

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
NORTHEAST CAPROCK QUEEN UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

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UNIT AGREEMENT
NORTHEAST CAPROCK QUEEN UNIT
LEA COUNTY, NEW MEXICO

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Exhibit "A" (Map of Unit Area)

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UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
NORTHEAST CAPROCK QUEEN UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the _____ day of _____, 1961, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto",

WITNESSETH: That,

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943 as amended by Sec. 1 of Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 39, N.M.S. 1953 anno) to consent to or approve this Agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws of 1943, as amended by Sec. 1, Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 41, N.M.S. 1953 anno) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such unitized development and operation of State lands; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949) to approve this Agreement, and the conservation provisions hereof; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, (41 Stat. 437, as amended, 30 U.S.C. Sections 181 et seq.) authorizes Federal lessees and their representatives to unite with each other or jointly or separately with others in collectively adopting and operating a co-operative or unit plan of development or operation of any oil or gas

pool, field or like area or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the parties hereto hold sufficient interests in the Northeast Caprock Queen Unit covering the land hereinafter described to give reasonably effective control of operation therein; and

WHEREAS, it is the purpose of the parties hereto, to enable institution and consummation of secondary recovery operations, conserve natural resources, prevent waste and secure the other benefits obtainable through development and operation of the area subject to this Agreement under the terms, conditions and limitations herein set forth.

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this Agreement their entire respective interests in the below defined Unit Area, and agree severally among themselves as follows:

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

SECTION 2. UNIT AREA AND DEFINITIONS: For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Unit Area" is defined as those lands specified on Exhibit "A" hereof, and such land is hereby designated and recognized as constituting the Unit Area; the lands described in said Exhibit "A" are described as follows, to-wit:

Township 12 South, Range 32 East, New Mexico Principal Meridian

Section 14: S/2 SW/4
Section 15: S/2 SE/4, NW/4 SW/4
Section 16: S/2
Section 17: SE/4 SE/4
Section 20: NE/4
Section 21: NW/4, N/2 NE/4, NW/4 SW/4
Section 22: N/2 N/2, SE/4 NE/4
Section 23: NW/4

containing 1,360.00 acres, more or less, in Lea County, New Mexico.

(b) "Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.

(c) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(d) "Director" is defined as the Director of the United States Geological Survey.

(e) "Secretary" is defined as the Secretary of the Interior of the United States of America.

(f) "Department" is defined as the Department of the Interior of the United States of America.

(g) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey.

(h) "Queen Formation" is defined and shall mean that heretofore established underground reservoir, the top of which is found at 2,986 feet, and the base of which is found at 3,323 feet, on the Gamma Ray log of TEXACO Inc.'s State of New Mexico "BA" (NCT-8) Lease, Well No. 1 located in the NE/4 NE/4 of Section 22, T-12-S, R-32-E, insofar as the same lies within the Unit Area.

(i) "Unitized Formation" is defined as the portion of the Queen Formation effectively committed to this Agreement.

(j) "Unitized Substances" is defined as and shall mean all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquids or liquefiable hydrocarbons within or produced from the Unitized Formation.

(k) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise held.

(l) "Working Interest Owner" is defined as and shall mean any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and producing the Unitized Substance from the Unitized Formation and operating thereof hereunder.

(m) "Royalty Interest" or "Royalty" is defined as an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved by the lessor by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

(n) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.

(o) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 10, infra, and shall be styled "Unit Operating Agreement, Northeast Caprock Queen Unit, Lea County, New Mexico."

(p) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the unitized land.

(q) "Phase I" is defined as that period of time until the total amount of Unit Area Remaining Primary Reserves is produced. For all purposes of this Agreement the date of termination of Phase I shall be the last day of the month in which such amount of oil is produced.

(r) "Phase II" is defined as the remainder of the term of this Agreement after the termination of Phase I.

(s) "Tract or Unit Area Remaining Primary Reserves" is defined as the number of barrels of oil heretofore approved by the Working Interest Owners or the estimated remaining primary oil reserves as of January 1, 1961, from such Tract or the Unit Area.

(t) "Tract or Unit Area Ultimate Primary Recovery" is defined as total cumulative amount of oil produced from such Tract or the Unit Area to January 1, 1961, as reported to the State Oil Conservation Commission, plus the Tract or the Unit Area Remaining Primary Reserves, as applicable.

SECTION 3. EXHIBITS: Exhibit "A" attached hereto is a map showing, to the extent known to the Unit Operator, the Unit Area and the boundaries and identity of tracts and leases in said Unit Area. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each tract, percentage ownership of each Working Interest Owner in each tract, and the percentage of participation each tract has in the Unit Area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such

party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes render such revision necessary, and at least two copies of such revision shall be filed with the Commissioner, and not less than six copies thereof shall be filed with the Supervisor.

SECTION 4. EXPANSION: The above described Unit Area may when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this Agreement to conform with the purposes of this Agreement. Such expansion shall be effected in the following manner:

(a) The Working Interest Owner or owners of a tract or tracts desiring to bring such tract or tracts into this Unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the unit participation to be assigned to such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if 90 percent of the Working Interest Owners (on the basis of unit participation during Phase II) have agreed to such tract or tracts being brought into the Unit, then Unit Operator shall:

(1) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the unit participation to be assigned thereto and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice; and

(2) Deliver copies of said notice to the Commissioner, the Director, each Working Interest Owner (mailing copy of such notice to the last known address of each such Working Interest Owner) and to the lessee and lessor whose interests are proposed to be committed, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above and provided that objections of not more than 10 percent of the Working Interest Owners have been filed thereto, with the Commissioner, Director and the Commission the following: (a) Comprehensive statement as to mailing such notice of expansion; (b) An application for such expansion; and (c) An instrument containing the appropriate joinders in compliance with the participation requirements of Section 14, infra.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner, the Director and the Commission, become effective as of the date prescribed in the notice thereof or on such other date as set by the Commissioner, the Director and the Commission in the order or instrument approving such expansion.

SECTION 5. CONTRACTION: When practicable, the Unit Area shall be contracted to exclude land not effectively committed to this Unit Agreement whenever such contraction is necessary or advisable to conform with the purposes of this Agreement. Such contraction should be effected in the following manner:

(a) Unit Operator, with concurrence of at least 80 percent of the Working Interest Owners, on the basis of unit participation during Phase II, or on demand of the Director, or on demand of the Commissioner, after preliminary concurrence by the Director, shall prepare a notice of contraction describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

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

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

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

SECTION 6. UNITIZED LAND AND UNITIZED SUBSTANCES: All Unitized Substances in all of the hereinabove described and subsequently admitted land effectively committed to this Agreement, insofar only as the same may be found in the Unitized Formation, together with the surface rights of ingress and egress, are unitized under the terms of this Agreement and said land shall constitute land referred to herein as "Unitized Land" or "Land Subject to this Agreement"

Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation.

SECTION 7. UNIT OPERATOR: TEXACO Inc., a Delaware corporation, is hereby designated as Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided, Whenever reference is made

herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

SECTION 8. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, the Commissioner and the Director, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by 75 percent of the committed Working Interest Owners (on the basis of Unit participation during Phase II) exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner and the Director.

In all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for performance of the duties of Unit Operator.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the

resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books, and records, materials, appurtenances and any other assets, used in conducting the Unit operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Unit Area) to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting Unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

SECTION 9. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall by affirmative vote of at least 65 percent of their voting interest, based upon the percentages of participation during Phase II as shown on Exhibit "B", select a successor Unit Operator, provided, however, that should any Working Interest Owner own a voting interest of more than 35 percent, the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by 80 percent or more of the voting interests of the remaining Working Interest Owners, and provided further that the Unit Operator shall not vote to succeed himself. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner and the Director. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner and the Director, at their election, may declare this Agreement terminated.

SECTION 10. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT: Costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement.

Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Two true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Commissioner and three true copies thereof shall be filed with the Supervisor, prior to approval of this Agreement.

SECTION 11. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this Agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

SECTION 12. PLAN OF OPERATIONS: It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this Agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve

natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor, the Commission, and the Commissioner, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, and any other substance or a combination of any of said substances, whether produced from the Unit Area or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. After commencement of secondary operations, Unit Operator shall furnish the Commission, the Commissioner, and the Supervisor monthly, injection and production reports for each well in the Unit. The Working Interest Owners, the Supervisor, the Commission, and the Commissioner, shall be furnished periodical reports on the progress of the plan of operation and any revisions or changes thereto; provided however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Supervisor, the Commission, and the Commissioner.

The initial plan of operation shall be filed with the Supervisor, the Commission, and the Commissioner concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor, the Commission, and the Commissioner may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation.

Notwithstanding anything to the contrary herein contained, the Unit Operator shall commence secondary recovery operations on the Unit Area within six (6) months after the effective date of this Agreement, or any extension thereof approved by the Commission, the Commissioner and the Director, or this Agreement shall terminate automatically, in which latter event Unit Operator shall notify all interested parties. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonable prudent operator under the same or similar circumstances.

SECTION 13. TRACT PARTICIPATION: In Exhibit "B" attached hereto, there are listed and numbered the various tracts within the Unit Area and set forth opposite each tract is a figure which represents the percentage of participation allocated to each tract in the Unit Area during Phase I, and a figure which represents the percentage of participation allocated to each tract in the Unit Area during Phase II. The formulas used for the calculation of such percentages of participation are as follows:

- | | | | |
|-----|--|-------|---|
| (a) | Percentage Participation of Each Tract During Phase I | = 100 | $\frac{\text{Tract Remaining Primary Reserves from the Unitized Formation}}{\text{Unit Area Remaining Primary Reserves from the Unitized Formation}}$ |
| (b) | Percentage Participation of Each Tract During Phase II | = 100 | $\frac{\text{Tract Ultimate Primary Recovery from the Unitized Formation}}{\text{Unit Area Ultimate Primary Recovery from the Unitized Formation}}$ |

The percentages of participation set forth opposite each tract in Exhibit "B" were calculated on the basis of 100 percent tract commitment. If the Unit Agreement is approved with less than 100 percent tract commitment, said percentages of participation shall be revised to fit the commitment status as of the effective date hereof, and thereafter, as needed pursuant to Section 15 (Allocation of Unitized Substances).

SECTION 14. TRACTS QUALIFIED FOR UNIT PARTICIPATION: On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participation (as provided in Section 13 hereof) in the production of Unitized Substances therefrom shall be those tracts within the Unit Area and more particularly described in said Exhibit "B" that are qualified as follows:

(a) Each and all of those tracts as to which Working Interest Owners owning 100% of the Working Interest in said tract and Royalty Owners owning 100% of the Royalty Interest in said tract have subscribed, ratified or consented to this Agreement; and

(b) Each and all of those tracts as to which Working Interest Owners owning not less than 95% of the Working Interest therein and Royalty Owners owning not less than 75% of the Royalty Interest therein have executed this Agreement, and in which the Working Interest Owners in said tract who have executed this Agreement have agreed to indemnify and hold harmless all other parties hereto, in a manner satisfactory to 85% of the Working Interest Owners qualified under (a), against any and all claims and demands that may be made by the nonjoining Working Interest Owners or Royalty Owners, or both, on account of the commitment and joinder of such tract to the Unit Agreement, and operation thereof under such conditions on the basis herein provided, and as to which 85% of the Working Interest Owners qualified under (a), exclusive of the Working Interest Owner submitting such tract, have approved the commitment of such tract to this Unit Agreement.

If, on the effective date of this Agreement, there is any tract or tracts which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such tract or tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement for final approval by the Commissioner and the Director, file therewith a schedule of those tracts which have been committed and made subject to this Agreement and are entitled to participate in the production from the Unit Area hereunder. Said schedule shall set forth opposite each such committed tract the lease number and assignment number, the owner of record of the lease, and the percentages of participation of such tract which shall be computed according to the participation formula set out in Section 13 (Tract Participation) above. This schedule of participation shall be a part of Exhibit "B" and upon approval thereof by the Commissioner and the Director shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is filed and approved by the Commissioner and the Director.

SECTION 15. ALLOCATION OF UNITIZED SUBSTANCES: All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the Unit Area in accordance with the respective tract participation then effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedules of participation in Exhibit "B". The amount of Unitized Substances so allocated to each tract, and only that amount, (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract) shall, for all intents, uses and purposes, be deemed to have been produced from such tract.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for to the parties executing, consenting to or

ratifying this Agreement entitled to share in the production from such tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

No tract committed to this Agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances, and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tract.

If the Working Interest and the Royalty Interest in any tract are divided with respect to separate parcels or portions of such tract and owned severally by different persons, the percentage participation assigned to such tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 16 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the Unit

Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all Royalty on the lease or leases and tracts contributed by it and received into the Unit, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such Royalty on the lease or leases and tracts contributed by it and received into the unitized land.

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any tract or tracts within the Unit Area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 31 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 30 (Loss of Title), the schedules of participation as shown in Exhibit "B", subject to Section 13 (Tract Participation) or Section 31 (Nonjoinder and Subsequent Joinder), whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Commissioner, and the Director to show the new percentages of participation of all the then effectively committed tracts; and the revised schedules, upon approval by the Commissioner and the Director, shall govern all the allocation of production from and after the effective date thereof until a new schedule is filed and approved by the Commissioner and the Director.

SECTION 16. ROYALTY SETTLEMENT: The State of New Mexico and the United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances pro-

duced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands not subject to this Agreement is introduced into the Unitized Formation, for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan approved pursuant to Section 12 (Plan of Operations), a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the Unitized Formation, Royalty free as to dry gas but not as to the products extracted therefrom; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and the Commissioner; and provided further that such right of withdrawal shall terminate as of the effective date of termination of the Unit Agreement. If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the unitized land for the purpose of increasing ultimate recovery, which shall be in conformance with a plan first approved by the Supervisor and the Commissioner, part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and the Commissioner.

All Royalty due the State of New Mexico and the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective

tract or tracts committed hereto, in lieu of actual production from such tract or tracts.

Each Royalty Owner (other than the State of New Mexico and the United States of America) that executes this Agreement represents and warrants that it is the owner of a Royalty Interest in a tract or tracts within the Unit Area as its interest appears in Exhibit "B" attached hereto. If any Royalty Interest in a tract or tracts should be lost by title failure or otherwise in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties shall be adjusted accordingly.

SECTION 17. RENTAL SETTLEMENT: Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof, due under their leases. Rental for lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental or minimum royalty for lands of the United States of America subject to this Agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 18. CONSERVATION: Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal and State laws and regulations.

SECTION 19. DRAINAGE: The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from unitized land by wells on land not subject to this Agreement.

SECTION 20. LEASES AND CONTRACTS CONFORMED AND EXTENDED: The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for

oil or gas on lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary and the Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

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

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

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

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil and gas which by its terms might expire prior to the termination of this Agreement, is hereby extended beyond any such term so provided therein, so that it shall be continued in full force and effect for and during the term of this Agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this Agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the committed land so long as such land remains committed hereto, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this Agreement, prior to the end of the primary term of such lease and are being diligently prosecuted

at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Any lease embracing lands of the State of New Mexico, which is made subject to this Agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(g) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to that portion committed and that not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Provided, however, that notwithstanding any of the provisions of this Agreement to the contrary, such lease shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil or gas is, or has heretofore been, discovered in paying quantities on some part of the lands embraced in such lease committed to this Agreement or, so long as a portion of the Unitized Substances produced from the Unit Area is, under the terms of this Agreement, allocated to the portion of the lands covered by such lease committed to this Agreement, or, at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or secondary recovery operations on any part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

(h) The segregation of any Federal lease committed to this Agreement is governed by the following provisions in the fourth paragraph of Sec. 17 (b) of said Act of February 25, 1920, as amended by the Act of July 29, 1954, (68 Stat. 583, 585): "Any (Federal) lease hereafter committed to any such plan (unit) embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization; provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

SECTION 21, MATHEMATICAL ERRORS: It is hereby agreed by all parties to this Agreement that Unit Operator is empowered to correct any mathematical errors which might exist in the pertinent exhibits to this Agreement upon approval of the Commissioner, the Director, and the Working Interest Owners.

SECTION 22. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this Agreement terminates, and any grant, transfer or conveyance of

interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

SECTION 23. EFFECTIVE DATE AND TERM: This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 o'clock a.m. of the first day of the month next following:

(a) The execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners owning a combined unit participation during Phase I of at least 95 percent, and the execution or ratification of this Agreement by Royalty Owners owning a combined interest of at least 75 percent of the Royalty Interest, in said Unit Area; and

(b) The approval of this Agreement by the Commissioner, the Secretary or his duly authorized representative, and the Commission.

If (a) and (b) above are not accomplished on or before January 1, 1963, this Agreement shall ipso facto terminate on said date (hereinafter called "termination date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined unit participation during Phase I of at least ninety (90%) percent, and the Working Interest Owners owning a combined unit participation during Phase I of at least ninety (90%) percent committed to this Agreement have decided to extend said termination date for a period not to exceed six (6) months (hereinafter called "extended termination date"). If said termination date is so extended and (a) and (b) are not accomplished on or before said extended termination date, this Agreement shall ipso facto terminate on said extended termination date and thereafter be of no further force or effect. For the purpose of this Section, ownership shall be computed on the basis of unit participation as determined from Exhibit "C" attached to the Unit Operating Agreement.

Unit Operator shall, within thirty (30) days after the effective date of this Agreement, file for record a certificate to the effect that this Agreement has become effective according to its terms and stating further the effective date and the location of the governmental agency offices where copies of this Agreement are filed.

The term of this Agreement shall be for and during the time that Unitized Substances are produced in paying quantities from the Unit Area and as long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner hereinafter provided.

This Agreement may be terminated with the approval of the Commissioner and the Director by Working Interest Owners owning ninety (90%) percent unit participation during Phase II whenever such Working Interest Owners determine that Unit operations are no longer profitable, feasible or in the interest of conservation. Notice of any such termination shall be given by Unit Operator to all parties hereto.

Upon termination of this Agreement, the further development and operation of the Unit Area as a Unit shall be abandoned, Unit operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts.

If not otherwise covered by the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit operations.

Section 24. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION: All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director and the Commissioner are hereby vested with authority to alter or modify from time to time, at their discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this Agreement, such authority being hereby limited to alteration or modification in the

public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification.

Powers in this Section vested in the Director and the Commissioner shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen days from notice.

SECTION 25. FAIR EMPLOYMENT: In connection with the performance of work under this Agreement, the Unit Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Unit Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

The Unit Operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

SECTION 26. APPEARANCES: Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby before the Commissioner, the Department, and the Commission, and to appeal from any order issued under the rules and regulations of the Commissioner, the Department, or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Commissioner, the Department, or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 27. NOTICES: All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 28. NO WAIVER OF CERTAIN RIGHTS: Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or rules or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

SECTION 29. UNAVOIDABLE DELAY: All obligations under this Agreement requiring the Unit Operator to commence or continue secondary recovery operations or to operate on or produce Unitized Substances from any of the lands covered by this Agreement shall be suspended while, but only so long as the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 30. LOSS OF TITLE: In the event title to any tract of unitized land shall fail so as to render the tract inoperable under this Agreement and the true owner cannot be induced to join this Unit Agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any Royalty, Working Interest or other interest

subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld, but such funds shall be deposited as directed by the Commissioner or the Supervisor (as the case may be), to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

SECTION 31. NONJOINDER AND SUBSEQUENT JOINDER: If the owner of any substantial interest in a tract within the Unit Area fails or refuses to subscribe, ratify, or consent in writing to this Agreement, the Working Interest Owner in that tract who has executed or ratified this Agreement may withdraw said tract from this Agreement by written notice to the Director, the Commissioner, and Unit Operator prior to the effective date of this Agreement. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Unit Agreement.

Any oil or gas interest in the lands in the Unit Area not committed hereto prior to submission of this Agreement to the Commissioner and the Director for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 14 (Tracts Qualified for Unit Participation) hereof, at any time up to the effective date hereof and for a period to and including six (6) months thereafter, on the same basis of participation as provided in said Section 14, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after six (6) months from the effective date hereof the right of subsequent joinder as provided in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by ninety (90%) percent of the Working Interest Owners (based upon the percentages of participation during Phase II). Such joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement. Such joinder by a proposed Royalty Owner must be evidenced by his execution, ratification or consent of this Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinder to this Agreement shall be effective at 7:00 a.m. as of the first day of the month following the filing with the Commissioner and the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any tract or interest to this Agreement, unless objection to such joinder by the Commissioner or the Director is duly made within sixty (60) days after such filing.

SECTION 32. COUNTERPARTS: This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described Unit Area.

SECTION 33. TAXES: Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby

expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the United States or to the State of New Mexico, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 34. CONFLICT OF SUPERVISION: Neither the Unit Operator nor the Working Interest Owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto and the Commission agree that all powers and authority vested in the Commission in and by any provisions of this Agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

SECTION 35. LIMITATION OF APPROVALS: Notwithstanding anything herein contained to the contrary, if no Federal lands are committed to this Agreement, then no consents or approvals provided herein shall be required of the Department, the Secretary, the Director, or the Supervisor, and it shall not be necessary to file any instrument hereunder with said officers or agencies unless and until Federal lands are so committed to this Agreement; likewise, if no State lands are committed to this Agreement, then no consents or approvals provided herein shall be

required of the Commissioner, and it shall not be necessary to file any instrument hereunder with said officer unless and until State lands are so committed to this Agreement.

SECTION 36. BORDER AGREEMENTS: Subject to the approval of the Director and the Commissioner, the Unit Operator, with concurrence of sixty-five (65) percent of the Working Interest Owners, based upon the percentages of participation during Phase II, may enter into a border protection agreement or agreements with the Working Interest Owners of adjacent lands along the boundaries of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

SECTION 37. NO PARTNERSHIP: It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, or any operations conducted hereunder, shall create or be deemed to create a partnership or association between the parties hereto or any of them.

SECTION 38. OIL IN LEASE TANKAGE ON EFFECTIVE DATE: Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order to ascertain the amount of merchantable oil in such tanks, above the pipe line connections, as of 7:00 A.M. on the effective date hereof. All such oil as is a part of the prior allowable of the well or wells from which the same was produced shall be and remain the property of the Working Interest Owners entitled thereto the same as if the Unit had not been formed, and such Working Interest Owners shall promptly remove said oil from the Unit Area. Any such oil not so removed may be sold by the Unit Operator for the account of such Working Interest Owners, subject to the payment of all Royalty to Royalty Owners under the terms and provisions of the applicable lease or leases and other contracts. All such oil and gas as is in excess of the prior allowable of the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof.

If, as of the effective date hereof, any tract is overproduced with respect to the allowable of the well or wells on that tract and the amount of such overproduction has been sold or otherwise disposed of, such overproduction shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof and the amount thereof charged to such tract as having been delivered to the persons entitled to Unitized Substances allocated to such tract.

SECTION 39. PERSONAL PROPERTY EXCEPTED: All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands subject to this Agreement shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners (subject to the provisions of Section 12). The rights and interests therein as among Working Interest Owners are covered by the Unit Operating Agreement.

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

TEXACO Inc.

Date: _____

By _____
Attorney-in-Fact

UNIT OPERATOR AND WORKING INTEREST OWNER.

ATTEST:

Secretary

Date: _____

By _____
President

ATTEST:

Secretary

Date: _____

By _____
President

WORKING INTEREST OWNERS

[illegible]

FEDERAL LEASES

B-10142
E-1274
B-9948
E-1765-2
B-10275
E-2062
E-3273
E-3499
E-473-1
E-6927-1
E-7049-2
E-3626
B-9946

LC-068747
LC-069224

N.E.CAPROCK QUEEN UNIT AREA

LEA CO., NEW MEXICO

① TRACT NO.

SCALE 1=2000

EXHIBIT "B"

Page 1

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	SERIAL NO. & DATE OF LSE.	BASIC ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND AMOUNT	WORKING INTEREST OWNER AND AMOUNT	PER CENT PARTICIPATION OF TRACT IN UNIT		
								PHASE I	PHASE II	
FEDERAL LANDS										
1	T-12-S, R-32-E Sec. 21: N/2 NE/4	80.00	LC-069224 5-1-51	USA 12½%	John H. Trigg	None	John H. Trigg	100%	0.78431	0.93916
2	T-12-S, R-32-E Sec. 22: N/2 NW/4	80.00	LC-068747 3-1-49	USA 12½%	Sinclair Oil & Gas Company	None	Sinclair Oil & Gas Company	100%	1.76471	4.87025
STATE LANDS										
3	T-12-S, R-32-E Sec. 17: SE/4 SE/4	40.00	B-10142 3-10-43	State 12½%	Great Western Drilling Co.	None	Great Western Drilling Co.	100%	0.00000	1.13430
4	T-12-S, R-32-E Sec. 20: SW/4 NE/4	40.00	E-1274 4-10-47	State 12½%	Ralph Nix	Ralph Nix 10%	M. A. Machris	100%	0.39216	2.91450
5	T-12-S, R-32-E Sec. 23: E/2 NW/4	80.00	B-9948 12-10-42	State 12½%	Skelly Oil Company	None	Skelly Oil Company	100%	11.76471	5.68662
6	T-12-S, R-32-E Sec. 16: NE/4 SE/4	40.00	E-1765-2 3-10-48	State 12½%	Union Oil Company of California	None	Union Oil Co. of California	100%	5.88235	3.04713
7	T-12-S, R-32-E Sec. 16: SW/4 SW/4	40.00	B-10275 5-10-43	State 12½%	Texas Pacific Coal and Oil Company	None	Texas Pacific Coal & Oil Company	100%	12.15686	7.37873
8	T-12-S, R-32-E Sec. 16: SE/4 SE/4 Sec. 21: NE/4 NW/4	80.00	E-2062 8-10-48	State 12½%	Amerada Petroleum Corporation	None	Amerada Petro- leum Corporation	100%	0.98039	5.91059
9	T-12-S, R-32-E Sec. 21: NW/4 NW/4	40.00	E-3273 2-10-50	State 12½%	Amerada Petroleum Corporation	None	Amerada Petro- leum Corporation	100%	3.43137	4.32834
10	T-12-S, R-32-E Sec. 23: SW/4 NW/4	40.00	E-3499 5-10-50	State 12½%	Amerada Petroleum Corporation	None	Amerada Petro- leum Corporation	100%	14.31373	4.11702

EXHIBIT "B"

Page 2

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	SERIAL NO. & DATE OF LSE.	BASIC ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND AMOUNT	WORKING INTEREST OWNER AND AMOUNT	PER CENT PARTICIPATION OF TRACT IN UNIT	
								PHASE I	PHASE II
STATE LANDS (CONT'D)									
11	T-12-S, R-32-E Sec. 23: NW/4 NW/4	40.00	E-473-1 8-10-45	State 12 $\frac{1}{2}$ %	Socony Mobil Oil Company, Inc.	None	Socony Mobil Oil Company Inc. 100%	4.70588	5.65473
12	T-12-S, R-32-E Sec. 16: N/2 SW/4, W/2 SE/4	160.00	E-6927-1 2-10-53	State 12 $\frac{1}{2}$ %	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company	None	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company 50%	0.09804	7.72521
13	T-12-S, R-32-E Sec. 20: NE/4 NE/4 Sec. 21: S/2 NW/4	120.00	E-7049-2 4-10-53	State 12 $\frac{1}{2}$ %	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company	None	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company 50%	0.09804	7.95342
14	T-12-S, R-32-E Sec. 16: SE/4 SW/4	40.00	E-3626 6-10-50	State 12 $\frac{1}{2}$ %	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company	H.L. Brown 3.125% W.R. Wheeler Estate 3.125%	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company 50%	2.25490	5.33264
15	T-12-S, R-32-E Sec. 20: NW/4 NE/4, SE/4 NE/4 Sec. 22: N/2 NE/4, SE/4 NE/4	200.00	B-9946 12-10-42	State 12 $\frac{1}{2}$ %	TEXACO Inc.	None	TEXACO Inc. 100%	14.11765	12.97662

EXHIBIT "B"SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	DATE OF LEASE EXPIRATION	BASIC ROYALTY	LESSOR OF RECORD	OVERRIDING ROYALTY OWNER AND AMOUNT	WORKING INTEREST OWNER AND AMOUNT	PER CENT PARTICIPATION OF TRACT IN UNIT	
								PHASE I	PHASE II
FEE LANDS									
16	T-12-S, R-32-E Sec. 15: S/2 SE/4	80.00	1-8-55	12 1/2%	Ella N. Speed 1/3 Joe E. Speed 1/6 Bert L. Speed 1/12 Robert E. Speed 1/12 Winnie Weverka 1/6 Lois Weverka 1/12 Bedford 1/12 Connie Mae Weverka 1/12 Bedford 1/12	Socony Mobil Oil Co., Inc. 1/32 Great Western Drilling Co. 100%		20.58823	10.94933
17	T-12-S, R-32-E Sec. 15: NW/4 SW/4	40.00	9-21-56	12 1/2%	Ella N. Speed 1/3 Joe E. Speed 1/6 Bert L. Speed 1/12 Robert E. Speed 1/12 Speed 1/12 Winnie Weverka 1/6 Lois Weverka 1/12 Bedford 1/12 Connie Mae Weverka 1/12 Bedford 1/12	Amerada Petro-leum Corp. 7/128 Great Western Drilling Co. 100%		1.07843	1.18138
18	T-12-S, R-32-E Sec. 14: S/2 SW/4	80.00	6-30-54	12 1/2%	Amerada Petro-leum Corp. 1/2 Will C. and Zella M. Speed 1/2	None	The Superior Oil Company 100%	5.49020	7.82649
19	T-12-S, R-32-E Sec. 21: NW/4 SW/4	40.00	8-14-59	12 1/2%	Elgen Douthitt 19/36 Stokes Royalty Company 22/320 Nan T. Standefer 19/320 Bill Guinn 19/960 Jimmie Jean Edwards 19/960	None	TEXACO Inc. 100%		

30506

EXHIBIT "B"

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	DATE OF LEASE EXPIRATION	BASIC ROYALTY	LESSOR OF RECORD	OVERRIDING ROYALTY OWNER AND AMOUNT	WORKING INTEREST OWNER AND AMOUNT	PER CENT PARTICIPATION OF TRACT IN UNIT	
								PHASE I	PHASE II
19 (Cont'd)					Robert Neil Guinn 19/960				
					S. W. Lodewick 11/64				
					Velpo Douthitt 1/576				
					Sarah K. Ellis 1/36				
					Lena Moore 1/36				
					Josie Hennessey 1/36			0.09804	0.07354
					Lizzie Connor 1/36				

RECAPITULATION

	PER CENT PARTICIPATION IN UNIT	
<u>WORKING INTEREST OWNER</u>	<u>PHASE I</u>	<u>PHASE II</u>
Amerada Petroleum Corporation	18.72549	14.35595
Great Western Drilling Company	21.66666	13.26501
M. A. Machris	0.39216	2.91450
Sinclair Oil & Gas Company	1.76471	4.87025
Skelly Oil Company	11.76471	5.68662
Socony Mobil Oil Company, Inc.	4.70588	5.65473
Sunray Mid-Continent Oil Company	1.22549	10.50564
The Superior Oil Company	5.49020	7.82649
TEXACO Inc.	15.44118	23.55579
Texas Pacific Coal and Oil Company	12.15686	7.37873
John H. Trigg	0.78431	0.93916
Union Oil Company of California	5.88235	3.04713
	<hr/>	<hr/>
	100.00000	100.00000

2421

TEXACO
INC.

PETROLEUM PRODUCTS

DOMESTIC PRODUCING DEPARTMENT



P. O. BOX 3109
MIDLAND, TEXAS

May 28, 1962

New Mexico Oil Conservation Commission
P. O. Box 871
Santa Fe, New Mexico

Attn: Mr. A. L. Porter, Jr.

Gentlemen:

In compliance with Order No. R-2133 dated December 13, 1961, Texaco Inc. as the operator of the Northeast Caprock (Queen) Unit is hereby submitting an executed original copy of the unit agreement for the development and operation of the Northeast Caprock (Queen) Unit Area, Lea County, New Mexico.

The Northeast Caprock (Queen) Unit will become effective at 12:01 a. m., June 1, 1962, and as of that date Texaco Inc. will assume operation of the Unit. If additional information is desired concerning this matter, please do not hesitate to advise.

Yours very truly,

A handwritten signature in cursive script that reads "C. R. Black".

C. R. Black
Assistant Division
Proration Engineer

CRB-MM

RECEIVED

APR 11 1962

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO



CERTIFICATION - DETERMINATION

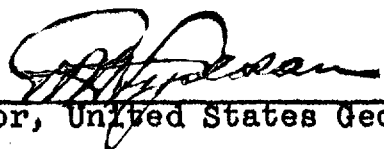
Pursuant to the authority vested in the Secretary of the Interior as to Federal lands, under the act approved February 25, 1920, 41 Stat. 437, as amended, 30 U.S.C. Secs. 181, et seq., and delegated to the Director of the Geological Survey pursuant to Departmental Order No. 2365 of October 8, 1947, I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

A. Approve the attached agreement for the development and operation of the Northeast Caprock Queen Unit Area, Lea County, 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.

Acting


Director, United States Geological Survey

Dated MAY 14 1962

14-08-0001 8164

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Tract Committed: 3

ATTEST:

GREAT WESTERN DRILLING COMPANY

Assistant Secretary

By:

Vice-President

STATE OF

COUNTY OF

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____.

My Commission Expires:

Notary Public in and for _____ County, _____.

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 13th day of April, 1962, by M. B. Wilson, Vice-President of Great Western Drilling Company on behalf of said corporation.

My Commission Expires:

Notary Public in and for Midland County, Texas.

6-1-63

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APR 20 1962

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

ILLEGIBLE

RECEIVED

APR 11 1962

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
AND UNIT OPERATING AGREEMENT

U. S. GEOLOGICAL SURVEY
ROSWELL, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement and Unit Operating Agreement for the development and operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreements are dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said Unit Area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and Unit Operating Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement and Unit Operating Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

APPROVED:

TEXACO Inc.

Terms AAA

Form WMS

By B. D. Francis
Attorney-in-Fact

STATE OF TEXAS

COUNTY OF MIDLAND

9th The foregoing instrument was acknowledged before me this 9th day of April, 1962, by B. D. Francis Attorney-in-Fact of TEXACO Inc., a Delaware corporation, on behalf of said corporation.

Dorothy Langas
Notary Public in and for Midland
County, Texas. DOROTHY LANGAS

My Commission Expires:

June 1, 1963

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
NORTHEAST CAPROCK QUEEN UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

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NORTHEAST CAPROCK QUEEN UNIT
LEA COUNTY, NEW MEXICO

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Exhibit "A" (Map of Unit Area)

Exhibit "B" (Schedule of Ownership)

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
NORTHEAST CAPROCK QUEEN UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the 1st day of January, 1962, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto".

WITNESSETH: That,

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943 as amended by Sec. 1 of Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 39, N.M.S. 1953 anno) to consent to or approve this Agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws of 1943, as amended by Sec. 1, Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 41, N.M.S. 1953 anno) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such unitized development and operation of State lands; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949) to approve this Agreement, and the conservation provisions hereof; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, (41 Stat. 437, as amended, 30 U.S.C. Sections 181 et seq.) authorizes Federal lessees and their representatives to unite with each other or jointly or separately with others in collectively adopting and operating a co-operative or unit plan of development or operation of any oil or gas

pool, field or like area or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the parties hereto hold sufficient interests in the Northeast Caprock Queen Unit covering the land hereinafter described to give reasonably effective control of operation therein; and

WHEREAS, it is the purpose of the parties hereto, to enable institution and consummation of secondary recovery operations, conserve natural resources, prevent waste and secure the other benefits obtainable through development and operation of the area subject to this Agreement under the terms, conditions and limitations herein set forth.

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this Agreement their entire respective interests in the below defined Unit Area, and agree severally among themselves as follows:

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

SECTION 2. DEFINITIONS: For the purpose of this Agreement, the following terms and expressions as used herein shall mean:

(a) "Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.

(b) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(c) "Director" is defined as the Director of the United States Geological Survey.

(d) "Secretary" is defined as the Secretary of the Interior of the United States of America.

(e) "Department" is defined as the Department of the Interior of the United States of America.

(f) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey.

(g) "Queen Formation" is defined and shall mean that heretofore established underground reservoir, the top of which is found at 2,986 feet, and the base of which is found at 3,323 feet, on the Gamma Ray log of TEXACO Inc.'s State of New Mexico "BA" (NCT-8) Lease, Well No. 1 located in the NE/4 NE/4 of Section 22, T-12-S, R-32-E, insofar as the same lies within the Unit Area.

(h) "Unitized Formation" is defined as the portion of the Queen Formation effectively committed to this Agreement.

(i) "Unitized Substances" is defined as and shall mean all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquids or liquefiable hydrocarbons within or produced from the Unitized Formation.

(j) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise held.

(k) "Working Interest Owner" is defined as and shall mean any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and producing the Unitized Substance from the Unitized Formation and operating thereof hereunder.

(l) "Royalty Interest" or "Royalty" is defined as an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved by the lessor by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

(m) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.

(n) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 8, *infra*, and shall be styled "Unit Operating Agreement, Northeast Caprock Queen Unit, Lea County, New Mexico."

(o) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the unitized lands.

(p) "Phase I" is defined as that period of time until the total amount of Unit Area Remaining Primary Reserves is produced. For all purposes of this Agreement the date of termination of Phase I shall be the last day of the month in which such amount of oil is produced.

(q) "Phase II" is defined as the remainder of the term of this Agreement after the termination of Phase I.

(r) "Tract Remaining Primary Reserves" is defined as the estimated number of barrels of oil heretofore approved by the Working Interest Owners as remaining oil reserves from such tract on January 1, 1961.

(s) "Unit Area Remaining Primary Reserves" is defined as the estimated number of barrels of oil heretofore approved by the Working Interest Owners as remaining oil reserves from the unitized formation on January 1, 1961.

(t) "Tract Ultimate Primary Recovery" is defined as total cumulative amount of oil produced from such Tract to January 1, 1961, as reported to the State Oil Conservation Commission, plus the "Tract Remaining Primary Reserves".

(u) "Unit Area Ultimate Primary Recovery" is defined as total cumulative amount of oil produced from the unitized formation to January 1, 1961, as reported to the State Oil Conservation Commission, plus the "Unit Area Remaining Primary Reserves".

SECTION 3. UNIT AREA: The following described land is hereby designated and recognized as constituting the Unit Area:

Township 12 South, Range 32 East, New Mexico Principal Meridian

Section 14: S/2 SW/4
Section 15: S/2 SE/4, NW/4 SW/4
Section 16: S/2
Section 17: SE/4 SE/4
Section 20: NE/4
Section 21: NW/4, N/2 NE/4, NW/4 SW/4
Section 22: N/2 N/2, SE/4 NE/4
Section 23: NW/4

containing 1,360.00 acres, more or less, in Lea County, New Mexico.

Exhibit "A" attached hereto is a map showing, to the extent known to the Unit Operator, the Unit Area and the boundaries and identity of tracts and leases in said Unit Area. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each tract, percentage ownership of each Working Interest Owner in each tract, and the percentage of participation each tract has in the Unit Area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such party. Exhibits

"A" and "B" shall be revised by the Unit Operator whenever changes render such revision necessary, and at least two copies of such revision shall be filed with the Commissioner, and not less than six copies thereof shall be filed with the Supervisor.

The above described Unit Area may when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this Agreement to conform with the purposes of this Agreement. Such expansion shall be effected in the following manner:

(a) The Working Interest Owner or owners of a tract or tracts desiring to bring such tract or tracts into this Unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the unit participation to be assigned to such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if 90 percent of the Working Interest Owners (on the basis of unit participation during Phase II) have agreed to such tract or tracts being brought into the Unit, then Unit Operator shall:

(1) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the unit participation to be assigned thereto and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice; and

(2) Deliver copies of said notice to the Commissioner, the Director, each Working Interest Owner (mailing copy of such notice to the last known address of each such Working Interest Owner) and to the lessee and lessor whose interests are proposed to be committed, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above and provided that objections of not more than 10 percent of the Working Interest Owners have been filed thereto, with the Commissioner, Director and the Commission the following: (a) Comprehensive statement as to mailing such notice of expansion; (b) An application for such expansion; and (c) An instrument containing the appropriate joinders in compliance with the participation requirements of Section 12, infra.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner, the Director and the Commission, become effective as of the date prescribed in the notice thereof

or on such other date as set by the Commissioner, the Director and the Commission in the order or instrument approving such expansion.

SECTION 4. UNITIZED LAND AND UNITIZED SUBSTANCES: All land committed to this agreement, as to the Queen sand as defined under Unitized Formation, shall constitute land referred to herein as "unitized land" or "land subject to this agreement". All oil and gas in or produced from said Unitized Formation of the "unitized land" are unitized under the terms of this agreement and herein are called "unitized substances". Surface rights of ingress and egress shall be maintained for the benefit of the unit.

Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation.

SECTION 5. UNIT OPERATOR: TEXACO Inc., a Delaware corporation, is hereby designated as Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

SECTION 6. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, the Commissioner and the Director, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by 75 percent of the committed Working Interest Owners (on the basis of Unit participation during Phase II) exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner and the Director.

In all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for performance of the duties of Unit Operator.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the

resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books, and records, materials, appurtenances and any other assets, used in conducting the Unit operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Unit Area) to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting Unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

SECTION 7. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall by affirmative vote of at least 65 percent of their voting interest, based upon the percentages of participation during Phase II as shown on Exhibit "B", select a successor Unit Operator, provided, however, that should any Working Interest Owner own a voting interest of more than 35 percent, the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by 80 percent or more of the voting interests of the remaining Working Interest Owners, and provided further that the Unit Operator shall not vote to succeed himself. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner and the Director. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner and the Director, at their election, may declare this Agreement terminated.

SECTION 8. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT: Costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement.

Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Unit Agreement, and in case of any inconsistency or conflict between the Unit Agreement and the Unit Operating Agreement, this Unit Agreement shall prevail. Two true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Commissioner and three true copies thereof shall be filed with the Supervisor, prior to approval of this Agreement.

SECTION 9. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this Agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified,

SECTION 10. PLAN OF OPERATIONS: It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this Agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve

natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor, the Commission, and the Commissioner, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, and any other substance or a combination of any of said substances, whether produced from the Unit Area or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. After commencement of secondary operations, Unit Operator shall furnish the Commission, the Commissioner, and the Supervisor monthly, injection and production reports for each well in the Unit. The Working Interest Owners, the Supervisor, the Commission, and the Commissioner, shall be furnished periodical reports on the progress of the plan of operation and any revisions or changes thereto; provided however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Supervisor, the Commission, and the Commissioner.

The initial plan of operation shall be filed with the Supervisor, the Commission, and the Commissioner concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor, the Commission, and the Commissioner may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation.

Notwithstanding anything to the contrary herein contained, the Unit Operator shall commence secondary recovery operations on the Unit Area within six (6) months after the effective date of this Agreement, or any extension thereof approved by the Commission, the Commissioner and the Director, or this Agreement shall terminate automatically, in which latter event Unit Operator shall notify all interested parties. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

SECTION 11. TRACT PARTICIPATION: In Exhibit "B" attached hereto, there are listed and numbered the various tracts within the Unit Area and set forth opposite each tract is a figure which represents the percentage of participation allocated to each tract in the Unit Area during Phase I, and a figure which represents the percentage of participation allocated to each tract in the Unit Area during Phase II. The formulas used for the calculation of such percentages of participation are as follows:

- (a)
$$\frac{\text{Percentage Participation of Each Tract During Phase I}}{100} = \frac{\text{Tract Remaining Primary Reserves}}{\text{Unit Area Remaining Primary Reserves}}$$
- (b)
$$\frac{\text{Percentage Participation of Each Tract During Phase II}}{100} = \frac{\text{Tract Ultimate Primary Recovery}}{\text{Unit Area Ultimate Primary Recovery}}$$

The percentages of participation set forth opposite each tract in Exhibit "B" were calculated on the basis of 100 percent tract commitment. If the Unit Agreement is approved with less than 100 percent tract commitment, said percentages of participation shall be revised to fit the commitment status as of the effective date hereof, and thereafter, as needed pursuant to Section 13 (Allocation of Unitized Substances).

SECTION 12. TRACTS QUALIFIED FOR UNIT PARTICIPATION: On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participation (as provided in Section 11 hereof) in the production of Unitized Substances therefrom shall be those tracts within the Unit Area and more particularly described in said Exhibit "B" that are qualified as follows:

(a) Each and all of those tracts as to which Working Interest Owners owning 100% of the Working Interest in said tract and Royalty Owners owning 100% of the Royalty Interest in said tract have subscribed, ratified or consented to this Agreement; and

(b) Each and all of those tracts as to which Working Interest Owners owning not less than 95% of the Working Interest therein and Royalty Owners owning not less than 75% of the Royalty Interest therein have executed this Agreement, and in which the Working Interest Owners in said tract who have executed this Agreement have agreed to indemnify and hold harmless all other parties hereto, in a manner satisfactory to 85% of the Working Interest Owners qualified under (a), against any and all claims and demands that may be made by the nonjoining Working Interest Owners or Royalty Owners, or both, on account of the commitment and joinder of such tract to the Unit Agreement, and operation thereof under such conditions on the basis herein provided, and as to which 85% of the Working Interest Owners qualified under (a), exclusive of the Working Interest Owner submitting such tract, have approved the commitment of such tract to this Unit Agreement.

If, on the effective date of this Agreement, there is any tract or tracts which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such tract or tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement for final approval by the Commissioner and the Director, file therewith a schedule of those tracts which have been committed and made subject to this Agreement and are entitled to participate in the production from the Unit Area hereunder. Said schedule shall set forth opposite each such committed tract the lease number and assignment number, the owner of record of the lease, and the percentages of participation of such tract which shall be computed according to the participation formula set out in Section 11 (Tract Participation) above. This schedule of participation shall be a part of Exhibit "B" and upon approval thereof by the Commissioner and the Director shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is filed and approved by the Commissioner and the Director.

SECTION 13. ALLOCATION OF UNITIZED SUBSTANCES: All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the Unit Area in accordance with the respective tract participation then effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedules of participation in Exhibit "B". The amount of Unitized Substances so allocated to each tract, and only that amount, (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract) shall, for all intents, uses and purposes, be deemed to have been produced from such tract.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for to the parties executing, consenting to or

ratifying this Agreement entitled to share in the production from such tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

No tract committed to this Agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances, and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tract.

If the Working Interest and the Royalty Interest in any tract are divided with respect to separate parcels or portions of such tract and owned severally by different persons, the percentage participation assigned to such tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 14 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the Unit

Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all Royalty on the lease or leases and tracts contributed by it and received into the Unit, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such Royalty on the lease or leases and tracts contributed by it and received into the unitized land.

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 3 (Unit Area) hereof, or any tract or tracts within the Unit Area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 29 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 28 (Loss of Title), the schedules of participation as shown in Exhibit "B", subject to Section 11 (Tract Participation) or Section 29 (Nonjoinder and Subsequent Joinder), whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Commissioner, and the Director to show the new percentages of participation of all the then effectively committed tracts; and the revised schedules, upon approval by the Commissioner and the Director, shall govern all the allocation of production from and after the effective date thereof until a new schedule is filed and approved by the Commissioner and the Director.

SECTION 14. ROYALTY SETTLEMENT: The State of New Mexico and the United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances pro-

duced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands not subject to this Agreement is introduced into the Unitized Formation, for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan approved pursuant to Section 10 (Plan of Operations), a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the Unitized Formation, Royalty free as to dry gas but not as to the products extracted therefrom; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and the Commissioner; and provided further that such right of withdrawal shall terminate as of the effective date of termination of the Unit Agreement.

All Royalty due the State of New Mexico and the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective tract or tracts committed hereto, in lieu of actual production from such tract or tracts.

Each Royalty Owner (other than the State of New Mexico and the United States of America) that executes this Agreement represents and

warrants that it is the owner of a Royalty Interest in a tract or tracts within the Unit Area as its interest appears in Exhibit "B" attached hereto. If any Royalty Interest in a tract or tracts should be lost by title failure or otherwise in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties shall be adjusted accordingly.

SECTION 15. RENTAL SETTLEMENT: Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof, due under their leases. Rental for lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental or minimum royalty for lands of the United States of America subject to this Agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 16. CONSERVATION: Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal and State laws and regulations.

SECTION 17. DRAINAGE: The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from unitized land by wells on land not subject to this Agreement.

SECTION 18. LEASES AND CONTRACTS CONFORMED AND EXTENDED: The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for

oil or gas on lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary and the Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

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

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

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

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil and gas which by its terms might expire prior to the termination of this Agreement, is hereby extended beyond any such term so provided therein, so that it shall be continued in full force and effect for so long as such land remains committed hereto.

(e) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to that portion committed and that not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Provided, however, that notwithstanding any of the provisions of this Agreement to the contrary, such lease shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil or gas is, or has heretofore been, discovered in paying quantities on some part of the lands embraces in such lease committed to this Agreement or, so long as a portion of the Unitized Substances produced from the Unit Area is, under the terms of this Agreement, allocated to the portion of the lands covered by such lease committed to this Agreement, or, at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or secondary recovery operations on any part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

(f) The segregation of any Federal lease committed to this Agreement is governed by the following provisions in the fourth paragraph of Sec. 17 (j) of said Act of February 25, 1920, as amended by the Act of September 2, 1960 (74 Stat. 781-784): "Any (Federal) lease hereafter committed to any such plan (unit) embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization; provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

SECTION 19. MATHEMATICAL ERRORS: It is hereby agreed by all parties, to this Agreement that Unit Operator is empowered to correct any mathematical errors which might exist in the pertinent exhibits to this Agreement upon approval of the Commissioner, the Supervisor, and the Working Interest Owners.

SECTION 20. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this Agreement terminates, and any grant, transfer or conveyance of

interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

SECTION 21. EFFECTIVE DATE AND TERM: This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 o'clock a.m. of the first day of the month next following:

(a) The execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners owning a combined unit participation during Phase I of at least 95 percent, and the execution or ratification of this Agreement by Royalty Owners owning a combined interest of at least 75 percent of the Royalty Interest, in said Unit Area; and

(b) The approval of this Agreement by the Commissioner, the Secretary or his duly authorized representative, and the Commission.

If (a) and (b) above are not accomplished on or before January 1, 1963, this Agreement shall ipso facto terminate on said date (hereinafter called "termination date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined unit participation during Phase I of at least ninety (90%) percent, and the Working Interest Owners owning a combined unit participation during Phase I of at least ninety (90%) percent committed to this Agreement have decided to extend said termination date for a period not to exceed six (6) months (hereinafter called "extended termination date"). If said termination date is so extended and (a) and (b) are not accomplished on or before said extended termination date, this Agreement shall ipso facto terminate on said extended termination date and thereafter be of no further force or effect. For the purpose of this Section, ownership shall be computed on the basis of unit participation as determined from Exhibit "C" attached to the Unit Operating Agreement.

Unit Operator shall, within thirty (30) days after the effective date of this Agreement, file for record a certificate to the effect that this Agreement has become effective according to its terms and stating further the effective date and the location of the governmental agency offices where copies of this Agreement are filed.

The term of this Agreement shall be for and during the time that Unitized Substances are produced in paying quantities from the Unit Area and as long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner hereinafter provided.

This Agreement may be terminated with the approval of the Commissioner and the Director by Working Interest Owners owning ninety (90%) percent unit participation during Phase II whenever such Working Interest Owners determine that Unit operations are no longer profitable, feasible or in the interest of conservation. Notice of any such termination shall be given by Unit Operator to all parties hereto.

Upon termination of this Agreement, the further development and operation of the Unit Area as a Unit shall be abandoned, Unit operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts.

If not otherwise covered by the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit operations.

Section 22. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION: All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director and the Commissioner are hereby vested with authority to alter or modify from time to time, at their discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this Agreement, such authority being hereby limited to alteration or modification in the

public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification.

Powers in this Section vested in the Director and the Commissioner shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen days from notice.

SECTION 23. NONDISCRIMINATION: In the performance of work under this agreement the operator agrees to comply with the nondiscrimination provisions of Executive Order 10925 (26 F.R. 1977).

SECTION 24. APPEARANCES: Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby before the Commissioner, the Department, and the Commission, and to appeal from any order issued under the rules and regulations of the Commissioner, the Department, or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Commissioner, the Department, or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 25. NOTICES: All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified mail, addressed to

such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereto or to such other address as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 26. NO WAIVER OF CERTAIN RIGHTS: Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or rules or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

SECTION 27. UNAVOIDABLE DELAY: All obligations under this Agreement requiring the Unit Operator to commence or continue secondary recovery operations or to operate on or produce Unitized Substances from any of the lands covered by this Agreement shall be suspended while, but only so long as the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 28. LOSS OF TITLE: In the event title to any tract of unitized land shall fail so as to render the tract inoperable under this Agreement and the true owner cannot be induced to join this Unit Agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any Royalty, Working Interest or other interest

subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld, but such funds shall be deposited as directed by the Commissioner or the Supervisor (as the case may be), to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

SECTION 29. NONJOINDER AND SUBSEQUENT JOINDER: If the owner of any substantial interest in a tract within the Unit Area fails or refuses to subscribe, ratify, or consent in writing to this Agreement, the Working Interest Owner in that tract who has executed or ratified this Agreement may withdraw said tract from this Agreement by written notice to the Director, the Commissioner, and Unit Operator prior to the effective date of this Agreement. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Unit Agreement.

Any oil or gas interest in the lands in the Unit Area not committed hereto prior to submission of this Agreement to the Commissioner and the Director for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 12 (Tracts Qualified for Unit Participation) hereof, at any time up to the effective date hereof and for a period to and including six (6) months thereafter, on the same basis of participation as provided in said Section 12 by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after six (6) months from the effective date hereof the right of subsequent joinder as provided in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by ninety (90%) percent of the Working Interest Owners (based upon the percentages of participation during Phase II). Such joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement. Such joinder by a proposed Royalty Owner must be evidenced by his execution, ratification or consent of this Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinder to this Agreement shall be effective at 7:00 a.m. as of the first day of the month following the filing with the Commissioner and the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any tract or interest to this Agreement, unless objection to such joinder by the Commissioner or the Director is duly made within sixty (60) days after such filing.

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

SECTION 31. TAXES: Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby

expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the United States or to the State of New Mexico, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 32. CONFLICT OF SUPERVISION: Neither the Unit Operator nor the Working Interest Owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto and the Commission agree that all powers and authority vested in the Commission in and by any provisions of this Agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

SECTION 33. LIMITATION OF APPROVALS: Notwithstanding anything herein contained to the contrary, if no Federal lands are committed to this Agreement, then no consents or approvals provided herein shall be required of the Department, the Secretary, the Director, or the Supervisor, and it shall not be necessary to file any instrument hereunder with said officers or agencies unless and until Federal lands are so committed to this Agreement; likewise, if no State lands are committed to this Agreement, then no consents or approvals provided herein shall be

required of the Commissioner, and it shall not be necessary to file any instrument hereunder with said officer unless and until State lands are so committed to this Agreement.

SECTION 34. BORDER AGREEMENTS: Subject to the approval of the Director and the Commissioner, the Unit Operator, with concurrence of sixty-five (65) percent of the Working Interest Owners, based upon the percentages of participation during Phase II, may enter into a border protection agreement or agreements with the Working Interest Owners of adjacent lands along the boundaries of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

SECTION 35. NO PARTNERSHIP: It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, or any operations conducted hereunder, shall create or be deemed to create a partnership or association between the parties hereto or any of them.

SECTION 36. OIL IN LEASE TANKAGE ON EFFECTIVE DATE: Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order to ascertain the amount of merchantable oil in such tanks, above the pipe line connections, as of 7:00 A.M. on the effective date hereof. All such oil as is a part of the prior allowable of the well or wells from which the same was produced shall be and remain the property of the Working Interest Owners entitled thereto the same as if the Unit had not been formed, and such Working Interest Owners shall promptly remove said oil from the Unit Area. Any such oil not so removed may be sold by the Unit Operator for the account of such Working Interest Owners, subject to the payment of all Royalty to Royalty Owners under the terms and provisions of the applicable lease or leases and other contracts. All such oil and gas as is in excess of the prior allowable of the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof.

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

TEXACO Inc.

Date: Jan. 31, 1962

By B. L. Francis
Attorney-in-Fact

APPROVED AS TO
Terms ASH
Form 08

Address: P. O. Box 3109
Midland, Texas

UNIT OPERATOR AND WORKING INTEREST
OWNER.

ATTEST:

Secretary

Date: _____

Maurice A. Machanic

By _____

Address:

ATTEST:

~~Asst.~~ Secretary

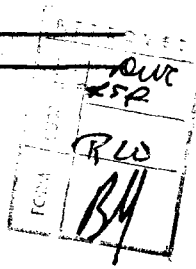
Date: **February 4, 1962**

SINCLAIR OIL & GAS COMPANY

By Attest
Vice-President

Address: P. O. Box 1470
Midland, Texas

WORKING INTEREST OWNERS



NORTHEAST CAPROCK QUEEN
UNIT AGREEMENT

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date: January 26, 1962

SOCONY MOBIL OIL COMPANY, INC.

By E. K. Murphy
Attorney-In-Fact

Address: P. O. Box 633
Midland, Texas

APPROVED	
Acctg.	W.H.S.
Gas	
Land	
Legal	W.H.S.
P. E.	W.H.S.
Title R.	W.H.S.
Prod.	

ATTEST:

J. Cleaman
Secretary

Date: 2-7-62

Texas Pacific Coal and Oil Company

By R. W. Lewis

Address: Executive Vice President

APPROVED
AS TO FORM
W.H.S.
AS TO CONTENT
W.H.S.

ATTEST:

J. K. Humphreys
Assistant Secretary

Date: February 20, 1962

AMERADA PETROLEUM CORPORATION

By J. K. Humphreys
Vice President

Address: P.O. Box 2040
Julia 2, Oklahoma

ATTEST:

Mervin Penlow
Assistant Secretary

Date: FEB 26 1962

SUNRAY MID-CONTINENT OIL COMPANY

By R. E. Foss
R. E. Foss - Vice President

Address: P.O. Box 2039
Julia 2, Okla

W.R.S.
W.H.S.
W.H.S.
RBH/NW

ATTEST:

B. Kendall Sherrill
Assistant Secretary

Date: MAR 12 1962

SKELLY OIL COMPANY

By L. L. Blacksher
Vice President

Address: Box 1650
Julia, Oklahoma

App'd as
to form
W.H.S.
3/12/62
W.H.S.

ATTEST:

Secretary

Date: _____

By _____

Address: _____

NORTHEAST CAPROCK QUEEN
UNIT AGREEMENT

WORKING INTEREST OWNERS

ATTEST:

Secretary

Date: _____

By _____

Address: _____

ATTEST:

Secretary

Date: _____

By John L. Trigg

Address: P. O. Box 120
Samuel J. Ray Station

~~ATTEST:~~

Secretary

Date: March 6, 1962

UNION OIL COMPANY OF CALIFORNIA

By O. F. Borden

Address: Attorney in Fact
619 W. TEXAS
MIDLAND, TEXAS

RJK
PEK
JSE

~~ATTEST:~~

~~Secretary~~

Date: March 19, 1962

The Superior Oil Company

By Richard
Vice-President

Address: P. O. Box 1521
Houston 1, Texas

And E. J. Cien
Asst. Secretary

ATTEST:

Secretary

Date: _____

By _____

Address: _____

ATTEST:

Secretary

Date: _____

By _____

Address: _____

STATE OF CALIFORNIA

COUNTY OF LOS ANGELES

The foregoing instrument was acknowledged before me this
7th day of February, 1962, by
Maurice A. Machris

My Commission Expires:

My Commission Expires August 20, 1964

Helen T. Edwards
Notary Public in and for

Helen T. Edwards, Notary Public in and for
Los Angeles County, California

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this
____ day of _____, 19____, by _____

My Commission Expires:

Notary Public in and for
County, _____

STATE OF Texas

COUNTY OF Midland

The foregoing instrument was acknowledged before me this
2nd day of January, 1962, by
B. L. FRANCIS, Attorney-in-Fact of
TEXACO, Inc., a Delaware
Corporation, on behalf of said Corporation.

DOROTHY LANGAS

My Commission Expires:

June 1, 1936

Dorothy Langas
Notary Public in and for
Midland County, Texas

STATE OF TEXAS

COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this
9th day of February, 1962, by
A. L. HARTON, Vice-President of
Simmons Oil & Gas Company, a Texas
Corporation, on behalf of said Corporation.

My Commission Expires:

June 1, 1963

Ellen Halford
Notary Public in and for
Midland County, Texas

Ellen Halford

STATE OF OKLAHOMA
COUNTY OF TELLA

The foregoing instrument was acknowledged before me this 25th day of February, 1962, by John P. Sumner, Vice President of Sumner Petroleum Corporation, a Delaware corporation, on behalf of said corporation.

My Commission Expires:
October 25, 1964

[Signature]
Notary Public in and for
TELLA County, OKLAHOMA

STATE OF OKLAHOMA
COUNTY OF TELLA

The foregoing instrument was acknowledged before me this 25th day of February, 1962, by A. E. Pace, Vice President of Sumner Petroleum Corporation, a Delaware corporation, on behalf of said corporation.

My Commission Expires:
October 21, 1964

Donna Jean Meyer
Notary Public in and for
TELLA County, OKLAHOMA

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 26th day of January, 1962, by W. G. Moriarty, Attorney-In-Fact of SOCONY MOBIL OIL COMPANY, INC., a New York Corporation, on behalf of said Corporation.

My Commission Expires:
June 1, 1963

My commission expires
June 1, 1963

Carole Turner
Notary Public in and for
Midland County, Texas
CAROLE TURNER, Notary Public
In and for Midland County, Texas

STATE OF TEXAS
COUNTY OF TARRANT

The foregoing instrument was acknowledged before me this 7th day of February, 1962, by R. W. Nines, Executive Vice President of Texas Pacific Coal and Oil Company, a Texas Corporation, on behalf of said Corporation.

My Commission Expires:
6-1-63

Ruth Barfield (Ruth Barfield)
Notary Public in and for
Tarrant County, Texas

ILLEGIBLE

STATE OF NEW MEXICO
COUNTY OF CHAVEZ

The foregoing instrument was acknowledged before me this
1st day of March, 1962, by John H. Brigg
P. O. Box 520, Roswell, New Mexico

My Commission Expires: February 12, 1966
Notary Public in and for
Chavez County, New Mexico

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
____ day of _____, 19____, by _____

My Commission Expires: _____
Notary Public in and for
____ County, _____

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this
6th day of March, 1962, by _____ of
G. F. BROWN, Attorney-in-Fact
Under the Seal of California, a California
Corporation, on behalf of said Corporation.

My Commission Expires: June 1, 1963
Notary Public in and for
Midland County, Texas

STATE OF Texas
COUNTY OF Harris

19th The foregoing instrument was acknowledged before me this
day of March, 1962, by R. C. WARD
VICE-PRESIDENT of
THE SUPERIOR OIL COMPANY, a California
Corporation, on behalf of said Corporation.

My Commission Expires: June 1, 1963
Notary Public in and for
Harris County, Texas

ILLEGIBLE

STATE OF OKLAHOMA
COUNTY OF TULSA

The foregoing instrument was acknowledged before me this
15th day of March, 1962, by C. L. Blacksher,
Vice President of Shelly Oil Company, a Delaware Corporation,
on behalf of said corporation.

My Commission Expires:
May 31, 1963

W. L. Allen
Notary Public in and for
Tulsa County, Oklahoma

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
____ day of _____, 19____, by _____
_____.

My Commission Expires:

Notary Public in and for
____ County, _____.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
____ day of _____, 19____, by _____ of
_____, _____ a
Corporation, on behalf of said Corporation.

My Commission Expires:

Notary Public in and for
____ County, _____.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this
____ day of _____, 19____, by _____ of
_____, _____ a
Corporation, on behalf of said Corporation.

My Commission Expires:

Notary Public in and for
____ County, _____.

ILLEGIBLE

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

SOCONY MOBIL OIL COMPANY, INC.

By [Signature]
Attorney-in-Fact

APPROVED	
Acctg.	
Gas	
Land	
Legal	
P. E.	
Title &c.	
Prod.	

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____.

My Commission Expires: _____

Notary Public in and for _____
County, _____.

STATE OF _____ TEXAS
COUNTY OF _____ MIDLAND

The foregoing instrument was acknowledged before me this 26th day of January, 1962, by W. G. Moriarty Attorney-in-Fact of Socony Mobil Oil Company, Inc., a New York Corporation on behalf of said corporation.

My Commission Expires: _____

[Signature: Carole Turner]
Notary Public in and for _____
Midland County, Texas

CAROLE TURNER, Notary Public
In and for Midland County, Texas

June 1, 1963
My commission expires
June 1, 1963

ILLEGIBLE

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____.

My Commission Expires:

Notary Public in and for _____ County, _____.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

My Commission Expires:

Notary Public in and for _____ County, _____.

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

ATTEST:

By

Assistant Secretary

AMERADA PETROLEUM CORPORATION

By

Vice President

STATE OF OKLAHOMA

COUNTY OF TULSA

The foregoing instrument was acknowledged before me this 20th day of February, 19 62, by John P. Hammond.

My Commission Expires:

My Commission expires:

October 25, 1964

Notary Public in and for Tulsa

County, Oklahoma

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

Notary Public in and for _____

County, _____

My Commission Expires:

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Beverly Bedford
Beverly Bedford
Beverly Bedford
Beverly Bedford
Beverly Bedford
STATE OF TEXAS

COUNTY OF TARRANT

THE WILLIAM RIDLEY WHEELER ESTATE

By: Ridley N. Wheeler

By: Frank Hopkins

By: Frank Hopkins

By: E. A. McClure

By: E. A. McClure

Independent Executors

Mrs. W. Ridley Wheeler
Mrs. W. Ridley Wheeler

The foregoing instrument was acknowledged before me this 19th day of February, 1962, by Mrs. W. Ridley Wheeler, a single woman, and by Frank Hopkins and E. A. McClure, Independent Executors of The Wm. Ridley Wheeler Estate.

Mary Evelyn Scott

Notary Public in and for

Tarrant County, Texas.

My Commission Expires:

June 1, 1963

STATE OF TEXAS

COUNTY OF GREGG

The foregoing instrument was acknowledged before me this 16th day of February, 1962, by Ridley N. Wheeler and J. Clyde Tomlinson, Independent Executors of The William Ridley Wheeler Estate

Lennie Scott

Notary Public in and for

Gregg County, Texas.

My Commission Expires:

7-63

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

STATE OF Nebraska
COUNTY OF Lawrence

The foregoing instrument was acknowledged before me this 13th day of February, 1962, by N. S. Brown.

My Commission Expires: 1963

James L. Smith
Notary Public in and for
Lawrence County, Nebraska.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

My Commission Expires: _____

Notary Public in and for _____
County, _____.

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Lizzie Connor

STATE OF New Mexico

COUNTY OF Lea

The foregoing instrument was acknowledged before me this 30 day of January, 1962, by Lizzie Connor.

My Commission Expires:

Feb 18 1965

Notary Public in and for
Lea County, N.M.

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

Notary Public in and for _____
County, _____.

My Commission Expires:

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

STATE OF New Mexico
COUNTY OF Lea

The foregoing instrument was acknowledged before me this 30 day of January, 1962, by Elgen Douthitt.

My Commission Expires:

Feb 18/1965

Elgen Douthitt
Notary Public in and for Lea County, N.M.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

Notary Public in and for _____
County, _____.

My Commission Expires:

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

_____ Robert E. Speed _____

STATE OF Texas
COUNTY OF Oldham

The foregoing instrument was acknowledged before me this 29
day of January, 1962, by Robert E. Speed.

My Commission Expires:

June 1, 1963

Jane Stroup
Notary Public in and for
Oldham County, Texas.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____
day of _____, 19____, by _____
of _____
on behalf of said corporation.

Notary Public in and for _____
County, _____.

My Commission Expires:

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Bill Guinn

STATE OF Texas

COUNTY OF Harris

The foregoing instrument was acknowledged before me this 22 day of January, 1962, by Bill Guinn.

My Commission Expires:

James L. Guinn
Notary Public in and for
Harris County, Texas.

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

My Commission Expires:

Notary Public in and for _____
County, _____.

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Velpo Douthitt
Nell Douthitt

STATE OF New Mexico
COUNTY OF Chaves

The foregoing instrument was acknowledged before me this 30
day of January, 1962, by Velpo Douthitt and wife, Nell
Douthitt.

My Commission Expires:

Dec 18 1965

[Signature]
Notary Public in and for
Chaves County, N.M.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____
day of _____, 19____, by _____
of _____
on behalf of said corporation.

Notary Public in and for _____
County, _____.

My Commission Expires:

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Will C. Speed
Mrs Zella M. Speed

STATE OF California
COUNTY OF Los Angeles

The foregoing instrument was acknowledged before me this 12th day of February, 19 62, by Will C. Speed and wife, Zella M. Speed.

My Commission Expires:

My Commission Expires Dec. 27, 1965

C. A. Kimbell C. A. KIMBELL
Notary Public in and for Los Angeles County, California.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

My Commission Expires:

Notary Public in and for _____ County, _____.

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

STATE OF New Mexico
COUNTY OF Eddy

The foregoing instrument was acknowledged before me this 9th day of February, 1962, by Ralph Nix & Frances Nix, his wife.

My Commission Expires:

1-1-64

Albert Lee Williams
Notary Public in and for
Eddy County, New Mexico.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

Notary Public in and for _____
County, _____.

My Commission Expires:

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

STATE OF Texas
COUNTY OF Lubbock

The foregoing instrument was acknowledged before me this 20th day of January, 1962, by Robert Neil Gumm.

My Commission Expires:

Charles E. Marriott
Notary Public in and for Lubbock County, Texas.

CHARLES E. MARRIOTT

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

My Commission Expires:

Notary Public in and for _____ County, _____.

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Lena Moore

STATE OF New Mexico
COUNTY OF Bernalillo

The foregoing instrument was acknowledged before me this 14th day of February, 1962, by Lena Moore.

My Commission Expires:

Aug 13, 1962

Sidney J. Thomas
Notary Public in and for
Bernalillo County, New Mexico.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

Notary Public in and for _____
County, _____.

My Commission Expires:

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

STATE OF TEXAS
COUNTY OF MIDLAND

Jimmie Jean Edwards
Jack W Edwards

The foregoing instrument was acknowledged before me this 8th day of March, 1962, by Jimmie Jean Edwards, wife of Jack W. Edwards.

My Commission Expires:
June 1, 1963

Myrtle Lightfoot
Notary Public in and for Midland
County, Texas.

STATE OF TEXAS
COUNTY OF MIDLAND

The foregoing instrument was acknowledged before me this 8th day of March, 1962, by Jack W. Edwards of on behalf of said corporation.

My Commission Expires:
June 1, 1963

Myrtle Lightfoot
Notary Public in and for
Midland County, Texas.

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

STATE OF New Mexico
COUNTY OF Quay

The foregoing instrument was acknowledged before me this 23rd day of January, 1962, by Sarah K. Ellis.

My Commission Expires:

My Commission Expires August 18, 1964

Miss Sarah K. Ellis

Shirley L. Feltner
Notary Public in and for
Quay County, New Mexico

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

My Commission Expires:

Notary Public in and for _____
County, _____

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Lois Weverka Bedford

STATE OF New Mexico
COUNTY OF De Baca

The foregoing instrument was acknowledged before me this 25 day of January, 1962, by Lois Weverka Bedford.

My Commission Expires: 9/27/63

J. Rogers
Notary Public in and for
De Baca County, New Mexico.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

My Commission Expires:

Notary Public in and for _____
County, _____.

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Bert L. Speed

STATE OF Alabama
COUNTY OF Jackson

The foregoing instrument was acknowledged before me this 27th day of January, 1964, by Bert L. Speed.

William L. Merritt
Notary Public in and for
Jackson County, Alabama.

My Commission Expires:

5/16/64

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

Notary Public in and for _____
County, _____.

My Commission Expires:

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

_____ Winnie Wierka

STATE OF New Mexico
COUNTY OF Chase

The foregoing instrument was acknowledged before me this 23
day of January, 1962, by Winnie Wierka.

My Commission Expires:

10-8-62

Richard Dean
Notary Public in and for Chase
County, New Mexico

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____
day of _____, 19____, by _____
of _____
on behalf of said corporation.

Notary Public in and for _____
County, _____.

My Commission Expires:

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Connie Mae Weverka Daviss _____

STATE OF TEXAS
COUNTY OF NAVARRO

The foregoing instrument was acknowledged before me this 23rd day of January, 1962, by Connie Mae Weverka Daviss.

My Commission Expires:

June 1, 1963

Mary Yielding Mary Yielding
Notary Public in and for _____
Navarro County, Texas.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

My Commission Expires:

Notary Public in and for _____
County, _____.

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

STATE OF New Mexico

COUNTY OF Chaves

The foregoing instrument was acknowledged before me this 22nd day of January, 1962, by S.W. Ledewick.

My Commission Expires:

June 11, 1962

S.W. Ledewick
Notary Public in and for
Chaves County, New Mexico.

STATE OF _____

COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

Notary Public in and for _____
County, _____.

My Commission Expires:

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

STATE OF Texas
COUNTY OF Lubbock

The foregoing instrument was acknowledged before me this 20th day of January, 1962, by Paul J. Standefer.

My Commission Expires:

6-1-63

Charles E. Marriott
Notary Public in and for
Lubbock County, Texas.

CHARLES E. MARRIOTT

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

Notary Public in and for _____
County, _____.

My Commission Expires:

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

Mrs. Josie Hennessey

STATE OF NEW MEXICO
COUNTY OF CHAVES

The foregoing instrument was acknowledged before me this 3rd day of February, 1962, by Mrs. Josie Hennessey.

My Commission Expires:

September 17, 1962

Marjorie Schmid
Notary Public in and for
Chaves County, New Mexico.

STATE OF _____
COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 19____, by _____ of _____ on behalf of said corporation.

Notary Public in and for _____
County, _____.

My Commission Expires:

CONSENT AND RATIFICATION
NORTHEAST CAPROCK QUEEN UNIT AGREEMENT
EMBRACING LANDS IN LEA COUNTY, NEW MEXICO

The undersigned (whether one or more) hereby acknowledge receipt of a copy of the Unit Agreement for the Development and Operation of the Northeast Caprock Queen Unit Area embracing lands situated in Lea County, New Mexico, which said agreement is dated the 1st day of January, 1962, and acknowledge that they have read the same and are familiar with the terms and conditions thereof. The undersigned also being the owners of the leasehold, royalty or other interest in the lands or minerals embraced in said unit area as indicated on the schedule attached to said Unit Agreement as Exhibit "B", do hereby commit all of their said interest to the Northeast Caprock Queen Unit Agreement and do hereby consent thereto and ratify all of the terms and provisions thereof, exactly the same as if the undersigned had executed the original of said Unit Agreement or a counterpart thereof.

IN WITNESS WHEREOF, this instrument is executed by the undersigned as of the date set forth in their respective acknowledgements.

STATE OF Texas
COUNTY OF Potter

The foregoing instrument was acknowledged before me this 24 day of January, 1962, by Jac E. Speed.

My Commission Expires:

June 1, 1963

Alton McReader
Notary Public in and for
Potter County, Texas.

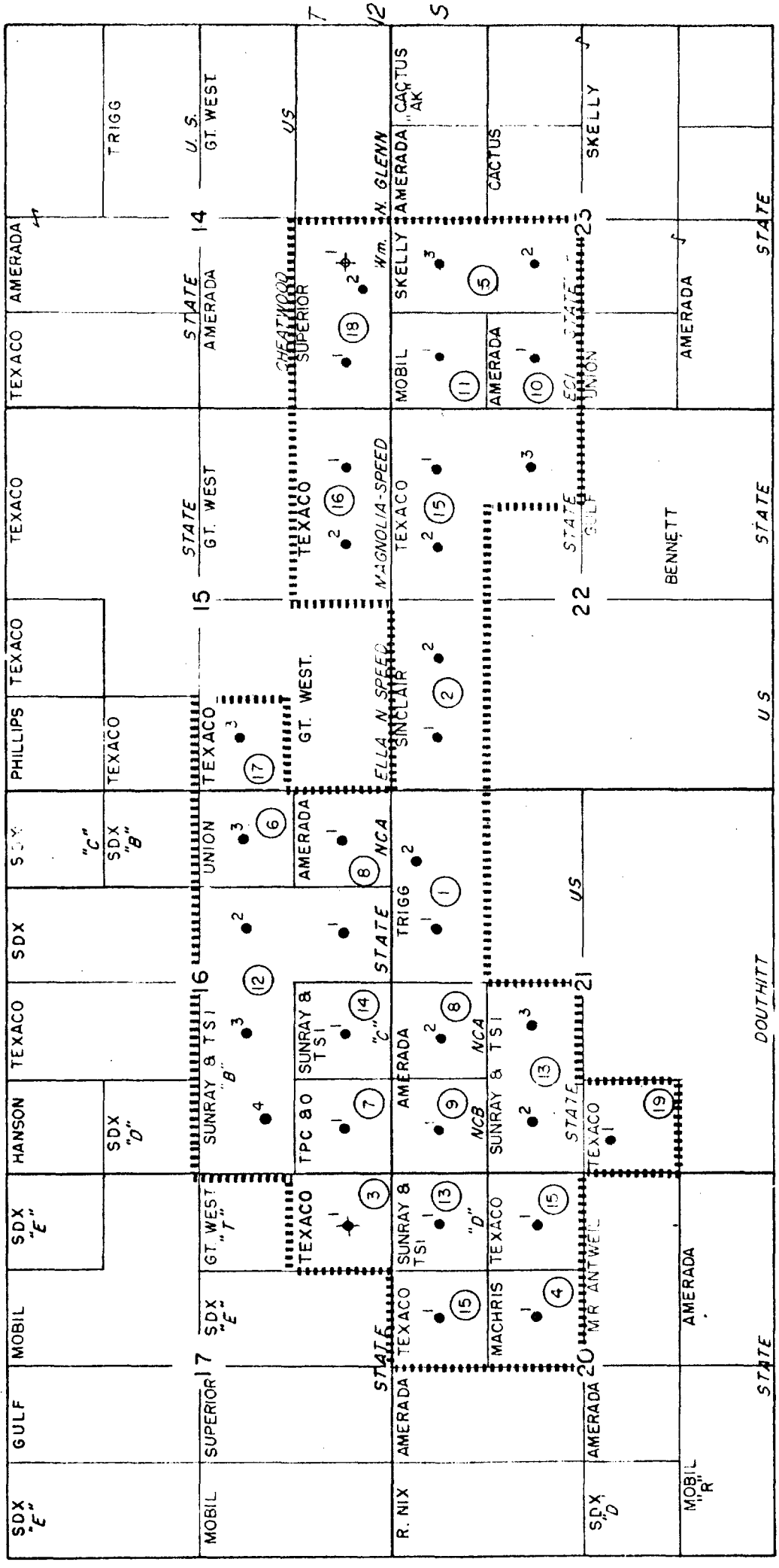
STATE OF Texas
COUNTY OF Potter

The foregoing instrument was acknowledged before me this 24 day of January, 1962, by Jac E. Speed of _____ on behalf of said corporation.

My Commission Expires:

Notary Public in and for
County, _____.

R 32 E



STATE LEASES

- B-10142
- E-1274
- B-9948
- E-1765-2
- B-10275
- E-2062
- E-3273
- E-3499

FEDERAL LEASES

- LC-068747
- LC-069224

EXHIBIT "A"

NECA BROCK QUEEN UNIT AREA

LEA CO., NEW MEXICO

UNIT AREA
TRACT NO. 1
SCALE 1=2000

EXHIBIT "B"

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	SERIAL NO. & DATE OF LSE.	BASIC ROYALTY	LESSEE OF RECORD	SCHEDULE OF OWNERSHIP				
						OVERRIDING ROYALTY OWNER AND AMOUNT	WORKING INTEREST OWNER AND AMOUNT	PARTICIPATION OF TRACT IN UNIT		
								PHASE I	PHASE II	
FEDERAL LANDS										
1	T-12-S, R-32-E Sec. 21: N/2 NE/4	80.00	LC-069224 5-1-51	USA 12½%	John H. Trigg	None	John H. Trigg	100%	0.78431	0.93884
2	T-12-S, R-32-E Sec. 22: N/2 NW/4	80.00	LC-068747 3-1-49	USA 12½%	Sinclair Oil & Gas Company	None	Sinclair Oil & Gas Company	100%	1.76471	4.82894
2 Federal Tracts 160 Acres or 11.8% of Unit Area										
STATE LANDS										
3	T-12-S, R-32-E Sec. 17: SE/4 SE/4	40.00	B-10142 3-10-43	State 12½%	Great Western Drilling Co.	None	TEXACO Inc.	100%	0.00000	1.11423
4	T-12-S, R-32-E Sec. 20: SW/4 NE/4	40.00	E-1274 4-10-47	State 12½%	Ralph Nix	Ralph Nix 10%	M. A. Machris	100%	0.39216	2.91352
5	T-12-S, R-32-E Sec. 23: E/2 NW/4	80.00	B-9948 12-10-42	State 12½%	Skelly Oil Company	None	Skelly Oil Company	100%	11.76471	5.68469
6	T-12-S, R-32-E Sec. 16: NE/4 SE/4	40.00	E-1765-2 3-10-48	State 12½%	Union Oil Company of California	None	Union Oil Co. of California	100%	5.88235	3.04610
7	T-12-S, R-32-E Sec. 16: SW/4 SW/4	40.00	B-10275 5-10-43	State 12½%	Texas Pacific Coal and Oil Company	None	Texas Pacific Coal & Oil Company	100%	12.15686	7.37722
8	T-12-S, R-32-E Sec. 16: SE/4 SE/4 Sec. 21: NE/4 NW/4	80.00	E-2062 8-10-48	State 12½%	Amerada Petroleum Corporation	None	Amerada Petroleum Corporation	100%	0.98039	5.90859
9	T-12-S, R-32-E Sec. 21: NW/4 NW/4	40.00	E-3273 2-10-50	State 12½%	Amerada Petroleum Corporation	None	Amerada Petroleum Corporation	100%	3.43137	4.32688
10	T-12-S, R-32-E Sec. 23: SW/4 NW/4	40.00	E-3499 5-10-50	State 12½%	Amerada Petroleum Corporation	None	Amerada Petroleum Corporation	100%	14.31373	4.11563

EXHIBIT "B"SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	SERIAL NO. & DATE OF LSE.	BASIC ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND AMOUNT	WORKING INTEREST OWNER AND AMOUNT	PER CENT PARTICIPATION OF TRACT IN UNIT	
								PHASE I	PHASE II
STATE LANDS (CONT'D)									
11	T-12-S, R-32-E Sec. 23: NW/4 NW/4	40.00	E-473-1 8-10-45	State 12½%	Socony Mobil Oil Company, Inc.	None	Socony Mobil Oil Company Inc. 100%	4.70588	5.65281
12	T-12-S, R-32-E Sec. 16: N/2 SW/4, W/2 SE/4	160.00	E-6927-1 2-10-53	State 12½%	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company	None	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company 50%	0.09804	7.72259
13	T-12-S, R-32-E Sec. 20: NE/4 NE/4 Sec. 21: S/2 NW/4	120.00	E-7049-2 4-10-53	State 12½%	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company	None	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company 50%	0.09804	7.95073
14	T-12-S, R-32-E Sec. 16: SE/4 SW/4	40.00	E-3626 6-10-50	State 12½%	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company	H.L. Brown 3.125% W.R. Wheeler Estate 3.125%	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company 50%	2.25490	5.33083
15	T-12-S, R-32-E Sec. 20: NW/4 NE/4, SE/4 NE/4 Sec. 22: N/2 NE/4, SE/4 NE/4	200.00	B-9946 12-10-42	State 12½%	TEXACO Inc.	None	TEXACO Inc. 100%	14.11765	12.93457

13 State Tracts 960 Acres or 70.6% of Unit Area

EXHIBIT "B"

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	DATE OF LEASE EXPIRATION	BASIC ROYALTY	LESSOR OF RECORD	OVERRIDING ROYALTY OWNER AND AMOUNT	WORKING INTEREST OWNER AND AMOUNT	PER CENT PARTICIPATION OF TRACT IN UNIT		
								PHASE I	PHASE II	
FEE LANDS										
16	T-12-S, R-32-E Sec. 15: S/2 SE/4	80.00	1-8-55	12½%	Ella N. Speed 1/3 Joe E. Speed 1/6 Bert L. Speed 1/12 Robert E. Speed 1/12 Winnie Weverka 1/6 Lois Weverka 1/12 Bedford 1/12 Connie Mae Weverka 1/12 Bedford 1/12	Socony Mobil Oil Co., Inc. 1/32	TEXACO Inc. 100%		20.58823	10.94553
17	T-12-S, R-32-E Sec. 15: NW/4 SW/4	40.00	9-21-56	12½%	Ella N. Speed 1/3 Joe E. Speed 1/6 Bert L. Speed 1/12 Robert E. Speed 1/12 Winnie Weverka 1/6 Lois Weverka 1/12 Bedford 1/12 Connie Mae Weverka 1/12 Bedford 1/12	Amerada Petroleum Corp. 7/128	TEXACO Inc. 100%			
18	T-12-S, R-32-E Sec. 14: S/2 SW/4	80.00	6-30-54	12½%	Amerada Petroleum Corp. 1/2 Will C. and Zella M. Speed 1/2	None	The Superior Oil Company 100%		1.07843	1.18098
19	T-12-S, R-32-E Sec. 21: NW/4 SW/4	40.00	8-14-59	12½%	Elgen Douthitt 19/36 Stokes Royalty Company 22/320 Nan T. Standefer 19/320 Bill Guinn 19/960 Jimmie Jean Edwards 19/960	None	TEXACO Inc. 100%		5.49020	7.82384

EXHIBIT "B"

Page 4

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	DATE OF LEASE EXPIRATION	LESSOR OF RECORD	OVERRIDING ROYALTY OWNER AND AMOUNT	WORKING INTEREST OWNER AND AMOUNT	PER CENT PARTICIPATION OF TRACT IN UNIT	
							PHASE I	PHASE II
19 (Cont'd)				Robert Neil Guinn 19/960				
				S. W. Lodewick 11/64				
				Velpo Douthitt 1/576				
				Sarah K. Ellis 1/36				
				Lena Moore 1/36				
				Josie Hennessey 1/36				
				Lizzie Connor 1/36			0.09804	0.20348

4 Fee Tracts 240 Acres or 17.6% of Unit Area

EXHIBIT "B"

RECAPITULATION

WORKING INTEREST OWNER	PER CENT PARTICIPATION IN UNIT	
	<u>PHASE I</u>	<u>PHASE II</u>
Amerada Petroleum Corporation	18.72549	14.35110
M. A. Machris	0.39216	2.91352
Sinclair Oil & Gas Company	1.76471	4.82894
Skelly Oil Company	11.76471	5.68469
Socony Mobil Oil Company, Inc.	4.70588	5.65281
Sunray Mid-Continent Oil Company	1.22549	10.50208
The Superior Oil Company	5.49020	7.82384
TEXACO Inc.	37.10784	36.88086
Texas Pacific Coal and Oil Company	12.15686	7.37722
John H. Trigg	0.78431	0.93884
Union Oil Company of California	5.88235	3.04610
	<u>100.00000</u>	<u>100.00000</u>

ILLEGIBLE

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

NORTHEAST CAPROCK OIL AND GAS UNIT (WATERFLOOD)

There having been presented to the undersigned Commissioner of Public Lands of the State of New Mexico for examination, the attached Agreement for the development and operation of acreage which is described within the attached Agreement, dated January 1, 1962, which has been executed or is to be executed by parties owning and holding oil and gas leases and royalty interests in and under the property described, and upon examination of said Agreement, the Commissioner finds:

- (a) That such agreement will tend to promote the conservation of oil and gas and the better utilization of reservoir energy in said area.
- (b) That under the proposed agreement the State of New Mexico will receive its fair share of the recoverable oil or gas in place under its lands in the area.
- (c) That each beneficiary Institution of the State of New Mexico will receive its fair and equitable share of the recoverable oil and gas under its lands within the area.
- (d) That such agreement is in other respects for the best interests of the state, with respect to state lands.

NOW, THEREFORE, by virtue of the authority conferred upon me under Sections 7-11-39, 7-11-40, 7-11-41, 7-11-47, 7-11-48, New Mexico Statutes Annotated 1953 Compilation, I, the undersigned, Commissioner of Public Lands of the State of New Mexico, for the purpose of more properly conserving the oil and gas resources of the State, do hereby consent to and approve the said Agreement, and any leases embracing lands of the State of New Mexico within the area shall be and the same are hereby amended to conform with the terms thereof, and shall remain in full force and effect according to the terms and conditions of said Agreement. This approval is subject to all of the provisions of the aforesaid statutes.

IN WITNESS WHEREOF, this Certificate of Approval is executed, with seal affixed, this 30th day of March 19 62.

E. Walker
Commissioner of Public Lands
of the State of New Mexico

ILLEGIBLE

BEFORE THE OIL CONSERVATION COMMISSION
OF THE STATE OF NEW MEXICO

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
COMMISSION OF NEW MEXICO FOR
THE PURPOSE OF CONSIDERING:

CASE No. 2421
Order No. R-2133

APPLICATION OF TEXACO INC. FOR
APPROVAL OF THE NORTHEAST CAPROCK
QUEEN UNIT AGREEMENT AND FOR AN
ORDER AUTHORIZING A WATERFLOOD
PROJECT IN THE CAPROCK (QUEEN)
POOL, LEA COUNTY, NEW MEXICO.

ORDER OF THE COMMISSION

BY THE COMMISSION:

This cause came on for hearing at 9 o'clock a.m. on November 29, 1961, at Santa Fe, New Mexico, before Daniel S. Nutter, Examiner duly appointed by the Oil Conservation Commission of New Mexico, hereinafter referred to as the "Commission," in accordance with Rule 1214 of the Commission Rules and Regulations.

NOW, on this 13th day of December, 1961, the Commission, a quorum being present, having considered the application, the evidence adduced, and the recommendations of the Examiner, Daniel S. Nutter, and being fully advised in the premises,

FINDS:

(1) That due public notice having been given as required by law, the Commission has jurisdiction of this cause and the subject matter thereof.

(2) That the applicant, Texaco Inc. seeks approval of its proposed Northeast Caprock Queen Unit Agreement with the unit area comprising 1,360 acres, more or less, in Township 12 South, Range 32 East, NMPM, Lea County, New Mexico.

(3) That the applicant proposes to institute a unit-wide waterflood project in the Caprock (Queen) Pool on said Northeast Caprock Queen Unit by the injection of water into the Queen formation through the following-described wells:

Amerada State "NCA" Well No. 1, Unit P of Section 16;
Amerada State "NCE" Well No. 1, Unit D of Section 21;
Great Western Ella N. Speed Well No. 3, Unit L of
Section 15;
Great Western Magnolia-Speed Well No. 1, Unit P of
Section 15;
Mobil State "D" Well No. 1, Unit D of Section 23;

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CASE No. 2421

Order No. R-2133

Skelly State "S" Well No. 2, Unit F of Section 23;
Sinclair Federal Well No. 1, Unit D of Section 22;
Sunray & TSI State "B" Well No. 2, Unit J of Section 16;
Sunray & TSI State "B" Well No. 4, Unit L of Section 16;
Sunray & TSI State "C" Well No. 1, Unit M of Section 16;
Sunray & TSI State "D" Well No. 3, Unit F of Section 21;
Superior W. C. Speed Well No. 2, Unit N of Section 14;
Texaco State "EA" NCT-6 Well No. 1, Unit B of Section 20;
Texaco State "EA" NCT-7 Well No. 1, Unit H of Section 20;
Texaco Douthitt Well No. 1, Unit L of Section 21;
Texaco State "EA" NCT-8 Well No. 2, Unit B of Section 22;
Texaco State "EA" NCT-8 Well No. 3, Unit H of Section 22;
Trigg Federal "S" Well No. 1, Unit B of Section 21; and
a well to be drilled in Unit F of Section 17;

all in Township 12 South, Range 32 East, NMPM, Lea County, New Mexico.

(4) That approval of the proposed Northeast Caprock Queen Unit Agreement will in principle tend to promote the conservation of oil and gas and the prevention of waste.

(5) That all of the producing wells in the unit have reached an advanced state of depletion and are properly classified as "stripper" wells.

(6) That the proposed waterflood project should be authorized and the operation thereof should be governed by the provisions of Rule 701 of the Commission Rules and Regulations.

IT IS THEREFORE ORDERED:

(1) That the Northeast Caprock Queen Unit Agreement is hereby approved.

(2) That the Plan under which the unit area shall be operated shall be embraced in the form of a unit agreement for the development and operation of the Northeast Caprock Queen Unit Area and such plan shall be known as the Northeast Caprock Queen Unit Agreement Plan.

(3) That the Northeast Caprock Queen Unit Agreement Plan is hereby approved in principle as a proper conservation measure; provided, however, that notwithstanding any of the provisions contained in said unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation which is now, or may hereafter be, vested in the Oil Conservation Commission of New Mexico relative to the supervision and control of operations for the exploration and development of any lands committed to the said Northeast Caprock Queen Unit, or relative to the production of oil and gas therefrom.

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CASE No. 2421
Order No. R-2133

(4) (a) That the unit area shall be:

NEW MEXICO PRINCIPAL MERIDIAN

TOWNSHIP 12 SOUTH, RANGE 32 EAST

Section 14: S/2 SW/4
Section 15: S/2 SE/4, NW/4 SW/4
Section 16: S/2
Section 17: SE/4 SE/4
Section 20: NE/4
Section 21: NW/4, N/2 NE/4, NW/4 SW/4
Section 22: N/2 N/2, SE/4 NE/4
Section 23: NW/4

comprising 1,360 acres, more or less.

(b) That the unit may be enlarged or contracted as provided in said Plan; provided, however, that administrative approval for expansion or contraction of the unit area must also be obtained from the Secretary-Director of the Oil Conservation Commission.

(5) That the unit operator shall file with the Commission an executed original or executed counterpart of the Northeast Caprock Queen Unit Agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any party or expansion of the unit area, the unit operator shall file with the Commission within 30 days of such action counterparts of the unit agreement reflecting the subscription of those interests having joined or ratified.

(6) That the portion of this order relating to the approval of the Northeast Caprock Queen Unit Agreement shall become effective upon the approval of said unit agreement by the Commissioner of Public Lands for the State of New Mexico and the Director of the United States Geological Survey and shall terminate ipso facto upon the termination of said unit agreement. The last unit operator shall notify the Commission immediately in writing of such termination.

(7) That the applicant is hereby authorized to institute a unit-wide waterflood project in the Caprock (Queen) Pool, Lea County, New Mexico, by the injection of water into the Queen formation through the following-described wells:

Amerada State "WCA" Well No. 1, Unit F of Section 16;
Amerada State "WCB" Well No. 1, Unit D of Section 21;
Great Western Ella H. Speed Well No. 3, Unit L of
Section 15;
Great Western Magnolia-Speed Well No. 1, Unit F of
Section 15;
Mobil State "D" Well No. 1, Unit D of Section 23;

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CASE No. 2421
Order No. R-2133

Skelly State "S" Well No. 2, Unit F of Section 23;
Sinclair Federal Well No. 1, Unit D of Section 22;
Sunray & TSI State "B" Well No. 2, Unit J of Section 16;
Sunray & TSI State "B" Well No. 4, Unit L of Section 16;
Sunray & TSI State "C" Well No. 1, Unit N of Section 16;
Sunray & TSI State "D" Well No. 3, Unit F of Section 21;
Superior W. C. Speed Well No. 2, Unit H of Section 14;
Texaco State "BA" NCT-6 Well No. 1, Unit B of Section 20;
Texaco State "BA" NCT-7 Well No. 1, Unit H of Section 20;
Texaco Douthitt Well No. 1, Unit L of Section 21;
Texaco State "BA" NCT-8 Well No. 2, Unit B of Section 22;
Texaco State "BA" NCT-8 Well No. 3, Unit H of Section 22;
Trigg Federal "S" Well No. 1, Unit B of Section 21; and
a well to be drilled in Unit F of Section 17;

all in Township 12 South, Range 32 East, NMEPM, Lea County, New Mexico.

(8) That the operation of the unit-wide waterflood project shall be governed by the provisions of Rule 701 of the Commission Rules and Regulations.

(9) That jurisdiction of this cause is retained for the entry of such further orders as the Commission may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION COMMISSION

EDWIN L. MECHAM, Chairman

E. S. WALKER, Member

A. L. PORTER, Jr., Member & Secretary

S E A L

csr/

West-Texas Electrical Log Service
Drawer 872—410 N. Loraine
Midland, Texas

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

EXHIBIT NO. 11-20

CASE NO. 2421

Exh. b. 11 through 20

CASE NO. <u> </u>

Deliver To: Texaco

Address: 619 Mid-Savanna

Department: Petro. Eng.

Attention: C. R. Black

10 logs

Reproduced By
West Texas Electrical Log Service
 1305 Commerce Street
 Dallas 1, Texas

REFERENCE N° A 3304 -B

LANE RADIOACTIVITY LOG COMPANY

Location of Well		COMPANY: SUNRAY OIL CORPORATION WELL: STATE B NO. 2 FIELD: LEA CO. W/C COUNTY: LEA STATE: N.M. LOCATION:		FILE NO. COMPANY: SUNRAY OIL CORPORATION WELL: STATE B NO. 2 FIELD: LEA CO. W/C COUNTY: LEA STATE: N.M. LOCATION:
LOG MEAS. FROM		CABLE TOOL FLOOR		ELEV. 4376'
DRLG. MEAS. FROM		CABLE TOOL FLOOR		ELEV. 4376'
PERM. DATUM		GROUND LEVEL		ELEV. 4374'
TYPE OF LOG RUN NO. DATE TOTAL DEPTH (DRILLER) STEEL LINE EFFECTIVE DEPTH (DRILLER) TOP OF LOGGED INTERVAL BOTTOM OF LOGGED INTERVAL TYPE OF FLUID IN HOLE FLUID LEVEL MAXIMUM RECORDED TEMP. NEUTRON SOURCE STRENGTH & TYPE SOURCE SPACING — IN. LENGTH OF MEASURING DEVICE — IN. O.D. OF INSTRUMENT — IN. TIME CONSTANT — SECONDS LOGGING SPEED FT. MIN. STATISTICAL VARIATION — IN. SENSITIVITY REFERENCE RECORDED BY WITNESSED BY		GAMMA RAY ONE N.W. 8-16-54 3048' 3048' SURFACE 3048' 600 N 8.25" 9" 3 5/8" 5.0 25 - 45 275 KELLY HALL		NEUTRON ONE N.W. 8-16-54 3048' 3048' SURFACE 3048' 600 N 8.25" 9" 3 5/8" 5.0 25 - 45 275 KELLY HALL
RECORDED SIMULTANEOUSLY				
RUN NO. BIT SIZE CASING WT.—LB. FROM WELL RECORD SURF. TO 160' SURF. TO 1424' SURF. TO 3048' SURF. TO 3050'		REMARKS OR OTHER DATA		

PERFORATING GUNS ATLAS CORPORATION

P G A C

Simultaneous

Radiation Log

LOG NO. 13594	COMPANY THE TEXAS COMPANY	WELL STATE OF NEW MEXICO "BA" NCT-8 WELL # 3
STATION HOBBS	FIELD CAPROCK QUEEN	
TRUCK NO. GR-36	COUNTY LEA, NEW MEXICO	
	STATE "BA" NCT-8 WELL # 3	
	LOCATION TWSP. 12S, RANGE 32-E	
	LOG MEAS. FROM K.D.B.	FLEV 4354 D.F.
	DRLG. MEAS. FROM "	ELEV " "
	PERMANENT DATUM 9' ABV. G.L.	ELEV 4345 G.L.
TYPE OF LOG	GAMMA RAY-NEUTRON	
RUN NO.	ONE	
DATE	12-18-58	
TOTAL DEPTH - DRILLER	3047	
TOTAL DEPTH - P.G.A.C.	3047	
FLUID IN HOLE	WATER	
FLUID LEVEL	325	
MAXIMUM TEMPERATURE F.	3 5/8	
INSTRUMENT O.D. AND NO.	A-PH-125	
INSTRUMENT TYPE	RB-600	
NEUTRON SOURCE TYPE	90	
CPS FOR CALIB STD - GR	250	
CPS FOR CALIB STD - N	156	
RECORDED BY	C. GRESS	
WITNESSED BY	BOB BAKER	
RECORDED BY	R. G. G. Sen.	
WITNESSED BY	4/100 SNU	
REMARKS		

Reproduced By

West Texas Electrical Log Service

Dallas, Texas

REFERENCE N° A 3976 -D



OIL WELL CEMENTING CO.

RADIOACTIVITY LOG

NATURAL GAMMA RADIATION

INDUCED GAMMA RADIATION

COMPANY THE TEXAS COMPANY		FILE		Location	
WELL STATE BA NCT 8 #2		FIELD North Caprock Queen		1981' from East	
COUNTY Lea		STATE New Mex.		660' from North	
SEC. 22 TWP. 12-S RGE. 32-F		SURVEY		Sec 22	
				Twp. 12-S	
				Rge. 32-E	
				CR-NG	
				Elev. D.F. 4359'	
				K.B. 4360'	
				Grd. 4349'	
Log Measured From		Derrick Floor		Elevation	
Drilling Measured From		Derrick Floor		Elevation	
Permanent Datum		Ground Level		Elevation	
Type Log	GAMMA	NGAMMA			
Run No.	ONE	ONE			
Date	6-16-55	6-16-55			
Footage Logged	2980'	2980'			
Total Depth, Driller	3038'	3038'			
Total Depth, Logged	3040'	3040'			
Type of Fluid in Hole	OIL	OIL			
Fluid Level	140'	140'			
Max. Temp.	86° F	86° F			
Neutron Source Strength		400mg			
Source to Center of Counter	in.	19 in.			
Length Meas. Device-in	29 in	14 in			
O.D. of Instrument-in	3.5/8"	35/8"			
Time Constant - sec.	2	2			

West Texas Electrical Log Service

REFERENCE **Nº W 5181 -A**

[illegible]

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Dallas, Texas

REFERENCE N° W 5124 -E

SCHLUMBERGER WELL SURVEYING CORPORATION DALLAS, TEXAS		Electrical Log																																																																																																					
COMPANY AMERADA PETR. CORP.		Location of Well 660' f S&E/L Sec. 16-12S-32E																																																																																																					
WELL STATE NC "A" # 1		ES-GRL (ML)																																																																																																					
FIELD N. CAPROCK QUEEN		Elevation: D.F.: 4377 K.B.: or G.L.:																																																																																																					
LOCATION SEC. 16-12S-32E		FILING No.																																																																																																					
COUNTY LEA		STATE NEW MEXICO																																																																																																					
<table><tr><td>RUN No.</td><td>1</td><td>1-16-55</td><td></td></tr><tr><td>Date</td><td>1-16-55</td><td>3052</td><td></td></tr><tr><td>First Reading</td><td>3052</td><td>207</td><td></td></tr><tr><td>Last Reading</td><td>207</td><td>2845</td><td></td></tr><tr><td>Feet Measured</td><td>2845</td><td>207</td><td></td></tr><tr><td>Csg. Schlum.</td><td>207</td><td>207</td><td></td></tr><tr><td>Csg. Driller</td><td>207</td><td>207</td><td></td></tr><tr><td>Depth Reached</td><td>3055</td><td>3055</td><td></td></tr><tr><td>Bottom Driller</td><td>3055</td><td>KB 11.38' Adv. 6L</td><td></td></tr><tr><td>Depth Datum</td><td>KB 11.38' Adv. 6L</td><td>Salt Gel</td><td></td></tr><tr><td>Mud Not.</td><td>Salt Gel</td><td>Density</td><td>1.1</td></tr><tr><td></td><td></td><td>Viscosity</td><td>42</td></tr><tr><td></td><td></td><td>Resist.</td><td>0.1 @ 60 F</td></tr><tr><td></td><td></td><td>Res. BHT</td><td>0.4 @ 95 F</td></tr><tr><td></td><td></td><td>pH</td><td>@ F</td></tr><tr><td></td><td></td><td>Wtr. Loss</td><td>12 CC 30 min.</td></tr><tr><td></td><td></td><td>Max. Temp.</td><td>95</td></tr><tr><td></td><td></td><td>Bit Size</td><td>7 7/8"</td></tr><tr><td></td><td></td><td>Spchs.-AM</td><td>10"</td></tr><tr><td></td><td></td><td>AO</td><td>32" LS</td></tr><tr><td></td><td></td><td>AO</td><td>19"</td></tr><tr><td></td><td></td><td>Opr. Rig Time</td><td>3 H-S</td></tr><tr><td></td><td></td><td>Truck No.</td><td>1764 Hobbs</td></tr><tr><td></td><td></td><td>Recorded By</td><td>Reinders</td></tr><tr><td></td><td></td><td>Witness</td><td></td></tr></table>				RUN No.	1	1-16-55		Date	1-16-55	3052		First Reading	3052	207		Last Reading	207	2845		Feet Measured	2845	207		Csg. Schlum.	207	207		Csg. Driller	207	207		Depth Reached	3055	3055		Bottom Driller	3055	KB 11.38' Adv. 6L		Depth Datum	KB 11.38' Adv. 6L	Salt Gel		Mud Not.	Salt Gel	Density	1.1			Viscosity	42			Resist.	0.1 @ 60 F			Res. BHT	0.4 @ 95 F			pH	@ F			Wtr. Loss	12 CC 30 min.			Max. Temp.	95			Bit Size	7 7/8"			Spchs.-AM	10"			AO	32" LS			AO	19"			Opr. Rig Time	3 H-S			Truck No.	1764 Hobbs			Recorded By	Reinders			Witness	
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Reproduced By

West Texas Electrical Log Service

Dallas, Texas

REFERENCE N° A 3742 -A



RADIOACTIVITY LOG

NATURAL GAMMA RADIATION		INDUCED GAMMA RADIATION	
COMPANY THE TEXAS COMPANY	FILE	Location	1980' from North
WELL STATE BA NCT 7#1	FIELD North Caprock Queen	Sec	20
COUNTY Lea	STATE New Mex	Twp	12-S
SEC. 20 TWP. 12-S	RGE. 32-E	Rge.	32-E
SURVEY		GR NG	Elev. D.F. 4385'
			K.B. 4386'
			Grd. 4375'
Log Measured From	Top Drive Bushing	Elevation	4386'
Drilling Measured From	Top Drive Bushing	Elevation	4386'
Permanent Datum	Ground Level	Elevation	4375'
Type Log	GAMMA	N. GAMMA	
Run No.	ONE	ONE	
Date	3-16-55	3-16-55	
Footage Logged	299'	299'	
Total Depth, Driller	304'	304'	
Total Depth, Logged	304'	304'	
Type of Fluid in Hole	OIL	OIL	
Fluid Level	FULL	FULL	
Max. Temp.	87° F	87° F	
Neutron Source Strength		400 ma	
Source to Center of Counter	in.	19 in.	
Length Meas. Device-in	29 in	14 in	
O.D. of Instrument-in	3 5/8"	3 5/8"	
Time Constant-sec.	2	2	
Logging Speed Ft. min.	See Remarks	See Remarks	
Neutron Source Code	Blue		
Tool No.	2013	2013	
Recorded by	JD Fulcher	JD Fulcher	
Witnessed by	JE Jordan	JE Jordan	
Truck No	4567	4567	

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Dallas, Texas

REFERENCE N° *A* 3648 -B

LANE RADIOACTIVITY LOG COMPANY

Location of Well	FILE NO.	COMPANY: <u>SUNRAY OIL CORP.</u>	
		WELL: <u>STATE "B" NO. 3</u>	
		FIELD: <u>NORTH GATROCK QUEENS</u>	
		COUNTY: _____	STATE: _____
		LOCATION: _____	
		COMPANY: <u>SUNRAY OIL CORP.</u>	
		WELL: <u>STATE "B" NO. 3</u>	
		FIELD: <u>NORTH GATROCK QUEENS</u>	
		COUNTY: <u>ISA</u>	STATE: <u>N. HOK.</u>
		LOCATION: <u>1320' FUL & 1200' FUL OF SECTION 21, T-32-S, R-32-E</u>	
LOG MEAS. FROM	CABLE TOOL FLOOR	ELEV. <u>1390</u>	
DRLG. MEAS. FROM	CABLE TOOL FLOOR	ELEV. <u>1380</u>	
PERM. DATUM	GROVED LEVEL	ELEV. <u>1378</u>	
TYPE OF LOG	GAMMA RAY	NEUTRON	
RUN NO.	ONE-30	ONE-30	
DATE	2-2-55	2-2-55	
TOTAL DEPTH (DRILLER)	3036	3036	
EFFECTIVE DEPTH (DRILLER)	3036	3036	
TOP OF LOGGED INTERVAL	SURFACE	SURFACE	
BOTTOM OF LOGGED INTERVAL	3036	3036	
TYPE OF FLUID IN HOLE	FULL	FULL	
FLUID LEVEL	MT	MT	
MAXIMUM RECORDED TEMP.			
NEUTRON SOURCE STRENGTH & TYPE			
SOURCE SPACING — IN.			
LENGTH OF MEASURING DEVICE — IN.	36"	36"	
O.D. OF INSTRUMENT — IN.	3 5/8"	3 5/8"	
TIME CONSTANT — SECONDS	5.0	5.0	
LOGGING SPEED FT./MIN.	20-40	20-40	
STATISTICAL VARIATION — IN.			
SENSITIVITY REFERENCE	275	275	
RECORDED BY	WILLIAM A. LANE	WILLIAM A. LANE	

RECORDED SINGLE-HAND ONLY

Reproduced By
West Texas Electrical Log Service

Dallas, Texas

REFERENCE N° A 3619 -A



OIL WELL CEMENTING CO.

RADIOACTIVITY LOG

NATURAL GAMMA RADIATION		INDUCED GAMMA RADIATION	
COMPANY THE TEXAS	FILE	LOCATION	1980' from East
WELL STATE BA-NCT-6#1	FILE	Sec 20	660' from North
FIELD Caprock		Twp 12-S	
COUNTY Lea	STATE N Mexico	Rge 32-E	
SEC. 20 TWP. 12-S	RGE. 32-E	GR NG	
SURVEY		Elev. D.F. 4394'	
		K.B. 4384'	
		Grd. 4384'	
Log Measured From	Derrick Floor	Elevation	4394
Drilling Measured From	Derrick Floor	Elevation	4394
Permanent Datum	Ground Level	Elevation	4384
Type Log	GAMMA	N GAMMA	
Run No.	ONE	ONE	
Date	1-9-55	1-9-55	
Footage Logged	2984'	2984'	
Total Depth, Driller	3039'	3039'	
Total Depth, Logged	3024'	3034'	
Type of Fluid in Hole	NONE	NONE	
Fluid Level			
Max. Temp.	102 °F	102 °F	
Neutron Source Strength		400 mq	
Source to Center of Counter		19 in.	
Length Meas. Device in	29 in	14 in	
O.D. of Instrument in	35/8"	35/8"	
Time Constant - sec.	2	2	

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West Texas Electrical Log Service

Dallas 2, Texas

REFERENCE N^o A 5716 -C



RADIOACTIVITY LOG
WELEX JET SERVICES, Inc.

LICENSED BY: WELL SURVEYS, INC.

FILE NO.

Location of Well	COMPANY	GARLAND A. SMITH <i>Thompson</i>	COUNTY LEA LOCATION 660' FWL & 660' FWL OF N/2 OF S/2, SEC. 21, T-12-S, R-22-E. STATE NEW MEXICO	FIELD CAPROCK QUEEN	WELL DOUGHITT NO. 1	COMPANY GARLAND A. SMITH
	WELL	DOUGHITT NO. 1				
	FIELD	CAPROCK QUEEN				
	COUNTY	LEA STATE NEW MEXICO				
	LOCATION	660' FWL & 660' FWL OF N/2 OF S/2 OF SEC. 21, T-12-S, R-22-E.				
LOG MEAS. FROM	1' ABOVE ROTARY TABLE	ELEV.				
DRLG. MEAS. FROM	KELLY BUSHING	ELEV.				
PERM. DATUM		ELEV.				

TYPE OF LOG	GAMMA RAY	NEUTRON
RUN NO.	- 1 -	- 1 -
DATE	10/2/56	10/2/56
JOB NO.	289-1006	517-693
TOTAL DEPTH (DRILLER)	3033	3033
EFFECTIVE DEPTH (DRILLER)	3033	3033
TOTAL DEPTH (R/A LOG)	3035	3035
TOP OF LOGGED INTERVAL	2400	2400
BOTTOM OF LOGGED INTERVAL	3025	3033
TYPE OF FLUID IN HOLE	OIL	OIL
FLUID LEVEL		
MAXIMUM RECORDED TEMPERATURE		800 M
NEUTRON SOURCE STRENGTH & TYPE		3.75
SOURCE SPACING—IN.		10
LENGTH OF MEASURING DEVICE—IN.	30	2 5/8
O.D. OF INSTRUMENT—IN.	2 5/8	5.0
TIME CONSTANT—SECONDS	5.0	5.0
LOGGING SPEED FT. MIN.	40	40
	20	20
STATISTICAL VARIATION—IN.	0.35	0.4
SENSITIVITY REFERENCE	275	275
RECORDED BY	MONDEN &	DEPUIS
WITNESSED BY		


CASING RECORD			BORE HOLE		
INTERVAL			INTERVAL		
SIZE—INS.	WT.—LB.	FROM WELL RECORD	BIT SIZE INS.	FROM WELL RECORD	FROM R/A LOG
8 5/8		0 To 201'	12 1/4	To	To
		To To		To To	To To
4 1/2		0 To 3029'	7 7/8	To	To
		To To		To To	To To

REMARKS OR OTHER DATA
 8' FROM ROTARY TABLE TO GROUND LEVEL.

R.D.-3025' *TD 3025'*
 R.D.-3033' *TD 3033'*
 TD-3035'

1305 COMMERCE STREET
DALLAS 1, TEXAS

REFERENCE N° W 4100 -E

Schlumberger Well Surveying Corporation HOUSTON TEXAS <div style="font-size: 2em; font-family: cursive;">Electrical Log</div>					
					
COUNTY LEA	COMPANY THE TEXAS CO.	COMPNY THE TEXAS CO.		Location of Well	
FIELD or LOCATION E. CAPROCK NCT B #1 STATE "BA"	WELL	#1 STATE "BA"	NCT B	660' FN & EL SEC. 22-12S-32E	
E. CAPROCK	FIELD	E. CAPROCK		ES. GRL., ML	
LOCATION SEC. 22-12S-32E					
COUNTY LEA	STATE NEW MEXICO	EL-elevation D.F.: 4356 K.B.: or G.L.:		FILING No.	
RUN NO.	Date	1			
" First Reading	10-8-53				
" Last Reading	8740				
" Feet Measured	5022				
" Csg. Schlum.	371R				
" Csg. Driller	3720				
" Depth Reached	8743				
" Bottom Drillor	8742				
" Depth Datum	KB 10.8'				
" Mud Nat.	SALT				
" Density	9.4				
" Viscosity	45				
" Resist.	11 @ 82 ° F	@	° F	@	° F
" Rep. BHT	013 @ 124° F	@	° F	@	° F
" pH	@	@	° F	@	° F
" Wtr. Loss	2.3 CC 30 min.	CC	30 min.	CC	30 min.
" Max. Temp.	° F 124				CC 30 mi
" Bit Size	7 7/8				
" Spcgs.—AM	10 NOR				
" AO	32" LS				
" AO	19" LAT				
" Opr. Rig Time	5 HRS				
" Truck No.	1724-RDS				
" Recorded By	WILSON				
" Witness By					
OLD MEET					
REMARKS CASING COLLARS RECORDED 10' DEEP					

AREA TO BE DESIGNATED TO NORTHEAST CAPROCK QUEEN UNIT
CAPROCK QUEEN POOL
LEA COUNTY, NEW MEXICO

Township 12 South, Range 32 East
New Mexico Principal Meridian

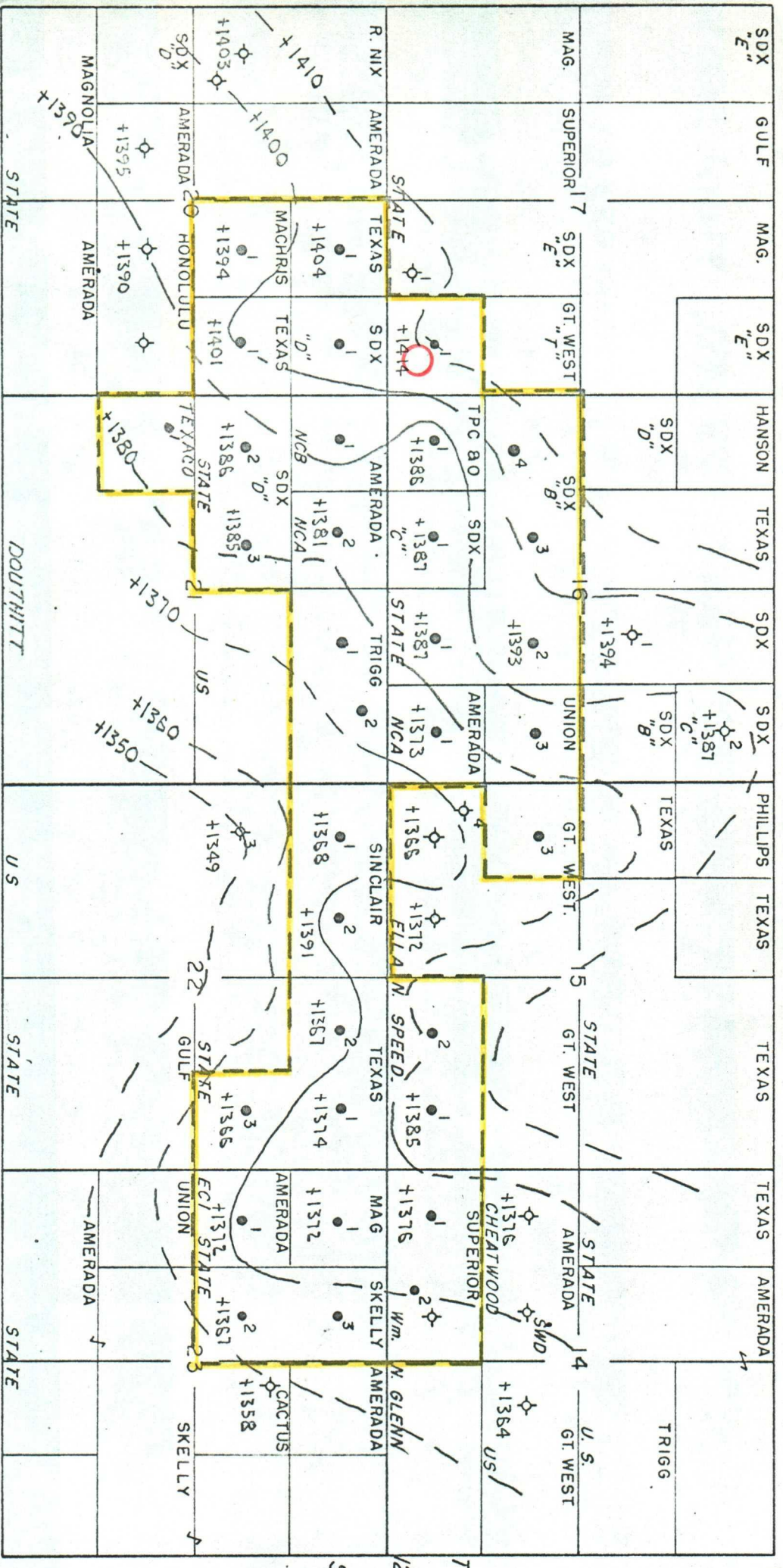
Section 14: S/2 SW/4
Section 15: S/2 SE/4, NW/4 SW/4
Section 16: S/2
Section 17: SE/4 SE/4
Section 20: NE/4
Section 21: NW/4, N/2 NE/4, NW/4 SW/4
Section 22: N/2 N/2, SE/4 NE/4
Section 23: NW/4

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

C. J. Nutter EXHIBIT NO. 2

CASE NO. 2431



Structure Map
Contoured on Top of Queen
Contour Interval - 10'

Proposed N.E. Caprock Queen Unit
Lea County, New Mexico
Scale: 1" = 2000'

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 6
CASE NO. 2451

BEFORE EXAMINER NUTTLER

OIL CONSERVATION COMMISSION

EXHIBIT NO. 9

CASE NO. 2421

WELLS TO BE CONVERTED TO INJECTION
NORTHEAST CAPROCK QUEEN UNIT
CAPROCK QUEEN POOL
LEA COUNTY, NEW MEXICO

<u>Operator</u>	<u>Lease</u>	<u>Well No.</u>
Amerada	State "MCA"	1
Amerada	State "NOB"	1
Great Western	E. N. Speed	3
Great Western	Magnolia-Speed	1
Mobil	State "D"	1
Skelly	Mexico "S"	2
Sinclair	Federal	1
Sunray & TSI	State "B"	2
Sunray & TSI	State "B"	4
Sunray & TSI	State "C"	1
Sunray & TSI	State "D"	3
Superior	W. C. Speed	2
TEXACO	State "BA" NOT-6	1
TEXACO	State "BA" NOT-7	1
TEXACO	State "BA" NOT-8	2
TEXACO	State "BA" NOT-8	3
TEXACO	Douthitt	1
Trigg	Federal "S"	1

ILLEGIBLE

**INJECTION WELL COMPLETION DATA
NORTHEAST CAPROCK QUEEN UNIT
LEA COUNTY, NEW MEXICO**

Operator and Lease	Well No.	Total Depth	Completion Interval	Surface Casing			Intermediate Casing			Production Casing		
				Size	Depth	Sacks Cement	Size	Depth	Sacks Cement	Size	Depth	Sacks Cement
Amerada State "NCA"	1	3055	3022-3043	8-5/8	207	90	-	-	-	5-1/2	3055	500
Amerada State "NCB"	1	3028	3008-3028	8-5/8	166	100	-	-	-	5-1/2	3008	500
Great Western E. N. Speed	3	3039	3012-3039	8-5/8	298	200	-	-	-	5-1/2	3012	100
Great Western Magnolia-Speed	1	3017	3005-3017	8-5/8	307	150	-	-	-	5-1/2	3005	200
Mobil State "D"	1	3295PB	2998-3015	13-3/8	458	500	9-5/8	3804	1800	*7"	9029	150
Skelly Mexico "S"	2	3103PB	3006-3012	13-3/8	317	320	9-5/8	3696	2000	*7"	8650	1000
Sinclair Federal	1	3080	3015-3030	8-5/8	199	100	-	-	-	5-1/2	3077	125
Sunray & TSI State "B"	2	3050	3004-3050	13-3/8	160	175	8-5/8	1426	**	5-1/2	3004	175
Sunray & TSI State "B"	4	3025	3002-3025	13-3/8	166	175	8-5/8	1420	**	5-1/2	3002	175
Sunray & TSI State "C"	1	3023	3005-3023	13-3/8	173	175	8-5/8	1447	***	5	3005	175
Sunray & TSI State "D"	3	3036	3014-3036	13-3/8	166	165	8-5/8	1440	**	5-1/2	3014	175
Superior W. C. Speed	2	3008PB	2994-3000	9-5/8	370	300	-	-	-	7	3015	150
TEXACO State "BA" NCT-6	1	3049	3013-3049	8-5/8	1484	1200	-	-	-	5-1/2	3013	400
TEXACO State "BA" NCT-7	1	3041	3011-3041	8-5/8	1474	1200	-	-	-	5-1/2	3011	400
TEXACO State "BA" NCT-8	2	3038	3003-3038	8-5/8	1450	1100	-	-	-	5-1/2	3015	400
TEXACO State "BA" NCT-8	3	3047PB	3006-3031	8-5/8	1450	850	-	-	-	4-1/2	3050	250
TEXACO Douthitt	1	3019PB	3014-3024	8-5/8	209	100	-	-	-	4-1/2	3029	200
Trigg Federal "S"	1	3035PB	3013-3035	13-3/8	130	50	8-5/8	1418	**	5-1/2	3013	100

* Production casing was pulled prior to completion in the Queen formation.

** The 8-5/8" intermediate casing was pulled upon completion.

*** Intermediate casing parted during pulling operations and 1068' of 8-5/8" casing was left in the hole.

BEFORE EXAMINER NUTTER

OIL CONSERVATION COMMISSION

EXHIBIT NO. 10

CASE NO. 2821

ILLEGIBLE

PROPOSED NORTHEAST CAPROCK QUEEN UNIT PARAMETERS (10-5-61)

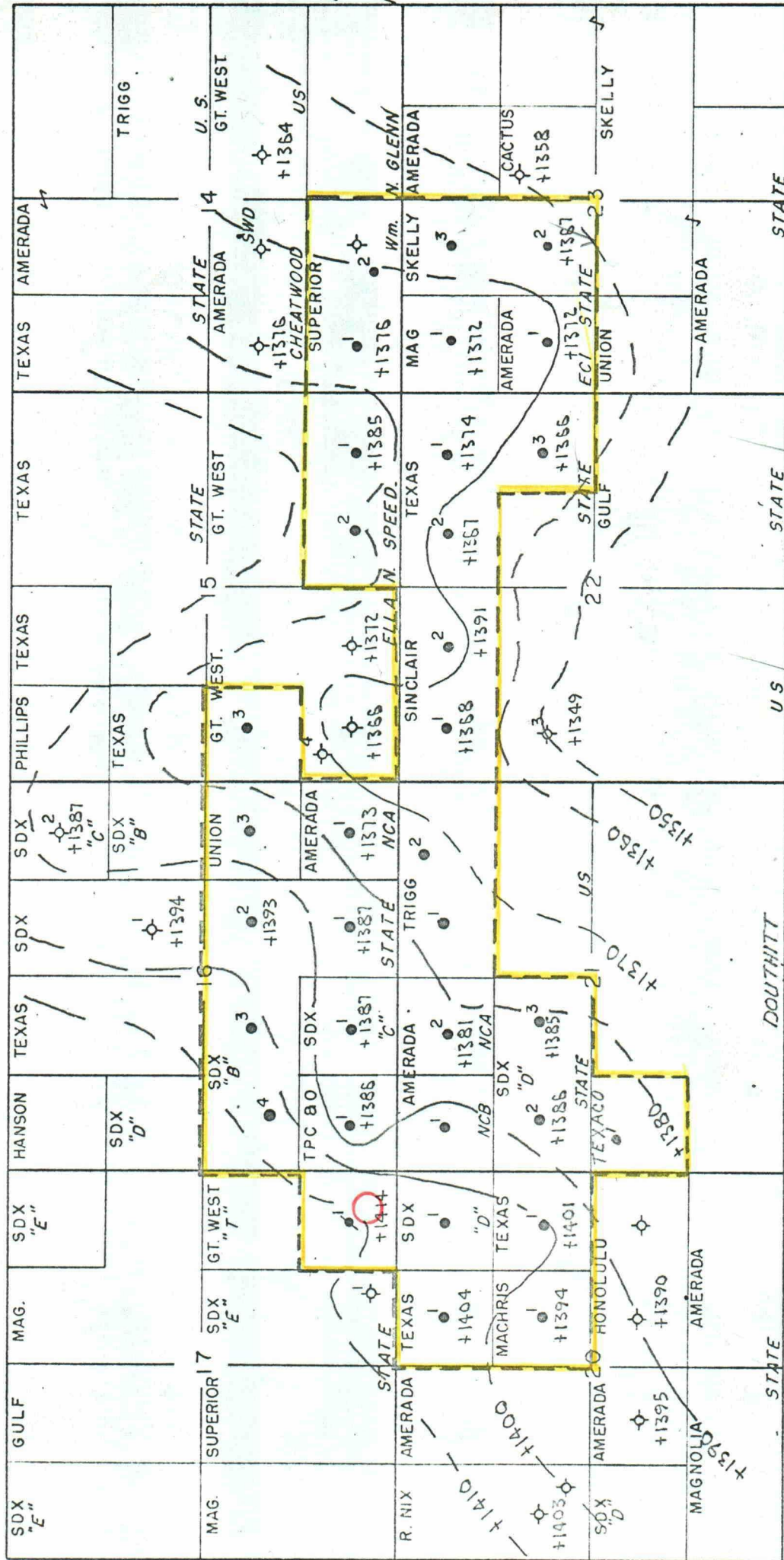
	TRACT NO.	CUM. RECOVERY 1-1-61	REMAIN. PRIM. RESERVES (1-1-61)	ULT. PRIMARY	PHASE I	
					% REMAIN. PRIM. (1-1-61)	% ULT. PRIM.
Amerada						
State ECI	10	30,969	14,600	45,569	14.31373	4.11563
State NCA	8	64,421	1,000	65,421	0.98039	5.90859
State NCB	9	44,408	3,500	47,908	3.43137	4.32688
Company Total		139,798	19,100	158,898	18.72549	14.35110
Great Western						
Ella Speed	17	11,976	1,100	13,076	1.07843	1.18098
Magnolia Speed	16	100,191	21,000	121,191	20.58823	10.94553
State T	3	12,337	0	12,337	-	1.11423
Company Total		124,504	22,100	146,604	21.66666	13.24074
M. A. McChris						
State	4	31,859	400	32,259	0.39216	2.91352
Sinclair						
Federal	2	51,667	1,800	53,467	1.76471	4.82894
Skelly						
State "S"	5	50,942	12,000	62,942	11.76471	5.68469
Socony Mobil						
State "D"	11	57,789	4,800	62,589	4.70588	5.65281
Sunray						
State "B"	12	85,406	100	85,506	0.09804	7.72259
State "C"	14	56,724	2,300	59,024	2.25490	5.33083
State "D"	13	87,932	100	88,032	0.09804	7.95073
Company Total (50%)		115,031	1,250	116,281	1.22349	10.50206
Superior						
W. C. Speed	18	81,027	5,600	86,627	5.49020	7.82284
TEXACO Inc.						
Douthitt	19	2,153	100	2,253	0.09804	0.20348
State "BA" (NCT 6,7,8)	15	128,814	14,400	143,214	14.11765	12.93457
State B,C,D (50%)	12,14,13	115,031	1,250	116,281	1.22349	10.50207
Company Total		245,998	15,750	261,748	15.44116	23.64012
Texas Pacific						
State "E" AC 2	7	69,282	12,400	81,682	12.15686	7.37722
Trigg						
Federal "S"	1	9,595	800	10,395	0.70431	0.93884
Union						
State Gross		27,727	6,000	33,727	5.08235	3.04610
Field Total		1,005,219	102,000	1,107,219	159.00000	100.00000

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION

EXHIBIT NO. 4

CASE NO. 293

R 32 E



Proposed N.E. Caprock Queen Unit
Lea County, New Mexico
Scale: 1" = 2000'

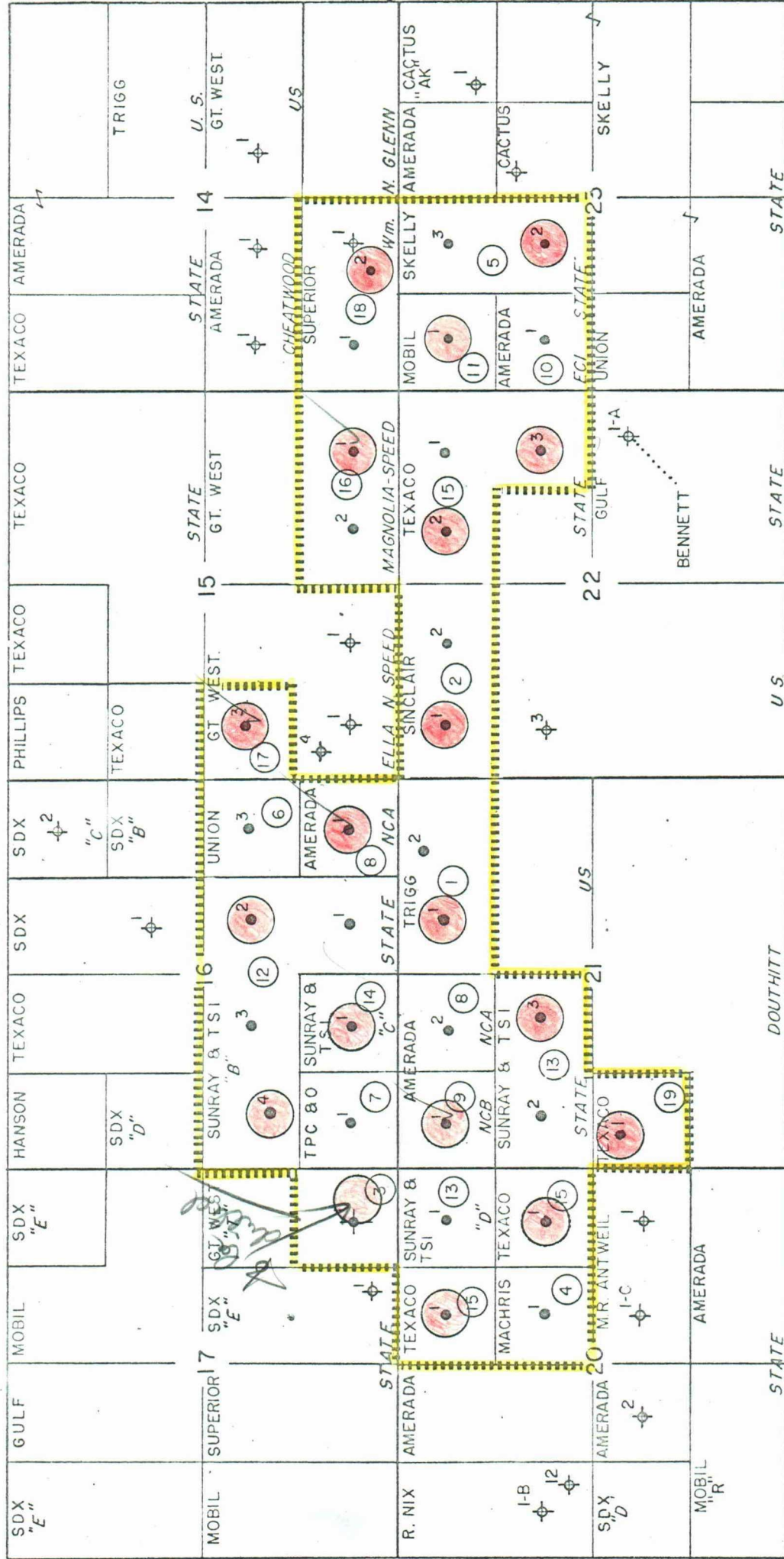
Structure Map
Contoured on Top of Queen
Contour Interval - 10'

BEFORE EXAMINER NUTTER

IF CONSERVATION COMMISSION

EXHIBIT NO. 6

CA 2821



STATE LEASES

B-10142
E-1274
B-9948
E-1765-2
B-10275

FEDERAL LEASES

LC-068747
LC-069224

PROPOSED

INJ. WELLS

NECA PROCK QUEEN UNIT AREA

UNIT AREA

LEA CO., NEW MEXICO

TRACT NO.

SCALE 1=2000

BEFORE EXAMINER NUTTIER

CONSERVATION COMMISSION

8. ON 1 MAY 1964

CASE NO. 2431

BEFORE EXAMINER NUTTER	
OIL CONSERVATION COMMISSION	
EXHIBIT NO. <u>9</u>	
CASE NO. <u>243</u>	

WELLS TO BE CONVERTED TO INJECTION
NORTHEAST CAPROCK QUEEN UNIT
CAPROCK QUEEN POOL
LEA COUNTY, NEW MEXICO

<u>Operator</u>	<u>Lease</u>	<u>Well No.</u>
Amerada	State "NCA"	1 ✓
Amerada	State "NCB"	1 ✓
Great Western	E. N. Speed	3
Great Western	Magnolia-Speed	1
Mobil	State "D"	1
Skelly	Mexico "S"	2
Sinclair	Federal	1
Sunray & TSI	State "B"	2
Sunray & TSI	State "B"	4
Sunray & TSI	State "C"	1
Sunray & TSI	State "D"	3
Superior	W. C. Speed	2
TEXACO	State "BA" NCT-6	1
TEXACO	State "BA" NCT-7	1
TEXACO	State "BA" NCT-8	2
TEXACO	State "BA" NCT-8	3
TEXACO	Douthitt	1
Trigg	Federal "S"	1

BEFORE EXAMINER NUTTER
OIL CONSERVATION COMMISSION
EXHIBIT NO. 5
CASE NO. 2421

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
NORTHEAST CAPROCK QUEEN UNIT AREA
COUNTY OF LEA
STATE OF NEW MEXICO

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Certificate of Approval

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NORTHEAST CAPROCK QUEEN UNIT
LEA COUNTY, NEW MEXICO

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Exhibit "A" (Map of Unit Area)

Exhibit "B" (Schedule of Ownership)

UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION OF THE
NORTHEAST CAPROCK QUEEN UNIT
LEA COUNTY, NEW MEXICO

THIS AGREEMENT, entered into as of the _____ day of _____, 1961, by and between the parties subscribing, ratifying or consenting hereto, and herein referred to as "parties hereto",

WITNESSETH: That,

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

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws 1943 as amended by Sec. 1 of Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 39, N.M.S. 1953 anno) to consent to or approve this Agreement on behalf of the State of New Mexico, insofar as it covers and includes lands and mineral interests of the State of New Mexico; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is authorized by an Act of the Legislature (Sec. 3, Chap. 88, Laws of 1943, as amended by Sec. 1, Chap. 162, Laws of 1951, Chap. 7, Art. 11, Sec. 41, N.M.S. 1953 anno) to amend with the approval of the lessee, any oil and gas lease embracing State lands so that the length of the term of said lease may coincide with the term of such unitized development and operation of State lands; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico is authorized by law (Chap. 72, Laws of 1935, as amended by Chap. 193, Laws of 1937, Chap. 166, Laws of 1941, and Chap. 168, Laws of 1949) to approve this Agreement, and the conservation provisions hereof; and

WHEREAS, the Mineral Leasing Act of February 25, 1920, (41 Stat. 437, as amended, 30 U.S.C. Sections 181 et seq.) authorizes Federal lessees and their representatives to unite with each other or jointly or separately with others in collectively adopting and operating a co-operative or unit plan of development or operation of any oil or gas

pool, field or like area or any part thereof for the purpose of more properly conserving the natural resources thereof whenever determined and certified by the Secretary of the Interior to be necessary or advisable in the public interest; and

WHEREAS, the parties hereto hold sufficient interests in the Northeast Caprock Queen Unit covering the land hereinafter described to give reasonably effective control of operation therein; and

WHEREAS, it is the purpose of the parties hereto, to enable institution and consummation of secondary recovery operations, conserve natural resources, prevent waste and secure the other benefits obtainable through development and operation of the area subject to this Agreement under the terms, conditions and limitations herein set forth.

NOW, THEREFORE, in consideration of the premises and the promises herein contained, the parties hereto commit to this Agreement their entire respective interests in the below defined Unit Area, and agree severally among themselves as follows:

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

SECTION 2. UNIT AREA AND DEFINITIONS: For the purpose of this Agreement, the following terms and expressions as used herein shall mean;

(a) "Unit Area" is defined as those lands specified on Exhibit "A" hereof, and such land is hereby designated and recognized as constituting the Unit Area; the lands described in said Exhibit "A" are described as follows, to-wit:

Township 12 South, Range 32 East, New Mexico Principal Meridian

Section 14: S/2 SW/4
Section 15: S/2 SE/4, NW/4 SW/4
Section 16: S/2
Section 17: SE/4 SE/4
Section 20: NE/4
Section 21: NW/4, N/2 NE/4, NW/4 SW/4
Section 22: N/2 N/2, SE/4 NE/4
Section 23: NW/4

containing 1,360.00 acres, more or less, in Lea County, New Mexico.

(b) "Commissioner" is defined as the Commissioner of Public Lands of the State of New Mexico.

(c) "Commission" is defined as the Oil Conservation Commission of the State of New Mexico.

(d) "Director" is defined as the Director of the United States Geological Survey.

(e) "Secretary" is defined as the Secretary of the Interior of the United States of America.

(f) "Department" is defined as the Department of the Interior of the United States of America.

(g) "Supervisor" is defined as the Oil and Gas Supervisor of the United States Geological Survey.

(h) "Queen Formation" is defined and shall mean that heretofore established underground reservoir, the top of which is found at 2,986 feet, and the base of which is found at 3,323 feet, on the Gamma Ray log of TEXACO Inc.'s State of New Mexico "BA" (NCT-8) Lease, Well No. 1 located in the NE/4 NE/4 of Section 22, T-12-S, R-32-E, insofar as the same lies within the Unit Area.

(i) "Unitized Formation" is defined as the portion of the Queen Formation effectively committed to this Agreement.

(j) "Unitized Substances" is defined as and shall mean all oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquids or liquefiable hydrocarbons within or produced from the Unitized Formation.

(k) "Working Interest" is defined as the right to search for, produce and acquire Unitized Substances whether held as an incident of ownership of mineral fee simple title, under an oil and gas lease, or otherwise held.

(l) "Working Interest Owner" is defined as and shall mean any party hereto owning a Working Interest, including a carried working interest owner, holding an interest in Unitized Substances by virtue of a lease, operating agreement, fee title or otherwise, which interest is chargeable with and obligated to pay or bear, either in cash or out of production, or otherwise, all or a portion of the cost of drilling, developing and producing the Unitized Substance from the Unitized Formation and operating thereof hereunder.

(m) "Royalty Interest" or "Royalty" is defined as an interest other than a Working Interest in or right to receive a portion of the Unitized Substances or the proceeds thereof and includes the royalty interest reserved by the lessor by an oil and gas lease and any overriding royalty interest, oil payment interest, net profit contracts, or any other payment or burden which does not carry with it the right to search for and produce Unitized Substances.

(n) "Royalty Owner" is defined as and shall mean the owner of a Royalty Interest.

(o) "Unit Operating Agreement" is defined as and shall mean any agreement or agreements (whether one or more) entered into (separately or collectively) by and between the Unit Operator and the Working Interest Owners as provided in Section 10, infra, and shall be styled "Unit Operating Agreement, Northeast Caprock Queen Unit, Lea County, New Mexico."

(p) "Paying Quantities" is defined as production of Unitized Substances in quantities sufficient to pay for the cost of producing same from wells on the unitized land.

(q) "Phase I" is defined as that period of time until the total amount of Unit Area Remaining Primary Reserves is produced. For all purposes of this Agreement the date of termination of Phase I shall be the last day of the month in which such amount of oil is produced.

(r) "Phase II" is defined as the remainder of the term of this Agreement after the termination of Phase I.

(s) "Tract or Unit Area Remaining Primary Reserves" is defined as the number of barrels of oil heretofore approved by the Working Interest Owners or the estimated remaining primary oil reserves as of January 1, 1961, from such Tract or the Unit Area.

(t) "Tract or Unit Area Ultimate Primary Recovery" is defined as total cumulative amount of oil produced from such Tract or the Unit Area to January 1, 1961, as reported to the State Oil Conservation Commission, plus the Tract or the Unit Area Remaining Primary Reserves, as applicable.

SECTION 3. EXHIBITS: Exhibit "A" attached hereto is a map showing, to the extent known to the Unit Operator, the Unit Area and the boundaries and identity of tracts and leases in said Unit Area. Exhibit "B" attached hereto is a schedule showing, to the extent known to the Unit Operator, the acreage comprising each tract, percentage ownership of each Working Interest Owner in each tract, and the percentage of participation each tract has in the Unit Area. However, nothing herein or in said schedule or map shall be construed as a representation by any party hereto as to the ownership of any interest other than such interest or interests as are shown in said map or schedule as owned by such

party. Exhibits "A" and "B" shall be revised by the Unit Operator whenever changes render such revision necessary, and at least two copies of such revision shall be filed with the Commissioner, and not less than six copies thereof shall be filed with the Supervisor.

SECTION 4. EXPANSION: The above described Unit Area may when practicable be expanded to include therein any additional tract or tracts regarded as reasonably necessary or advisable for the purposes of this Agreement to conform with the purposes of this Agreement. Such expansion shall be effected in the following manner:

(a) The Working Interest Owner or owners of a tract or tracts desiring to bring such tract or tracts into this Unit, shall file an application therefor with Unit Operator requesting such admission.

(b) Unit Operator shall circulate a notice to each Working Interest Owner of the proposed expansion, setting out the basis for admission, the unit participation to be assigned to such tract or tracts, and other pertinent data. After negotiation (at Working Interest Owners' meeting or otherwise) if 90 percent of the Working Interest Owners (on the basis of unit participation during Phase II) have agreed to such tract or tracts being brought into the Unit, then Unit Operator shall:

(1) Prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reason therefor, the basis for admission of the additional tract or tracts, the unit participation to be assigned thereto and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice; and

(2) Deliver copies of said notice to the Commissioner, the Director, each Working Interest Owner (mailing copy of such notice to the last known address of each such Working Interest Owner) and to the lessee and lessor whose interests are proposed to be committed, advising such parties that thirty (30) days will be allowed for submission to the Unit Operator of any objection to such proposed expansion; and

(3) File, upon the expiration of said thirty (30) day period as set out in (2) immediately above and provided that objections of not more than 10 percent of the Working Interest Owners have been filed thereto, with the Commissioner, Director and the Commission the following: (a) Comprehensive statement as to mailing such notice of expansion; (b) An application for such expansion; and (c) An instrument containing the appropriate joinders in compliance with the participation requirements of Section 14, infra.

The expansion shall, after due consideration of all pertinent information and upon approval by the Commissioner, the Director and the Commission, become effective as of the date prescribed in the notice thereof or on such other date as set by the Commissioner, the Director and the Commission in the order or instrument approving such expansion.

SECTION 5. CONTRACTION: When practicable, the Unit Area shall be contracted to exclude land not effectively committed to this Unit Agreement whenever such contraction is necessary or advisable to conform with the purposes of this Agreement. Such contraction should be effected in the following manner:

(a) Unit Operator, with concurrence of at least 80 percent of the Working Interest Owners, on the basis of unit participation during Phase II, or on demand of the Director, or on demand of the Commissioner, after preliminary concurrence by the Director, shall prepare a notice of contraction describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, and the proposed effective date thereof, preferably the first day of a month subsequent to the date of notice.

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

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

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

SECTION 6. UNITIZED LAND AND UNITIZED SUBSTANCES: All Unitized Substances in all of the hereinabove described and subsequently admitted land effectively committed to this Agreement, insofar only as the same may be found in the Unitized Formation, together with the surface rights of ingress and egress, are unitized under the terms of this Agreement and said land shall constitute land referred to herein as "Unitized Land" or "Land Subject to this Agreement"

Nothing herein shall be construed to unitize, pool, or in any way affect the oil, gas and other minerals contained in or that may be produced from any formation other than the Unitized Formation.

SECTION 7. UNIT OPERATOR: TEXACO Inc., a Delaware corporation, is hereby designated as Unit Operator, and by signing this instrument as Unit Operator it agrees and consents to accept the duties and obligations of Unit Operator for the operation, development and production of Unitized Substances as herein provided. Whenever reference is made

herein to the Unit Operator, such reference means the Unit Operator acting in that capacity and not as an owner of interests in Unitized Substances, and the term "Working Interest Owner" when used herein shall include or refer to Unit Operator as the owner of a Working Interest when such an interest is owned by it.

SECTION 8. RESIGNATION OR REMOVAL OF UNIT OPERATOR: Unit Operator shall have the right to resign at any time, but such resignation shall not become effective so as to release Unit Operator from the duties and obligations of Unit Operator and terminate Unit Operator's rights as such for a period of six (6) months after written notice of intention to resign has been given by Unit Operator to all Working Interest Owners, the Commissioner and the Director, unless a new Unit Operator shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by 75 percent of the committed Working Interest Owners (on the basis of Unit participation during Phase II) exclusive of the Working Interest Owner who is the Unit Operator. Such removal shall be effective upon notice thereof to the Commissioner and the Director.

In all instances of resignation or removal, until a successor Unit Operator is selected and approved as hereinafter provided, the Working Interest Owners shall be jointly responsible for performance of the duties of Unit Operator.

The resignation or removal of Unit Operator under this Agreement shall not terminate its right, title or interest as the owner of a Working Interest or other interest in Unitized Substances, but upon the

resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all equipment, books, and records, materials, appurtenances and any other assets, used in conducting the Unit operations and owned by the Working Interest Owners (including any and all data and information which it might have gained or assembled by reason of its operation of the Unit Area) to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting Unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

SECTION 9. SUCCESSOR UNIT OPERATOR: Whenever the Unit Operator shall tender its resignation as Unit Operator or shall be removed as hereinabove provided, the Working Interest Owners shall by affirmative vote of at least 65 percent of their voting interest, based upon the percentages of participation during Phase II as shown on Exhibit "B", select a successor Unit Operator, provided, however, that should any Working Interest Owner own a voting interest of more than 35 percent, the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by 80 percent or more of the voting interests of the remaining Working Interest Owners, and provided further that the Unit Operator shall not vote to succeed himself. Such selection shall not become effective until (a) a Unit Operator so selected shall accept in writing the duties and responsibilities of Unit Operator, and (b) the selection shall have been approved by the Commissioner and the Director. If no successor Unit Operator is selected and qualified as herein provided, the Commissioner and the Director, at their election, may declare this Agreement terminated.

SECTION 10. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT: Costs and expenses incurred by Unit Operator in conducting Unit operations hereunder shall be paid, apportioned among and borne by the Working Interest Owners in accordance with the Unit Operating Agreement.

Such Unit Operating Agreement shall also provide the manner in which the Working Interest Owners shall be entitled to receive their respective proportionate and allocated share of the benefits accruing hereto in conformity with their underlying operating agreements, leases or other independent contracts and such other rights and obligations as between Unit Operator and the Working Interest Owners as may be agreed upon by the Unit Operator and the Working Interest Owners; however, no such Unit Operating Agreement shall be deemed either to modify any of the terms and conditions of this Unit Agreement or to relieve the Unit Operator of any right or obligation established under this Agreement, and in case of any inconsistency or conflict between this Agreement and the Unit Operating Agreement, this Agreement shall prevail. Two true copies of any Unit Operating Agreement executed pursuant to this Section shall be filed with the Commissioner and three true copies thereof shall be filed with the Supervisor, prior to approval of this Agreement.

SECTION 11. RIGHTS AND OBLIGATIONS OF UNIT OPERATOR: Except as otherwise specifically provided herein, the exclusive right, privilege and duty of exercising any and all rights of the parties hereto which are necessary or convenient for prospecting for, producing, storing, allocating and distributing the Unitized Substances are hereby delegated to and shall be exercised by the Unit Operator as herein provided. Acceptable evidence of title to said rights shall be deposited with said Unit Operator, and together with this Agreement, shall constitute and define the rights, privileges and obligations of Unit Operator. Nothing herein, however, shall be construed to transfer title to any land or to any lease or operating agreement, it being understood that under this Agreement the Unit Operator, in its capacity as Unit Operator, shall exercise the rights of possession and use vested in the parties hereto only for the purposes herein specified.

SECTION 12. PLAN OF OPERATIONS: It is recognized and agreed by the parties hereto that all of the land subject to this Agreement is reasonably proved to be productive of Unitized Substances in paying quantities and that the object and purpose of this Agreement is to formulate and to put into effect a secondary recovery project in order to effect additional recovery of Unitized Substances, prevent waste and conserve

natural resources. The parties hereto agree that the Unit Operator may, subject to the consent and approval of a plan of operation by the Working Interest Owners, the Supervisor, the Commission, and the Commissioner, inject into the Unitized Formation, through any well or wells completed therein, brine, water, air, gas, oil, liquefied petroleum gas, and any other substance or a combination of any of said substances, whether produced from the Unit Area or not, and that the location of input wells and the rates of injection therein and the rate of production shall be governed by standards of good geologic and petroleum engineering practices and conservation methods. After commencement of secondary operations, Unit Operator shall furnish the Commission, the Commissioner, and the Supervisor monthly, injection and production reports for each well in the Unit. The Working Interest Owners, the Supervisor, the Commission, and the Commissioner, shall be furnished periodical reports on the progress of the plan of operation and any revisions or changes thereto; provided however, that any major revisions of the plan of operation involving a basic deviation from the initial plan of operation shall be subject to the consent and approval of the Working Interest Owners, the Supervisor, the Commission, and the Commissioner.

The initial plan of operation shall be filed with the Supervisor, the Commission, and the Commissioner concurrently with the filing of this Unit Agreement for final approval. Said initial plan of operation and all revisions thereof shall be as complete and adequate as the Supervisor, the Commission, and the Commissioner may determine to be necessary for timely operation consistent herewith. Reasonable diligence shall be exercised in complying with the obligations of the approved plan of operation.

Notwithstanding anything to the contrary herein contained, the Unit Operator shall commence secondary recovery operations on the Unit Area within six (6) months after the effective date of this Agreement, or any extension thereof approved by the Commission, the Commissioner and the Director, or this Agreement shall terminate automatically, in which latter event Unit Operator shall notify all interested parties. After such operations are commenced, Unit Operator shall carry on such operations as would a reasonably prudent operator under the same or similar circumstances.

SECTION 13. TRACT PARTICIPATION: In Exhibit "B" attached hereto, there are listed and numbered the various tracts within the Unit Area and set forth opposite each tract is a figure which represents the percentage of participation allocated to each tract in the Unit Area during Phase I, and a figure which represents the percentage of participation allocated to each tract in the Unit Area during Phase II. The formulas used for the calculation of such percentages of participation are as follows:

- (a) Percentage Participation of Each Tract During Phase I = 100 $\frac{\text{Tract Remaining Primary Reserves from the Unitized Formation}}{\text{Unit Area Remaining Primary Reserves from the Unitized Formation}}$
- (b) Percentage Participation of Each Tract During Phase II = 100 $\frac{\text{Tract Ultimate Primary Recovery from the Unitized Formation}}{\text{Unit Area Ultimate Primary Recovery from the Unitized Formation}}$

The percentages of participation set forth opposite each tract in Exhibit "B" were calculated on the basis of 100 percent tract commitment. If the Unit Agreement is approved with less than 100 percent tract commitment, said percentages of participation shall be revised to fit the commitment status as of the effective date hereof, and thereafter, as needed pursuant to Section 15 (Allocation of Unitized Substances).

SECTION 14. TRACTS QUALIFIED FOR UNIT PARTICIPATION: On and after the effective date hereof the tracts within the Unit Area which shall be entitled to participation (as provided in Section 13 hereof) in the production of Unitized Substances therefrom shall be those tracts within the Unit Area and more particularly described in said Exhibit "B" that are qualified as follows:

(a) Each and all of those tracts as to which Working Interest Owners owning 100% of the Working Interest in said tract and Royalty Owners owning 100% of the Royalty Interest in said tract have subscribed, ratified or consented to this Agreement; and

(b) Each and all of those tracts as to which Working Interest Owners owning not less than 95% of the Working Interest therein and Royalty Owners owning not less than 75% of the Royalty Interest therein have executed this Agreement, and in which the Working Interest Owners in said tract who have executed this Agreement have agreed to indemnify and hold harmless all other parties hereto, in a manner satisfactory to 85% of the Working Interest Owners qualified under (a), against any and all claims and demands that may be made by the nonjoining Working Interest Owners or Royalty Owners, or both, on account of the commitment and joinder of such tract to the Unit Agreement, and operation thereof under such conditions on the basis herein provided, and as to which 85% of the Working Interest Owners qualified under (a), exclusive of the Working Interest Owner submitting such tract, have approved the commitment of such tract to this Unit Agreement.

If, on the effective date of this Agreement, there is any tract or tracts which have not been effectively committed to or made subject to this Agreement by qualifying as above provided, then such tract or tracts shall not be entitled to participate hereunder. Unit Operator shall, when submitting this Agreement for final approval by the Commissioner and the Director, file therewith a schedule of those tracts which have been committed and made subject to this Agreement and are entitled to participate in the production from the Unit Area hereunder. Said schedule shall set forth opposite each such committed tract the lease number and assignment number, the owner of record of the lease, and the percentages of participation of such tract which shall be computed according to the participation formula set out in Section 13 (Tract Participation) above. This schedule of participation shall be a part of Exhibit "B" and upon approval thereof by the Commissioner and the Director shall become a part of this Agreement and shall govern the allocation of production of Unitized Substances until a new schedule is filed and approved by the Commissioner and the Director.

SECTION 15. ALLOCATION OF UNITIZED SUBSTANCES: All Unitized Substances produced and saved (less, save and except any part of such Unitized Substances used in conformity with good operating practices on unitized land for drilling, operating, camp, and other production or development purposes and for pressure maintenance or unavoidable loss) shall be apportioned among and allocated to the committed tracts within the Unit Area in accordance with the respective tract participation then effective hereunder during the respective periods such Unitized Substances were produced, as set forth in the schedules of participation in Exhibit "B". The amount of Unitized Substances so allocated to each tract, and only that amount, (regardless of whether it be more or less than the amount of the actual production of Unitized Substances from the well or wells, if any, on such tract) shall, for all intents, uses and purposes, be deemed to have been produced from such tract.

The Unitized Substances allocated to each tract shall be distributed among, or accounted for to the parties executing, consenting to or

ratifying this Agreement entitled to share in the production from such tract in the same manner, in the same proportions, and upon the same conditions, as they would have participated and shared in the production from such tracts, or in the proceeds thereof, had this Agreement not been entered into; and with the same legal force and effect.

No tract committed to this Agreement and qualified for participation as above provided shall be subsequently excluded from participation hereunder on account of depletion of Unitized Substances, and nothing herein contained shall be construed as requiring any retroactive adjustment for production obtained prior to the effective date of the joinder of any tract.

If the Working Interest and the Royalty Interest in any tract are divided with respect to separate parcels or portions of such tract and owned severally by different persons, the percentage participation assigned to such tract shall, in the absence of a recordable instrument executed by all owners and furnished to Unit Operator fixing the divisions of ownership, be divided among such parcels or portions in proportion to the number of surface acres in each.

The Unitized Substances allocated to each tract shall be delivered in kind to the respective Working Interest Owners and parties entitled thereto by virtue of the ownership of oil and gas rights therein or by purchase from such owners. Each Working Interest Owner and the parties entitled thereto shall have the continuing right to receive such production in kind at a common point within the Unit Area and to sell or dispose of the same as it sees fit. Each such party shall have the right to construct, maintain and operate all necessary facilities for that purpose on unitized land, provided the same are so constructed, maintained and operated as not to interfere with operations carried on pursuant hereto. Subject to Section 16 hereof, any extra expenditure incurred by Unit Operator by reason of the delivery in kind of any portion of the Unitized Substances shall be borne by the party receiving the same in kind. In the event any party hereto shall fail to take or otherwise adequately dispose of its proportionate share of the production from the Unit Area currently as and when produced, then so long as such conditions continue, Unit Operator, for the account and at the expense of such party and in order to avoid curtailing the operation of the Unit

Area, may sell or otherwise dispose of such production to itself or others on a day-to-day basis at not less than the prevailing market price in the area for like production, and the account of such party shall be charged therewith as having received such production. The net proceeds, if any, of the Unitized Substances so disposed of by Unit Operator shall be paid to the party entitled thereto.

Any party receiving in kind or separately disposing of all or any part of the Unitized Substances allocated to any tract, or receiving the proceeds therefrom if the same is sold or purchased by Unit Operator, shall be responsible for the payment of all Royalty on the lease or leases and tracts contributed by it and received into the Unit, and each such party shall hold each other party hereto harmless against all claims, demands and causes of action for such Royalty on the lease or leases and tracts contributed by it and received into the unitized land.

If, after the effective date of this Agreement, there is any tract or tracts that are subsequently committed hereto, as provided in Section 4 (Expansion) hereof, or any tract or tracts within the Unit Area not committed hereto as of the effective date hereof but which are subsequently committed hereto under the provisions of Section 31 (Nonjoinder and Subsequent Joinder), or if any tract is excluded from the Unit Area as provided for in Section 30 (Loss of Title), the schedules of participation as shown in Exhibit "B", subject to Section 13 (Tract Participation) or Section 31 (Nonjoinder and Subsequent Joinder), whichever is appropriate, shall be revised by the Unit Operator and distributed to the Working Interest Owners, the Commissioner, and the Director to show the new percentages of participation of all the then effectively committed tracts; and the revised schedules, upon approval by the Commissioner and the Director, shall govern all the allocation of production from and after the effective date thereof until a new schedule is filed and approved by the Commissioner and the Director.

SECTION 16. ROYALTY SETTLEMENT: The State of New Mexico and the United States of America and all Royalty Owners who, under an existing contract, are entitled to take in kind a share of the substances pro-

duced from any tract unitized hereunder, shall continue to be entitled to such right to take in kind their share of the Unitized Substances allocated to such tract, and Unit Operator shall make deliveries of such Royalty share taken in kind in conformity with the applicable contracts, laws and regulations. Settlement for Royalty Interest not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any Royalty due under their leases, except that such Royalty shall be computed in accordance with the terms of this Unit Agreement.

If gas obtained from lands not subject to this Agreement is introduced into the Unitized Formation, for use in repressuring, stimulation of production or increasing ultimate recovery in conformity with a plan approved pursuant to Section 12 (Plan of Operations), a like amount of gas, less appropriate deductions for loss from any cause, may be withdrawn from the Unitized Formation, Royalty free as to dry gas but not as to the products extracted therefrom; provided such withdrawal shall be pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and the Commissioner; and provided further that such right of withdrawal shall terminate as of the effective date of termination of the Unit Agreement. If liquefied petroleum gases obtained from lands or formations not subject to this agreement be injected into the unitized land for the purpose of increasing ultimate recovery, which shall be in conformance with a plan first approved by the Supervisor and the Commissioner, part or all of such liquefied petroleum gases may be withdrawn royalty free pursuant to such conditions and formulas as may be prescribed or approved by the Supervisor and the Commissioner.

All Royalty due the State of New Mexico and the United States of America and the other Royalty Owners hereunder shall be computed and paid on the basis of all Unitized Substances allocated to the respective

tract or tracts committed hereto, in lieu of actual production from such tract or tracts.

Each Royalty Owner (other than the State of New Mexico and the United States of America) that executes this Agreement represents and warrants that it is the owner of a Royalty Interest in a tract or tracts within the Unit Area as its interest appears in Exhibit "B" attached hereto. If any Royalty Interest in a tract or tracts should be lost by title failure or otherwise in whole or in part, during the term of this Agreement, then the Royalty Interest of the party representing himself to be the owner thereof shall be reduced proportionately and the interest of all parties shall be adjusted accordingly.

SECTION 17. RENTAL SETTLEMENT: Rentals or minimum royalties due on leases committed hereto shall be paid by Working Interest Owners responsible therefor under existing contracts, laws and regulations, provided that nothing herein contained shall operate to relieve the lessees of any land from their respective lease obligations for the payment of any rental or minimum royalty in lieu thereof, due under their leases. Rental for lands of the State of New Mexico subject to this Agreement shall be paid at the rate specified in the respective leases from the State of New Mexico. Rental or minimum royalty for lands of the United States of America subject to this Agreement shall be paid at the rate specified in the respective leases from the United States of America, unless rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary or his duly authorized representative.

SECTION 18. CONSERVATION: Operations hereunder and production of Unitized Substances shall be conducted to provide for the most economical and efficient recovery of said substances without waste, as defined by or pursuant to Federal and State laws and regulations.

SECTION 19. DRAINAGE: The Unit Operator shall take appropriate and adequate measures to prevent drainage of Unitized Substances from unitized land by wells on land not subject to this Agreement.

SECTION 20. LEASES AND CONTRACTS CONFORMED AND EXTENDED: The terms, conditions and provisions of all leases, subleases and other contracts relating to exploration, drilling, development or operation for

oil or gas on lands committed to this Agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect, and the parties hereto hereby consent that the Secretary and the Commissioner, respectively, shall and by their approval hereof, or by the approval hereof by their duly authorized representatives, do hereby establish, alter, change or revoke the drilling, producing, rental, minimum royalty and royalty requirements of Federal and State leases committed hereto and the regulations in respect thereto to conform said requirements to the provisions of this Agreement.

Without limiting the generality of the foregoing, all leases, subleases and contracts are particularly modified in accordance with the following:

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

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

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

(d) Each lease, sublease, or contract relating to the exploration, drilling, development or operation for oil and gas which by its terms might expire prior to the termination of this Agreement, is hereby extended beyond any such term so provided therein, so that it shall be continued in full force and effect for and during the term of this Agreement.

(e) Any Federal lease for a fixed term of twenty (20) years or any renewal thereof or any part of such lease which is made subject to this Agreement shall continue in force beyond the term provided therein until the termination hereof. Any other Federal lease committed hereto shall continue in force beyond the term so provided therein or by law as to the committed land so long as such land remains committed hereto, or in the event actual drilling operations are commenced on unitized land, in accordance with the provisions of this Agreement, prior to the end of the primary term of such lease and are being diligently prosecuted

at that time, such lease shall be extended for two years and so long thereafter as oil or gas is produced in paying quantities in accordance with the provisions of the Mineral Leasing Act Revision of 1960.

(f) Any lease embracing lands of the State of New Mexico, which is made subject to this Agreement, shall continue in force beyond the term provided therein as to the lands committed hereto until the termination hereof.

(g) Any lease embracing lands of the State of New Mexico having only a portion of its land committed hereto, shall be segregated as to that portion committed and that not committed, and the terms of such lease shall apply separately to such segregated portions commencing as of the effective date hereof. Provided, however, that notwithstanding any of the provisions of this Agreement to the contrary, such lease shall continue in full force and effect beyond the term provided therein as to all lands embraced in such lease if oil or gas is, or has heretofore been, discovered in paying quantities on some part of the lands embraced in such lease committed to this Agreement or, so long as a portion of the Unitized Substances produced from the Unit Area is, under the terms of this Agreement, allocated to the portion of the lands covered by such lease committed to this Agreement, or, at any time during the term hereof, as to any lease that is then valid and subsisting and upon which the lessee or the Unit Operator is then engaged in bona fide drilling, reworking, or secondary recovery operations on any part of the lands embraced in such lease, then the same as to all lands embraced therein shall remain in full force and effect so long as such operations are diligently prosecuted, and if they result in the production of oil or gas, said lease shall continue in full force and effect as to all of the lands embraced therein, so long thereafter as oil or gas in paying quantities is being produced from any portion of said lands.

(h) The segregation of any Federal lease committed to this Agreement is governed by the following provisions in the fourth paragraph of Sec. 17 (b) of said Act of February 25, 1920, as amended by the Act of July 29, 1954, (68 Stat. 583, 585): "Any (Federal) lease hereafter committed to any such plan (unit) embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated into separate leases as to the lands committed and the lands not committed as of the effective date of unitization; provided, however, that any such lease as to the nonunitized portion shall continue in force and effect for the term thereof but for not less than two years from the date of such segregation and so long thereafter as oil or gas is produced in paying quantities."

SECTION 21. MATHEMATICAL ERRORS: It is hereby agreed by all parties to this Agreement that Unit Operator is empowered to correct any mathematical errors which might exist in the pertinent exhibits to this Agreement upon approval of the Commissioner, the Director, and the Working Interest Owners.

SECTION 22. COVENANTS RUN WITH LAND: The covenants herein shall be construed to be covenants running with the land with respect to the interest of the parties hereto and their successors in interest until this Agreement terminates, and any grant, transfer or conveyance of

interest in land or leases subject hereto shall be and hereby is conditioned upon the assumption of all privileges and obligations hereunder by the grantee, transferee or other successor in interest. No assignment or transfer of any Working Interest subject hereto shall be binding upon Unit Operator until the first day of the calendar month after Unit Operator is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer; and no assignment or transfer of any Royalty Interest subject hereto shall be binding upon the Working Interest Owner responsible therefor until the first day of the calendar month after said Working Interest Owner is furnished with the original, or acceptable photostatic or certified copy, of the recorded instrument of transfer.

SECTION 23. EFFECTIVE DATE AND TERM: This Agreement shall become binding upon each party who executes or ratifies it as of the date of execution or ratification by such party and shall become effective as of 7:00 o'clock a.m. of the first day of the month next following:

(a) The execution or ratification of this Agreement and the Unit Operating Agreement by Working Interest Owners owning a combined unit participation during Phase I of at least 95 percent, and the execution or ratification of this Agreement by Royalty Owners owning a combined interest of at least 75 percent of the Royalty Interest, in said Unit Area; and

(b) The approval of this Agreement by the Commissioner, the Secretary or his duly authorized representative, and the Commission.

If (a) and (b) above are not accomplished on or before January 1, 1963, this Agreement shall ipso facto terminate on said date (hereinafter called "termination date") and thereafter be of no further force or effect, unless prior thereto this Agreement has been executed or ratified by Working Interest Owners owning a combined unit participation during Phase I of at least ninety (90%) percent, and the Working Interest Owners owning a combined unit participation during Phase I of at least ninety (90%) percent committed to this Agreement have decided to extend said termination date for a period not to exceed six (6) months (hereinafter called "extended termination date"). If said termination date is so extended and (a) and (b) are not accomplished on or before said extended termination date, this Agreement shall ipso facto terminate on said extended termination date and thereafter be of no further force or effect. For the purpose of this Section, ownership shall be computed on the basis of unit participation as determined from Exhibit "C" attached to the Unit Operating Agreement.

Unit Operator shall, within thirty (30) days after the effective date of this Agreement, file for record a certificate to the effect that this Agreement has become effective according to its terms and stating further the effective date and the location of the governmental agency offices where copies of this Agreement are filed.

The term of this Agreement shall be for and during the time that Unitized Substances are produced in paying quantities from the Unit Area and as long thereafter as drilling, reworking or other operations (including secondary recovery operations) are prosecuted thereon without cessation of more than ninety (90) consecutive days, unless sooner terminated by Working Interest Owners in the manner hereinafter provided.

This Agreement may be terminated with the approval of the Commissioner and the Director by Working Interest Owners owning ninety (90%) percent unit participation during Phase II whenever such Working Interest Owners determine that Unit operations are no longer profitable, feasible or in the interest of conservation. Notice of any such termination shall be given by Unit Operator to all parties hereto.

Upon termination of this Agreement, the further development and operation of the Unit Area as a Unit shall be abandoned, Unit operations shall cease, and thereafter the parties hereto shall be governed by the terms and provisions of the leases and contracts affecting the separate tracts.

If not otherwise covered by the leases unitized under this Agreement, Royalty Owners hereby grant Working Interest Owners a period of six (6) months after termination of this Agreement in which to salvage, sell, distribute or otherwise dispose of the personal property and facilities used in connection with Unit operations.

Section 24. RATE OF PROSPECTING, DEVELOPMENT AND PRODUCTION: All production and the disposal thereof shall be in conformity with allocations and quotas made or fixed by any duly authorized person or regulatory body under any Federal or State statute. The Director and the Commissioner are hereby vested with authority to alter or modify from time to time, at their discretion, the rate of prospecting and development and within the limits made or fixed by the Commission to alter or modify the quantity and rate of production under this Agreement, such authority being hereby limited to alteration or modification in the

public interest, the purpose thereof and the public interest to be served thereby to be stated in the order of alteration or modification.

Powers in this Section vested in the Director and the Commissioner shall only be exercised after notice to Unit Operator and opportunity for hearing to be held not less than fifteen days from notice..

SECTION 25. FAIR EMPLOYMENT: In connection with the performance of work under this Agreement, the Unit Operator agrees not to discriminate against any employee or applicant for employment because of race, religion, color, or national origin. The aforesaid provision shall include, but not be limited to, the following: employment, upgrading, demotion or transfer; recruitment or recruitment advertising, layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The Unit Operator agrees to post hereafter in conspicuous places, available for employees and applicants for employment, notices to be provided by the contracting officer setting forth the provisions of this nondiscrimination clause.

The Unit Operator agrees to insert the foregoing provision in all subcontracts hereunder, except subcontracts for standard commercial supplies or raw materials.

SECTION 26. APPEARANCES: Unit Operator shall have the right to appear for or on behalf of any and all interests affected hereby before the Commissioner, the Department, and the Commission, and to appeal from any order issued under the rules and regulations of the Commissioner, the Department, or the Commission, or to apply for relief from any of said rules and regulations or in any proceedings relative to operations before the Commissioner, the Department, or the Commission, or any other legally constituted authority; provided, however, that any other interested party shall also have the right at his or its own expense to be heard in any such proceeding.

SECTION 27. NOTICES: All notices, demands, objections or statements required hereunder to be given or rendered to the parties hereto shall be deemed fully given if made in writing and personally delivered to the party or parties or sent by postpaid certified mail, addressed to such party or parties at their respective addresses set forth in connection with the signatures hereto or to the ratification or consent hereof or to such other address as any such party or parties may have furnished in writing to the party sending the notice, demand or statement.

SECTION 28. NO WAIVER OF CERTAIN RIGHTS: Nothing in this Agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said unitized lands are located, or rules or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive.

SECTION 29. UNAVOIDABLE DELAY: All obligations under this Agreement requiring the Unit Operator to commence or continue secondary recovery operations or to operate on or produce Unitized Substances from any of the lands covered by this Agreement shall be suspended while, but only so long as the Unit Operator despite the exercise of due care and diligence, is prevented from complying with such obligations, in whole or in part, by strikes, acts of God, Federal, State or municipal law or agency, unavoidable accident, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

SECTION 30. LOSS OF TITLE: In the event title to any tract of unitized land shall fail so as to render the tract inoperable under this Agreement and the true owner cannot be induced to join this Unit Agreement, such tract shall be automatically regarded as not committed hereto and there shall be such readjustment of future costs and benefits as may be required on account of the loss of such title. In the event of a dispute as to title as to any Royalty, Working Interest or other interest

subject thereto, payment or delivery on account thereof may be withheld without liability or interest until the dispute is finally settled; provided, that as to State or Federal land or leases, no payments of funds due the State of New Mexico or the United States of America shall be withheld, but such funds shall be deposited as directed by the Commissioner or the Supervisor (as the case may be), to be held as unearned money pending final settlement of the title dispute, and then applied as earned or returned in accordance with such final settlement.

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

SECTION 31. NONJOINDER AND SUBSEQUENT JOINDER: If the owner of any substantial interest in a tract within the Unit Area fails or refuses to subscribe, ratify, or consent in writing to this Agreement, the Working Interest Owner in that tract who has executed or ratified this Agreement may withdraw said tract from this Agreement by written notice to the Director, the Commissioner, and Unit Operator prior to the effective date of this Agreement. Joinder by any Royalty Owner, at any time, must be accompanied by appropriate joinder of the corresponding Working Interest Owner in order for the interest of such Royalty Owner to be regarded as effectively committed. Joinder to the Unit Agreement by a Working Interest Owner, at any time, must be accompanied by appropriate joinder to the Unit Operating Agreement in order for such interest to be regarded as effectively committed to this Unit Agreement.

Any oil or gas interest in the lands in the Unit Area not committed hereto prior to submission of this Agreement to the Commissioner and the Director for final approval may thereafter be committed hereto upon compliance with the applicable provisions of this Section and of Section 14 (Tracts Qualified for Unit Participation) hereof, at any time up to the effective date hereof and for a period to and including six (6) months thereafter, on the same basis of participation as provided in said Section 14, by the owner or owners thereof subscribing, ratifying, or consenting in writing to this Agreement and, if the interest is a Working Interest, by the owner of such interest subscribing also to the Unit Operating Agreement.

It is understood and agreed, however, that from and after six (6) months from the effective date hereof the right of subsequent joinder as provided in this Section shall be subject to such requirements or approvals and on such basis as may be agreed upon by ninety (90%) percent of the Working Interest Owners (based upon the percentages of participation during Phase II). Such joinder by a proposed Working Interest Owner must be evidenced by his execution or ratification of this Agreement and the Unit Operating Agreement. Such joinder by a proposed Royalty Owner must be evidenced by his execution, ratification or consent of this Agreement and must be consented to in writing by the Working Interest Owner responsible for the payment of any benefits that may accrue hereunder in behalf of such proposed Royalty Owner. Except as may be otherwise herein provided, subsequent joinder to this Agreement shall be effective at 7:00 a.m. as of the first day of the month following the filing with the Commissioner and the Supervisor of duly executed counterparts of any and all documents necessary to establish effective commitment of any tract or interest to this Agreement, unless objection to such joinder by the Commissioner or the Director is duly made within sixty (60) days after such filing.

SECTION 32. COUNTERPARTS: This Agreement may be executed in any number of counterparts, no one of which needs to be executed by all parties and may be ratified or consented to by separate instrument in writing specifically referring hereto, and shall be binding upon all those parties who have executed such a counterpart, ratification or consent hereto with the same force and effect as if all parties had signed the same document, and regardless of whether or not it is executed by all other parties owning or claiming an interest in the lands within the above described Unit Area.

SECTION 33. TAXES: Each party hereto shall, for its own account, render and pay its share of any taxes levied against or measured by the amount or value of the Unitized Substances produced from the unitized land; provided, however, that if it is required or if it be determined that the Unit Operator or the several Working Interest Owners must pay or advance said taxes for the account of the parties hereto, it is hereby

expressly agreed that the parties so paying or advancing said taxes shall be reimbursed therefor by the parties hereto, including Royalty Owners, who may be responsible for the taxes on their respective allocated share of said Unitized Substances. No such taxes shall be charged to the United States or to the State of New Mexico, nor to any lessor who has a contract with a lessee which requires his lessee to pay such taxes.

SECTION 34. CONFLICT OF SUPERVISION: Neither the Unit Operator nor the Working Interest Owners, nor any of them, shall be subject to any forfeiture, termination or expiration of any rights hereunder or under any leases or contracts subject hereto, or to any penalty or liability on account of delay or failure in whole or in part to comply with any applicable provisions thereof to the extent that the said Unit Operator or the Working Interest Owners, or any of them, are hindered, delayed or prevented from complying therewith by reason of failure of the Unit Operator to obtain, in the exercise of due diligence, the concurrence of proper representatives of the United States and proper representatives of the State of New Mexico in and about any matters or things concerning which it is required herein that such concurrence be obtained. The parties hereto and the Commission agree that all powers and authority vested in the Commission in and by any provisions of this Agreement are vested in the Commission and shall be exercised by it pursuant to the provisions of the laws of the State of New Mexico and subject in any case to appeal or judicial review as may now or hereafter be provided by the laws of the State of New Mexico.

SECTION 35. LIMITATION OF APPROVALS: Notwithstanding anything herein contained to the contrary, if no Federal lands are committed to this Agreement, then no consents or approvals provided herein shall be required of the Department, the Secretary, the Director, or the Supervisor, and it shall not be necessary to file any instrument hereunder with said officers or agencies unless and until Federal lands are so committed to this Agreement; likewise, if no State lands are committed to this Agreement, then no consents or approvals provided herein shall be

required of the Commissioner, and it shall not be necessary to file any instrument hereunder with said officer unless and until State lands are so committed to this Agreement.

SECTION 36. BORDER AGREEMENTS: Subject to the approval of the Director and the Commissioner, the Unit Operator, with concurrence of sixty-five (65) percent of the Working Interest Owners, based upon the percentages of participation during Phase II, may enter into a border protection agreement or agreements with the Working Interest Owners of adjacent lands along the boundaries of the Unit Area with respect to the operations in the border area for the maximum ultimate recovery, conservation purposes and proper protection of the parties and interests.

SECTION 37. NO PARTNERSHIP: It is expressly agreed that the relation of the parties hereto is that of independent contractors and nothing in this Agreement contained, expressed or implied, or any operations conducted hereunder, shall create or be deemed to create a partnership or association between the parties hereto or any of them.

SECTION 38. OIL IN LEASE TANKAGE ON EFFECTIVE DATE: Unit Operator shall make a proper and timely gauge of all lease and other tanks within the Unit Area in order to ascertain the amount of merchantable oil in such tanks, above the pipe line connections, as of 7:00 A.M. on the effective date hereof. All such oil as is a part of the prior allowable of the well or wells from which the same was produced shall be and remain the property of the Working Interest Owners entitled thereto the same as if the Unit had not been formed, and such Working Interest Owners shall promptly remove said oil from the Unit Area. Any such oil not so removed may be sold by the Unit Operator for the account of such Working Interest Owners, subject to the payment of all Royalty to Royalty Owners under the terms and provisions of the applicable lease or leases and other contracts. All such oil and gas as is in excess of the prior allowable of the well or wells from which the same was produced shall be regarded and treated the same as Unitized Substances produced after the effective date hereof.

If, as of the effective date hereof, any tract is overproduced with respect to the allowable of the well or wells on that tract and the amount of such overproduction has been sold or otherwise disposed of, such overproduction shall be regarded and included as a part of the Unitized Substances produced after the effective date hereof and the amount thereof charged to such tract as having been delivered to the persons entitled to Unitized Substances allocated to such tract.

SECTION 39. PERSONAL PROPERTY EXCEPTED: All lease and well equipment, materials, and other facilities heretofore or hereafter placed by any of the Working Interest Owners on the lands subject to this Agreement shall be deemed to be and shall remain personal property belonging to and may be removed by the Working Interest Owners (subject to the provisions of Section 12). The rights and interests therein as among Working Interest Owners are covered by the Unit Operating Agreement.

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

TEXACO Inc.

Date: _____

By _____
Attorney-in-Fact

UNIT OPERATOR AND WORKING INTEREST
OWNER.

ATTEST:

Secretary

Date: _____

By _____
President

ATTEST:

Secretary

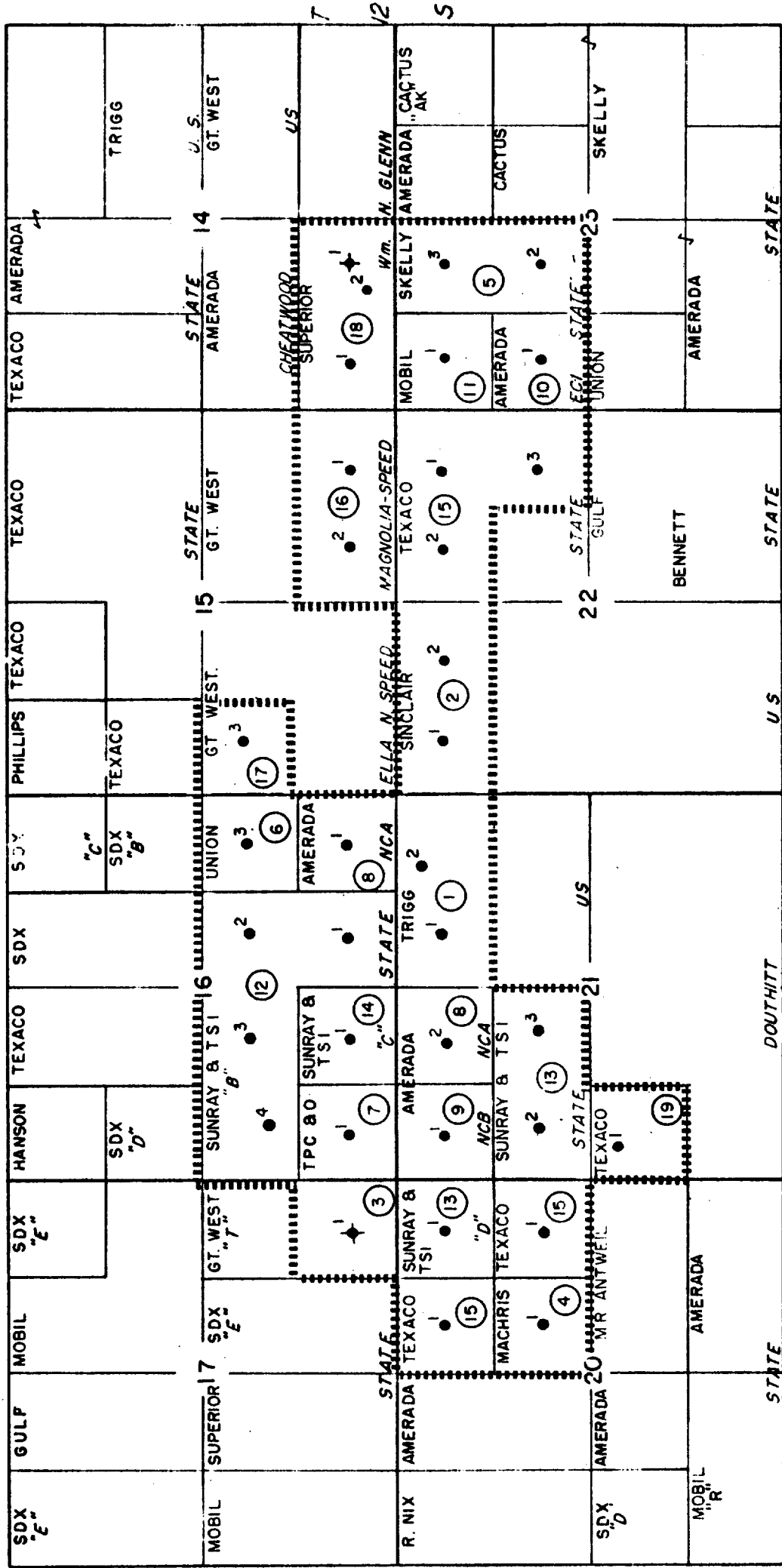
Date: _____

By _____
President

WORKING INTEREST OWNERS

BEH:lg

R 32 E



STATE LEASES

B-10142
E-1274
B-9948
E-1765-2
B-10275
E-2062
E-3273
E-3499

FEDERAL LEASES

LC-068747
LC-069224

EXHIBIT "A"

NECA Brock QUEEN UNIT AREA

LEA CO., NEW MEXICO

SCALE 1"=2000

UNIT AREA

TRACT NO.

EXHIBIT "B"

Page 1

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	SERIAL NO. & DATE OF LSE.	BASIC ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND AMOUNT	WORKING INTEREST OWNER AND AMOUNT	PER CENT PARTICIPATION OF TRACT IN UNIT	
								PHASE I	PHASE II
FEDERAL LANDS									
1	T-12-S, R-32-E Sec. 21: N/2 NE/4	80.00	LC-069224 5-1-51	USA 12½%	John H. Trigg	None	John H. Trigg	100%	0.78431 0.93916
2	T-12-S, R-32-E Sec. 22: N/2 NW/4	80.00	LC-068747 3-1-49	USA 12½%	Sinclair Oil & Gas Company	None	Sinclair Oil & Gas Company	100%	1.76471 4.87025
STATE LANDS									
3	T-12-S, R-32-E Sec. 17: SE/4 SE/4	40.00	B-10142 3-10-43	State 12½%	Great Western Drilling Co.	None	Great Western Drilling Co.	100%	0.00000 1.13430
4	T-12-S, R-32-E Sec. 20: SW/4 NE/4	40.00	E-1274 4-10-47	State 12½%	Ralph Nix	Ralph Nix 10%	M. A. Machris	100%	0.39216 2.91450
5	T-12-S, R-32-E Sec. 23: E/2 NW/4	80.00	B-9948 12-10-42	State 12½%	Skelly Oil Company	None	Skelly Oil Company	100%	11.76471 5.68662
6	T-12-S, R-32-E Sec. 16: NE/4 SE/4	40.00	E-1765-2 3-10-48	State 12½%	Union Oil Company of California	None	Union Oil Co. of California	100%	5.88235 3.04713
7	T-12-S, R-32-E Sec. 16: SW/4 SW/4	40.00	B-10275 5-10-43	State 12½%	Texas Pacific Coal and Oil Company	None	Texas Pacific Coal & Oil Company	100%	12.15686 7.37873
8	T-12-S, R-32-E Sec. 16: SE/4 SE/4 Sec. 21: NE/4 NW/4	80.00	E-2062 8-10-48	State 12½%	Amerada Petroleum Corporation	None	Amerada Petroleum Corporation	100%	0.98039 5.91059
9	T-12-S, R-32-E Sec. 21: NW/4 NW/4	40.00	E-3273 2-10-50	State 12½%	Amerada Petroleum Corporation	None	Amerada Petroleum Corporation	100%	3.43137 4.32834
10	T-12-S, R-32-E Sec. 23: SW/4 NW/4	40.00	E-3499 5-10-50	State 12½%	Amerada Petroleum Corporation	None	Amerada Petroleum Corporation	100%	14.31373 4.11702

EXHIBIT "B"

Page 2

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	SERIAL NO. & DATE OF LSE.	BASIC ROYALTY	LESSEE OF RECORD	OVERRIDING ROYALTY OWNER AND AMOUNT	WORKING INTEREST OWNER AND AMOUNT	PER CENT PARTICIPATION OF TRACT IN UNIT	
								PHASE I	PHASE II
STATE LANDS (CONT'D)									
11	T-12-S, R-32-E Sec. 23: NW/4 NW/4	40.00	E-473-1 8-10-45	State 12½%	Socony Mobil Oil Company, Inc.	None	Socony Mobil Oil Company Inc. 100%	4.70588	5.65473
12	T-12-S, R-32-E Sec. 16: N/2 SW/4, W/2 SE/4	160.00	E-6927-1 2-10-53	State 12½%	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company	None	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company 50%	0.09804	7.72521
13	T-12-S, R-32-E Sec. 20: NE/4 NE/4 Sec. 21: S/2 NW/4	120.00	E-7049-2 4-10-53	State 12½%	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company	None	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company 50%	0.09804	7.95342
14	T-12-S, R-32-E Sec. 16: SE/4 SW/4	40.00	E-3626 6-10-50	State 12½%	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company	H.L. Brown 3.125% W.R. Wheeler Estate 3.125%	Texaco Seaboard Inc. Sunray Mid-Continent Oil Company 50%	2.25490	5.33264
15	T-12-S, R-32-E Sec. 20: NW/4 NE/4, SE/4 NE/4 Sec. 22: N/2 NE/4, SE/4 NE/4	200.00	B-9946 12-10-42	State 12½%	TEXACO Inc.	None	TEXACO Inc. 100%	14.11765	12.97662

EXHIBIT "B"

Page 3

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	DATE OF LEASE EXPIRATION	BASIC ROYALTY	LESSOR OF RECORD	OVERRIDING ROYALTY OWNER AND AMOUNT	WORKING INTEREST OWNER AND AMOUNT	PER CENT PARTICIPATION OF TRACT IN UNIT	
								PHASE I	PHASE II
FEE LANDS									
16	T-12-S, R-32-E Sec. 15: S/2 SE/4	80.00	1-8-55	12 1/2%	Ella N. Speed 1/3 Joe E. Speed 1/6 Bert L. Speed 1/12 Robert E. Speed 1/12 Winnie Weverka 1/6 Lois Weverka 1/12 Bedford 1/12 Connie Mae Weverka 1/12 Bedford 1/12	Socony Mobil Oil Co., Inc. 1/32 Great Western Drilling Co. 100%		20.58823	10.94933
17	T-12-S, R-32-E Sec. 15: NW/4 SW/4	40.00	9-21-56	12 1/2%	Ella N. Speed 1/3 Joe E. Speed 1/6 Bert L. Speed 1/12 Robert E. Speed 1/12 Speed 1/12 Winnie Weverka 1/6 Lois Weverka 1/12 Bedford 1/12 Connie Mae Weverka 1/12 Bedford 1/12	Amerada Petroleum Corp. 7/128 Great Western Drilling Co. 100%		1.07843	1.18138
18	T-12-S, R-32-E Sec. 14: S/2 SW/4	80.00	6-30-54	12 1/2%	Amerada Petroleum Corp. 1/2 Will C. and Zella M. Speed 1/2	None	The Superior Oil Company 100%	5.49020	7.82649
19	T-12-S, R-32-E Sec. 21: NW/4 SW/4	40.00	8-14-59	12 1/2%	Elgen Douthitt 19/36 Stokes Royalty Company 22/320 Nan T. Standefer 19/320 Bill Guinn 19/960 Jimmie Jean Edwards 19/960	None	TEXACO Inc. 100%		

EXHIBIT "B"

SCHEDULE OF OWNERSHIP

TRACT NO.	DESCRIPTION	NUMBER OF ACRES	DATE OF LEASE EXPIRATION	PER CENT PARTICIPATION OF TRACT IN UNIT						
				BASIC ROYALTY	LESSOR OF RECORD	OVERRIDING ROYALTY OWNER AND AMOUNT	WORKING INTEREST OWNER AND AMOUNT	PHASE I	PHASE II	
19 (Cont'd)					Robert Neil Guinn	19/960				
					S. W. Lodewick	11/64				
					Velpo Douthitt	1/576				
					Sarah K. Ellis	1/36				
					Lena Moore	1/36				
					Josie Hennessey	1/36				
					Lizzie Connor	1/36				
									0.09804	0.07354

RECAPITULATION

WORKING INTEREST OWNER	PER CENT PARTICIPATION IN UNIT	
	PHASE I	PHASE II
Amerada Petroleum Corporation	18.72549	14.35595
Great Western Drilling Company	21.66666	13.26501
M. A. Machris	0.39216	2.91450
Sinclair Oil & Gas Company	1.76471	4.87025
Skelly Oil Company	11.76471	5.68662
Socony Mobil-Oil Company, Inc.	4.70588	5.65473
Sunray Mid-Continent Oil Company	1.22549	10.50564
The Superior Oil Company	5.49020	7.82649
TEXACO Inc.	15.44118	23.55579
Texas Pacific Coal and Oil Company	12.15686	7.37873
John H. Trigg	0.78431	0.93916
Union Oil Company of California	5.88235	3.04713
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	100.00000	100.00000

ILLEGIBLE

PROPOSED NORTHEAST CARPENTER QUEEN UNIT PARAMETERS (10-5-61)

TRACT NO.	CUM. RECOVERY 1-1-61	REMAIN. PRIM. RESERVES (1-1-61)	PHASE I		% ULT. PRIM.
			ULI. PRIMARY	% REMAIN. PRIM. (1-1-61)	
Amerada					
State ECI	30,969	14,600	45,569	14.31373	4.11563
State NCA	64,421	1,000	65,421	0.98039	5.90859
State NCB	44,408	3,500	47,908	3.43137	4.32698
Company Total	139,798	19,100	158,898	18.72549	14.35110
Great Western					
Ella Speed	11,976	1,100	13,076	1.07843	1.18098
Magnolia Speed	100,191	21,000	121,191	20.58823	10.94553
State T	12,337	0	12,337	-	1.11423
Company Total	124,504	22,100	146,604	21.66656	13.24074
M. A. Machris					
State	31,859	400	32,259	0.39216	2.91352
Sinclair					
Federal	51,667	1,800	53,467	1.76471	4.82894
Skelly					
State "S"	50,942	12,000	62,942	11.76471	5.68469
Socony Mobil					
State "D"	57,789	4,800	62,589	4.70588	5.65261
Sunray					
State "D"	85,406	100	85,506	0.09204	7.72259
State "C"	56,724	2,300	59,024	0.25000	5.30000
State "D"	37,932	100	38,032	0.09304	7.90000
Company Total (50%)	115,031	1,250	116,281	1.22549	10.50205
Superior					
W. C. Speed	81,027	5,600	86,627	5.49020	7.82384
TEXACO Inc.					
Douthitt					
State "BA" (NCT 6,7,8)	2,153	100	2,253	0.09804	0.20348
State B,C,D (50%)	128,814	14,400	143,214	14.11765	12.93457
Company Total	115,031	1,250	116,281	1.22549	10.50207
Texas Pacific	245,998	15,750	261,748	15.44118	23.64012
State "E" AC 2	69,282	12,400	81,682	12.15686	7.37722
Trigg					
Federal "S"	9,595	800	10,395	0.78431	0.93894
Union					
State	27,727	6,000	33,727	5.00235	3.04610
Field	1,005,219	102,000	1,107,219	100.00000	100.00000

BEFORE EXAMINER NUTTER

State of Texas, County of Harris, City of Houston, Commission on Conservation and Reclamation

EXHIBIT NO. 4

CASE NO. 2121

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Monthly Oil Production

Cumulative Oil Production

Monthly Water Production

Number of Wells

32 wells now

1044033 Sept 1, 61.

Before Typewriter Nutter
Oil Const. Co. Inc. Commission
Case No. 2921

FIGURE NO.
TEXACO Inc.
HOBBS DISTRICT

Performance Curves

Proposed N.E. Caprock
Queen Unit
Lea County, New Mexico

DATE 11-10-61 DRAWN BY DDD

1049853 Apt 1, 61.

Cumulative Oil Production
 is now
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BEFORE THE JUDICIAL COMMISSION
OIL CONSERVATION COMMISSION
CASE NO. 2421

FIGURE NO. _____
TEXACO Inc.
HOBBS DISTRICT

Performance Curves

Proposed N.E. Caprock
Queen Unit
Lea County, New Mexico

DATE 11-10-61 DRAWN BY DDD

Number of Wells	Number of Wells
0	10
20	40
40	20

Oil, Water Production & Water Injected - Barrels

