jernigan		F. D. Jernigan
19	SE $\frac{1}{2}$ Sec. 36 T. 27 N., R. 9W.	160.00	1-149-IND -8469 6/28/51	Allot. No. 011502 Es-nes-pah or Yilth-naz-bah (Mrs. Willie Holmes); Niti-th-pahe (Jimmie Lake); Pa-ba-letto or Pablolito; Dent-th-stoi (Alfredo Lake); Sti-he; Ta-ne-bah (Ruth Martinez); Ta-ne-yah (John Martinez); Wilson or Willie Martinez; Do za ae; Glin hi bah (Juanita Martinez); Ahen nilth bah (May Antonio); Kin ne bah; Yilth ne bah (Emma Antonio); Antonio begay or Haska Yilth na dalth;	F. D. Jernigan		F. D. Jernigan

TRACT NO.	DESCRIPTION	NO. OF ACRES	SERIAL NO. & DATE OF LEASE	LAND OWNER & PERCENTAGE OF ROYALTY	RECORD OWNER OF LEASE OR APPLICATION	OVERRIDING ROYALTY OWNER & PERCENTAGE	WORKING INTEREST OWNER UNDER OPTION AGREEMENT LEASE OR ASSIGNMENT & PERCENTAGE OF INTEREST
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19 (Continued)

Sam Ma Lise or  
Chi nel wood  
(Sam Valdez);  
Johnnie or Woltth chee  
(John Valdez);

20	NW $\frac{1}{4}$ Sec. 25 T. 27N., R. 9W	160.00	1-149-IND -8473 8-17-50	Allot No. 062701 Lin-ne-bah Clara Curley (Now Clara Curley Antonito) 12 $\frac{1}{2}$ %	Magnolia Petr. Co.		Magnolia Petr.Co.
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Magnolia petr. Co.

SW $\frac{1}{4}$ Sec. 25 T. 27N., R. 9W	160.00	1-149-IND -8473 8-17-50	Allot. No. 062700 Martin Hanotah, or George Curley 12 $\frac{1}{2}$ %	Magnolia Petr. Co.
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Effective date of lease 8-17-50 - 10 years from date of approval.

TOTAL INDIAN LANDS                      640.00 Acres

TOTAL LANDS IN HUERFANITO UNIT AREA . . . . . 10,245.36 Acres

R E C A P I T U L A T I O N

Federal Lands . . . . .	8,484.44 Acres
State Lands . . . . .	1,120.92 Acres
Indian Lands . . . . .	<u>640.00 Acres</u>

Total Number of Acres in Huerfanito Unit Area . . . . . 10,245.36 Acres



STATE OF Texas )  
COUNTY OF DALLAS ) SS

On this 1 day of June, 1951, before me personally appeared A.E. Chester to me personally known who being by me duly sworn, did say that he is the Vice President of MAGNOLIA Petroleum Company and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said A.E. Chester acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires:

My commission expires  
June 1, 1953

Mary Stevens  
Notary Public

MARY STEVENS, Notary Public  
in and for Dallas County, Texas

STATE OF Oklahoma )  
COUNTY OF Tulsa ) SS

On this 25 day of June, 1951, before me personally appeared A. L. Cashman to me personally known who being by me duly sworn did say that he is the Vice President of Shell Company and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said A. L. Cashman acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires:

Notary Public, Tulsa County, Oklahoma  
My Commission Expires January 21, 1953

Wesley M. Brady  
Notary Public

STATE OF Texas )  
COUNTY OF Harris ) SS

On this 6<sup>th</sup> day of December, 1951, before me personally appeared W. P. Fox to me personally known who being by me duly sworn did say that he is the Vice President of STANDARD OIL CO. OF TEXAS and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and W. P. Fox acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires: 6-1-53

Jessie McFarland  
Notary Public in & for Harris Co., Texas.  
JESSIE McFARLAND  
My Commission Expires

STATE OF Texas )  
COUNTY OF Dallas ) SS

On this 7<sup>th</sup> day of December, 1951, before me personally appeared Scott Hughes to me personally known who being by me duly sworn, did say that he is the Vice President of Southern Union Gas Company and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said Scott Hughes acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires:

June 1, 1953

Mary M. Green  
Notary Public

STATE OF Texas )  
COUNTY OF Harris ) SS

On this 2nd day of January, 1952, before me personally appeared K M Muesel to me personally known who being by me duly sworn did say that he is the Vice President of Three States Natural Gas Company and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said K M Muesel acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires:

MARQUETTE WILLIAMS

Notary Public, Dallas County, Texas  
My Commission Expires June 1, 1953

Marquette Williams  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared \_\_\_\_\_ to me personally known who being by me duly sworn did say that he is the \_\_\_\_\_ President of \_\_\_\_\_ and that the seal affixed to said instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and \_\_\_\_\_ acknowledged said instrument to be the free act and deed of said corporation.

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

My Commission Expires:

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

STATE OF Texas )  
COUNTY OF Dallas ) SS

On this 7<sup>th</sup> day of December, 1951, before me personally appeared

J. D. Jernigan  
to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as his free act and deed.

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

My Commission Expires:

June 1, 1953

Mary Ann Watkins  
Notary Public

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared

to me personally known to be the person described in and who executed the foregoing instrument, and acknowledged that he executed the same as \_\_\_\_\_ free act and deed.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal the day and year in this certificate first above written.

My Commission Expires:

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

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared

to me personally known to be the person described in and who executed the foregoing instrument and acknowledged that he executed the same as \_\_\_\_\_ free act and deed.

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

My Commission Expires:

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

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared

to me personally known to be the person described in and who executed the foregoing instrument and acknowledged that he executed the same as \_\_\_\_\_ free act and deed.

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

My Commission Expires:

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

STATE OF \_\_\_\_\_ )  
COUNTY OF \_\_\_\_\_ ) SS

On this \_\_\_\_ day of \_\_\_\_\_, 195\_\_, before me personally appeared \_\_\_\_\_  
to me personally known to be the person \_\_\_\_ described in and who executed the fore-  
going instrument, and acknowledged that \_\_\_\_ he \_\_\_\_ executed the same as \_\_\_\_\_ free  
act and deed.

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

My Commission Expires:

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

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COUNTY OF \_\_\_\_\_ ) SS

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

March 1, 1955

Mr. S. P. Hanniffa  
Magnolia Petroleum Company  
Roswell, New Mexico

*W. S. Walker*  
Re: Designation of Successor Unit Operator  
Huerfanite Unit  
SAN JUAN COUNTY, NEW MEXICO

Dear Sir:

With reference your letter of February 25, 1955 we are enclosing herewith approved copy of the Designation of Successor Unit Operator of the Huerfanite unit as requested which has been properly executed.

Yours very truly

*E. S. Walker*

E. S. WALKER  
COMMISSIONER OF PUBLIC LANDS

cc Oil Conservation Commission ✓  
Santa Fe, New Mexico

United States Geological Survey  
Roswell, New Mexico

*huer*

DESIGNATION OF SUCCESSOR UNIT OPERATOR  
HUERFANITO UNIT AREA  
COUNTY OF SAN JUAN  
STATE OF NEW MEXICO

I - Section No. 943

This indenture, dated as of the 23<sup>rd</sup> day of November, 1954, by and between J. Glenn Turner, whose address is 1711 Mercantile Bank Building, Dallas, Texas, hereinafter designated as "First Party", and the owners of unitized working interests, hereinafter designated as "Second Parties".

W I T N E S S E T H :

Whereas, under the provisions of the Act of February 25, 1920, 41 Statute 437 and 30 U. S. C. Sections 181, et seq., as amended by the Act of August 8, 1946, 60 Statute 950, the Secretary of the Interior, on the 2nd day of June, 1952, approved a Unit Agreement for the development of the Huerfanito Unit Area, whereunder Magnolia Petroleum Company is designated as Unit Operator; and

Whereas, under the provisions of the laws of the State of New Mexico, said Unit Agreement was also approved by the Commissioner of Public Lands of the State of New Mexico; and

Whereas, said Magnolia Petroleum Company has resigned as such Operator, effective December 1, 1954, and the Designation of a successor Unit Operator is now required pursuant to the terms thereof; and

Whereas, the First Party has been and hereby is designated by Second Parties as Unit Operator, and said First Party desires to assume all the rights, duties and obligations of Unit Operator under the said Unit Agreement from and after December 1, 1954.

Now, therefore, in consideration of the premises hereinbefore set forth and the promises hereinafter stated, the First Party hereby covenants and agrees to fulfill the duties and assume the obligations of Unit Operator under and pursuant to all the terms of the Huerfanito Unit Agreement, and the Second Parties covenant and agree that, effective upon approval of this



indenture by the Director of the Geological Survey and the Commissioner of Public Lands of the State of New Mexico, First Party shall be granted the exclusive right and privilege of exercising any and all rights and privileges as Unit Operator, pursuant to the terms and conditions of said Unit Agreement; said Unit Agreement being hereby incorporated herein by reference and made a part hereof, as fully and effectively as though said Unit Agreement were expressly set forth in this instrument.

In witness whereof, the parties hereto have executed this instrument as of the date hereinabove set forth.

WITNESSES:

Marion C. Halusky  
Bruce Billingsley

J. Glenn Turner  
J. Glenn Turner

FIRST PARTY

ATTEST:

[Signature]  
Assistant Secretary

MAGNOLIA PETROLEUM COMPANY

By [Signature] [Signature]  
Vice-President  
R. S. W.

ATTEST:

[Signature]  
and Secretary

SKELLY OIL COMPANY

By [Signature] [Signature]  
Vice-President  
C. H.

ATTEST:

[Signature]  
and Secretary

STANDARD OIL COMPANY OF TEXAS

By [Signature]  
Vice-President

ATTEST:

George B. Worke, Jr.  
and Secretary

SAN JACINTO PETROLEUM CORPORATION

By B. G. Martin  
Vice-President

ATTEST:



Quilman P. Davis  
Secretary

AZTEC OIL COMPANY

By Law Thompson Q.P.N.  
Vice-President

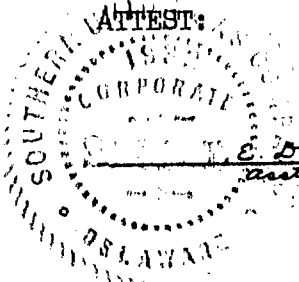
ATTEST:

W. C. Morte  
Asst. Secretary

EL PASO NATURAL GAS COMPANY

By H. L. Davis R.L.H.  
Vice-President

ATTEST:



E. D. Mason  
Secretary

SOUTHERN UNION GAS COMPANY

By J. C. Davis M.D.E.  
Vice-President  
J. Glenn Turner  
J. Glenn Turner

WITNESSES:

Marion C. Halverson  
Babe Billingsley

WITNESSES:

\_\_\_\_\_  
\_\_\_\_\_

WITNESSES:

Marion C. Halverson  
Babe Billingsley

ATTEST:

Jean Wald  
Secretary

HUERFANITO GAS COMPANY

By L. F. Shipe  
Vice-President

\_\_\_\_\_  
\_\_\_\_\_

SECOND PARTIES

I hereby approve the foregoing indenture designating J. Glenn Turner as  
Unit Operator under the Unit Agreement for the Huerfanito Unit Area, this  
\_\_\_\_\_ day of \_\_\_\_\_, 195\_\_\_\_.

\_\_\_\_\_  
Director of Geological Survey

I hereby approve the foregoing indenture designating J. Glenn Turner as  
Unit Operator under the Unit Agreement, for the Huerfanito Unit Area, this  
1st day of March, 1955.

12/ Ed Walker  
\_\_\_\_\_  
Commissioner of Public Lands  
State of New Mexico