

REVISED  
EXHIBIT "B"  
DRICKY GREEN SAND UNIT  
CHAVES COUNTY, NEW MEXICO

TRACTS QUALIFYING FOR PARTICIPATION UNDER UNIT AGREEMENT AS OF AUGUST 19, 1959

Tract No.	Description of Land	No. of Acres	No. of Wells	Lease and/or Assignment Number	Basic Royalty	Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Percent of Participation in Unit			Remaining Primary By Barrels	
									Primary	Secondary			
1	SW/4 NW/4 & SE/4 & E/2 SW/4 Sec. 15 T. 14S, R. 31E.	280	7	LC-060811	12.5%	George Nixon	Earnest A. Hanson John A. Barnett Union Oil Co. of California	*2.50% *2.50% *2.74%	Neville G. Penrose, Inc. Broseco Corp. John B. Rich	66.67% 31.67% 1.66%	4.13970	4.72364	37,910
2	W/2 SW/4 Sec. 15, T. 14S, R. 31E.	80	2	LC-060811	12.5%	George Nixon	Earnest A. Hanson John A. Barnett	*2.50% *2.50%	Neville G. Penrose, Inc. Broseco Corp. John R. Rich J. M. Leonard Cactus Drilling Co. Richard S. Anderson, Inc.	36.46% 17.32% .91% 21.88% 12.50% 10.93%	4.87886	2.05402	44,679
3	SE/4 Sec. 10 T. 14S, R. 31E	160	4	LC-060812-A	12.5%	Gulf Oil Corp.	Virgil O. Hopp et ux Olen F. Featherstone Elizabeth W. Chaney Rubie C. Bell	1.67% 1.67% .83% .83%	Gulf Oil Corp.	100.00%	2.96331	4.05054	27,137
6	All Sec. 3; N/2 Sec. 10, T. 14S, R. 31E.	960.96	24	LC-068474	12.5%	Frank A. Sauer	None		Cities Service Oil Co.	100.00%	21.74037	26.85310	199,083
7	N/2 NW/4 & SW/4 NW/4 Sec. 1, T. 14S, R. 31E.	120.04	1	LC-070336	12.5%	Ed Shockley	Ed Shockley Et Ux Olen F. Featherstone Ernest H. Peterson Elizabeth W. Chaney Rubie C. Bell Ada Moran Mills	.30% 1.33% 1.00% .67% .66% .50%	Phillips Pet. Company	100.00%	0.03440	0.42628	315

REVISED  
EXHIBIT "B"  
DICKER MUEL SAND UNIT  
CHAVES COUNTY, NEW MEXICO

TRACTS QUALIFYING FOR PARTICIPATION UNDER UNIT AGREEMENT AS OF AUGUST 19, 1959

Tract No.	Description of Land	No. of Acres	No. of Wells	Lease and/or Assignment Number	Basic Royalty	Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Percent of Participation			Remaining Primary by Surrender
									in Unit			
									Primary	Secondary		
8	NE 1/4 NW 1/4 Sec. 22 T. 14S, R. 31E.	40	1	LC-070336	12.5%	Ed Shockley	Ed Shockley, et ux Olen F. Featherstone Ernest H. Peterson Elizabeth M. Chaney Rubie C. Bell Ada Moran Hills .30% 1.35% 1.00% .67% .66% .50%	Phillips Pet. Co.	100.00%	2.65266	1.35390	24,294
9	NE 1/4 NW 1/4 & S/2 NW 1/4 Sec. 22, T. 14S, R. 31E.	120	2	LC-070336-A	12.5%	Ed Shockley	Ed Shockley Et ux Olen F. Featherstone Ada Moran Hills Ernest H. Peterson Elizabeth M. Chaney Rubie C. Bell .30% 1.35% .50% 1.00% .67% .66% .50%	K. S. Adams, Jr.	100.00%	1.26966	1.13169	11,329
10	S 1/4 Sec. 10, T. 14S, R. 31E.	160	4	LC-070337	12.5%	Virgil O. Hopp	Virgil O. Hopp Et ux Ernest H. Peterson Olen F. Featherstone Rubie C. Bell Elizabeth M. Chaney Ada Moran Hills Phillips Pet. Co. 1.00% 1.00% 1.00% .50% .50% .50% .50%	Neville G. Penrose, Inc. Broseco Corp. John B. Rich Richard S. Anderson, Inc.	58.33% 27.71% 1.46% 12.50%	6.38586	5.11500	55,475
11	N 1/2 E 1/2 Sec. 11 T. 14S, R. 31E.	160	4	LC-072006	12.5%	American Republic Co.	Sinclair Oil & Gas Company	Neville G. Penrose, Inc. Broseco Corp. John B. Rich	50.00% 47.50% 2.50%	3.27005	2.62730	29,946
12	E 1/2 NE 1/4 & S 1/4 NE 1/4 Sec. 33, T. 13S, R. 31E.	120	1	NM-02419	12.5%	Virginia Burk Ballard	None	Cities Service Oil Co.	100.00%	0.03560	0.37026	326
13	SE 1/4 Sec. 33; SW 1/4 Sec. 34, T. 13S, R. 31E	320	8	NM-03927	12.5%	Cities Service Oil Company	None	Cities Service Oil Co.	100.00%	5.80836	7.30241	53,191

REVISED  
EXHIBIT "3"  
DRIPPER GREEN SAND UNIT  
CHAVES COUNTY, NEW MEXICO

TRACTS QUALIFYING FOR PARTICIPATION UNDER UNIT AGREEMENT AS OF AUGUST 19, 1959

Tract No.	Description of Land	No. of Acres	No. of Wells	Lease and/or Assignment Number	Basic Royalty Record	Lessee of Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Percent of Participation Remaining in Unit		
								Primary	Secondary	By Barrels
14	E/2 SW/4 & SW/4 S/4 Sec. 35, T. 13S, R. 31E	120	1	NM-04246	12.5% Kerr-McGee Oil Ind., Inc.	Lillian T. Hinkle 2.50%	Kerr-McGee Oil Ind., Inc.	100.00% 1.05922	0.93344	9,700
15	E/2 SE/4 & SW/4 S/4 Sec. 35, T. 13S, R. 31E	120	3	B-6822	12.5% Earl G. Levick	F. J. Herms, Jr. 1.50% Lillis B. Morris .75% R. Berkenkamp Est. .75% D. J. Spowart .75% Earl G. Levick et ux 1.25%	K. S. Adams, Jr.	100.00% 3.20657	2.91667	29,383
16	NE/4 SW/4 Sec. 35, T. 13S, R. 31E	40	1	B-6822-4	12.5% Earl G. Levick	Earl G. Levick et ux .50% Mrs. Ruth E. Keltz- man 2.25% Henry Carl and 2.25%	Neville G. Penrose, Inc. Brosco Corp. John B. Rich Richard S. Anderson, Inc.	58.34% 0.19765 27.70% 1.46% 12.50%	0.76795	1,810
17	SW/4 NE/4 Sec. 16, T. 14S, R. 31E.	40	1	B-6828-39	12.5% Gilbert M Platt	Frank & Margaret M. Gray 5.00%	Neville G. Penrose, Inc. Richard S. Anderson, Inc. John B. Rich	43.75% 0.84781 6.25% 47.50% 2.50%	1.08751	7,764
18	NE/4 SE/4 Sec. 16 T. 14S, R. 31E.	40	1	B-10417	12.5% Intercoast Pet. Corp.	Sunset International Pet. Corp. 10.94%	W. E. Pittman	100.00% 1.61515	1.06722	14,791
19	NE/4 SW/4 Sec. 2 T. 14S, R. 31E	40	1	B-10419	12.5% Metex Supply Co.	Metex Supply Co. *6.25%	Geo. W. Baker Roswell Securities Co. Late Oil Company E. L. Norton Est. Richard S. Anderson, Inc.	25.00% 2.87693 25.00% 25.00% 21.875% 3.125%	1.57760	26,346
12 Federal Tracts		2641.00	59					54.23615	56.92358	496,695

REVISED  
EXHIBIT "B"  
DRICKY SHEET SAND UNIT  
SEAFORS COUNTRY, NEW MEXICO

TRACTS QUALIFYING FOR PARTICIPATION UNDER OIL AGREEMENT AS OF AUGUST 19, 1959

Tract No.	Description of Land	No. of Acres	No. of Wells	Lease and/or Assignment Number	Basic Royalty	Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Percent of Participation Remaining				
									Primary	in Unit	Secondary		
20	NW/4 SW/4 Sec. 16 T. 14S, R. 31E.	40	1	B-10419	12.5%	Bernice R. Platt	Lillian H. Coll Ernest A. Hanson John A. Barnett Union Oil Co. of Calif.	4.38% .94% .94% 2.73%	Neville G. Penrose, Inc. Broseco Corp. John B. Rich J. L. Leonard Cactus Drilling Co. Richard S. Anderson, Inc.	56.46% 17.32% .91% 21.88% 12.50% 10.93%	0.38962	0.51256	3,568
21	SE/4 NW/4 Sec. 2 T. 14S, R. 31E.	40	1	B-10420	12.5%	William & Vada Spurck	William & Vada Spurck	6.25%	Lewis & Mavis H. (95% of 1/8 of Gordon 8/8 W.I.) Dorothy Powell White & Jack White (95% of .041900 of 8/8 W.I.) Geror Oil Corp.	.95% .04% 99.01%	0.03276	0.17271	300
22	NE/4 NE/4 Sec. 16 T. 14S, R. 31E.	40	1	B-10420	12.5%	William & Vada Spurck	Sinclair Oil & Gas Co.	3.12%	Cities Service Oil Co.	100.00%	0.94303	0.89625	8,636
23	SE/4 NW/4 & SE/4 SW/4 Sec. 16, T. 14S, R. 31E.	80	2	B-10420	12.5%	William & Vada Spurck	Vada Spurck	6.25%	Lewis & Mavis H. (95% of 1/8 of Gordon 8/8 W.I.) Dorothy Powell White & Jack White (95% of .041900 of 8/8 W.I.) Geror Oil Corp.	.95% .04% 99.01%	1.24158	1.54299	11,370
24	1/2 NE/4 Sec. 16, T. 14S, R. 31E.	80	2	B-10420-112	12.5%	William Spurck, et ux	William Spurck, et ux Arthur Weirather	4.00% 1.00%	Neville G. Penrose, Inc. Broseco Corp. John B. Rich J. M. Leonard Cactus Drilling Co. Richard S. Anderson, Inc.	56.46% 17.32% .91% 21.88% 12.50% 10.93%	1.84708	1.52137	16,915
25	NW/4 SE/4 Sec. 16, T. 14S, R. 31E.	40	1	B-10420-134	12.5%	William Spurck et ux	William Spurck, et ux Arthur Weirather	4.00% 1.00%	Neville G. Penrose, Inc. Broseco Corp. John B. Rich Richard S. Anderson, Inc.	56.46% 27.70% 1.46% 12.50%	0.33163	0.62243	3,037

REVISED  
 EXHIBIT "B"  
 MONEY JUNE SAND UNIT  
 CHAVEZ COUNTY, NEW MEXICO

TRACTS ALLEGEDLY IN PARTICIPATION UNDER UNIT AGREEMENT AS OF AUGUST 19, 1959												
Tract No.	Description of Land	No. of Acres	No. of Wells	Lease and/or Assignment Number	Basic Royalty	Lessee of Record	Overriding Royalty Owner and amount	Working Interest Owner and amount	Percent of Participation in Unit		Remaining Primary By Barrels	
									Primary	Secondary		
27	S1/4 NW/4 Sec. 16 T. 14S, R. 31E.	40	1	E-478	12.5%	Texas Pacific Coal & Oil Co.	None	Texas Pacific Coal & Oil Co.	100.00%	0.53618	0.87029	5,826
29	S2/4 Sec. 2, T. 14S, R. 31E.	160	2	E-1380	12.5%	Texas Pacific Coal & Oil Co.	None	Texas Pacific Coal & Oil Co.	100.00%	0.23795	0.76157	2,179
30	S1/4 S2/4 Sec. 16 T. 14S, R. 31E	40	1	E-1467	12.5%	Texas Pacific Coal & Oil Co.	None	Texas Pacific Coal & Oil Co.	100.00%	0.22148	0.58260	2,944
31	S1/4 S1/4 Sec. 35, T. 13S, R. 31E	40	1	E-2635	12.5%	L. B. Hodge	None	L. B. Hodge Featherstone Corp.	50.00%	3.26568	1.32351	29,906
32	NW/4 NE/4 Sec. 2 T. 14S, R. 31E	40.13	1	E-2855	12.5%	Gulf Oil Corp.	Gulf Oil Corp.	K. S. Adams, Jr. Mineral Projects, Inc.	25.00%	3.21621	0.84040	29,453
33	NE/4 SW/4 Sec. 16 T. 14S, R. 31E.	40	1	E-2858	12.5%	Union Oil Co. of Calif.	Union Oil Co. of Calif.	Neville G. Penrose, Inc. Broseco Corp. John B. Rich J. W. Leonard Cactus Drilling Co. Richard S. Anderson, Inc.	36.46%	1.30492	0.95451	11,950
34	NW/4 NW/4 Sec. 16 T. 14S, R. 31E.	40	1	E-4810	12.5%	Pure Oil Co.	Ralph Nix	Pure Oil Co.	100.00%	2.09922	1.19013	19,224

REVISED  
EXHIBIT "B"  
CRICKET JOSEF SAND UNIT  
CHAVES COUNTY, NEW MEXICO

TRACTS QUALIFYING FOR PARTICIPATION UNDER UNIT AGREEMENT AS OF AUGUST 19, 1969

Tract No.	Description of Land	No. of Acres	No. of Wells	Lease and/or Assignment Number	Basic Royalty	Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Percent of Participation in Unit		Remaining Primary By Barrels	
									Primary	Secondary		
36	SE/4 SE/4 Sec. 16 T. 14S, R. 31E.	40	1	E-5665	12.5%	Gulf Oil Corp.	None	Gulf Oil Corp.	100.00%	1.39927	0.82533	12,614
38	NE/4 SW/4 & NW/4 SE/4 Sec. 35, T. 13S R. 31E; W/2 W/2 Sec. 2, T. 14S, R. 31E.	240.27	6	E-6401	12.5%	Cities Service Oil Co.	None	Cities Service Oil Co.	100.00%	2.07378	5.89353	18,991
40	SE/4 NW/4 & SE/4 SW/4 Sec. 2, T. 14S, R. 31E	80	2	E-7661	12.5%	J. M. Zachary	None	Neville J. Penrose, Inc. Broseco Corp. John B. Rich J. M. Zachary George M. Slaughter, III, et ux Adeline Marks, Ind. & as Adm. of Est. Tom V. Marks Richard S. Anderson, Inc.	29.16% 13.85% .73% 21.88% 16.41% 5.47%	4.69453	5.35514	42,991
41	NE/4 NW/4 Sec. 16 T. 14S, R. 31E.	40	1	E-7662	12.5%	Gulf Oil Corp.	None	Gulf Oil Corp.	100.00%	0.63040	0.89079	5,773
42	NE/4 NW/4 Sec. 2, T. 14S, R. 31E.	40.19	1	E-8333-1	12.5%	J. M. Zachary	None	Neville G. Penrose, Inc. Broseco Corp. John B. Rich Richard S. Anderson, Inc.	58.34% 27.70% 1.46% 12.50%	2.61049	1.20437	23,906
45	SW/4 Sec. 11, T. 14S, R. 31E.	160	4	Patented Land	12.5%	Gulf Oil Corp.	None	Gulf Oil Corp.	100.00%	2.41928	2.74359	22,155
23 State Tracts		1440.59	34						36.02192	30.13045	329,877	

REVIEWED  
NOV 17 1959  
DAKOTA OIL & GAS UNIT  
DRAVES COUNTY, NEB. TEXICO

FACTS RELATING TO PARTICIPATION UNDER UNIT AGREEMENT AS OF AUGUST 19, 1959

Tract No.	Description of Land	No. of Acres	No. of Wells	Lease and/or Assignment Number	Basic Royalty	Lessee of Record	Overriding Royalty Owner and Amount	Working Interest Owner and Amount	Percent of Participation in Unit		Remaining Primary By Barrels	
									Primary	Secondary		
47	NW 1/4 Sec. 11, T. 14S, R. 31E.	160	4	Patented Land	12.5%	Mulf Oil Corp.	Mulf Oil Corp.	Neville G. Penrose, Inc. Broseco Corp. John B. Rich Adeline Marks, Ind. & as Adm of Est. of Tom W. Marks Richard S. Anderson, Inc.	41.01% 49.99% 1.03% 5.47%	4.58010	4.38800	41,943
48	NW 1/4 NE 1/4 & S/2 NW 1/4 Sec. 14; N/2 NW 1/4 & NW 1/4 NW 1/4 & SW 1/4 NW 1/4 Sec. 15, T. 14S, R. 31E.	280	5	Patented Land	12.5%	Union Oil Co. of Calif.	Union Oil Co. of Calif.	Neville G. Penrose, Inc. Broseco Corp. John B. Rich J. W. Richard Cactus Drilling Co. Richard S. Anderson, Inc.	36.46% 17.32% .91% 21.88% 12.50% 10.93%	0.45328	2.79618	4,151
49	NE 1/4 NW 1/4 Sec. 15 T. 14S, R. 31E.	40	1	Patented Land	12.5%	Union Oil Co. of Calif.	Union Oil Co. of Calif.	Neville G. Penrose, Inc. Cactus Drilling Co. Broseco Corp. John B. Rich Richard S. Anderson, Inc.	43.75% 21.88% 20.78% 1.09% 12.50%	1.06010	1.18869	9,708
50	S/2 NE 1/4 Sec. 15 T. 14S, R. 31E.	80	2	Patented Land	12.5%	Union Oil Co. of Calif.	Union Oil Co. of Calif.	Neville G. Penrose, Inc. Broseco Corp. John B. Rich	66.67% 31.67% 1.66%	0.46354	0.92497	4,245
51	NE 1/4 NE 1/4 & NE 1/4 NW 1/4 & N/2 SW 1/4 & SW 1/4 SW 1/4 Sec. 14, T. 14S, R. 31E.	200	2	Patented Land	12.5%	Union Oil Co. of Calif.	None	Union Oil Co. of Calif.	100.00%	0.76363	0.90254	6,993

\* Sliding scale Overriding Royalty Interests shown on minimum interest basis.

**Harris R. Antweil**

OIL OPERATOR  
BOX 1058  
HOBBS, NEW MEXICO

August 14, 1959

Re: Unit Agreement, Drickey-  
Queen Sand Unit,  
Chaves County, New Mexico

Cities Service Oil Company  
Bartlesville, Oklahoma

Attention: Mr. E. E. Funk

Gentlemen:

As you have 120 acres in the above captioned proposed  
water described as the NE/4 SE/4, SE/4 NE/4 and  
the NW/4 Section 1 Township 14 South, Range 31 East,  
Chaves County, New Mexico.

We are interested in joining your flood unit, but it is  
impossible at this time for us to sign the agreement due to  
negotiations we are making with parties who have overriding  
royalty and leasehold and other leaseholds in the area  
which are being considered for flood programs. These  
negotiations cannot be completed by the effective date of the  
agreement. We can assure you we are interested in joining  
and negotiations will be made very soon wherein  
we can join.

We would appreciate very much your including the above described  
tracts in the unit area so that we may be tentatively included  
and our participation a subsequent matter of form.

Thank you for your courtesy in this matter, we are

Very truly yours,

HARRIS R. ANTWEIL, Oil Operator

ILLEGIBLE

R. Hollis



WHALEY COMPANY, INCORPORATED

CONTINENTAL LIFE BUILDING  
FORT WORTH 2, TEXAS

WILLIAM D. MORRIS  
PRESIDENT

February 24, 1959

OIL AND GAS PRODUCTION  
TEXAS AND NEW MEXICO

Cities Service Oil Company  
Cities Service Building  
Bartlesville, Oklahoma

Attention: E. E. Funk  
Chief Secondary Recovery Engineer

Re: Proposed Drickey Queen Sand Unit  
Chaves County, New Mexico.

Gentlemen:

We acknowledge receipt of your letter of February 16, 1959 with enclosures regarding the inclusion of our New Mexico State Lease described as, SW/4, NE/4 Section 2, Twp-14-S, Rge-31-E, Chaves County, New Mexico, in the above proposed waterflood unit. Upon receipt of your letter, we have again reviewed this entire situation, but our decision is still the same as it was. We feel like there is a very special situation with reference to our well (New Mexico State Well No.2) and that it should have had a very considerable amount more of both primary and secondary recovery assigned to it than was assigned by your engineers.

We are fully aware of the formula you used in this connection and agree with you 100% that when it is applied to our lease taking into account bare statistics only you have assigned reserves to our forty acres in strict accordance with the formula.

However, due to operating difficulties of a mechanical nature, which we have previously called to your attention, we do not think the formula set out any ways nearly reflects the oil reserves under our forty acre tract, and which we will be able to produce even though no secondary recovery operations were carried on.

For your information, we have recently, at very considerable expense, moved a rotary rig over this well, washed over the tubing, which has been salted up almost since the well was completed, have partially cleaned the well out and placed on production. While it is too early to determine exact results, present indications are that we have helped the productive abilities of the well. With the rotary tools we were unable to keep the well cleaned out to bottom. In fact we were able to keep the well cleaned out within 28' of total depth only. We ran an electrical log on the well, but, of course, could get no nearer than 28' of its total depth. We plan shortly to move a cable tool rig in, clean the well out and in all likelihood sandfrac it again.

Due to the salted condition, the production on this well has been very erratic from day to day, but we do believe this remedial work will be quite helpful in stimulating production to some extent, just how much it is too early to say.

Letter to: Cities Service Oil Company

We are fully aware of the situation leaving us out of this unit, and we have stayed out of it not with any idea of trying to get the best of the unit operators in the area, but solely with the idea of getting the oil which we believe to be under our lease. Should sometime in the future the results of our operations and other engineering data change the position of the operator so as to allow us a greater primary and secondary recovery, we will give more careful consideration to participating in the unit if the other operators wish us to do so.

However, on the other hand should flooding operations be carried on by you and surrounding operators in a manner which tends to flood out our well and decrease our ultimate recovery, we will not hesitate at all to taking whatever legal action the equities of the situation seem in our opinion to justify. We make this statement not in any sense of the word in an attempt to force you to do something you do not wish to do, but as a plain and simple statement of the possible contingencies in this situation.

We note your statement that the State of New Mexico and the United States Geological Survey are most anxious to have us include our well in this unit. There is some doubt in our mind that this is or will be the true situation when all of the facts in connection with this matter are presented to them.

We are not taking this matter up with Mr. McNaughton of the firm of N. G. Penrose, Inc. in Fort Worth here, with whom we have the highest regard for or with anyone else, but if you wish to do so you are at perfect liberty or if you request us to do so, we will furnish them or any other participant in the unit you may wish to suggest a copy of this letter. We will also upon request be glad to furnish a copy of this letter to any representative of the State of New Mexico or the United States Geological Survey.

Let me assure you again of our personal esteem for you and your good company, but we believe the participating formula offered to us to include our lease is so far out of line that we have no option whatever but to decline to participate. This is one of the few cases either in Texas or New Mexico where we have taken such an attitude, but you may be quite sure that we have the courage of our convictions.

Yours very truly,

A handwritten signature in dark ink, appearing to read "William D. Morris". The signature is fluid and cursive, with a large, sweeping "M" and "P" at the end.

William D. Morris,  
President



PETROLEUM BUILDING

• ROSWELL, NEW MEXICO

• MAin 2-0456

January 16, 1959

BILL A. SHELTON  
PRESIDENT

JESS L. WARREN  
SECRETARY-TREASURER

Cities Service Oil Company  
Cities Service Building  
Bartlesville, Oklahoma

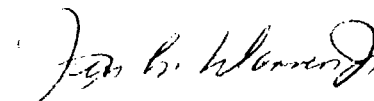
Attention: Mr. E. E. Funk,  
Chief Secondary Recovery Engineer

Dear Mr. Funk:

Since Shelton-Warren Oil Company only owns 40 acres in the proposed Drickey Queen Sand Unit, we do not, at this time, wish to join this proposed water flood unit.

We want to take this opportunity to thank you for your consideration in this matter.

Very truly yours,

  
Jess L. Warren, Jr.

JLW/bh

cc - Neville G. Penrose, Inc.  
1813 Fair Bldg.  
Fort Worth, Texas  
Attn: Mr. John McNaughton  
  
Pure Oil Company  
P. O. Box 671  
Midland, Texas

Whaley Company, Inc.  
Continental Life Bldg.  
Fort Worth 2, Texas  
Attn: Mr. W. D. Morris



JOSEPH I. O'NEILL, JR.  
OIL PROPERTIES

410 WEST OHIO  
MIDLAND, TEXAS

April 24, 1959

TELEPHONE  
MUTUAL 3-2771

Mr. E. E. Funk  
Cities Service Oil Company  
Cities Service Building  
Bartlesville, Oklahoma

Re: Joseph I. O'Neill, Jr. Medlin Lease, Section 22,  
Township 14 South, Range 31 East, Chaves  
County, New Mexico

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Dear Mr. Funk:

The above lease has one pumping well within the proposed area for the Drickey Queen Sand Unit Caprock Field, Chaves County, New Mexico. This well is our M. H. Medlin No. 1, located 660 feet from the north line and 1980 feet from the east line of Section 22.

At the time of the engineering committee's work on the above proposed unit, primary reserves were established on the basis of decline curves, and although this well had not commenced its decline, the average extrapolation was used in order to determine its primary reserves. We appreciate that there was no other approach than that used; however, since that time, which was approximately September, 1958, it has continued to produce its allowable and as you can see, the primary reserve factor attributed to this well was considerably in error.

We appreciate the need for obtaining signatures on this agreement and realize that it would be very difficult to change participation factors at this time; therefore, we elect to not join in the unit.

We are strongly in favor of the proposed water flood project and plan at this time to wait until the unit is formed and then approach the unit operators and ask that we be taken into the unit on a negotiated basis. In this way, we could attribute to this lease some realistic primary reserve figure which would be in fairness to both the unit and ourselves.

Mr. E. E. Funk


Page 2

April 24, 1959

We again wish to state that we are very much in favor of the unit and hope that the unit operators will view with favor our request for entrance into the unit after it has been formed.

Very truly yours,

JOSEPH I. O'NEILL, JR.

A handwritten signature in cursive script, appearing to read "E. T. Anderson", with a long horizontal flourish extending to the right.

E. T. Anderson

ETA/nb

AMBASSADOR OIL CORPORATION

3109 WINTHROP AVENUE

P. O. Box 9338

FORT WORTH 7, TEXAS

August 12, 1959

F. KIRK JOHNSON  
PRESIDENT

Cities Service Oil Company  
Bartlesville, Oklahoma

Attention: Mr. E. E. Funk

Gentlemen:

This is to verify the points brought out in our recent discussions relative to the Cities Service Caprock Drickey Queen Unit in Chaves County, New Mexico.

Ambassador, as owner and operator of the Woolley State lease being the SE/4 SW/4 of Section 35, T-13-S, R-31-E, in Chaves County, New Mexico, is very desirous of having this lease included under your proposed unit operations. However, since we have only recently purchased the above lease and did not participate in calculation of the Unit participation formula, we feel that an error was made in the value assigned remaining primary production for this lease. Under such circumstances, we would like to withhold our lease from Unit operations until expiration of the six-month time period indicated in the unit agreement. After such, we would like to submit this lease for inclusion within the Unit under re-calculated or re-negotiated participation values.

Very truly yours,

AMBASSADOR OIL CORPORATION



Robert H. Vick  
Manager of Engineering

RHV:jbm

# TEXAS PACIFIC COAL AND OIL COMPANY

GENERAL OFFICES  
FORT WORTH 1  
TEXAS

August 10, 1959

Cities Service Oil Company  
Cities Service Building  
Bartlesville, Oklahoma

Attention: Mr. E. E. Funk

Re: Line Agreement  
Drickey Queen Sand Unit  
Chaves County, New Mexico

Gentlemen:

We are pleased to write this letter in response to our recent telephone conversation and Mr. Hines' letter of August 6th regarding the above reference.

The line wells to be converted as set forth in your proposed line agreement is agreeable to us. We intend to convert and inject water into our line wells that were designated in your agreement in order to cooperate in the secondary recovery of oil in the Caprock Queen Field.

However, due to the uncertainty of conversion dates of your wells as necessitated by the proper scheduling of development and by control of the regulatory bodies, and the uncertainty of many other factors and conditions involved, we feel it would be untimely and questionable for us to execute your agreement now.

We will bear in mind your estimated conversion date of February, 1961, for our wells, and we will be pleased to review this matter with you at any time in the future.

Very truly yours,

TEXAS PACIFIC COAL AND OIL COMPANY  
By

  
D. A. Bonney, Manager of Production

DAB:SVB:bsm

cc: Gulf Oil Corporation  
Box 669  
Roswell, New Mexico



PETROLEUM AND ITS PRODUCTS

ROSWELL DISTRICT

W. A. SHELLSHEAR  
District Manager

E. S. GREAR  
District Exploration Manager

M. I. TAYLOR  
District Production Manager

G. A. PRICE  
District Services Manager

GULF OIL CORPORATION

P. O. DRAWER 669 — ROSWELL, NEW MEXICO

FORT WORTH  
PRODUCTION DIVISION

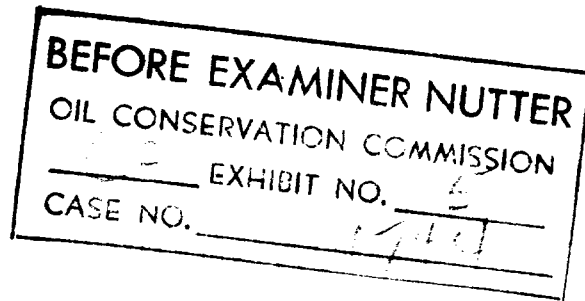
August 13, 1959

AIR MAIL

Cities Service Oil Company  
Cities Service Building  
Bartlesville, Oklahoma

Attention: Mr. E. E. Funk

Gentlemen:



As you know our Browning lease in the Caprock-Queen Pool was originally included in the Drickey-Queen Sand Unit which is being formed by Cities Service for waterflooding purposes. However, prior to the final delineation of the Drickey Unit area we elected to withdraw the Browning lease and commit it instead to the Rock-Queen Sand Unit being formed for similar purposes by Great Western Drilling Company. The Rock Unit is located immediately north of the Drickey Unit.

As a result of this action, your letter of July 31, 1959 requested that we execute a Line Well Agreement which would obligate Gulf to convert for injection Browning Wells No. 2 and 4 on or before August 1, 1960.

Inasmuch as we will soon commit our Browning lease to the Rock Unit and will relinquish operation of the lease to the Unit Operator at the appropriate time, we are unable to execute the aforementioned agreement. However, we wish to advise that the conversion of our Browning Wells No. 2 and 4 is consistent with the waterflood pattern being employed in the Caprock-Queen Pool. Therefore, the operator of the Rock Unit will undoubtedly convert the Browning wells to injection service when the waterflood program progresses to them and the approval of the New Mexico Oil Conservation Commission has been obtained.

The three waterflood units in the northern end of the pool have experienced no apparent difficulty in cooperating with each other on their common boundaries. Accordingly, we anticipate that the Rock and Drickey Units will readily cooperate with each other for the mutual benefit of the working interest and royalty owners.

Very truly yours,

W. A. SHELLSHEAR



cc: Mr. Jason Kellahin  
Post Office Box 1713  
Santa Fe, New Mexico

Great Western Drilling Co.  
Post Office Box 1659  
Midland, Texas

Texas Pacific Coal and Oil Company  
Post Office Box 2110  
Fort Worth 1, Texas

Mr. John H. Trigg  
Post Office Box 5629  
Roswell, New Mexico

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
EXHIBIT NO.	
CASE NO.	

LINE WELL AGREEMENT

THIS AGREEMENT made and entered into this 1st day of July, 1959, by and between JOHN H. TRIGG, whose address is P. O. Box 5629, Roswell, New Mexico, hereinafter referred to as "Trigg," and CITIES SERVICE OIL COMPANY, whose address is Cities Service Building, Bartlesville, Oklahoma, hereinafter referred to as "Cities."

WITNESSETH THAT:

WHEREAS, Trigg is the owner and operator of the leases covering Sections 4 and 9, T-14S, R-31E, and the Southeast Quarter (SE/4) Section 34, T-13S-R-31E, Chaves County, New Mexico.

WHEREAS, Cities is the owner and operator of the leases covering Section 3 and the North one-half (N/2) Section 10; NW NE Section 16; the West one-half (W/2) of the West one-half (W/2) of Section 2, all in T-14S, R-31E; and the North one-half (N/2) of Section 33; the Southeast Quarter (SE/4) of Section 33; the Southwest Quarter (SW/4) Section 34; the NW SE Section 35; the NE SW Section 35; all in T-13S, R-31E, Chaves County, New Mexico.

WHEREAS, the above leases are producing oil from the Queen Sand formation at approximately 2940 feet and the parties hereto mutually desire to make an effort to increase substantially the ultimate recovery of oil from the Queen Sand formation;

WHEREAS, Cities is now in the process of negotiating for the formation of a secondary recovery unit as to the Queen Sand formation to be known as the "Drickey Queen Sand Unit." The Drickey Queen Sand Unit will include, among other lands, the above described leases of Cities for the purpose of conducting waterflood operations in said Queen Sand formation.

WHEREAS, it is to the mutual interest of Trigg and Cities to convert certain wells on the above described leases and in the event the Drickey Queen Sand Unit becomes effective, it will be to the mutual interest of Trigg and the

Drickey Queen Sand Unit to convert certain additional wells to water input wells as provided herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained and to be completed and performed by the parties hereto, it is agreed as follows:

1. The parties hereto shall, according to Plan I, as set out below, convert to water injection wells in the Queen Sand formation on their respective leases and at their sole cost, risk and expense, certain wells located in Chaves County, New Mexico. Plan I, as referred to herein, will apply whether or not the proposed Drickey Queen Sand Unit is formed. In the event the Drickey Queen Sand Unit goes into effect, Plan II as set forth in this agreement, will also become effective in accordance with its terms and the parties hereto shall convert to water injection wells in the Queen Sand formation the wells set forth in said Plan II at their sole cost, risk and expense.

#### PLAN I

A. Cities will convert the following wells on or before September 1, 1959:

1. Government "B" No. 17 located approximately in the  
NW NW Section 10-14S-31E.
2. Government "B" No. 21 located approximately in the  
NW SW Section 3-14S-31E.

B. Trigg will convert the following wells on or before September 1, 1959:

1. Trigg Federal No. 5 located approximately in the  
SE SE Section 4-14S-31E.
2. Trigg Federal No. 7 located approximately in the  
SE NE Section 4-14S-31E.

C. Cities will convert the following wells on or before February 1, 1960:

1. Government "B" No. 24 located approximately in the  
NW NW Section 3-14S-31E.

2. Government "C" No. 7 located approximately in the  
SE SE Section 33-13S-31E.

D. Trigg will convert the following wells on or before February 1, 1960:

1. Trigg Federal No. 3 located approximately in the  
SE NE Section 9-14S-31E.

2. Trigg Federal No. 16 located approximately in the  
NW NE Section 4-14S-31E.

E. Cities will convert the following wells on or before August 1, 1960:

1. Government "B" No. 20 located approximately in the  
NW NE Section 3-14S-31E.

2. Government "C" No. 1 located approximately in the SE SW  
Section 34-13S-31E.

F. Trigg will convert the following wells on or before August 1, 1960:

1. Federal "V" No. 1 located approximately in the  
SE SE Section 34-13S-31E.

2. Federal "V" No. 3 located approximately in the  
NW SE Section 34-13S-31E.

## PLAN II

A. Cities as operator of the Drickey Queen Sand Unit will endeavor to secure the approval of the unit to convert the following wells on or before February 1, 1961. In the event Cities Service is unable to secure such approval, this Plan II shall be of no force and effect. Cities shall upon request, furnish Trigg with evidence of such approval.

1. Cities Service State "AQ" No. 1 located approximately in the NW NE Section 16-14S-31E.
2. Kerr-McGee Government No. 1 located approximately in the SE SW Section 33-13S-31E.
3. N. G. Penrose Levick No. 1 located approximately in NW SW Section 35-13S-31E.
4. N. G. Penrose Philmex-Federal No. 3 located approximately in the NW SW Section 10-14S-31E.
5. Pure State Chaves "A" No. 1 located approximately in the NW NW Section 16-14S-31E.

B. Trigg will convert the following wells on or before February 1, 1961:

1. Trigg Federal No. 2 located approximately in the SE SE Section 9-14S-31E.
2. Trigg Federal No. 17 located approximately in the SE SW Section 9-14S-31E.

2. Each party shall furnish water to the wells it converts to water injection as outlined above in Plans I and II. However, in the event the Drickey Queen Sand Unit becomes effective prior to the conversion of the four wells referred to below, then Trigg agrees to supply water to the following wells:

1. Kerr-McGee Government No. 1 located approximately in the SE SW Section 33-13S-31E.
2. Cities Service Government "C" No. 7 located approximately in the SE SE Section 33-13S-31E.

In return, Cities agrees to supply water to the following injection wells:

1. Federal "V" No. 1 located approximately in the SE SE Section 34-13S-31E.

2. Federal "V" No. 3 located approximately in the  
NW SE Section 34-13S-31E.

3. The time of completion of said water injection wells provided for in this agreement may be advanced or changed upon the mutual consent of both parties.

4. It is recognized that in converting the above wells to water injection wells it may be necessary to install a liner to obtain a proper injection well completion. Parties hereto agree to install liners at their sole cost, risk and expense.

5. If for any reason, any party is unable to convert a well at the above described location, it shall drill or complete another water injection well near such location or it shall convert an alternate well satisfactory to off-set operators, it being the purpose of the parties hereto to complete a well at the above described location for the injection of water into the Queen Sand.

6. Each party agrees to secure, install and maintain in good working condition, surface meters and controls for its water injection wells, for the metering and control of the water injection into the Queen Sand formation. Each party shall exchange with other parties a monthly report of injection and production data on the properties covered by this agreement. Each party shall own, operate and maintain the above water injection wells converted by it.

7. The cost of plugging and abandoning any water injection well shall be at the owner's sole cost, risk, expense and liability unless the offset operator exercises his option under Paragraph 9, in which case acquiring party shall plug and abandon the well at his sole cost, risk and expense.

8. The injection of water into all injection wells shall be at rates mutually acceptable to the parties hereto. Each party shall in good faith

maintain and operate its injection wells so that each well will be conditioned and operated to accept water at the agreed rates.

9. This agreement shall continue in full force and effect for a minimum period of one year from the date water injection commences into each well as provided herein and thereafter may be terminated by any party hereto on giving thirty (30) days written notice to the other party. In the event any party shall elect to abandon any water injection well provided for by this agreement, the abandoning party shall notify the offset operator of such election and the offset operator shall have, for a period of thirty (30) days from the receipt of such notice, an option to take over said injection well, together with the pipe and equipment therein and thereon, by paying abandoning party for the salvage value of the casing and equipment in and on said well, and acquiring party shall assume full responsibility, cost, expense and liability for the proper plugging of said well on ultimate abandonment. In the event said option is exercised by the offset operators, to the extent that it has the right to do so, abandoning party shall assign to acquiring party its right to continue operation of said injection well; it being understood that should acquiring party desire to continue operations under the provisions of this paragraph, acquiring party will obtain the consent of the respective surface and mineral owners for continued water injections. This option to take over shall continue after the termination of this contract by one party, if the injection wells of such terminating party have not been converted to other uses.

10. This contract will in no way affect the obligation of any party hereto to produce the oil from its own wells, and each party shall be entitled to all production from its own wells and leases. The duties, liabilities and obligations of the parties hereto are intended to be several and not joint or collective, and nothing herein contained shall ever be construed to impose a partnership obligation or liability with regard to any of the parties hereto. Each party shall be individually responsible for only its obligation, as set out herein, and shall be

liable only for its own costs and expense incurred in complying with the terms of this agreement.

While each of the parties hereto recognizes that its rights and liabilities hereunder are several and not joint or collective, if solely for Federal Income Tax purposes, and for no other reason, the parties should be regarded as partners or joint venturers and the operations carried on under this agreement be required to be treated as a partnership as defined in Section 761 of the Internal Revenue Code of 1954 for Federal Income Tax, each and all of the parties hereto do hereby elect to exclude such operations from the application of all of Subchapter K of the Internal Revenue Code of 1954 as provided in Section 761 (a) thereof.

Failure to perform any of the obligations hereof occasioned by any cause, accident or occurrence beyond the control of the party charged therewith, or occasioned by any valid orders, rules or regulations of duly constituted authorities shall not be considered as a breach of this agreement.

11. This agreement shall be subject to the Conservation laws of the State of New Mexico, to the valid rules, regulations and orders of the Oil Conservation Commission of New Mexico and the Director of the United States Geological Survey and to all other federal, state, and municipal laws, rules, regulations and orders.

Should any such rule, regulation or order require a different conversion date for any well or wells than is set out in Plan I or Plan II of this agreement, this agreement shall thereby be deemed amended as necessary to comply with said rule, regulation or order.

12. This instrument may be executed in counterparts by one or more parties and shall have the same effect as if each and every party hereto had executed such counterpart provided, however, that this agreement shall not become effective and binding upon the parties hereto until all of the said parties have executed this instrument or a counterpart thereof.



13. The terms and provisions of this agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day, month and year first above written.

ATTEST:

K. O. Chappin  
Assistant Secretary

CITIES SERVICE OIL COMPANY

By [Signature]  
Vice President

JOHN H. TRIGG

[Signature]

STATE OF NEW MEXICO )  
 ) SS  
COUNTY OF CHAVES )

On this 6<sup>th</sup> day of JULY, 19 58, before me personally appeared John H. TRICE, to me known to be the person described in and who executed the foregoing instrument, and acknowledges that he executed the same as his free act and deed.

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

Bernard J. Sorensen  
Notary Public

My Commission Expires:

September 27, 1961

STATE OF Oklahoma )  
 ) SS  
COUNTY OF Nowata )

On this the 10 day of July, 19 57, personally appeared G. A. Cowley to me personally known, who being by me duly sworn did say that he is the Gen. President of Phillips Service Oil Co. and that the seal affixed to the foregoing 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 G. A. Cowley acknowledges 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 the day and year in this certificate above written.

Richard Nelson  
Notary Public

My Commission Expires:

December 31, 1960

LINE WELL AGREEMENT

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
EXHIBIT NO. <u>1745</u>	
CASE NO. <u>1745</u>	

THIS AGREEMENT made and entered into this \_\_\_\_\_ day of

\_\_\_\_\_, 1959, by and between GULF OIL CORPORATION, whose address is P. O. Box 1290, Fort Worth, Texas, hereinafter referred to as "GULF," TEXAS PACIFIC COAL AND OIL COMPANY, whose address is Fort Worth 1, Texas, hereinafter referred to as "TEXAS PACIFIC," and CITIES SERVICE OIL COMPANY, whose address is Cities Service Building, Bartlesville, Oklahoma, hereinafter referred to as "CITIES."

WITNESSETH THAT:

WHEREAS, Gulf is the owner and operator of the lease covering the North One-half (N/2) of Section 34, T-13S, R-31E, Chaves County, New Mexico.

WHEREAS, Texas Pacific is the owner and operator of the lease covering the South One-half (S/2) of the Northwest Quarter (NW/4) and the Northeast Quarter (NE/4) of Section 35, T-13S, R-31E, Chaves County, New Mexico.

WHEREAS, Cities is the owner and operator of the leases covering the Southeast Quarter (SE/4) of Section 33, the Southwest Quarter (SW/4) of Section 34; the NW SE of Section 35; the NE SW of Section 35; all in T-13S, R-31E, Chaves County, New Mexico.

WHEREAS, the above leases are producing oil from the Queen Sand formation at approximately 2940 feet and the parties hereto mutually desire to make an effort to increase substantially the ultimate recovery of oil from the Queen Sand formation;

WHEREAS, Cities is now in the process of negotiating for the formation of a secondary recovery unit as to the Queen Sand formation to be known as the "Drickey Queen Sand Unit." The Drickey Queen Sand Unit will include, among other lands, the above described leases of Cities for the purpose of conducting waterflood operations in said Queen Sand formation.

WHEREAS, it is to the mutual interest of Gulf, Texas Pacific, and Cities, representing the Drickey Queen Sand Unit, whose unit boundary is set out in Exhibit A, to convert certain wells on the above described leases as provided herein.

NOW THEREFORE, in consideration of the mutual covenants and agreements hereinafter contained and to be completed and performed by the parties hereto, it is agreed as follows:

1. The parties hereto shall, according to the schedule set out below, convert to water injection wells in the Queen Sand formation on their respective leases and at their sole cost, risk, and expense, certain wells located in Chaves County, New Mexico.

A. Cities as operator of the Drickey Queen Sand Unit, will endeavor to secure the approval of the Unit to convert the following Unit owned wells on or before August 1, 1960. In the event Cities is unable to secure such approval, this agreement shall be of no force and effect. Cities shall, upon request, furnish Gulf and Texas Pacific with evidence of such approval.

(1) Cities Service Government "C" No. 3, located  
approximately in the NW SW Section 34-13S-31E.

B. Gulf will convert the following wells on or before August 1, 1960:

(1) Gulf Browning No. 4, located approximately in the  
SE NW Section 34-13S-31E.

(2) Gulf Browning No. 2, located approximately in the  
SE NE Section 34-13S-31E.

C. Cities, under the condition outlined above under "A," will convert the following wells on or before February 1, 1961:

(1) N. G. Penrose Levick No. 1, located approximately  
in the NW SW Section 35-13S-31E.

- (2) Cities Service State "AN" No. 6, located approximately in the NW SE Section 35-13S-31E.

D. Texas Pacific will convert the following wells on or before February 1, 1961:

- (1) Texas Pacific State "I" AC/1 No. 1, located approximately in the SE NW Section 35-13S-31E.
- (2) Texas Pacific State "I" AC/1 No. 6, located approximately in the SE NE Section 35-13S-31E.

2. Each party shall furnish water to the wells it converts to water injection as outlined above.

3. The time of completion of said water injection wells provided for in this agreement may be advanced or changed upon the mutual consent of all parties.

4. It is recognized that in converting the above wells to water injection wells it may be necessary to install a liner to obtain a proper injection well completion. Parties hereto agree to install liners at their sole cost, risk, and expense.

5. If, for any reason, any party is unable to convert a well at the above described location, it shall drill or complete another water injection well near such location or it shall convert an alternate well satisfactory to offset operators, it being the purpose of the parties hereto to complete a well at the above described location for the injection of water into the Queen Sand.

6. Each party agrees to secure, install and maintain in good working condition, surface meters and controls for its water injection wells, for the metering and control of the water injection into the Queen Sand formation. Each party shall exchange with other parties a monthly report of injection and production data

on the properties covered by this agreement. Each party shall own, operate and maintain the above water injection wells converted by it.

7. The cost of plugging and abandoning any water injection well shall be at the owner's sole cost, risk, expense and liability unless the offset operator exercises his option under Paragraph 9, in which case acquiring party shall plug and abandon the well at his sole cost, risk, and expense.

8. The injection of water into all injection wells shall be at rates mutually acceptable to the parties hereto. Each party shall in good faith maintain and operate its injection wells so that each well will be conditioned and operated to accept water at the agreed rates.

9. This agreement shall continue in full force and effect for a minimum period of one year from the date water injection commences into each well as provided herein and thereafter may be terminated by any party hereto on giving thirty (30) days written notice to the other party. In the event any party shall elect to abandon any water injection well provided for by this agreement, the abandoning party shall notify the offset operator of such election and the offset operator shall have, for a period of thirty (30) days from the receipt of such notice, an option to take over said injection well, together with the pipe and equipment therein and thereon, by paying abandoning party for the salvage value of the casing and equipment in and on said well, and acquiring party shall assume full responsibility, cost, expense, and liability for the proper plugging of said well on ultimate abandonment. In the event said option is exercised by the offset operators, to the extent that it has the right to do so, abandoning party shall assign to acquiring party its right to continue operation of said injection well; it being understood that should acquiring party desire to continue operations under the provisions of this paragraph, acquiring party will obtain the consent of the respective surface and mineral owners for continued water injections. This option to take over shall continue

after the termination of this contract by one party, if the injection wells of such terminating party have not been converted to other uses.

10. This contract will in no way affect the obligation of any party hereto to produce the oil from its own wells, and each party shall be entitled to all production from its own wells and leases. The duties, liabilities and obligations of the parties hereto are intended to be several and not joint or collective, and nothing herein contained shall ever be construed to impose a partnership obligation or liability with regard to any of the parties hereto. Each party shall be individually responsible for only its obligation, as set out herein, and shall be liable only for its own costs and expenses incurred in complying with the terms of this agreement.

While each of the parties hereto recognizes that its rights and liabilities hereunder are several and not joint or collective, if solely for Federal Income Tax purposes, and for no other reason, the parties should be regarded as partners or joint venturers and the operations carried on under this agreement be required to be treated as a partnership as defined in Section 761 of the Internal Revenue Code of 1954 for Federal Income Tax, each and all of the parties hereto do hereby elect to exclude such operations from the application of all of Subchapter K of the Internal Revenue Code of 1954 as provided in Section 761 (a) thereof.

Failure to perform any of the obligations hereof occasioned by any cause, accident or occurrence beyond the control of the party charged therewith, or occasioned by any valid orders, rules or regulations of duly constituted authorities shall not be considered as a breach of this agreement.

11. This agreement shall be subject to the Conservation laws of the State of New Mexico, to the valid rules, regulations and orders of the Oil Conservation Commission of New Mexico and the Director of the United States Geological Survey and to all other federal, state, and municipal laws, rules, regulations and orders.

Should any such rule, regulation or order require a different conversion date for any well or wells than is set out above, this agreement shall be thereby deemed amended as necessary to comply with said rule, regulation or order.

12. This instrument may be executed in counterparts by one or more parties and shall have the same effect as if each and every party hereto had executed such counterpart provided, however, that this agreement shall not become effective and binding upon the parties hereto until all of the said parties have executed this instrument or a counterpart thereof.

13. The terms and provisions of this agreement shall inure to the benefit of and be binding upon the parties hereto, their successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this agreement as of the day, month and year first above written.

ATTEST:

\_\_\_\_\_  
Asst. Secretary

CITIES SERVICE OIL COMPANY

By \_\_\_\_\_  
Vice President

ATTEST:

\_\_\_\_\_  
Asst. Secretary

GULF OIL CORPORATION

By \_\_\_\_\_  
Vice President

ATTEST:

\_\_\_\_\_  
Asst. Secretary

TEXAS PACIFIC COAL & OIL COMPANY

By \_\_\_\_\_  
Vice President



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

On this \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_\_, before me personally appeared \_\_\_\_\_, to me known to be the person described in and who executed the foregoing instrument, and acknowledges that he executed the same as his free act and deed.

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

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

My Commission Expires:

\_\_\_\_\_

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

On this the \_\_\_\_\_ day of \_\_\_\_\_, 19\_\_\_\_\_, 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 the foregoing 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 \_\_\_\_\_ acknowledges 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 the day and year in this certificate above written.

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

My Commission Expires:

\_\_\_\_\_