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GVP - May 27, 1968 by J.C. 68.

1 UNIT AGREEMENT
2 FOR THE DEVELOPMENT AND OPERATION
3 OF THE
4 PUERTO CHIQUITO UNIT AREA
5 COUNTY OF RIO ARRIBA
6 STATE OF NEW MEXICO
7 No. _____

8 THIS AGREEMENT, entered into as of the 1st day of April,
9 1968, by and between the parties subscribing, ratifying, or consenting
10 hereto, and herein referred to as the "parties hereto,"

11 WITNESSETH:

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

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

22 WHEREAS the parties hereto hold sufficient interests in the Puerto
23 Chiquito Unit Area covering the land hereinafter described to give reasonably
24 effective control of operations therein; and

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

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

33 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of
34 February 25, 1920, as amended, supra, and all valid pertinent regulations,
35 including operating and unit plan regulations, heretofore issued thereunder
36 or valid, pertinent, and reasonable regulations hereafter issued thereunder
37 are accepted and made a part of this agreement as to Federal lands, provided
38 such regulations are not inconsistent with the terms of this agreement; and
39 as to non-Federal lands, the oil and gas operating regulations in effect as of
40 the effective date hereof governing drilling and producing operations, not
41 inconsistent with the terms hereof or the laws of the State in which the non-
42 Federal land is located, are hereby accepted and made a part of this agreement.

43 2. UNIT AREA. The area specified on the map attached hereto marked
44 exhibit A is hereby designated and recognized as constituting the unit area.

1 containing 12,721.14 acres, more or less.

2 EXHIBIT A shows, in addition to the boundary of the unit area, the
3 boundaries and identity of tracts and leases in said area to the extent
4 known to the Unit Operator. Exhibit B attached hereto is a schedule showing
5 to the extent known to the Unit Operator the acreage, percentage, and kind
6 of ownership of oil and gas interests in all land in the unit area. How-
7 ever, nothing herein or in said schedule or map shall be construed as a
8 representation by any party hereto as to the ownership of any interest
9 other than such interest or interests as are shown in said map or
10 schedule as owned by such party. Exhibits A and B shall be revised by the
11 Unit Operator whenever changes in the unit area render such revision
12 necessary, or when requested by the Oil and Gas Supervisor, hereinafter
13 referred to as "Supervisor" and not less than six copies of the revised
14 exhibits shall be filed with the Supervisor.

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

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

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

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

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

42 (e) All legal subdivisions of unitized lands (i.e., 40 acres by
43 Government survey or its nearest lot or tract equivalent in instances of
44 irregular surveys, however, unusually large lots or tracts shall be considered
45 in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the
46 purpose of elimination under this subdivision), no parts of which are entitled
47 to be in a participating area within 5 years after the first day of the month
48 following the effective date of the first initial participating area
49 established under this unit agreement, shall be eliminated automatically from
50 this agreement, effective as of the first day thereafter, and such lands shall
51 no longer be a part of the unit area and shall no longer be subject to this
52 agreement, unless at the expiration of said 5-year period diligent drilling

1 operations are in progress on unitized lands not entitled to participation,
2 in which event all such lands shall remain subject hereto for so long as
3 such drilling operations are continued diligently, with not more than 90
4 days' time elapsing between the completion of one such well and the commence-
5 ment of the next such well, except that the time allowed between such wells
6 shall not expire earlier than 30 days after the expiration of any period
7 of time during which drilling operations are prevented by a matter beyond the
8 reasonable control of Unit Operator as set forth in the section hereof
9 entitled "Unavoidable Delay"; provided that all legal subdivisions of lands
10 not in a participating area and not entitled to become participating under
11 the applicable provisions of this agreement within 10 years after said first
12 day of the month following the effective date of said first initial
13 participating area shall be eliminated as above specified. Determination of
14 creditable "Unavoidable Delay" time shall be made by Unit Operator and
15 subject to approval of the Director. The Unit Operator shall, within 90 days
16 after the effective date of any elimination hereunder, describe the area so
17 eliminated to the satisfaction of the Director and promptly notify all parties
18 in interest.

19 If conditions warrant extension of the 10-year period specified in this
20 subsection 2(e), a single extension of not to exceed 2 years may be
21 accomplished by consent of the owners of 90% of the current unitized working
22 interests and 60% of the current unitized basic royalty interests (exclusive
23 of the basic royalty interests of the United States), on a total-non-
24 participating-acreage basis, respectively, with approval of the Director,
25 provided such extension application is submitted to the Director not later
26 than 60 days prior to the expiration of said 10-year period.

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

30 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this
31 agreement shall constitute land referred to herein as "unitized land" or
32 "land subject to this agreement." All oil and gas in any and all formations of
33 the unitized land are unitized under the terms of this agreement and herein are
34 called "unitized substances."

35 4. UNIT OPERATOR. Intex Oil Company is hereby designated as Unit
36 Operator and by signature hereto as Unit Operator agrees and consents to
37 accept the duties and obligations of Unit Operator for the discovery,
38 development, and production of unitized substances as herein provided. When-
39 ever reference is made herein to the Unit Operator, such reference means the
40 Unit Operator acting in that capacity and not as an owner of interest in
41 unitized substances, and the term "working interest owner" when used herein
42 shall include or refer to Unit Operator as the owner of a working interest
43 when such an interest is owned by it.

44 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have
45 the right to resign at any time prior to the establishment of a participating
46 area or areas hereunder, but such resignation shall not become effective so as
47 to release Unit Operator from the duties and obligations of Unit Operator and
48 terminate Unit Operator's rights as such for a period of 6 months after notice
49 of intention to resign has been served by Unit Operator on all working interest
50 owners and the Director, and until all wells then drilled hereunder are placed
51 in a satisfactory condition for suspension or abandonment whichever is required
52 by the Supervisor, unless a new Unit Operator shall have been selected and
53 approved and shall have taken over and assumed the duties and obligations of
54 Unit Operator prior to the expiration of said period.

1 Unit Operator shall have the right to resign in like manner and subject
2 to like limitations as above provided at any time a participating area
3 established hereunder is in existence, but, in all instances of resignation
4 or removal, until a successor Unit Operator is selected and approved as
5 hereinafter provided, the working interest owners shall be jointly
6 responsible for performance of the duties of Unit Operator, and shall not
7 later than 30 days before such resignation or removal becomes effective
8 appoint a common agent to represent them in any action to be taken hereunder.

9 The resignation of Unit Operator shall not release Unit Operator from
10 any liability for any default by it hereunder occurring prior to the
11 effective date of its resignation.

12 The Unit Operator may, upon default or failure in the performance of
13 its duties or obligations hereunder, be subject to removal by the same per-
14 centage vote of the owners of working interests determined in like manner as
15 herein provided for the selection of a new Unit Operator. Such removal shall
16 be effective upon notice thereof to the Director

17 The resignation or removal of Unit Operator under this agreement shall
18 not terminate its right, title, or interest as the owner of a working interest
19 or other interest in unitized substances, but upon the resignation or removal
20 of Unit Operator becoming effective, such Unit Operator shall deliver possession
21 of all equipment, materials, and appurtenances used in conducting the unit
22 operations and owned by the working interest owners to the new duly qualified
23 successor Unit Operator or to the owners thereof if no such new Unit Operator
24 is elected, to be used for the purpose of conducting unit operations hereunder.
25 Nothing herein shall be construed as authorizing removal of any material,
26 equipment and appurtenances needed for the preservation of any wells.

27 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his
28 or its resignation as Unit Operator or shall be removed as hereinabove
29 provided, the owners of the working interests in the participating area or
30 areas according to their respective acreage interests in such participating
31 area or areas, or, until a participating area shall have been established, the
32 owners of the working interests according to their respective acreage interests
33 in all unitized land, shall by majority vote select a successor Unit Operator:
34 Provided, That, if a majority but less than 75 per cent of the working interests
35 qualified to vote are owned by one party to this agreement, a concurring vote
36 of one or more additional working interest owners shall be required to select
37 a new operator. Such selection shall not become effective until

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

40 (b) the selection shall have been approved by the Director. If no
41 successor Unit Operator is selected and qualified as herein provided, the
42 Director at his election may declare this unit agreement terminated.

43 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit
44 Operator is not the sole owner of working interests, costs and expenses in-
45 curred by Unit Operator in conducting unit operations hereunder shall be
46 paid and apportioned among and borne by the owners of working interests, all
47 in accordance with the agreement or agreements entered into by and between the
48 Unit Operator and the owners of working interests, whether one or more, separately
49 or collectively. Any agreement or agreements entered into between the working
50 interest owners and the Unit Operator as provided in this section, whether one
51 or more, are herein referred to as the "unit operating agreement." Such unit

1 operating agreement shall also provide the manner in which the working
2 interest owners shall be entitled to receive their respective proportionate
3 and allocated share of the benefits accruing hereto in conformity with
4 their underlying operating agreements, leases, or other independent contracts,
5 and such other rights and obligations as between Unit Operator and the working
6 interest owners as may be agreed upon by Unit Operator and the working
7 interest owners; however, no such unit operating agreement shall be deemed
8 either to modify any of the terms and conditions of this unit agreement or
9 to relieve the Unit Operator of any right or obligation established under
10 this unit agreement, and in case of any inconsistency or conflict between
11 the unit agreement and the unit operating agreement, this unit agreement shall
12 prevail. Three true copies of any unit operating agreement executed pursuant
13 to this section shall be filed with the Supervisor, prior to approval of this
14 unit agreement.

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

28 9. DRILLING TO DISCOVERY. Inasmuch as a well capable of producing
29 unitized substances in paying quantities (to wit: quantities sufficient to repay
30 the cost of drilling and producing operations, with a reasonable profit) from
31 the Niobrara (Gallup equivalent) formation has already been drilled, tested and
32 completed in the unit area upon committed lands in the NW/4 of the NE/4 of Section
33 5, Township 26 North, Range 1 East, no initial test well for discovery shall
34 be required under the terms of this Unit Agreement. All wells being drilled
35 conformably with the terms hereof and all wells (including the aforesaid well)
36 completed on the committed leases for production of unitized substances as
37 of the effective date of the Unit Agreement shall be considered unit wells
38 and subject to this agreement regardless of the completion dates thereof.

39 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Unit Operator shall
40 drill three (3) wells which test the Greenhorn formation and one (1) well which
41 tests the Dakota formation at locations approved by the Supervisor. The actual
42 drilling in the ground of the first of such wells shall be commenced not later
43 than thirty (30) days from the effective date hereof, and such drilling shall
44 be continued diligently until such well has tested the Greenhorn formation, or,
45 at Unit Operator's election, the Dakota formation. The actual drilling in the
46 ground of each of the remaining three (3) wells of the aforesaid four well plan
47 of development shall be commenced not later than ninety (90) days after the
48 completion or abandonment of the preceding well, and such drilling in each
49 such well shall be likewise diligently prosecuted until, pursuant to said
50 plan of further development, Unit Operator has drilled three (3) wells which
51 have tested the Greenhorn formation and one (1) well which has tested the
52 Dakota formation, unless Unit Operator shall at any time establish to the
53 satisfaction of the Supervisor that the further drilling of such wells, or any
54 of them, would be unwarranted or impracticable. Any well, the actual drilling
55 of which is commenced subsequent to February 15, 1960, shall, regardless of the

1 effective date of this Agreement and if drilled to test the Greenhorn
2 formation, or Dakota formation, constitute one of the wells provided for
3 in this plan of further development; and in event any such well, or wells,
4 are completed or abandoned prior to thirty (30) days after the effective
5 date of this Agreement the actual drilling of the next subsequent well under
6 this plan of further development shall be commenced not later than thirty (30)
7 days after the effective date of this Agreement, or ninety (90) days after
8 the completion or abandonment of the preceding well, whichever is later.
9 Unit Operator shall not in any event be required to drill any of said wells to
10 a depth in excess of 4,000 feet. In event Unit Operator obtains production
11 in paying quantities (to wit: quantities sufficient to repay the cost of
12 drilling and producing operations, with a reasonable profit) in any of the
13 aforesaid wells at a depth above the Greenhorn formation (or the Dakota
14 formation) Unit Operator shall not be required to drill said well deeper,
15 but in such event shall, within ninety (90) days after the completion of
16 such well commence the actual drilling of a substitute well at a location
17 approved by the Supervisor to the end that notwithstanding the number of
18 wells which may have been completed as paying producers at depths above the
19 Greenhorn formation or Dakota formation, Unit Operator shall under this plan
20 of further development continue the drilling of wells at said ninety (90) day
21 intervals until it has drilled three (3) wells which have tested the
22 Greenhorn formation and one (1) well which has tested the Dakota formation.
23 The foregoing plan of further development shall constitute the further drilling
24 and operating obligations of Unit Operator under this Agreement for the
25 period commencing not later than thirty (30) days after the effective date of
26 this Agreement and ending upon the completion or abandonment of the last well
27 hereinabove required. Thereafter, from time to time before the expiration of
28 any existing plan, the Unit Operator shall submit for the approval of the
29 Supervisor a plan for an additional specified period for the development and
30 operation of the unitized land. Any plan submitted pursuant to this section
31 shall provide for the exploration of the unitized area and for the diligent
32 drilling necessary for determination of the area or areas thereof capable of
33 producing unitized substances in paying quantities in each and every productive
34 formation and shall be as complete and adequate as the Supervisor may determine
35 to be necessary for timely development and proper conservation of the oil and
36 gas resources of the unitized area and shall

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

39 (b) to the extent practicable specify the operating practices regarded
40 as necessary and advisable for proper conservation of natural resources.
41 Separate plans may be submitted for separate productive zones, subject to the
42 approval of the Supervisor. Said plan or plans shall be modified or supple-
43 mented when necessary to meet changed conditions or to protect the interests of
44 all parties to this agreement. Reasonable diligence shall be exercised in
45 complying with the obligations of the approved plan of development. The
46 Supervisor is authorized to grant a reasonable extension of the 6-month period
47 herein prescribed for submission of an initial plan of development where such
48 action is justified because of unusual conditions or circumstances. After
49 completion hereunder of a well capable of producing any unitized substance in
50 paying quantities, no further wells, except such as may be necessary to afford
51 protection against operations not under this agreement or such as may be
52 specifically approved by the Supervisor, shall be drilled except in accordance
53 with a plan of development approved as herein provided.

54 11. PARTICIPATION AFTER DISCOVERY. Within thirty (30) days after the
55 effective date of this Agreement, the Unit Operator shall submit for approval
56 by the Director a schedule, based on subdivisions of the public-land survey or

1 aliquot parts thereof, of all unitized land regarded as reasonably
2 proved to be productive of unitized substances in paying quantities as
3 of such effective date; all lands in said schedule on approval of the
4 Director to constitute a participating area, effective as of the effective
5 date of the unit agreement. Said schedule also shall set forth the
6 percentages of unitized substances to be allocated as herein provided to
7 each unitized tract in the participating area so established, and shall
8 govern the allocation of production from and ~~after~~ the date the participat-
9 ing area becomes effective. A separate participating area shall be
10 established in like manner for each separate pool or deposit of unitized
11 substances or for any group thereof produced as a single pool or zone, and any
12 two or more participating areas so established may be combined into one
13 with the consent of the owners of all working interests in the lands within
14 the participating areas so to be combined, on approval of the Director.
15 The participating area or areas so established shall be revised from time to
16 time, subject to like approval, whenever such action appears proper as a
17 result of further drilling operations or otherwise, to include additional
18 land then regarded as reasonably proved to be productive in paying quantities,
19 or to exclude land then regarded as reasonably proved not to be productive in
20 paying quantities and the percentage of allocation shall also be revised
21 accordingly. The effective date of any revision shall be the first of the
22 month in which is obtained the knowledge or information on which such revision
23 is predicated, provided, however, that a more appropriate effective date may
24 be used if justified by the Unit Operator and approved by the Director.
25 No land shall be excluded from a participating area on account of depletion of
26 the unitized substances.

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

32 In the absence of agreement at any time between the Unit Operator and the
33 Director as to the proper definition or redefinition of a participating area,
34 or until a participating area has, or areas have, been established as provided
35 herein, the portion of all payments affected thereby may be impounded in a
36 manner mutually acceptable to the owners of working interests, except
37 royalties due the United States, which shall be determined by the Supervisor
38 and the amount thereof deposited, as directed by the Supervisor, to be held as
39 unearned money until a participating area is finally approved and then applied
40 as earned or returned in accordance with a determination of the sum due as
41 Federal royalty on the basis of such approved participating area.

42 Whenever it is determined, subject to the approval of the Supervisor,
43 that a well drilled under this agreement is not capable of production in
44 paying quantities and inclusion of the land on which it is situated in a
45 participating area is unwarranted, production from such well shall, for the
46 purposes of settlement among all parties other than working interest owners,
47 be allocated to the land on which the well is located so long as such land is
48 not within a participating area established for the pool or deposit from which
49 such production is obtained. Settlement for working interest benefits from
50 such a well shall be made as provided in the unit operating agreement.

51 12. ALLOCATION OF PRODUCTION. All unitized substances produced from
52 each participating area established under this agreement, except any part
53 thereof used in conformity with good operating practices within the unitized
54 area for drilling, operating, camp and other production or development purposes,
55 for repressuring or recycling in accordance with a plan of development approved
56 by the Supervisor, or unavoidably lost, shall be deemed to be produced equally
57 on an acreage basis from the several tracts of unitized land of the
58 participating area established for such production and, for the purpose of

1 determining any benefits accruing under this agreement, each such tract
2 of unitized land shall have allocated to it such percentage of said
3 production as the number of acres of such tract included in said partici-
4 pating area bears to the total acres of unitized land in said participating
5 area, except that allocation of production hereunder for purposes other
6 than for settlement of the royalty, overriding royalty, or payment out of
7 production obligations of the respective working interest owners, shall be
8 on the basis prescribed in the unit operating agreement whether in conformity
9 with the basis of allocation herein set forth or otherwise. It is hereby
10 agreed that production of unitized substances from a participating area shall
11 be allocated as provided herein regardless of whether any wells are drilled
12 on any particular part or tract of said participating area. If any gas
13 produced from one participating area is used for repressuring or recycling
14 purposes in another participating area, the first gas withdrawn from such
15 last-mentioned participating area for sale during the life of this agreement
16 shall be considered to be the gas so transferred until an amount equal to
17 that transferred shall be so produced for sale and such gas shall be allocated
18 to the participating area from which initially produced as constituted at the
19 time of such final production.

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

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

36 If any well drilled as aforesaid by a working interest owner obtains
37 production in quantities insufficient to justify the inclusion in a
38 participating area of the land upon which such well is situated, such well
39 may be operated and produced by the party drilling the same subject to the
40 conservation requirements of this agreement. The royalties in amount or
41 value of production from any such well shall be paid as specified in the under-
42 lying lease and agreements affected.

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

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

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

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

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

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

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

49 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions,
50 and provisions of all leases, subleases, and other contracts relating to
51 exploration, drilling, development, or operation for oil or gas of lands
52 committed to this agreement are hereby expressly modified and amended to the
53 extent necessary to make the same conform to the provisions hereof, but other-
54 wise remain in full force and effect; and the parties hereto hereby consent

1 that the Secretary shall and by his approval hereof, or by the approval
2 hereof by his duly authorized representative, does hereby establish, alter,
3 change, or revoke the drilling, producing, rental, minimum royalty, and
4 royalty requirements of Federal leases committed hereto and the regulations
5 in respect thereto to conform said requirements to the provisions of this
6 agreement, and, without limiting the generality of the foregoing, all
7 leases, subleases, and contracts are particularly modified in accordance with
8 the following:

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

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

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

26 (d) Each lease, sublease or contract relating to the exploration,
27 drilling, development or operation for oil or gas of lands other than those
28 of the United States committed to this agreement, which, by its terms might
29 expire prior to the termination of this agreement, is hereby extended beyond
30 any such term so provided therein so that it shall be continued in full
31 force and effect for and during the term of this agreement.

32 (e) Any Federal lease for a fixed term of twenty (20) years or any
33 renewal thereof or any part of such lease which is made subject to this
34 agreement shall continue in force beyond the term provided therein until the
35 termination hereof. Any other Federal lease committed hereto shall continue
36 in force beyond the term so provided therein or by law as to the land
37 committed so long as such lease remains subject hereto, provided that pro-
38 duction is had in paying quantities under this unit agreement prior to the
39 expiration date of the term of such lease.

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

47 (g) The segregation of any Federal lease committed to this agreement
48 is governed by the following provision in the fourth paragraph of Sec. 17(b)
49 of the Act, as amended by the Act of July 29, 1954 (68 Stat. 583, 585): "Any
50 (Federal) lease hereafter committed to any such (unit) plan embracing lands
51 that are in part within and in part outside of the area covered by any such
52 plan shall be segregated into separate leases as to the lands committed and
53 the lands not committed as of the effective date of unitization: Provided,

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

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

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

23 20 EFFECTIVE DATE AND TERM. This Agreement shall become effective
24 upon approval by the Secretary or his duly authorized representative and
25 shall remain in effect for a term of five (5) years and so long as unitized
26 substances can be produced in paying quantities, i.e., in this particular
27 instance in quantities sufficient to pay for the cost of producing same from
28 wells on unitized land within any participating area established hereunder
29 and, should production cease, so long thereafter as diligent operations are
30 in progress for the restoration of production or discovery of new production
31 and so long thereafter as the unitized substances so discovered can be
32 produced as aforesaid, or it is terminated as heretofore provided in this
33 Agreement.

34 This Agreement may be terminated at any time by not less than 90 per
35 centum, on an acreage basis, of the owners of working interests signatory
36 hereto, with the approval of the Director; notice of any such approval to be
37 given by the Unit Operator to all parties hereto.

38 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is
39 hereby vested with authority to alter or modify from time to time in his
40 discretion the quantity and rate of production under this agreement when such
41 quantity and rate is not fixed pursuant to Federal or State law or does not
42 conform to any state-wide voluntary conservation or allocation program, which
43 is established, recognized, and generally adhered to by the majority of
44 operators in such State, such authority being hereby limited to alteration
45 or modification in the public interest, the purpose thereof and the public
46 interest to be served thereby to be stated in the order of alteration or
47 modification. Without regard to the foregoing, the Director is also hereby
48 vested with authority to alter or modify from time to time in his discretion
49 the rate of prospecting and development and the quantity and rate of
50 production under this agreement when such alteration or modification is in the
51 interest of attaining the conservation objectives stated in this agreement
52 and is not in violation of any applicable Federal or State law.

53 Powers in this section vested in the Director shall only be exercised
54 after notice to Unit Operator and opportunity for hearing to be held not
55 less than 15 days from notice.

56 22. APPEARANCES. Unit Operator shall, after notice to other parties

1 affected, have the right to appear for and on behalf of any and all
2 interests affected hereby before the Department of the Interior and to
3 appeal from orders issued under the regulations of said Department or to
4 apply for relief from any of said regulations or in any proceedings
5 relative to operations before the Department of the Interior or any other
6 legally constituted authority; provided, however, that any other interested
7 party shall also have the right at his own expense to be heard in any such
8 proceeding.

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

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

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

33 26. FAIR EMPLOYMENT. In connection with the performance of work under
34 this agreement, the operator agrees not to discriminate against any employee
35 or applicant for employment because of race, religion, color, or national
36 origin. The aforesaid provision shall include, but not be limited to, the
37 following: employment, upgrading, demotion, or transfer; recruitment or
38 recruitment advertising, layoff or termination; rates of pay or other forms of
39 compensation; and selection for training, including apprenticeship. The
40 operator agrees to post hereafter in conspicuous places, available for
41 employees and applicants for employment, notices to be provided by the contract-
42 ing officer setting forth the provisions of the nondiscrimination clause.

43 The operator agrees to insert the foregoing provision in all subcontracts
44 hereunder, except subcontracts for standard commercial supplies or raw
45 materials.

46 27. LOSS OF TITLE. In the event title to any tract of unitized land
47 shall fail and the true owner cannot be induced to join this unit agreement,
48 such tract shall be automatically regarded as not committed hereto and there
49 shall be such readjustment of future costs and benefits as may be required on
50 account of the loss of such title. In the event of a dispute as to title as
51 to any royalty, working interest, or other interests subject thereto, payment
52 or delivery on account thereof may be withheld without liability for interest
53 until the dispute is finally settled; provided, that, as to Federal land
54 or leases, no payments of funds due the United States should be withheld, but
55 such funds shall be deposited as directed by the Supervisor to be held as
56 unearned money pending final settlement of the title dispute, and then applied
57 as earned or returned in accordance with such final settlement.

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

3 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any
4 substantial interest in a tract within the unit area fails or refuses to
5 subscribe or consent to this agreement, the owner of the working interest
6 in that tract may withdraw said tract from this agreement by written notice
7 to the Director and the Unit Operator prior to the approval of this
8 agreement by the Director. Any oil or gas interests in lands within the
9 unit area not committed hereto prior to submission of this agreement for
10 final approval may thereafter be committed hereto by the owner or owners
11 thereof subscribing or consenting to this agreement, and, if the interest
12 is a working interest, by the owner of such interest also subscribing to the
13 unit operating agreement. After operations are commenced hereunder, the
14 right of subsequent joinder, as provided in this section, by a working
15 interest owner is subject to such requirements or approvals, if any, pertaining
16 to such joinder, as may be provided for in the unit operating agreement.
17 After final approval hereof joinder by a non-working interest owner must be
18 consented to in writing by the working interest owner committed hereto and
19 responsible for the payment of any benefits that may accrue hereunder in
20 behalf of such non-working interest. Joinder by any owner of a non-working
21 interest, at any time, must be accompanied by appropriate joinder by the owner
22 of the corresponding working interest in order for the interest to be
23 regarded as effectively committed hereto. Joinder to the unit agreement by
24 a working interest owner, at any time, must be accompanied by appropriate
25 joinder to the unit operating agreement, if more than one committed working in-
26 terest owner is involved, in order for the interest to be regarded as
27 effectively committed to this unit agreement. Except as may otherwise herein
28 be provided subsequent joinders to this agreement shall be effective as of the
29 first day of the month following the filing with the Supervisor of duly
30 executed counterparts of all or any papers necessary to establish effective
31 commitment of any tract to this agreement unless objection to such joinder is
32 duly made within 60 days by the Director.

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

41 30. SURRENDER. Nothing in this agreement shall prohibit the exercise
42 by any working interest owner of the right to surrender vested in such party
43 in any lease, sub-lease, or operating agreement as to all or any part of the
44 lands covered thereby, provided that each party who will or might acquire such
45 working interest by such surrender or by forfeiture as hereafter set forth,
46 is bound by the terms of this agreement.

47 If as a result of any such surrender, the working interest rights as to
48 such lands become vested in any party other than the fee owner of the
49 unitized substances, said party shall forfeit such rights and no further
50 benefits from operations hereunder as to said land shall accrue to such
51 party, unless within ninety (90) days thereafter said party shall execute
52 this agreement and the unit operating agreement as to the working interest
53 acquired through such surrender, effective as though such land had remained
54 continuously subject to this agreement and the unit operating agreement.
55 And in the event such agreements are not so executed, the party next in the
56 chain of title shall be and become the owner of such working interest at the
57 end of such ninety (90) day period, with the same force and effect as though
58 such working interest had been surrendered to such party.

1 If as the result of any such surrender or forfeiture the working
2 interest rights as to such lands become vested in the fee owner of the
3 unitized substances, such owner may:

4 (1) Execute this agreement and the unit operating agreement as a
5 working interest owner, effective as though such land had remained
6 continuously subject to this agreement and the unit operating agreement.

7 (2) Again lease such lands but only under the condition that the
8 holder of such lease shall within thirty (30) days after such lands are so
9 leased execute this agreement and the unit operating agreement as to each
10 participating area theretofore established hereunder, effective as though
11 such land had remained continuously subject to this agreement and the unit
12 operating agreement.

13 (3) Operate or provide for the operation of such land independently
14 of this agreement as to any part thereof or any oil or gas deposits therein
15 not then included within a participating area.

16 If the fee owner of the unitized substances does not execute this
17 agreement and the unit operating agreement as a working interest owner or
18 again lease such lands as above provided with respect to each existing
19 participating area, within six (6) months after any such surrender or
20 forfeiture, such fee owner shall be deemed to have waived the right to
21 execute the unit operating agreement or lease such lands as to each such
22 participating area, and to have agreed, in consideration for the compensation
23 hereinafter provided, that operations hereunder as to any such participating
24 area or areas shall not be affected by such surrender.

25 For any period the working interest in any lands are not expressly
26 committed to the unit operating agreement as the result of any such surrender
27 or forfeiture, the benefits and obligations of operations accruing to such
28 lands under this agreement and the unit operating agreement shall be shared
29 by the remaining owners of unitized working interests in accordance with their
30 respective participating working interest ownerships in any such participating
31 area or areas, and such owners of working interests shall compensate the fee
32 owner of unitized substances in such lands by paying sums equal to the rentals,
33 minimum royalties, and royalties applicable to such lands under the lease in
34 effect when the lands were unitized, as to such participating area or areas.

35 Upon commitment of a working interest to this agreement and the unit
36 operating agreement as provided in this section, an appropriate accounting
37 and settlement shall be made, to reflect the retroactive effect of the
38 commitment, for all benefits accruing to or payments and expenditures made
39 or incurred on behalf of such surrendered working interest during the period
40 between the date of surrender and the date of recommitment, and payment of any
41 moneys found to be owing by such an accounting shall be made as between the
42 parties then signatory to the unit operating agreement and this agreement within
43 thirty (30) days after the recommitment. The right to become a party to this
44 agreement and the unit operating agreement as a working interest owner by
45 reason of a surrender or forfeiture as provided in this section shall not be
46 defeated by the nonexistence of a unit operating agreement and in the event
47 no unit operating agreement is in existence and a mutually acceptable agreement
48 between the proper parties thereto cannot be consummated, the Supervisor may
49 prescribe such reasonable and equitable agreement as he deems warranted under
50 the circumstances.

51 Nothing in this section shall be deemed to limit the right of joinder
52 or subsequent joinder to this agreement as provided elsewhere in this agreement.
53 The exercise of any right vested in a working interest owner to reassign such
54 working interest to the party from whom obtained shall be subject to the same
55 conditions as set forth in this section in regard to the exercise of a right
56 to surrender.

1 31. NO PARTNERSHIP. It is expressly agreed that the relation of
2 the parties hereto is that of independent contractors and nothing in this
3 agreement contained, expressed or implied, nor any operations conducted
4 hereunder, shall create or be deemed to have created a partnership or
5 association between the parties hereto or any of them.

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

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

Date of Signature and Address

(Date) _____

(Date) _____

(Address) _____

ATTEST: _____

Its _____

(Date) _____

(Address) _____

ATTEST: _____

Its _____

(Date) _____

(Address) _____

ATTEST: _____

Its _____

(Date) _____

(Address) _____

ATTEST: _____

Its _____

UNIT OPERATOR

AND

WORKING INTEREST OWNER

INTEX OIL COMPANY

By _____

Its _____

By _____

Its _____

WORKING INTEREST OWNERS

(Name) _____

By _____

Its _____

(Name) _____

By _____

Its _____

(Name) _____

By _____

Its _____

(Name) _____

By _____

Its _____

IN WITNESS WHEREOF, the foregoing Unit Agreement for the
Puerto Chiquito Unit Area, dated _____, 1960, between INTEX
OIL COMPANY, as Unit Operator and Working Interest Owner, has been executed
by the undersigned parties as of the day and year first above written.

Date of Execution:

By _____

Address: _____

By _____

Date of Execution:

By _____

Address: _____

By _____

Date of Execution:

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Working Interest Owners

ADDITIONAL SIGNATURE PAGE NO. _____

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Date of Execution:

By _____

Address: _____

By _____

Working Interest Owners

ADDITIONAL SIGNATURE PAGE NO. _____

14-08-0001 6787

CERTIFICATION -- DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. sec. 4.611, 12 F.R. 6784, I do hereby:

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

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

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

Dated May 27, 1960.

s/ Arthur A. Baker.
Geology Director, United States Geological Survey

Exhibit B -- Puerto Chiquito Unit Area, Rio Arriba County, New Mexico, T. 26 N., R. 1 E.

Tract No.	Description of land	Number of acres	Appl. or Ser. No. & eff. date of lease	Basic royalty and percentage	Lessee of record	Overriding royalty and percentage	Working interest and percentage
	Federal land						
1	Sec. 6: Lots 1, 2, 3, 4, 5, SE $\frac{1}{4}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 7: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$ Sec. 18: Lots 1, 2, E $\frac{1}{2}$ NW $\frac{1}{4}$, NE $\frac{1}{4}$	948.24	NM 041-9-1-51	U.S.A. - All	J. E. Simmons	Helen White 3/4% G. H. Blankenship 1 1/2% Russel Cobb 3/4% Total 3%	Mobil Oil Company 100% Note 1
2	Sec. 6: Lot 7, SE $\frac{1}{4}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 7: Lot 4, SE $\frac{1}{4}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 18: Lot 4, SE $\frac{1}{4}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	474.67	NM 041-A-9-1-51	U.S.A. - All	Petro-Atlas, Inc.	Helen White 1% G.H. Blankenship 2% Russel Cobb 1% J. Felix Hickman 1/2% Horace F. McKay, Jr. 1/2% Total 5%	Petro-Atlas, Inc. 50% Intex Oil Company, etal. 50% Note 3 and 6
3	Sec. 6: Lot 6, NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 7: Lot 3, NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 18: Lot 3, NE $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$	474.37	NM 041-B-9-1-51	U.S.A. - All	Texota Oil Company	Helen White 1% G.H. Blankenship 2% Russel Cobb 1% J. Felix Hickman 1/2% Horace F. McKay, Jr. 1/2% Total 5%	Texota Oil Company, etal. 50% Note 2 and 6 Intex Oil Company, etal. 50% Note 3 and 6
4	Sec. 10: W $\frac{1}{2}$	320.00	NM 021528-7-1-56	U.S.A. - All	Mrs. Mary C. Burton	Mary C. Burton 5% Total 5%	Intex Oil Company, etal. 100% Note 4
5	Sec. 22: N $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	NM 029062-9-1-57	U.S.A. - All	Petro-Atlas, Inc.	Warren Eugene Carr and Clinton White 1% Total 1%	Petro-Atlas, Inc. 50% Intex Oil Company, etal. 50% Note 3 and 6

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Tract No.	Description of land	Number of acres	Appl. or Ser. No. & eff. date of lease	Basic royalty and percentage	Lessee of record	Overriding royalty and percentage	Working interest and percentage
6	Sec. 22: S $\frac{1}{2}$ NW $\frac{1}{4}$ Federal land	80.00	NM 029062-A 9-1-57	U.S.A. - All	Texota Oil Company	Warren Eugene Carr and Clinton White 1%	Texota Oil Company, etal. 50% Note 2 and 6 Intex Oil Company, etal. 50% Note 3 and 6
7	Sec. 15: SE $\frac{1}{4}$ SW $\frac{1}{4}$	40.00	NM 048086 10-1-58	U.S.A. - All	Jean Read	None	Jean Read 100%
8	Sec. 8: Lots 2, 6, SW $\frac{1}{4}$ of NE $\frac{1}{4}$; Sec. 9: S $\frac{1}{2}$ of NE $\frac{1}{4}$ Sec. 17: S $\frac{1}{2}$ of NE $\frac{1}{4}$	265.90	NM 073529 12-1-59	U.S.A. - All	Intex Oil Company	None	Intex Oil Company, etal. 100% Note 4
9	Sec. 27: N $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 32: Unsurveyed which when surveyed will probably be: N $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 33: N $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 34: N $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	640.00	SF 079285 7-1-48	U.S.A. - All	Petro-Atlas, Inc.	J.G. Heaston 1% Dudley Cornell 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4%	Petro-Atlas, Inc. 50% Intex Oil Company, etal. 50% Note 3 and 6
10	Sec. 32: Unsurveyed which when surveyed will probably be: S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 33: S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 34: S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$	480.00	SF 079285-A 7-1-48	U.S.A. - All	Douglas A. Kenaston	J. G. Heaston 1% Dudley Cornell 1-7/8% William S. Bailey 1/8% Petro-Atlas, Inc. 1 $\frac{1}{2}$ % Total 4 $\frac{1}{2}$ %	Douglas A. Kenaston, etal. 50% Note 8 Intex Oil Company, etal. 50% Note 3 and 7

Exhibit B -- Puerto Chiquito Unit Area, Rio Arriba County, New Mexico, T. 26 N., R. 1 E.

Description of land	Number of acres	Appl. or Ser. No. & eff. date of lease	Basic royalty and percentage		Lessee of record	Overriding royalty and percentage		Working interest and percentage
			U.S.A. -	percentage		royalty and percentage	interest and percentage	
Federal land								
Sec. 27: S $\frac{1}{2}$ SW $\frac{1}{4}$	30.00	SF 079285-B 7-1-48	U.S.A. -	All	Petro-Atlas, Inc.	J. G. Heaston 1% Dudley Cornell ✓ 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4%	Petro-Atlas, Inc. 50% Intex Oil Company, et al. 50% Note 3 and 6	
Sec. 27: S $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	SF 079285-C 7-1-48	U.S.A. -	All	Petro-Atlas, Inc.	J. G. Heaston 1% Dudley Cornell ✓ 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4%	Petro-Atlas, Inc. 50% Intex Oil Company, et al. 50% Note 3 and 6	
Sec. 27: S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 32: Unserved which when surveyed will probably be: S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$	640.00	SF 079285-D 7-1-48	U.S.A. -	All	Texota Oil Company	J. G. Heaston 1% Dudley Cornell ✓ 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4%	Texota Oil Company, et al. 50% Note 2 and 6 Intex Oil Company, et al. 50% Note 3 and 6	
Sec. 33: S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 34: S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$	80.00	SF 079285-E 7-1-48	U.S.A. -	All	Texota Oil Company	J. G. Heaston 1% Dudley Cornell ✓ 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4%	Texota Oil Company, et al. 50% Note 2 and 6 Intex Oil Company, et al. 50% Note 3 and 6	

Exhibit B -- Puerto Chiquito Unit Area, Rio Arriba County, New Mexico, T. 26 N., R. 1 E.

Tract No.	Description of land	Number of acres	Appl. or Ser. No. & eff. date of lease	Basic royalty and percentage	Lessee of record	Overriding royalty and percentage	Working interest and percentage
15	Sec. 27: Federal land N $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	SF 079285-F 7-1-48	U.S.A. - All	Texota Oil Company	J. G. Heaston 1% Dudley Cornell 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4%	Texota Oil Company, etal. 50% Note 2 and 6 Intex Oil Company, etal. 50% Note 3 and 6
16	Sec. 32: Unsurveyed which when surveyed will probably be: N $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 33: N $\frac{1}{4}$ NE $\frac{1}{4}$, N $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 34: N $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$	480.00	SF 079285-G 7-1-48	U.S.A. - All	Texota Oil Company	J. G. Heaston 1% Dudley Cornell 1-7/8% William S. Bailey 1/8% Petro-Atlas, Inc. 1-1/2% Total 4 $\frac{1}{2}$ %	Texota Oil Company, etal. 50% Note 2 and 7 Intex Oil Company, etal. 50% Note 3 and 7
17	Sec. 21: N $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 22: N $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 28: N $\frac{1}{4}$ NW $\frac{1}{4}$, N $\frac{1}{4}$ SE $\frac{1}{4}$ Sec. 29: N $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	560.00	SF 079286 7-1-48	U.S.A. - All	Petro-Atlas, Inc.	W.E. Hammond .2% C. Lester Linder .4% J. B. Stephenson .4% Dudley Cornell 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4%	Petro-Atlas, Inc. 50% Note 11 Intex Oil Company, etal. 50% Note 3 and 6

Exhibit B -- Puerto Chiquito Unit Area, Rio Arriba County, New Mexico, T. 26 N., R. 1 E.

Description of land	Number of acres	Appl. or Ser. No. & eff. date of lease	Basic royalty and percentage	Lessee of record	Overriding royalty and percentage	Working interest and percentage
Federal land						
Sec. 21: S $\frac{1}{2}$ SW $\frac{1}{4}$	400.00	SF 079286-B 7-1-48	U.S.A. - All	Douglas A. Kenaston	W.E. Hammond .2% C. Lester Linder .4% J.B. Stephenson .4% Dudley Cornell 1-7/8% William S. Bailey 1/8% Petro-Atlas, Inc. 1 $\frac{1}{2}$ % Total 4 $\frac{1}{2}$ %	Douglas A. Kenaston, etal. 50% Note 8 and 12 Intex Oil Company, etal. 50% Note 3 and 7
Sec. 22: S $\frac{1}{2}$ SW $\frac{1}{4}$	80.00	SF 079286-C 7-1-48	U.S.A. - All	Petro-Atlas, Inc.	W.E. Hammond .2% C. Lester Linder .4% J.B. Stephenson .4% Dudley Cornell 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4%	Petro-Atlas, Inc. 50% Intex Oil Company, etal. 50% Note 3 and 6
Sec. 28: S $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	SF 079286-D 7-1-48	U.S.A. - All	Petro-Atlas, Inc.	W. E. Hammond .2% C. Lester Linder .4% J.B. Stephenson .4% Dudley Cornell 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4%	Petro-Atlas, Inc. 50% Intex Oil Company, etal. 50% Note 3 and 6

Exhibit B -- Puerto Chiquito Unit Area, Rio Arriba County, New Mexico, T. 26 N., R. 1 E.

Tract No.	Description of land	Number of acres	Appl. or Ser. No. & eff. date of lease	Basic royalty and percentage	Lessee of record	Overriding royalty and percentage	Working interest and percentage
21	Federal land Sec. 21: S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$, N $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 22: S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 28: S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 29: S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$	640.00	SF 079286-E 7-1-48	U.S.A. - All	Texota Oil Company	W. E. Hammond .2% C. Lester Linder .4% J.B. Stephenson .4% Dudley Cornell 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4%	Texota Oil Company, etal. 50% Note 2 and 6 Intex Oil Company, etal. 50% Note 3 and 6
22	Sec. 22: N $\frac{1}{2}$ SW $\frac{1}{4}$	80.00	SF 079286-F 7-1-48	U.S.A. - All	Texota Oil Company	W. E. Hammond .2% C. Lester Linder .4% J.B. Stephenson .4% Dudley Cornell 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4%	Texota Oil Company, etal. 50% Note 2 and 6 Intex Oil Company, etal. 50% Note 3 and 6
23	Sec. 28: N $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	SF 079286-G 7-1-48	U.S.A. - All	Texota Oil Company	W. E. Hammond .2% C. Lester Linder .4% J.B. Stephenson .4% Dudley Cornell 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4%	Texota Oil Company, etal. 50% Note 2 and 6 Intex Oil Company, etal. 50% Note 3 and 6

Exhibit B -- Puerto Chiquito Unit Area, Rio Arriba County, New Mexico, T. 26 N., R. 1 E.

Tract No.	Description of land	Number of acres	Appl. or Ser. No. & eff. date of lease	Basic royalty and percentage	Lessee of record	Overriding royalty and percentage	Working interest and percentage
Federal land							
24	Sec. 21: N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 22: N $\frac{1}{2}$ NE $\frac{1}{4}$ Sec. 28: N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 29: N $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$	400.00	SF 079286-H 7-1-48	U.S.A. - All	Texota Oil Company	W.E. Hammond .2% C. Lester Linder .4% J.B. Stephenson .4% Dudley Cornell 1-7/8% William S. Bailey 1/8% Petro-Atlas, Inc. 1 $\frac{1}{2}$ % Total 4 $\frac{1}{2}$ %	Texota Oil Company, etal. 50% Note 2 and 7 Intex Oil Company, etal. 50% Note 3 and 7
25	Sec. 21: S $\frac{1}{2}$ NE $\frac{1}{4}$	80.00	SF 079286-I 7-1-48	U.S.A. - All	Douglas A. Kenaston	W.E. Hammond .2% C. Lester Linder .4% J.B. Stephenson .4% Dudley Cornell 1-7/8% William S. Bailey 1/8% Warren Eugene Carr and Clinton White 1% Total 4 $\frac{1}{2}$ %	Douglas A. Kenaston, etal. 50% Note 8 Intex Oil Company, etal. 50% Note 3 and 7
26	Sec. 15: N $\frac{1}{2}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 16: N $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 17: N $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 20: N $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SE $\frac{1}{4}$	520.00	SF 079287 7-1-48	U.S.A. - All	Petro-Atlas, Inc.	Dudley Cornell 1-7/8% William S. Bailey 1/8% Annetta Buck DeChenne and Barbara Buck Hayes 1% Warren Eugene Carr and Clinton White 1 $\frac{1}{2}$ % Total 4 $\frac{1}{2}$ %	Petro-Atlas, Inc., etal. 50% Note 9 Intex Oil Company, etal. 50% Note 3 and 6

Exhibit B -- Puerto Chiquito Unit Area, Rio Arriba County, New Mexico, T. 26 N., R. 1 E.

Description of land	Number of acres	Appl. or Ser. No. & eff. date of lease	Basic royalty and percentage	Lessee of record	Overriding royalty and percentage	Working interest and percentage
Federal land						
Sec. 15: SW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ W $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$	522.50	SF 079287-A 7-1-48	U.S.A. - All	Douglas A. Kenaston	Dudley Cornell 1-7/8% William S. Bailey 1/8% Annetta Buck DeChenne and Barbara Buck Hayes 1% Petro-Atlas, Inc. 1 $\frac{1}{2}$ %	Douglas A. Kenaston, etal. 50% Note 8 and 10 Intex Oil Company, etal. 50%
Sec. 16: S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$						
Sec. 17: S $\frac{1}{2}$ SW $\frac{1}{4}$						
Sec. 20: S $\frac{1}{2}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$					Total 4 $\frac{1}{2}$ %	Note 3 and 7
Sec. 17: N $\frac{1}{2}$ SW $\frac{1}{4}$	80.00	This land is unleased Federal land and was formerly included in SF 079287-C, which expired March 31, 1960.				
Sec. 15: S $\frac{1}{2}$ NW $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$	560.00	SF 079287-D 7-1-48	U.S.A. - All	Texota Oil Company	Dudley Cornell 1-7/8% William S. Bailey 1/8% Annetta Buck DeChenne and Barbara Buck Hayes 1% Warren Eugene Carr and Clinton White 1%	Texota Oil Company, etal. 50% Note 2 and 6 Intex Oil Company, etal. 50% Note 3 and 6
Sec. 16: S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$						
Sec. 17: S $\frac{1}{2}$ SE $\frac{1}{4}$						
Sec. 20: S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$					Total 4%	
Sec. 15: NW $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ W $\frac{1}{2}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$, N $\frac{1}{2}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$	457.50	SF 079287-E 7-1-48	U.S.A. - All	Texota Oil Company	Dudley Cornell 1-7/8% William S. Bailey 1/8% Annetta Buck DeChenne and Barbara Buck Hayes 1% Petro-Atlas, Inc. 1 $\frac{1}{2}$ %	Texota Oil Company, etal. 50% Note 2 and 7 Intex Oil Company, etal. 50% Note 3 and 7
Sec. 16: N $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$						
Sec. 20: N $\frac{1}{2}$ NE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$					Total 4 $\frac{1}{2}$ %	

Exhibit B -- Puerto Chiquito Unit Area, Rio Arriba County, New Mexico, T. 26 N., R. 1 E.

Description of land	Number of acres	Appl. or Ser. No. & eff. date of lease	Basic royalty and percentage		Lessee of record	Overriding royalty and percentage	Working interest and Percentage
Federal land							
Sec. 8: Lots 3, 4, N $\frac{1}{2}$ NW $\frac{1}{4}$	289.93	SF 079288-B 6-1-49	U.S.A. - All	Petro-Atlas, Inc.	Dudley Cornell 1-7/8% William S. Bailey 1/8% A. B. Stewart 1% Warren Eugene Carr and Clinton White 1% Total 4%	Petro-Atlas, Inc. 50% Intex Oil Company, etal. 50% Note 3 and 6	
Sec. 9: Lot 1, NE $\frac{1}{4}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$							
Sec. 17: N $\frac{1}{2}$ NW $\frac{1}{4}$							
Sec. 17: S $\frac{1}{2}$ NW $\frac{1}{4}$	80.00	SF 079288-C 6-1-49	U.S.A. - All	Texota Oil Company	Dudley Cornell 1-7/8% William S. Bailey 1/8% A. B. Stewart 1% Warren Eugene Carr and Clinton White 1% Total 4%	Texota Oil Company, etal. 50% Note 2 and 6 Intex Oil Company, etal. 50% Note 3 and 6	
Sec. 8: Lots 1, 5, NW $\frac{1}{4}$ SW $\frac{1}{4}$	302.53	SF 079288-D 6-1-49	U.S.A. - All	Texota Oil Company	Dudley Cornell 1-7/8% William S. Bailey 1/8% A. B. Stewart 1% Petro-Atlas, Inc. 1 $\frac{1}{2}$ % Total 4 $\frac{1}{2}$ %	Texota Oil Company, etal. 50% Note 2 and 7 Intex Oil Company, etal. 50% Note 4 and 9	
Sec. 9: Lot 4, N $\frac{1}{2}$ NE $\frac{1}{4}$							
Sec. 17: N $\frac{1}{2}$ NE $\frac{1}{4}$							
Sec. 8: Lot 7, S $\frac{1}{2}$ NW $\frac{1}{4}$	193.20	SF 079288-E 6-1-49	U.S.A. - All	Texota Oil Company	Dudley Cornell 1-7/8% William S. Bailey 1/8% A. B. Stewart 1% Warren Eugene Carr and Clinton White 1% Total 4%	Texota Oil Company, etal. 50% Note 2 and 6 Intex Oil Company, etal. 50% Note 3 and 6	
Sec. 9: Lot 2, SE $\frac{1}{4}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$							

Exhibit B -- Puerto Chiquito Unit Area, Rio Arriba County, New Mexico, T. 26 N., R. 1 E.

Tract No.	Description of land	Number of acres	Appl. or Ser. No. & eff. date of lease	Basic royalty and percentage	Lessee of record	Overriding royalty and percentage	Working interest and Percentage
Federal land							
35	Sec. 3: Lot 3 Sec. 4: Lots 3, 4, SW $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$, W $\frac{1}{2}$ W $\frac{1}{2}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$, SE $\frac{1}{4}$ SW $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$	336.04	SF 080312 5-1-51	U.S.A. - All	Petro-Atlas, Inc.	Dudley Cornell 1-7/8% William S. Bailey 1/8% Annetta Buck DeChenne and Barbara Buck Hayes 1% Warren Eugene Carr and Clinton White 1% Total 4%	Petro-Atlas, Inc. 50% Intex Oil Company, etal. 50% Note 3 and 6
36	Sec. 5: Lots 3, 4, N $\frac{1}{2}$ SE $\frac{1}{4}$ except that portion of H.E.S. 484 lying within said N $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 3: S $\frac{1}{2}$ S $\frac{1}{2}$ N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 4: Lot 2, N $\frac{1}{2}$ SW $\frac{1}{4}$ except that portion of H.E.S. 484 lying within said N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 5: Lots 1, 2, N $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 3: S $\frac{1}{2}$ SW $\frac{1}{4}$ Sec. 4: Lot 6, S $\frac{1}{2}$ SW $\frac{1}{4}$ except those portions of H.E.S. 484 and 486 lying within said S $\frac{1}{2}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, W $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ Sec. 5: S $\frac{1}{2}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ NE $\frac{1}{4}$ except that portion of H.E.S. 484 lying within said S $\frac{1}{2}$ SW $\frac{1}{4}$	568.03	SF 080312-A 5-1-51	U.S.A. - All	Douglas A. Kenaston	Dudley Cornell 1-7/8% William S. Bailey 1/8% Annetta Buck DeChenne and Barbara Buck Hayes 1% Petro-Atlas, Inc. 1 $\frac{1}{2}$ % Total 4 $\frac{1}{2}$ % Note 3 and 7	Douglas A. Kenaston, etal. 50% Note 5 and 8 Intex Oil Company, etal. 50%
37	Sec. 4: S $\frac{1}{2}$ NW $\frac{1}{4}$ except that portion of H.E.S. 484 lying within said S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ Sec. 5: S $\frac{1}{2}$ NW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ except those portions of H.E.S. 484 and 486 lying within said S $\frac{1}{2}$ SE $\frac{1}{4}$	278.88	SF 080312-B 5-1-51	U.S.A. - All	Texota Oil Company	Dudley Cornell 1-7/8% William S. Bailey 1/8% Annetta Buck DeChenne and Barbara Buck Hayes 1% Warren Eugene Carr and Clinton White 1% Total 4%	Texota Oil Company, etal. 50% Note 2 and 6 Intex Oil Company, etal. 50% Note 3 and 6

Exhibit B -- Puerto Chiquito Unit Area, Rio Arriba County, New Mexico, T. 26 N., R. 1 E.

Tract No.	Description of land	Number of acres	Appl. or Ser. No. & eff. date of lease	Basic royalty and percentage	Lessee of record	Overriding royalty and percentage	Working interest and percentage
38	Patented land H.E.S. No. 488, in Sec. 8, T. 26 N., R. 1 E., containing 159.99 acres according to the Official Plat of the Survey of said land, returned to the General Land Office by the Surveyor General.	159.99	2-10-58	Alfonso Eturriaga	Texota Oil Company	Warren Eugene Carr and Clinton White 1% Total 1%	Texota Oil Company, etal. 50% Note 13 Intex Oil Company, etal. 50% Note 3 and 14
39	Parcel 1: Homestead Entry Survey No. 484, embracing a portion of Sections 4, 5 and 8, containing 159.58 acres, according to the Official Plat of the Survey of the said land, returned to the General Land Office by the Surveyor General. Parcel 2: Homestead Entry Survey No. 486, embracing a portion of Sections 4, 5, 8 and 9 of said Township and Range, containing 159.01 acres, according to the Official Plat of the said land, returned to the General Land Office by the Surveyor General.	318.59	5-20-59	Alfonso Eturriaga	Intex Oil Company	None	Intex Oil Company, etal. 100% Note 4
40	Sec. 3: N $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ S $\frac{1}{2}$ NE $\frac{1}{4}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, N $\frac{1}{2}$ S $\frac{1}{2}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$, SW $\frac{1}{4}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ Sec. 4: N $\frac{1}{2}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$ SE $\frac{1}{4}$, NE $\frac{1}{4}$ NE $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ NW $\frac{1}{4}$ NE $\frac{1}{4}$, SW $\frac{1}{4}$ NE $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$, E $\frac{1}{2}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$.	160.00	5-20-59	Aurelia Salazar	Intex Oil Company	None	Intex Oil Company, etal. 100% Note 4

Exhibit B -- Puerto Chiquito Unit Area, Rio Arriba County, New Mexico, T. 26 N., R. 1 E.

Tract No.	Description of land	Number of acres	Appl. or Ser. No. Basic royalty and date of lease or exp.	Lessee of record	Overriding royalty and percentage	Working interest and percentage
41	Patented land Sec. 3: Lot 4, NW $\frac{1}{4}$ SW $\frac{1}{4}$ Sec. 4: Lot 5, NE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, SE $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$, NW $\frac{1}{4}$ SE $\frac{1}{4}$ SE $\frac{1}{4}$ NE $\frac{1}{4}$.	90.77	5-20-59	Sabino Olivas	Intex Oil Company	Intex Oil Company, etal. 100% Note 4
42	Sec. 9: S $\frac{1}{2}$ SW $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, S $\frac{1}{2}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, NE $\frac{1}{4}$ SE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, SE $\frac{1}{4}$ NE $\frac{1}{4}$ NW $\frac{1}{4}$ SW $\frac{1}{4}$, E $\frac{1}{2}$ SW $\frac{1}{4}$, SW $\frac{1}{4}$ NW $\frac{1}{4}$ SE $\frac{1}{4}$, NW $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$, N $\frac{1}{2}$ SW $\frac{1}{4}$ SW $\frac{1}{4}$ SE $\frac{1}{4}$.	160.00		Estate of Thomas Not leased Burns, Jr.	None	
Total: 5 Patented tracts 889.35 acres or 6.99% of Unit Area						
42 tracts 12,721.14 acres in entire Unit Area						

NOTE 1: Held 100%, except as shown in the last part of this Note 1, by Mobil Oil Company under Option from J. E. Simmons. Upon approval of the Unit Agreement, the Option Agreement will be exercised and an Assignment delivered and filed of record. By Operating Agreement with Mobil Oil Company, Texota Oil Company holds 100% of rights above Base of Dakota under the W $\frac{1}{2}$ of NE $\frac{1}{4}$ and W $\frac{1}{2}$ of NW $\frac{1}{4}$ of Section 18 for the following persons:

Texota Oil Company.	12.50%
Ambassador Oil Corporation.	25.00%
Hudson Gas and Oil Company.	25.00%
Foree Drilling Company.	12.50%
Norfolk Oil Company - Unit E.	6.25%
Perrybell Company	6.25%
J. G. Sample.	6.25%
John E. Searle.	6.25%
	<u>100.00%</u>

NOTE 7: Douglas A. Kenaston holds 100% of all rights below Base of Dakota formation for the following persons:

Douglas A. Kenaston
Gwyn Redwine
John F. Kenaston
Robert B. Kenaston
James M. Kenaston
William Roderick Kenaston
Roy N. Gesme
Lillian Bohny Kenaston.

NOTE 8: Fifty per cent held by Douglas A. Kenaston for the following persons:

Douglas A. Kenaston
Gwyn Redwine
John F. Kenaston
Robert B. Kenaston
James M. Kenaston
William Roderick Kenaston
Roy N. Gesme
Lillian Bohny Kenaston.

NOTE 9: J. N. Fetzer has right of assignment of 50% interest in N½ of NW¼ of Section 15.

NOTE 10: J. N. Fetzer has right of assignment of 50% interest in S½ of SW¼ of Section 16.

NOTE 11: J. N. Fetzer has right of assignment of 50% interest in N½ of SE¼ of Section 28.

NOTE 12: J. N. Fetzer has right of assignment of 50% interest in S½ of SW¼ of Section 28.

NOTE 13: Held 50% by Texota Oil Company for the following persons or corporations:

Texota Oil Company.	6.25 %
Ambassador Oil Corporation.	12.5 %
Hudson Gas and Oil Company.	12.5 %
Foree Drilling Company.	6.25 %
Norfolk Oil Company - Unit E.	3.125%
Perrybell Company	3.125%
J. G. Sample.	3.125%
John E. Searle.	3.125%
	<u>50.000%</u>

Exhibit B -- Puerto Chiquito Unit Area, Rio Arriba County, New Mexico, T. 26 N., R. 1 E.

That portion lying below the Base of the Dakota formation is held 50% by Texota for the following persons or corporations:

Texota Oil Company.	6.25 %
Ambassador Oil Corporation.	12.5 %
Hudson Gas and Oil Company.	12.5 %
Foree Drilling Company.	6.25 %
Norfolk Oil Company - Unit E.	3.125%
Perrybell Company	3.125%
J. G. Sample.	3.125%
John E. Searle.	3.125%
	<u>50.000%</u>

14-08-0001 6787

CERTIFICATION -- DETERMINATION

Pursuant to the authority vested in the Secretary of Interior, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, 43 C.F.R. sec. 4.611, 12 F.R. 6784, I do hereby:

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

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

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

Dated May 27, 1960. ✓

^{s/}
Acting Arthur A Baker.
Director, United States Geological Survey

12721

11 021 721

107 700

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
<i>[Signature]</i>	EXHIBIT NO. <u>1</u>
CASE NO.	<u>1994</u>

1 UNIT AGREEMENT
2 FOR THE DEVELOPMENT AND OPERATION
3 OF THE
4 PUERTO CHIQUITO UNIT AREA
5 COUNTY OF RIO ARRIBA
6 STATE OF NEW MEXICO

7 No. _____

8 THIS AGREEMENT, entered into as of the 1st day of April,
9 1960, by and between the parties subscribing, ratifying, or consenting
10 hereto, and herein referred to as the "parties hereto,"

11 WITNESSETH:

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

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

22 WHEREAS the parties hereto hold sufficient interests in the Puerto
23 Chiquito Unit Area covering the land hereinafter described to give reasonably
24 effective control of operations therein; and

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

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

33 1. ENABLING ACT AND REGULATIONS. The Mineral Leasing Act of
34 February 25, 1920, as amended, supra, and all valid pertinent regulations,
35 including operating and unit plan regulations, heretofore issued thereunder
36 or valid, pertinent, and reasonable regulations hereafter issued thereunder
37 are accepted and made a part of this agreement as to Federal lands, provided
38 such regulations are not inconsistent with the terms of this agreement; and
39 as to non-Federal lands, the oil and gas operating regulations in effect as of
40 the effective date hereof governing drilling and producing operations, not
41 inconsistent with the terms hereof or the laws of the State in which the non-
42 Federal land is located, are hereby accepted and made a part of this agreement.

43 2. UNIT AREA. The area specified on the map attached hereto marked
44 exhibit A is hereby designated and recognized as constituting the unit area.

1 containing 12,721.14 acres, more or less.

2 EXHIBIT A shows, in addition to the boundary of the unit area, the
3 boundaries and identity of tracts and leases in said area to the extent
4 known to the Unit Operator. Exhibit B attached hereto is a schedule showing
5 to the extent known to the Unit Operator the acreage, percentage, and kind
6 of ownership of oil and gas interests in all land in the unit area. How-
7 ever, nothing herein or in said schedule or map shall be construed as a
8 representation by any party hereto as to the ownership of any interest
9 other than such interest or interests as are shown in said map or
10 schedule as owned by such party. Exhibits A and B shall be revised by the
11 Unit Operator whenever changes in the unit area render such revision
12 necessary, or when requested by the Oil and Gas Supervisor, hereinafter
13 referred to as "Supervisor" and not less than six copies of the revised
14 exhibits shall be filed with the Supervisor.

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

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

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

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

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

42 (e) All legal subdivisions of unitized lands (i.e., 40 acres by
43 Government survey or its nearest lot or tract equivalent in instances of
44 irregular surveys, however, unusually large lots or tracts shall be considered
45 in multiples of 40 acres, or the nearest aliquot equivalent thereof, for the
46 purpose of elimination under this subdivision), no parts of which are entitled
47 to be in a participating area within 5 years after the first day of the month
48 following the effective date of the first initial participating area
49 established under this unit agreement, shall be eliminated automatically from
50 this agreement, effective as of the first day thereafter, and such lands shall
51 no longer be a part of the unit area and shall no longer be subject to this
52 agreement, unless at the expiration of said 5-year period diligent drilling

1 operations are in progress on unitized lands not entitled to participation,
2 in which event all such lands shall remain subject hereto for so long as
3 such drilling operations are continued diligently, with not more than 90
4 days' time elapsing between the completion of one such well and the commence-
5 ment of the next such well, except that the time allowed between such wells
6 shall not expire earlier than 30 days after the expiration of any period
7 of time during which drilling operations are prevented by a matter beyond the
8 reasonable control of Unit Operator as set forth in the section hereof
9 entitled "Unavoidable Delay"; provided that all legal subdivisions of lands
10 not in a participating area and not entitled to become participating under
11 the applicable provisions of this agreement within 10 years after said first
12 day of the month following the effective date of said first initial
13 participating area shall be eliminated as above specified. Determination of
14 creditable "Unavoidable Delay" time shall be made by Unit Operator and
15 subject to approval of the Director. The Unit Operator shall, within 90 days
16 after the effective date of any elimination hereunder, describe the area so
17 eliminated to the satisfaction of the Director and promptly notify all parties
18 in interest.

19 If conditions warrant extension of the 10-year period specified in this
20 subsection 2(e), a single extension of not to exceed 2 years may be
21 accomplished by consent of the owners of 90% of the current unitized working
22 interests and 60% of the current unitized basic royalty interests (exclusive
23 of the basic royalty interests of the United States), on a total-non-
24 participating-acreage basis, respectively, with approval of the Director,
25 provided such extension application is submitted to the Director not later
26 than 60 days prior to the expiration of said 10-year period.

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

30 3. UNITIZED LAND AND UNITIZED SUBSTANCES. All land committed to this
31 agreement shall constitute land referred to herein as "unitized land" or
32 "land subject to this agreement." All oil and gas in any and all formations of
33 the unitized land are unitized under the terms of this agreement and herein are
34 called "unitized substances."

35 4. UNIT OPERATOR. Intex Oil Company is hereby designated as Unit
36 Operator and by signature hereto as Unit Operator agrees and consents to
37 accept the duties and obligations of Unit Operator for the discovery,
38 development, and production of unitized substances as herein provided. When-
39 ever reference is made herein to the Unit Operator, such reference means the
40 Unit Operator acting in that capacity and not as an owner of interest in
41 unitized substances, and the term "working interest owner" when used herein
42 shall include or refer to Unit Operator as the owner of a working interest
43 when such an interest is owned by it.

44 5. RESIGNATION OR REMOVAL OF UNIT OPERATOR. Unit Operator shall have
45 the right to resign at any time prior to the establishment of a participating
46 area or areas hereunder, but such resignation shall not become effective so as
47 to release Unit Operator from the duties and obligations of Unit Operator and
48 terminate Unit Operator's rights as such for a period of 6 months after notice
49 of intention to resign has been served by Unit Operator on all working interest
50 owners and the Director, and until all wells then drilled hereunder are placed
51 in a satisfactory condition for suspension or abandonment whichever is required
52 by the Supervisor, unless a new Unit Operator shall have been selected and
53 approved and shall have taken over and assumed the duties and obligations of
54 Unit Operator prior to the expiration of said period.

1 Unit Operator shall have the right to resign in like manner and subject
2 to like limitations as above provided at any time a participating area
3 established hereunder is in existence, but, in all instances of resignation
4 or removal, until a successor Unit Operator is selected and approved as
5 hereinafter provided, the working interest owners shall be jointly
6 responsible for performance of the duties of Unit Operator, and shall not
7 later than 30 days before such resignation or removal becomes effective
8 appoint a common agent to represent them in any action to be taken hereunder.

9 The resignation of Unit Operator shall not release Unit Operator from
10 any liability for any default by it hereunder occurring prior to the
11 effective date of its resignation.

12 The Unit Operator may, upon default or failure in the performance of
13 its duties or obligations hereunder, be subject to removal by the same per-
14 centage vote of the owners of working interests determined in like manner as
15 herein provided for the selection of a new Unit Operator. Such removal shall
16 be effective upon notice thereof to the Director

17 The resignation or removal of Unit Operator under this agreement shall
18 not terminate its right, title, or interest as the owner of a working interest
19 or other interest in unitized substances, but upon the resignation or removal
20 of Unit Operator becoming effective, such Unit Operator shall deliver possession
21 of all equipment, materials, and appurtenances used in conducting the unit
22 operations and owned by the working interest owners to the new duly qualified
23 successor Unit Operator or to the owners thereof if no such new Unit Operator
24 is elected, to be used for the purpose of conducting unit operations hereunder.
25 Nothing herein shall be construed as authorizing removal of any material,
26 equipment and appurtenances needed for the preservation of any wells.

27 6. SUCCESSOR UNIT OPERATOR. Whenever the Unit Operator shall tender his
28 or its resignation as Unit Operator or shall be removed as hereinabove
29 provided, the owners of the working interests in the participating area or
30 areas according to their respective acreage interests in such participating
31 area or areas, or, until a participating area shall have been established, the
32 owners of the working interests according to their respective acreage interests
33 in all unitized land, shall by majority vote select a successor Unit Operator:
34 Provided, That, if a majority but less than 75 per cent of the working interests
35 qualified to vote are owned by one party to this agreement, a concurring vote
36 of one or more additional working interest owners shall be required to select
37 a new operator. Such selection shall not become effective until

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

40 (b) the selection shall have been approved by the Director. If no
41 successor Unit Operator is selected and qualified as herein provided, the
42 Director at his election may declare this unit agreement terminated.

43 7. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. If the Unit
44 Operator is not the sole owner of working interests, costs and expenses in-
45 curred by Unit Operator in conducting unit operations hereunder shall be
46 paid and apportioned among and borne by the owners of working interests, all
47 in accordance with the agreement or agreements entered into by and between the
48 Unit Operator and the owners of working interests, whether one or more, separately
49 or collectively. Any agreement or agreements entered into between the working
50 interest owners and the Unit Operator as provided in this section, whether one
51 or more, are herein referred to as the "unit operating agreement." Such unit

1 operating agreement shall also provide the manner in which the working
2 interest owners shall be entitled to receive their respective proportionate
3 and allocated share of the benefits accruing hereto in conformity with
4 their underlying operating agreements, leases, or other independent contracts,
5 and such other rights and obligations as between Unit Operator and the working
6 interest owners as may be agreed upon by Unit Operator and the working
7 interest owners; however, no such unit operating agreement shall be deemed
8 either to modify any of the terms and conditions of this unit agreement or
9 to relieve the Unit Operator of any right or obligation established under
10 this unit agreement, and in case of any inconsistency or conflict between
11 the unit agreement and the unit operating agreement, this unit agreement shall
12 prevail. Three true copies of any unit operating agreement executed pursuant
13 to this section shall be filed with the Supervisor, prior to approval of this
14 unit agreement.

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

28 9. DRILLING TO DISCOVERY. Inasmuch as a well capable of producing
29 unitized substances in paying quantities (to wit: quantities sufficient to repay
30 the cost of drilling and producing operations, with a reasonable profit) from
31 the Niobrara (Gallup equivalent) formation has already been drilled, tested and
32 completed in the unit area upon committed lands in the NW/4 of the NE/4 of Section
33 5, Township 26 North, Range 1 East, no initial test well for discovery shall
34 be required under the terms of this Unit Agreement. All wells being drilled
35 conformably with the terms hereof and all wells (including the aforesaid well)
36 completed on the committed leases for production of unitized substances as
37 of the effective date of the Unit Agreement shall be considered unit wells
38 and subject to this agreement regardless of the completion dates thereof.

39 10. PLAN OF FURTHER DEVELOPMENT AND OPERATION. Unit Operator shall
40 drill three (3) wells which test the Greenhorn formation and one (1) well which
41 tests the Dakota formation at locations approved by the Supervisor. The actual
42 drilling in the ground of the first of such wells shall be commenced not later
43 than thirty (30) days from the effective date hereof, and such drilling shall
44 be continued diligently until such well has tested the Greenhorn formation, or,
45 at Unit Operator's election, the Dakota formation. The actual drilling in the
46 ground of each of the remaining three (3) wells of the aforesaid four well plan
47 of development shall be commenced not later than ninety (90) days after the
48 completion or abandonment of the preceding well, and such drilling in each
49 such well shall be likewise diligently prosecuted until, pursuant to said
50 plan of further development, Unit Operator has drilled three (3) wells which
51 have tested the Greenhorn formation and one (1) well which has tested the
52 Dakota formation, unless Unit Operator shall at any time establish to the
53 satisfaction of the Supervisor that the further drilling of such wells, or any
54 of them, would be unwarranted or impracticable. Any well, the actual drilling
55 of which is commenced subsequent to February 15, 1960, shall, regardless of the

1 effective date of this Agreement and if drilled to test the Greenhorn
2 formation, or Dakota formation, constitute one of the wells provided for
3 in this plan of further development; and in event any such well, or wells,
4 are completed or abandoned prior to thirty (30) days after the effective
5 date of this Agreement the actual drilling of the next subsequent well under
6 this plan of further development shall be commenced not later than thirty (30)
7 days after the effective date of this Agreement, or ninety (90) days after
8 the completion or abandonment of the preceding well, whichever is later.
9 Unit Operator shall not in any event be required to drill any of said wells to
10 a depth in excess of 4,000 feet. In event Unit Operator obtains production
11 in paying quantities (to wit: quantities sufficient to repay the cost of
12 drilling and producing operations, with a reasonable profit) in any of the
13 aforesaid wells at a depth above the Greenhorn formation (or the Dakota
14 formation) Unit Operator shall not be required to drill said well deeper,
15 but in such event shall, within ninety (90) days after the completion of
16 such well commence the actual drilling of a substitute well at a location
17 approved by the Supervisor to the end that notwithstanding the number of
18 wells which may have been completed as paying producers at depths above the
19 Greenhorn formation or Dakota formation, Unit Operator shall under this plan
20 of further development continue the drilling of wells at said ninety (90) day
21 intervals until it has drilled three (3) wells which have tested the
22 Greenhorn formation and one (1) well which has tested the Dakota formation.
23 The foregoing plan of further development shall constitute the further drilling
24 and operating obligations of Unit Operator under this Agreement for the
25 period commencing not later than thirty (30) days after the effective date of
26 this Agreement and ending upon the completion or abandonment of the last well
27 hereinabove required. Thereafter, from time to time before the expiration of
28 any existing plan, the Unit Operator shall submit for the approval of the
29 Supervisor a plan for an additional specified period for the development and
30 operation of the unitized land. Any plan submitted pursuant to this section
31 shall provide for the exploration of the unitized area and for the diligent
32 drilling necessary for determination of the area or areas thereof capable of
33 producing unitized substances in paying quantities in each and every productive
34 formation and shall be as complete and adequate as the Supervisor may determine
35 to be necessary for timely development and proper conservation of the oil and
36 gas resources of the unitized area and shall

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

39 (b) to the extent practicable specify the operating practices regarded
40 as necessary and advisable for proper conservation of natural resources.
41 Separate plans may be submitted for separate productive zones, subject to the
42 approval of the Supervisor. Said plan or plans shall be modified or supple-
43 mented when necessary to meet changed conditions or to protect the interests of
44 all parties to this agreement. Reasonable diligence shall be exercised in
45 complying with the obligations of the approved plan of development. The
46 Supervisor is authorized to grant a reasonable extension of the 6-month period
47 herein prescribed for submission of an initial plan of development where such
48 action is justified because of unusual conditions or circumstances. After
49 completion hereunder of a well capable of producing any unitized substance in
50 paying quantities, no further wells, except such as may be necessary to afford
51 protection against operations not under this agreement or such as may be
52 specifically approved by the Supervisor, shall be drilled except in accordance
53 with a plan of development approved as herein provided.

54 11. PARTICIPATION AFTER DISCOVERY. Within thirty (30) days after the
55 effective date of this Agreement, the Unit Operator shall submit for approval
56 by the Director a schedule, based on subdivisions of the public-land survey or

1 aliquot parts thereof, of all unitized land regarded as reasonably
2 proved to be productive of unitized substances in paying quantities as
3 of such effective date; all lands in said schedule on approval of the
4 Director to constitute a participating area, effective as of the effective
5 date of the unit agreement. Said schedule also shall set forth the
6 percentages of unitized substances to be allocated as herein provided to
7 each unitized tract in the participating area so established, and shall
8 govern the allocation of production from and ~~after~~ the date the participat-
9 ing area becomes effective. A separate participating area shall be
10 established in like manner for each separate pool or deposit of unitized
11 substances or for any group thereof produced as a single pool or zone, and any
12 two or more participating areas so established may be combined into one
13 with the consent of the owners of all working interests in the lands within
14 the participating areas so to be combined, on approval of the Director.
15 The participating area or areas so established shall be revised from time to
16 time, subject to like approval, whenever such action appears proper as a
17 result of further drilling operations or otherwise, to include additional
18 land then regarded as reasonably proved to be productive in paying quantities,
19 or to exclude land then regarded as reasonably proved not to be productive in
20 paying quantities and the percentage of allocation shall also be revised
21 accordingly. The effective date of any revision shall be the first of the
22 month in which is obtained the knowledge or information on which such revision
23 is predicated, provided, however, that a more appropriate effective date may
24 be used if justified by the Unit Operator and approved by the Director.
25 No land shall be excluded from a participating area on account of depletion of
26 the unitized substances.

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

32 In the absence of agreement at any time between the Unit Operator and the
33 Director as to the proper definition or redefinition of a participating area,
34 or until a participating area has, or areas have, been established as provided
35 herein, the portion of all payments affected thereby may be impounded in a
36 manner mutually acceptable to the owners of working interests, except
37 royalties due the United States, which shall be determined by the Supervisor
38 and the amount thereof deposited, as directed by the Supervisor, to be held as
39 unearned money until a participating area is finally approved and then applied
40 as earned or returned in accordance with a determination of the sum due as
41 Federal royalty on the basis of such approved participating area.

42 Whenever it is determined, subject to the approval of the Supervisor,
43 that a well drilled under this agreement is not capable of production in
44 paying quantities and inclusion of the land on which it is situated in a
45 participating area is unwarranted, production from such well shall, for the
46 purposes of settlement among all parties other than working interest owners,
47 be allocated to the land on which the well is located so long as such land is
48 not within a participating area established for the pool or deposit from which
49 such production is obtained. Settlement for working interest benefits from
50 such a well shall be made as provided in the unit operating agreement.

51 12. ALLOCATION OF PRODUCTION. All unitized substances produced from
52 each participating area established under this agreement, except any part
53 thereof used in conformity with good operating practices within the unitized
54 area for drilling, operating, camp and other production or development purposes,
55 for repressuring or recycling in accordance with a plan of development approved
56 by the Supervisor, or unavoidably lost, shall be deemed to be produced equally
57 on an acreage basis from the several tracts of unitized land of the
58 participating area established for such production and, for the purpose of

1 determining any benefits accruing under this agreement, each such tract
2 of unitized land shall have allocated to it such percentage of said
3 production as the number of acres of such tract included in said partici-
4 pating area bears to the total acres of unitized land in said participating
5 area, except that allocation of production hereunder for purposes other
6 than for settlement of the royalty, overriding royalty, or payment out of
7 production obligations of the respective working interest owners, shall be
8 on the basis prescribed in the unit operating agreement whether in conformity
9 with the basis of allocation herein set forth or otherwise. It is hereby
10 agreed that production of unitized substances from a participating area shall
11 be allocated as provided herein regardless of whether any wells are drilled
12 on any particular part or tract of said participating area. If any gas
13 produced from one participating area is used for repressuring or recycling
14 purposes in another participating area, the first gas withdrawn from such
15 last-mentioned participating area for sale during the life of this agreement
16 shall be considered to be the gas so transferred until an amount equal to
17 that transferred shall be so produced for sale and such gas shall be allocated
18 to the participating area from which initially produced as constituted at the
19 time of such final production.

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

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

36 If any well drilled as aforesaid by a working interest owner obtains
37 production in quantities insufficient to justify the inclusion in a
38 participating area of the land upon which such well is situated, such well
39 may be operated and produced by the party drilling the same subject to the
40 conservation requirements of this agreement. The royalties in amount or
41 value of production from any such well shall be paid as specified in the under-
42 lying lease and agreements affected.

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

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

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

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

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

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

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

49 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions,
50 and provisions of all leases, subleases, and other contracts relating to
51 exploration, drilling, development, or operation for oil or gas of lands
52 committed to this agreement are hereby expressly modified and amended to the
53 extent necessary to make the same conform to the provisions hereof, but other-
54 wise remain in full force and effect; and the parties hereto hereby consent

1 that the Secretary shall and by his approval hereof, or by the approval
2 hereof by his duly authorized representative, does hereby establish, alter,
3 change, or revoke the drilling, producing, rental, minimum royalty, and
4 royalty requirements of Federal leases committed hereto and the regulations
5 in respect thereto to conform said requirements to the provisions of this
6 agreement, and, without limiting the generality of the foregoing, all
7 leases, subleases, and contracts are particularly modified in accordance with
8 the following:

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

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

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

26 (d) Each lease, sublease or contract relating to the exploration,
27 drilling, development or operation for oil or gas of lands other than those
28 of the United States committed to this agreement, which, by its terms might
29 expire prior to the termination of this agreement, is hereby extended beyond
30 any such term so provided therein so that it shall be continued in full
31 force and effect for and during the term of this agreement.

32 (e) Any Federal lease for a fixed term of twenty (20) years or any
33 renewal thereof or any part of such lease which is made subject to this
34 agreement shall continue in force beyond the term provided therein until the
35 termination hereof. Any other Federal lease committed hereto shall continue
36 in force beyond the term so provided therein or by law as to the land
37 committed so long as such lease remains subject hereto, provided that pro-
38 duction is had in paying quantities under this unit agreement prior to the
39 expiration date of the term of such lease.

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

47 (g) The segregation of any Federal lease committed to this agreement
48 is governed by the following provision in the fourth paragraph of Sec. 17(b)
49 of the Act, as amended by the Act of July 29, 1954 (68 Stat. 583, 585): "Any
50 (Federal) lease hereafter committed to any such (unit) plan embracing lands
51 that are in part within and in part outside of the area covered by any such
52 plan shall be segregated into separate leases as to the lands committed and
53 the lands not committed as of the effective date of unitization: Provided,

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

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

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

23 20 EFFECTIVE DATE AND TERM. This Agreement shall become effective
24 upon approval by the Secretary or his duly authorized representative and
25 shall remain in effect for a term of five (5) years and so long as unitized
26 substances can be produced in paying quantities, i.e., in this particular
27 instance in quantities sufficient to pay for the cost of producing same from
28 wells on unitized land within any participating area established hereunder
29 and, should production cease, so long thereafter as diligent operations are
30 in progress for the restoration of production or discovery of new production
31 and so long thereafter as the unitized substances so discovered can be
32 produced as aforesaid, or it is terminated as heretofore provided in this
33 Agreement.

34 This Agreement may be terminated at any time by not less than 90 per
35 centum, on an acreage basis, of the owners of working interests signatory
36 hereto, with the approval of the Director; notice of any such approval to be
37 given by the Unit Operator to all parties hereto.

38 21. RATE OF PROSPECTING, DEVELOPMENT, AND PRODUCTION. The Director is
39 hereby vested with authority to alter or modify from time to time in his
40 discretion the quantity and rate of production under this agreement when such
41 quantity and rate is not fixed pursuant to Federal or State law or does not
42 conform to any state-wide voluntary conservation or allocation program, which
43 is established, recognized, and generally adhered to by the majority of
44 operators in such State, such authority being hereby limited to alteration
45 or modification in the public interest, the purpose thereof and the public
46 interest to be served thereby to be stated in the order of alteration or
47 modification. Without regard to the foregoing, the Director is also hereby
48 vested with authority to alter or modify from time to time in his discretion
49 the rate of prospecting and development and the quantity and rate of
50 production under this agreement when such alteration or modification is in the
51 interest of attaining the conservation objectives stated in this agreement
52 and is not in violation of any applicable Federal or State law.

53 Powers in this section vested in the Director shall only be exercised
54 after notice to Unit Operator and opportunity for hearing to be held not
55 less than 15 days from notice.

56 22. APPEARANCES. Unit Operator shall, after notice to other parties

1 affected, have the right to appear for and on behalf of any and all
2 interests affected hereby before the Department of the Interior and to
3 appeal from orders issued under the regulations of said Department or to
4 apply for relief from any of said regulations or in any proceedings
5 relative to operations before the Department of the Interior or any other
6 legally constituted authority; provided, however, that any other interested
7 party shall also have the right at his own expense to be heard in any such
8 proceeding.

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

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

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

33 26. FAIR EMPLOYMENT. In connection with the performance of work under
34 this agreement, the operator agrees not to discriminate against any employee
35 or applicant for employment because of race, religion, color, or national
36 origin. The aforesaid provision shall include, but not be limited to, the
37 following: employment, upgrading, demotion, or transfer; recruitment or
38 recruitment advertising, layoff or termination; rates of pay or other forms of
39 compensation; and selection for training, including apprenticeship. The
40 operator agrees to post hereafter in conspicuous places, available for
41 employees and applicants for employment, notices to be provided by the contract-
42 ing officer setting forth the provisions of the nondiscrimination clause.

43 The operator agrees to insert the foregoing provision in all subcontracts
44 hereunder, except subcontracts for standard commercial supplies or raw
45 materials.

46 27. LOSS OF TITLE. In the event title to any tract of unitized land
47 shall fail and the true owner cannot be induced to join this unit agreement,
48 such tract shall be automatically regarded as not committed hereto and there
49 shall be such readjustment of future costs and benefits as may be required on
50 account of the loss of such title. In the event of a dispute as to title as
51 to any royalty, working interest, or other interests subject thereto, payment
52 or delivery on account thereof may be withheld without liability for interest
53 until the dispute is finally settled; provided, that, as to Federal land
54 or leases, no payments of funds due the United States should be withheld, but
55 such funds shall be deposited as directed by the Supervisor to be held as
56 unearned money pending final settlement of the title dispute, and then applied
57 as earned or returned in accordance with such final settlement.

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

3 28. NON-JOINDER AND SUBSEQUENT JOINDER. If the owner of any
4 substantial interest in a tract within the unit area fails or refuses to
5 subscribe or consent to this agreement, the owner of the working interest
6 in that tract may withdraw said tract from this agreement by written notice
7 to the Director and the Unit Operator prior to the approval of this
8 agreement by the Director. Any oil or gas interests in lands within the
9 unit area not committed hereto prior to submission of this agreement for
10 final approval may thereafter be committed hereto by the owner or owners
11 thereof subscribing or consenting to this agreement, and, if the interest
12 is a working interest, by the owner of such interest also subscribing to the
13 unit operating agreement. After operations are commenced hereunder, the
14 right of subsequent joinder, as provided in this section, by a working
15 interest owner is subject to such requirements or approvals, if any, pertaining
16 to such joinder, as may be provided for in the unit operating agreement.
17 After final approval hereof joinder by a non-working interest owner must be
18 consented to in writing by the working interest owner committed hereto and
19 responsible for the payment of any benefits that may accrue hereunder in
20 behalf of such non-working interest. Joinder by any owner of a non-working
21 interest, at any time, must be accompanied by appropriate joinder by the owner
22 of the corresponding working interest in order for the interest to be
23 regarded as effectively committed hereto. Joinder to the unit agreement by
24 a working interest owner, at any time, must be accompanied by appropriate
25 joinder to the unit operating agreement, if more than one committed working in-
26 terest owner is involved, in order for the interest to be regarded as
27 effectively committed to this unit agreement. Except as may otherwise herein
28 be provided subsequent joinders to this agreement shall be effective as of the
29 first day of the month following the filing with the Supervisor of duly
30 executed counterparts of all or any papers necessary to establish effective
31 commitment of any tract to this agreement unless objection to such joinder is
32 duly made within 60 days by the Director.

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

41 30. SURRENDER. Nothing in this agreement shall prohibit the exercise
42 by any working interest owner of the right to surrender vested in such party
43 in any lease, sub-lease, or operating agreement as to all or any part of the
44 lands covered thereby, provided that each party who will or might acquire such
45 working interest by such surrender or by forfeiture as hereafter set forth,
46 is bound by the terms of this agreement.

47 If as a result of any such surrender, the working interest rights as to
48 such lands become vested in any party other than the fee owner of the
49 unitized substances, said party shall forfeit such rights and no further
50 benefits from operations hereunder as to said land shall accrue to such
51 party, unless within ninety (90) days thereafter said party shall execute
52 this agreement and the unit operating agreement as to the working interest
53 acquired through such surrender, effective as though such land had remained
54 continuously subject to this agreement and the unit operating agreement.
55 And in the event such agreements are not so executed, the party next in the
56 chain of title shall be and become the owner of such working interest at the
57 end of such ninety (90) day period, with the same force and effect as though
58 such working interest had been surrendered to such party.

1 If as the result of any such surrender or forfeiture the working
2 interest rights as to such lands become vested in the fee owner of the
3 unitized substances, such owner may:

4 (1) Execute this agreement and the unit operating agreement as a
5 working interest owner, effective as though such land had remained
6 continuously subject to this agreement and the unit operating agreement.

7 (2) Again lease such lands but only under the condition that the
8 holder of such lease shall within thirty (30) days after such lands are so
9 leased execute this agreement and the unit operating agreement as to each
10 participating area theretofore established hereunder, effective as though
11 such land had remained continuously subject to this agreement and the unit
12 operating agreement.

13 (3) Operate or provide for the operation of such land independently
14 of this agreement as to any part thereof or any oil or gas deposits therein
15 not then included within a participating area.

16 If the fee owner of the unitized substances does not execute this
17 agreement and the unit operating agreement as a working interest owner or
18 again lease such lands as above provided with respect to each existing
19 participating area, within six (6) months after any such surrender or
20 forfeiture, such fee owner shall be deemed to have waived the right to
21 execute the unit operating agreement or lease such lands as to each such
22 participating area, and to have agreed, in consideration for the compensation
23 hereinafter provided, that operations hereunder as to any such participating
24 area or areas shall not be affected by such surrender.

25 For any period the working interest in any lands are not expressly
26 committed to the unit operating agreement as the result of any such surrender
27 or forfeiture, the benefits and obligations of operations accruing to such
28 lands under this agreement and the unit operating agreement shall be shared
29 by the remaining owners of unitized working interests in accordance with their
30 respective participating working interest ownerships in any such participating
31 area or areas, and such owners of working interests shall compensate the fee
32 owner of unitized substances in such lands by paying sums equal to the rentals,
33 minimum royalties, and royalties applicable to such lands under the lease in
34 effect when the lands were unitized, as to such participating area or areas.

35 Upon commitment of a working interest to this agreement and the unit
36 operating agreement as provided in this section, an appropriate accounting
37 and settlement shall be made, to reflect the retroactive effect of the
38 commitment, for all benefits accruing to or payments and expenditures made
39 or incurred on behalf of such surrendered working interest during the period
40 between the date of surrender and the date of recommitment, and payment of any
41 moneys found to be owing by such an accounting shall be made as between the
42 parties then signatory to the unit operating agreement and this agreement within
43 thirty (30) days after the recommitment. The right to become a party to this
44 agreement and the unit operating agreement as a working interest owner by
45 reason of a surrender or forfeiture as provided in this section shall not be
46 defeated by the nonexistence of a unit operating agreement and in the event
47 no unit operating agreement is in existence and a mutually acceptable agreement
48 between the proper parties thereto cannot be consummated, the Supervisor may
49 prescribe such reasonable and equitable agreement as he deems warranted under
50 the circumstances.

51 Nothing in this section shall be deemed to limit the right of joinder
52 or subsequent joinder to this agreement as provided elsewhere in this agreement.
53 The exercise of any right vested in a working interest owner to reassign such
54 working interest to the party from whom obtained shall be subject to the same
55 conditions as set forth in this section in regard to the exercise of a right
56 to surrender.

1 31. NO PARTNERSHIP. It is expressly agreed that the relation of
2 the parties hereto is that of independent contractors and nothing in this
3 agreement contained, expressed or implied, nor any operations conducted
4 hereunder, shall create or be deemed to have created a partnership or
5 association between the parties hereto or any of them.

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

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

Date of Signature and Address

(Date) _____

(Date) _____

(Address) _____

ATTEST: _____

Its _____

(Date) _____

(Address) _____

ATTEST: _____

Its _____

(Date) _____

(Address) _____

ATTEST: _____

Its _____

(Date) _____

(Address) _____

ATTEST: _____

Its _____

UNIT OPERATOR

AND

WORKING INTEREST OWNER

INTEX OIL COMPANY

By _____

Its _____

By _____

Its _____

WORKING INTEREST OWNERS

(Name) _____

By _____

Its _____

(Name) _____

By _____

Its _____

(Name) _____

By _____

Its _____

(Name) _____

By _____

Its _____

IN WITNESS WHEREOF, the foregoing Unit Agreement for the
Puerto Chiquito Unit Area, dated _____, 1960, between INTEX
OIL COMPANY, as Unit Operator and Working Interest Owner, has been executed
by the undersigned parties as of the day and year first above written.

Date of Execution:

By _____

Address: _____

By _____

Date of Execution:

By _____

Address: _____

By _____

Date of Execution:

By _____

Address: _____

By _____

Date of Execution:

By _____

Address: _____

By _____

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Address: _____

By _____

Working Interest Owners

ADDITIONAL SIGNATURE PAGE NO. _____

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Puerto Chiquito Unit Area, dated _____, 1960, between INTEX
OIL COMPANY, as Unit Operator and Working Interest Owner, has been executed
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Working Interest Owners

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