



UNIT AGREEMENT
FOR THE DEVELOPMENT AND OPERATION
OF THE
SOUTHEAST CHA CHA UNIT AREA

COUNTY OF SAN JUAN
STATE OF NEW MEXICO

BEFORE EXAMINER UTZ
OIL CONSERVATION COMMISSION
PAN Am EXHIBIT NO. 1
CASE NO. 2516 & 2517

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

THIS AGREEMENT, entered into as of the 1st. day of December, 1961, by and
between the parties subscribing, ratifying, or consenting hereto, and herein
referred to as the "parties hereto",

WITNESSETH:

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

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

WHEREAS, the 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 Chapter 162, Laws of 1951 (Chap. 7, Art. 11, Sec. 39, N. M. Statutes
1953 Annot.), to consent to and approve the development or operation of State
lands under agreements made by lessees of State land jointly or severally with
other lessees where such agreements provide for the unit operation or development
of part or all of any oil or gas pool, field or area; and

WHEREAS, the Commissioner of Public Lands of the State of New Mexico is
authorized by an Act of the Legislature (Sec. 1, Chap. 162, Laws of 1951; Chap. 7,
Art. 11, Sec. 41, N. M. Statutes 1953 Annotated) to amend with the approval of
lessee, evidenced by the lessee's execution of such agreement or otherwise, 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 agreements for the unit operation and
development of part or all of any oil or gas pool, field or area; and

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as "the Commission") is authorized by an Act of Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14, N. M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

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

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

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

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

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and is recognized as constituting the Unit Area containing 5,542 acres, more or less.

3. EXHIBITS AND DEFINITIONS.

(a) Exhibit "A" shows, in addition to the boundaries of the Unit Area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests and the percentages of participation

Revised as of February 12, 1962

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NUMBER AND DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSOR OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	TRACT PARTICIPATION PERCENTAGE
11	(Cont'd) Thence North zero degrees 07 min. East with the East line of fractional Section 12-28N-14W, and the East line of the Navajo Indian Reservation, 10.43 chains to a point in the South line of Sec. 36, T-29N, R-14W; Thence South 89 deg. 51 min. 04 sec. East with the South line of said Sec. 36, 78.26 chains to the place of beginning.							
12	Sec. 7: Lot 5 and SE 1/4 SW 1/4	87.90	SF-078072 2-1-48	USA	12.5	Gas Producers Corporation	Gas Producers Corporation, D. W. Falls, Inc. 21.0% - All subject to the following: After the Working Interest has recovered \$55,000 in net proceeds, or 3 years after the date of first production, whichever sooner occurs, from the Gallup formation, Gas Producers' override shall increase to 31.5%; provided, however, that with respect to the Gallup formation, Gas Producers' override shall increase only in months when Gallup production is over 1000 barrels for that month. 3.5% owned as follows: N.B. Garner & Earnie Lou Garner 1/18 Ralph Lowe & Emma Lowe 1/18 J.R. Martin & Lucille Martin 1/18 J. Ralph Stewart and Viola Stewart 1/18 C. B. Yarbrough 1/18 Kathryn B. Yarbrough 1/18 Robert D. Duden & Nancy Mae Duden 1/18 R.M. Barron & Lucille C. Barron 1/18 Reese Cleveland & Roselle B. Cleveland 1/18 J. F. Postelle 1/18 Frank A. Schultz 1/18 W. H. Sloan and Alberta Sloan 1/36 Ina Belle Hightower 1/36	1.20240

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NUMBER AND DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERHUNG ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	TRACT PARTICIPATION PERCENTAGE
12	(Cont'd)							
	Gerald Fitz-Gerald and Elizabeth Fitz-Gerald					1/36		
	Kathryn Ashby					1/36		
	Robert Murray Fasken, Individually and as Executor and Trustee U/W of Andrew Fasken, Deceased, and wife, Celeste Fasken and Elizabeth Barbara Fasken, widow					1/36		
	Jan H. Westerman					1/36		
	Estate of Frank J. Downey					3/72		
	P. O. Still					1/72		
	Leo A. Achtschin					1/36		
	F. T. Connor Estate					1/72		
	Lee Etta Hedberg					1/72		
	Sid Weiss					1/5 of 1/36		
	Harry Lipshy					1/5 of 1/36		
	Morris Levine					1/5 of 1/36		
	William Levine					1/5 of 1/36		
	Lewis Freed					1/5 of 1/36		
	Sam Kirschenbaum and Sarah Ada Kirschenbaum, joint tenants					1/576		
	Murray Langfelder					1/576		
	Frank Jenks and Margaret Jenks, joint tenants					1/288		
	Guy A. Weill					1/288		
	Guy A. Weill, Custodian					1/744		
	William Dabiller and Florence Dabiller, joint tenants					1/288		
	Marianne Weill Lester					1/288		
	Kyron Liddell and Nelly Liddell, joint tenants					1/288		
	Stanley E. Licht					1/576		
	William V. Licht					7/576		
	Leonard Blustone					5/576		
	Edward Grapel and Pearl Grapel, joint tenants					1/576		
	W. Benton Harrison and Mildred P. Harrison, joint tenants					1/288		
	Benjamin J. Plankowski and Helen G. Plankowski, joint tenants					1/576		
	Stanley F. Zacharek and Ann Zacharek, joint tenants					1/576		
	Albert B. Wilkes and Tekla Wilkes, joint tenants					1/288		
	Wallace S. Karutz					1/576		
	Lewis Ottersen					1/288		
	Georges Bigar					1/288		
	Robert B. Aaronson					2/288		
	Lawrence L. LaValle					1/288		
	Alexander S. Lofe					1/576		
	First National Bank of Midland, Trustee					1/78		

Revised as of February 12, 1962

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NUMBER AND DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERLAPPING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	TRACT PARTICIPATION PERCENTAGE
13	Sec. 7: Lot. 1 and S/2 SE/4 Sec. 10: Lots 3 and 4, and S/2 SW/4 Sec. 18: NE/4 NW/4	286.26	SF-078072 2-1-48	USA	12.5	Gas Producers Corporation Same as Tract 12	Aspen Drilling Co. 25.00 D. W. Falls, Inc. 50.00 Warren Shear 25.00	2.83424
14	Sec. 8: Lots 1, 2, 3, and 4, and S/2 S/2 Sec. 9: Lots 1, 2, 3, 4 & S/2 S/2 Sec. 16: N/2, S/2 SW/4 & E/2 SE/4 Sec. 21: N/2 & N/2 S/2	1,517.20	SF-077968 3-1-49	USA	12.5	Hancel M. McCord Hancel M. McCord, et ux, \$25/acre Production Payment payable out of 1/8 of 8/8, converting to 1/2 of 1/8 after payout.	Pan American Southern Union 50.00	33.75620
15	Sec. 15: N/2 NW/4	80.00	077976 2-1-48	USA	12.5	Thomas B. Scott, Jr. Thomas B. Scott, Jr. 0.50 Brookhaven Oil Co. 0.50 British-American Oil Producing Company 5.75 O. J. Lilly 0.12975	Benson-Montin Greer Drig. Corp. 15.00 Albert R. Greer 5.00 Greer-Griffin, Inc. 15.00 Marine Drig., Inc. 65.00	.93424
16	Sec. 15: S/2 NW/4	80.00	077976 2-1-48	USA	12.5	Thomas B. Scott, Jr. Thomas B. Scott, Jr. .50 Brookhaven Oil Co. .50 British-American Oil Producing Co. 5.75	Delta Development Limited Partnership ALL	2.25151
17	Sec. 15: NE/4	160.00	NM-080277 4-1-60	USA	12.5	Texaco Inc. None	Delta Development Limited Partnership 50.00 Benson-Montin Greer Drig. Corp. 7.50 Albert R. Greer 2.50 Greer-Griffin, Inc. 7.50 Marine Drig., Inc. 32.50 TEXACO Inc. ALL	.59779
18	Sec. 18: NE/4 & NE/4 SE/4 Sec. 20: E/2 NE/4	280.00	077976 2-1-48	USA	12.5	Thomas B. Scott, Jr. Same as Tract 15	Benson-Montin Greer Drig. Corp. 15.00 Albert R. Greer 5.00 Greer-Griffin, Inc. 15.00 Marine Drig., Inc. 65.00	.55534
19	Sec. 17: N/2 and SE/4	480.00	077976 2-1-48	USA	12.5	Thomas B. Scott, Jr. Thomas B. Scott, Jr. 0.5 Brookhaven Oil Co. 0.5 British-American Oil Prod. Co. 8.541667 O. J. Lilly 0.196376	Benson-Montin Greer Drig. Corp. 25.00 Bonanza Oil Corp. 23.33 Albert R. Greer 5.00 Greer-Griffin, Inc. 5.00 Albert R. Greer and Marine Drig., Inc. 20.00 Marine Drig., Inc. 21.67	11.62845
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20	Sec. 17: SW/4	160.00	077976 2-1-48	USA	Thomas B. Scott, Jr.	Same as Tract 15	Benson-Montlin Greer Drilg. Corporation Albert B. Greer Greer-Griffin, Inc. Marine Drilg., Inc. 15.00 5.00 15.00 65.00	.93457
23	Sec. 15: S/2 Sec. 22: ALL	960.00	NM-09979 2-1-48	USA	Anna Elizabeth McClanahan	Anna Elizabeth McClanahan, \$25/ac payable out of 1/8 of 8/8, converting to 1/2 of 1/8 ORI after payout	Astec - ALL	19.66563
24	Sec. 27: N/2 NE/4 SE/4 NE/4	120.00	NM-09967 2-1-48	USA	Hancel M. McCord	Hancel M. McCord, et ux, \$25/ac. Production Payment payable out of 1/8 of 8/8, converting to 1/2 of 1/8 ORI after payout.	Pan American Southern Union	.10907
T O T A L - - 16 Federal Tracts, 4,982.44 Acres, with 91.56528% Partididating Interest in Unit.								
FEDERAL AND STATE LANDS								
T-28-N, R-13-W								
22	Sec. 16: W/2 SE/4	80.00	SF-07968 3-1-49	USA	12.5 of 40/80 Hancel M. McCord	Hancel M. McCord, et ux, \$25/ac Pro- duction Payment on 40 acres payable out of 1/8 of 40/80, converting to 1/2 of 1/8 of 40/80 ORI after payout.	Pan American Southern Union	50.0 50.0 2.99594
STATE LANDS								
T-29-N, R-13-W								
			CG-215-1 9-18-56	State of New Mexico	12.5 of 40/80 Pan American Petroleum Corporation and Southern Union Production Company	N o n e		
4	Sec. 32: S/2 NW/4, NE/4 SW/4 SE/4 SE/4	160.00	E-9230 7-19-55	State of New Mexico	12.5 Pan American Petroleum Corporation	N o n e	Pan American - ALL	.42512

WHEREAS, the Oil Conservation Commission of the State of New Mexico (hereinafter referred to as "the Commission") is authorized by an Act of Legislature (Chap. 72, Laws 1935; Chap. 65, Art. 3, Sec. 14, N. M. Statutes 1953 Annotated) to approve this agreement and the conservation provisions hereof; and

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

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

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

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

2. UNIT AREA. The area specified on the map attached hereto marked Exhibit "A" is hereby designated and is recognized as constituting the Unit Area containing 8,005 acres, more or less.

3. EXHIBITS AND DEFINITIONS.

(a) Exhibit "A" shows, in addition to the boundaries of the Unit Area, the boundaries and identity of tracts and leases in said area to the extent known to the Unit Operator. Exhibit "B" attached hereto is a schedule showing to the extent known to the Unit Operator the acreage, percentage, and kind of ownership of oil and gas interests and the percentages 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 Unit Operator whenever changes in the Unit Area render such revision necessary, or when requested by the Oil and Gas Supervisor, hereinafter referred to as "Supervisor", or when requested by the Commissioner of Public Lands of the State of New Mexico, hereinafter referred to as "Commissioner", and not less than six copies of the revised exhibits shall be filed with the Supervisor and copies thereof shall be filed with the Commissioner and the Oil Conservation Commission of the State of New Mexico.

(b) Working Interest means an interest in Unitized Substances by virtue of a lease, operating agreement, fee title, or otherwise, including a carried interest, 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, producing, and operating the Unitized Formation.

(c) Royalty Interest means a right to or interest in any portion of the Unitized Substances or proceeds thereof other than a Working Interest.

(d) Royalty Owner means a party hereto who owns a Royalty Interest.

(e) Working Interest Owner means a party hereto who owns a Working Interest. The owner of oil and gas rights that are free of lease or other instrument conveying the Working Interest to another shall be regarded as a Working Interest Owner to the extent of seven-eighths ($7/8$) of his interest in Unitized Substances, and as a Royalty Owner with respect to his remaining one-eighth ($1/8$) interest therein.

(f) Tract means each parcel of land described as such and given a Tract number in Exhibit "B".

(g) Unit Operating Agreement means the agreement entitled "Unit Operating Agreement, Southeast Cha Cha Unit, San Juan County, New Mexico", of the same effective date as the effective date of this agreement, and which is entered into by Working Interest Owners.

(h) Unit Operator means the Working Interest Owner designated by Working Interest Owners under the Unit Operating Agreement to develop and

operate the Unitized Formation, acting as operator and not as a Working Interest Owner.

(i) Tract Participation means the percentage shown on Exhibit "B" for allocating Unitized Substances to a Tract under this agreement.

(j) Unit Participation of each Working Interest Owner means the sum of percentages obtained by multiplying the Working Interest of such Working Interest Owner in each Tract by the Tract Participation of such Tract.

(k) Outside Substances means all substances obtained from any source other than the Unitized Formation and which are injected into the Unitized Formation.

(l) Oil and Gas Rights means the right to explore, develop and operate lands within the Unit Area for the production of Unitized Substances, or to share in the production so obtained or the proceeds thereof.

(m) Unit Operations means all operations conducted by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of the development and operation of the Unitized Formation for the production of Unitized Substances.

(n) Unit Equipment means all personal property, lease and well equipment, plants, and other facilities and equipment taken over or otherwise acquired for the joint account for use in Unit Operations.

(o) Unit Expense means all cost, expense, or indebtedness incurred by Working Interest Owners or Unit Operator pursuant to this agreement and the Unit Operating Agreement for or on account of Unit Operations.

(p) Unless the context otherwise clearly indicates, words used in the singular include the plural, the plural include the singular, and the neuter gender include the masculine and the feminine.

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

(a) Unit Operator, upon securing concurrence of two or more of the owners of Working Interest owning at least seventy-five per cent (75%)

of the voting interest or on demand of the Director of the Geological Survey, hereinafter referred to as "Director", after preliminary concurrence by the Director, or on demand of the Commissioner and Commission, shall prepare a notice of proposed expansion describing the contemplated changes in the boundaries of the Unit Area, the reasons therefor, the percentage of participation applicable to each tract in the expanded Unit Area, 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 and Commissioner and the Commission, and copies thereof mailed to the last known address of each Working Interest Owner, lessee, and lessor whose interests are affected, advising that thirty (30) days will be allowed for submission to the Unit Operator of any objections.

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

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

5. UNITIZED LAND AND UNITIZED SUBSTANCES. All oil, gas, gaseous substances, sulphur contained in gas, condensate, distillate and all associated and constituent liquid or liquefiable hydrocarbons within or produced from the lands committed to this agreement, as to the Cha Cha Gallup Sand, are unitized under the terms of this agreement and herein are called "Unitized Substances", and said lands shall constitute land referred to herein as "Unitized Land" or "Land Subject to this Agreement".

The Cha Cha Gallup Sand is that continuous stratigraphic interval occurring between the top of the Gallup Formation and the top of the Sanastee Formation, and which is the same formation which was encountered between the elevations of plus 720 feet and plus 248 feet in Pan American Petroleum Corporation's C. J. Holder Well No. 7, located 1,830 feet from the North Line and 1,930 feet from the West Line of Section 16,

Township 28 North, Range 13 West, as such formation is shown on the Welex Electric Log of said well dated March 30, 1961, and on which said log measurements are taken from the Kelly Bushing, the Elevation of which is 6,090 feet.

6. UNIT OPERATOR. Pan American Petroleum Corporation is hereby designated as Unit Operator and by signature hereto as Unit Operator agrees and consents to accept the duties and obligations of Unit Operator for the 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 interest 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 interest is owned by it.

7. 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 notice of intention to resign has been served by Unit Operator on all Working Interest Owners and the Director, Commissioner and the Commission, and until all wells then drilled hereunder are placed in satisfactory condition for suspension or abandonment, whichever is required by the Supervisor as to Federal lands and by the Commission as to State lands, unless a new Unit Operator shall have been selected and approved and shall have taken over and assumed the duties and obligations of Unit Operator prior to the expiration of said period.

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

The Unit Operator may, upon default or failure in the performance of its duties or obligations hereunder, be subject to removal by the same percentage vote of the owners of Working Interest determined in like manner as herein provided for the selection of a new Unit Operator. Such removal shall be effective upon notice thereof to the Director and Commissioner.

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 the performance of the duties of Unit Operator and shall,

not later than thirty (30) days before such resignation or removal becomes effective,
appoint a common agent to represent them in any action to be taken hereunder.

The resignation or removal of Unit Operator under this agreement shall not terminate its right, title or interest as the owner of a working interest or other interests in Unitized Substances, but upon the resignation or removal of Unit Operator becoming effective, such Unit Operator shall deliver possession of all wells, equipment, materials, and appurtenances used in conducting the unit operations and owned by the Working Interest Owners to the new duly qualified successor Unit Operator or to the owners thereof if no such new Unit Operator is elected, to be used for the purpose of conducting unit operations hereunder. Nothing herein shall be construed as authorizing removal of any material, equipment and appurtenances needed for the preservation of any wells.

8. 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 eighty per cent (80%) of their voting interests, based on the then current percentage participation assigned to tracts in the Unit Area, select a successor Unit Operator; provided, however, that should any Working Interest Owner own a voting interest of more than twenty per cent (20%), the vote of said party shall not serve to disapprove the selection of a new Unit Operator approved by eighty per cent (80%) or more of the voting interests of the remaining Working Interest Owners and provided, further, that the Unit Operator shall not vote to succeed itself and its voting interest shall not be counted in a vote concerning its removal as the Unit Operator. Such selection shall not become effective until:

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

(b) the selection shall have been approved by the Director and the Commissioner.

9. ACCOUNTING PROVISIONS AND UNIT OPERATING AGREEMENT. All costs and expenses incurred by Unit Operator in conducting unit operations hereunder shall be paid and apportioned among and borne by the owners of Working Interest, all in accordance with the "Unit Operating Agreement" entered into by and between the Unit Operator and the owners of Working Interests, whether one or more, separately

or collectively. Such Unit Operating Agreement shall also set forth 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, the Unit Agreement shall prevail. Three true copies of any Unit Operating Agreement executed pursuant to this section shall be filed with the Supervisor and one copy with the Commissioner, prior to approval of this unit agreement.

10. 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, including surface rights, 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.

11. PLAN OF OPERATION. It is recognized and agreed by the parties hereto that the Unit Area is already developed and productive, and no further drilling is contemplated except such as may be incidental to carrying out an injection program.

Inasmuch as the primary purpose of this Unit Agreement is to permit the institution and consummation of a pressure maintenance program for the maximum economic production of Unitized Substances consistent with good engineering and conservation, Unit Operator, not later than ninety (90) days after the effective date of this agreement, shall submit to the Supervisor, Commissioner and Commission for approval, a plan of operation for the Unitized Land and upon approval thereof by the Supervisor, Commissioner and Commission such plan shall constitute the future operating obligations of the Unit Operator under this Unit Agreement for the period specified therein.

Thereafter from time to time before the expiration of any existing plan, the Unit Operator shall submit for like approval a plan for an additional specified period of operation; said plan or plans shall be modified or supplemented when necessary to meet changed conditions. Reasonable diligence shall be exercised in complying with the obligations of any approved plan of operation.

Unit Operator shall have the right to inject into the Cha Cha Gallup Sand any substances for pressure maintenance purposes in accordance with a plan of operation approved by the Supervisor, Commissioner and Commission, including the right to drill and maintain injection wells on Unitized Land and to use abandoned or producing Cha Cha Gallup Sand wells for said purposes, and the parties hereto, insofar as they have the right to do so, hereby grant unto Unit Operator the right to use so much of the surface of the Unitized Land as may be reasonably necessary for conducting the injection program. Moreover, Unit Operator shall have the right to produce brine or water, or both, from any formation underlying the Unitized Land for use in injecting into the Cha Cha Gallup Sand.

12. PARTICIPATION AND ALLOCATION OF PRODUCTION. For the purpose of determining any benefits accruing under this agreement, each tract committed hereto shall have allocated to it a proportion, equal to its percentage participation as set out in Exhibit "B" hereto, of all Unitized Substances produced from the Unitized Land (except any part thereof used in conformity with good operating practices within the Unit Area for drilling, operating, camp and other production or development purposes, for pressure maintenance operations in accordance with a plan of operation approved by the Supervisor, Commissioner and Commission, or unavoidably lost). The amount of Unitized Substances allocated to each tract shall be deemed to be produced from such tract irrespective of the location of the wells from which the same is produced and regardless of depletion of wells or tracts.

The figure set forth opposite each tract in Exhibit "B" represents the percentage participation to which such tract is entitled if all said tracts are committed hereto as of the effective date of this agreement. In the event that all said tracts are not committed to this agreement on the effective date, Unit Operator, as soon as practicable after the effective date of this agreement, shall file with the Director, Commissioner and Commission a schedule of those tracts which are so committed. Such schedule, which shall be designated Revised Exhibit "B" and

considered for all purposes a part of this agreement, shall set forth opposite each such committed tract a revised percentage participation therefor, which shall be calculated by using the same tract factors and formula which were used to arrive at the percentage participation of each tract as set out in Exhibit "B" but applying the same only to the committed tracts. Such schedule upon approval thereof by the Director, Commissioner and Commission, shall supersede, effective as of the effective date hereof, the percentage participations set forth in original Exhibit "B" attached hereto.

13. OIL IN LEASE TANKS. Unit Operator shall gauge all lease and other tanks within the Unit Area to ascertain the amount of merchantable oil produced from the Unitized Formation in such tanks, above the pipe line connections, as of 7:00 A.M. on the effective date hereof. The oil that is a part of the prior allowable of the wells from which it was produced shall remain the property of the parties entitled thereto the same as if the Unit had not been formed. Any such oil not promptly removed may be sold by the Unit Operator for the account of the parties entitled thereto, subject to the payment of all royalties, overriding royalties, production payments, and all other payments under the provisions of the applicable lease or other contracts. The oil that is in excess of the prior allowable of the wells from which it was produced shall be regarded 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 wells on that Tract and the amount of overproduction has been sold or otherwise disposed of, such overproduction shall be regarded as a part of the Unitized Substances produced after the effective date hereof and shall be charged to such Tract as having been delivered to the parties entitled to Unitized Substances allocated to such Tract.

14. TRACTS TO BE INCLUDED IN UNIT. On and after the effective date hereof and until the enlargement or reduction thereof, the Unit Area shall be composed of the Tracts listed in Exhibit "B" that corner or have a common boundary (Tracts separated only by a public highway or a railroad right-of-way shall be considered to have a common boundary), and that otherwise qualify as follows:

(a) Each Tract as to which Working Interest Owners owning one hundred per cent (100%) of the Working Interest have become parties to this agreement and as to which Royalty Owners owning seventy-five per cent (75%) or more of the Royalty Interest have become parties to this agreement.

(b) Each Tract as to which Working Interest Owners owning one

hundred per cent (100%) of the Working Interest have become parties to
this agreement, and as to which Royalty Owners owning less than seventy-five
per cent (75%) of the Royalty Interest have become parties to this agreement,
and as to which (1) all Working Interest Owners in such Tract have joined
in a request for the inclusion of such Tract in the Unit Area, and as to
which (2) eighty per cent (80%) of the combined voting interests of Working
Interest Owners in all Tracts that meet the requirements of Section 14(a) have
voted in favor of the inclusion of such Tract. For the purpose of this Section
14(b), the voting interest of a Working Interest Owner shall be equal to the
ratio that its Unit Participation attributable to Tracts that qualify under
Section 14(a) bears to the total Unit Participation of all Working Interest
Owners attributable to all Tracts that qualify under Section 14(a).

(c) Each Tract as to which Working Interest Owners owning less
than one hundred per cent (100%) of the Working Interest have become parties
to this agreement, regardless of the percentage of Royalty Interest therein
that is committed hereto; and as to which (1) the Working Interest Owner who
operates the Tract and all of the other Working Interest Owners in such
Tract who have become parties to this agreement have joined in a request for
inclusion of such Tract in the Unit Area, and have executed and delivered an
indemnity agreement indemnifying and agreeing to hold harmless the other
Working Interest Owners in the Unit Area, their successors and assigns,
against all claims and demands that may be made by the owners of Working
Interests in such Tract who are not parties to this agreement, and which
arise out of the inclusion of the Tract in the Unit Area; and as to which
(2) eighty per cent (80%) of the combined voting interest of Working Interest
Owners in all Tracts that meet the requirements of Sections 14(a) and 14(b)
have voted in favor of the inclusion of such Tract and to accept the indemnity
agreement. For the purpose of this Section 14(c), the voting interest of each
Working Interest Owner shall be equal to the ratio that its Unit Participation
attributable to Tracts that qualify under Sections 14(a) and 14(b) bears to
the total Unit Participation of all Working Interest Owners attributable
to all Tracts that qualify under Sections 14(a) and 14(b). Upon the inclusion
of such a Tract in the Unit Area, the Unit Participation that would have

been attributed to the nonsubscribing owners of the Working Interest in such Tract, had they become parties to this agreement and the Unit Operating Agreement, shall be attributed to the Working Interest Owners in such Tract who have become parties to such agreements, in proportion to their respective Working Interests in the Tract.

15. ROYALTIES AND RENTALS. The United States and the State of New Mexico and all Royalty Owners who, under existing contract, are entitled to take in kind a share of the substances now unitized hereunder produced from any tract, shall hereafter be entitled to elect 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 interests not taken in kind shall be made by Working Interest Owners responsible therefor under existing contracts, laws and regulations, on or before the last day of each month for Unitized Substances produced during the preceding calendar month; provided, however, that nothing herein contained shall operate to relieve the lessee of any land from their respective lease obligations for the payment of any royalties due under their leases.

If gas obtained from lands or formations not subject to this agreement is introduced into the Cha Cha Gallup Sand under unitized land for use in repressuring, stimulation of production, or increasing ultimate recovery, a like amount of gas, with due allowance for loss or depletion from any cause, may be withdrawn from that formation, royalty free as to dry gas, but not as to the products extracted therefrom.

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, 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 Commissioner.

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

the Unit Area were a single consolidated lease.

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

Annual rentals and any 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 unless such rental or minimum royalty is waived, suspended, or reduced by law or by approval of the Secretary of the Interior (hereinafter called "Secretary") or his duly authorized representative.

Rentals on State of New Mexico lands subject to this agreement shall be paid at the rate specified in the respective leases, or may be reduced or suspended under the order of the Commissioner pursuant to applicable laws and regulations.

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

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

18. LEASES AND CONTRACTS CONFORMED AND EXTENDED. The terms, conditions, and provisions of all leases, subleases, and other contracts relating to exploration, drilling, development, or operation for oil or gas of lands committed to this agreement are hereby expressly modified and amended to the extent necessary to make the same conform to the provisions hereof, but otherwise to remain in full force and effect; and the parties hereto hereby consent that the Secretary as to Federal leases and the Commissioner as to State leases shall and each by his approval hereof, or by the approval hereof by his duly authorized representative, does 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 and, without limiting the generality of the foregoing, all leases, subleases, and contracts are particularly modified in accordance with the following:

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

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

(c) Suspension of drilling or producing operations on all Unitized Lands pursuant to direction or consent of the Secretary or his duly authorized representative and the Commissioner shall be deemed to constitute such suspension pursuant to such direction or consent as to each and every tract of Unitized Land.

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

(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 land committed so long as such lease remains subject hereto.

(f) Each sublease or contract relating to the operation and development of Unitized Substances from lands of the United States committed to this agreement, which by its terms would expire prior to

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

(g) Any (Federal) lease committed to this unit plan embracing lands that are in part within and in part outside of the area covered by any such plan shall be segregated as to (1) the lands lying inside the Unit Area described on Exhibits "A" and "B" as to all formations thereunder and (2) the lands lying outside the Unit Area as to all formations thereunder.

(h) Any lease embracing lands of the State of New Mexico having only a portion of its lands committed hereto shall be segregated as to that portion committed and that portion 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 pressure maintenance 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 being 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.

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

20. EFFECTIVE DATE AND TERM. This agreement shall become effective on the first day of the calendar month next following approval by the Secretary and the Commissioner, or their duly authorized representatives, and shall remain in effect so long as Unitized Substances can be produced in paying quantities, i.e., in this particular instance in quantities sufficient to pay for the cost of producing same from wells on Unitized Land and, should production cease, so long thereafter as diligent operations are in progress for the restoration of production and, if they result in further production of Unitized Substances, so long thereafter as such Unitized Substances can be produced as aforesaid. This agreement shall remain in effect during any period of suspension approved by the Director and the Commissioner, as provided for in Section 18(c) hereof.

This agreement may be terminated at any time by the Working Interest Owners whose voting interests, as provided in the Unit Operating Agreement, aggregate not less than seventy-five per cent (75%), subject to the approval of the Director and the Commissioner; notice of any such approval shall be given by Unit Operator to all parties hereto.

If approval by the Secretary and the Commissioner or their duly authorized representatives is not obtained by July 1, 1962, this agreement shall ipso facto terminate on that date (hereinafter called "termination date") and thereafter be of no further effect, unless prior thereto Working Interest Owners owning a combined Unit Participation of at least eighty per cent (80%) have become parties to this agreement and have elected to extend the termination date for a period not to exceed six (6) months. If the termination date is so extended and approval by the Secretary

and the Commissioner or their duly authorized representatives is not obtained on or before the extended termination date, this agreement shall ipso facto terminate on the extended termination date and thereafter be of no further effect. For the purpose of this paragraph, Unit Participation shall be as shown on Exhibit "B" hereto.

21. LAWS AND REGULATIONS. This agreement shall be subject to the conservation laws of the State of New Mexico; to the valid rules, regulations, and orders of the New Mexico Oil Conservation Commission; and to all other applicable federal, state and municipal laws, rules, regulations and orders.

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

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

24. NO WAIVER OF CERTAIN RIGHTS. Nothing in this agreement contained shall be construed as a waiver by any party hereto of the right to assert any legal or constitutional right or defense as to the validity or invalidity of any law of the State wherein said Unitized Lands are located, or of the United States, or regulations issued thereunder in any way affecting such party, or as a waiver by any such party of any right beyond his or its authority to waive, provided, however, that each party hereby covenants that during the existence of this agreement, it will not resort to any action to partition the Unit Area or the Unit Equipment, and to that extent waives the benefits of all laws authorizing such partition.

25. UNAVOIDABLE DELAY. All obligations under this agreement requiring the Unit Operator to commence or continue drilling or to operate on or to 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 laws or agencies, unavoidable accidents, uncontrollable delays in transportation, inability to obtain necessary materials in open market, or other matters beyond the reasonable control of the Unit Operator whether similar to matters herein enumerated or not.

26. NON-DISCRIMINATION. In the performance of work under this agreement the Unit Operator agrees to comply with the nondiscrimination provisions of Executive Order 10925 (26 F.R. 1977).

27. LOSS OF TITLE. In the event title to any tract of Unitized Land shall fail and the true owner cannot be induced to join in this Unit Agreement unless such tract can qualify under the provisions of Section 14 hereof, 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 the title to any Royalty, Working Interest or any other interest subject thereto, payment or delivery on account thereof may be withheld without liability for interest until the dispute is finally settled; provided that, as to Federal land and State land or leases, no payments of funds due the United States or the State of New Mexico shall be withheld, but such funds of the United States shall be deposited as directed by the Supervisor, and such funds of the State shall be deposited as directed by the Commissioner, 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.

In order to avoid title failures which might incidentally cause the title to a Working Interest or interests to fail, the owners of (a) the surface rights to lands lying within the Unit Area, (b) severed minerals or royalty interests in said lands, and (c) improvements located on said land but not utilized for unit operations, shall individually be responsible for the rendition and assessment, for ad valorem tax purposes, of all such property, and for the payment of such taxes, except as otherwise provided in any contract or agreement between such owners and a Working Interest Owner or owners or in the Unit Operating Agreement. If any ad valorem taxes are not paid by such owners responsible therefor when due, the Unit Operator,

subject to the approval of the Working Interest Owners, may, at any time prior to tax sale, pay the same, redeem such property, and discharge such tax liens as may arise through non-payment. In the event the Unit Operator makes any such payment or redeems any such property from tax sale, the Unit Operator shall be reimbursed therefor by the Working Interest Owners in proportion to their respective percentages of participation; and the Unit Operator shall withhold from the proceeds otherwise due to said delinquent taxpayer or taxpayers an amount sufficient to defray the costs of such payment or redemption, such withholdings to be distributed among the Working Interest Owners in proportion to their respective contributions toward such payment or redemption.

28. NON-JOINDER AND SUBSEQUENT JOINDER. Any oil or gas interests in lands within the Unit Area not committed hereto prior to submission of this agreement for final approval may thereafter be committed hereto by the owner or owners thereof subscribing or consenting to this agreement and, if the interest is a Working Interest, by the owner of such interest also subscribing to the Unit Operating Agreement.

It is understood and agreed, however, that after the effective date of this agreement, the commitment hereto of any interest within the Unit Area shall be upon such terms and conditions as may be negotiated by Working Interest Owners and the owner of such interest. 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 the interest to be regarded as effectively committed to this Unit Agreement. After the effective date of this agreement, joinder by a non-Working Interest Owner must be consented to in writing by the Working Interest Owner committed hereto and responsible for the payment of any benefits that may accrue hereunder in behalf of such non-working interest. Joinder by any owner of a non-working interest, at any time, must be accompanied by appropriate joinder by the owner of the corresponding working interest in order for the interest to be regarded as effectively committed hereto. Except as may otherwise herein be provided, subsequent joinders to this agreement shall be effective as of the first day of the month following the filing with the Supervisor and the Commissioner of duly executed counterparts of all or any papers evidencing such commitment.

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

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

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

32. BORDER AGREEMENTS. Subject to the approval of the Director and the Commissioner, the Unit Operator, with concurrence of two or more owners of Working Interest owning at least sixty per cent (60%) of the voting interest may enter into a border-protection agreement or agreements with the Working Interest Owners of adjacent lands along the exterior boundary 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.

IN WITNESS WHEREOF, the parties hereto have caused this agreement to be 1
executed and have set opposite their respective names the date of execution. 2

UNIT OPERATOR AND WORKING INTEREST OWNER

Date: _____

ATTEST:

Assistant Secretary

PAN AMERICAN PETROLEUM CORPORATION

By: _____

Its: Attorney-in-Fact

WORKING INTEREST OWNERS

Date: _____

ATTEST:

Assistant Secretary

ASPEN DRILLING COMPANY

By: _____

Its: _____

Date: _____

ATTEST:

Assistant Secretary

AZTEC OIL & GAS COMPANY

By: _____

Its: _____

Date: _____

ATTEST:

Assistant Secretary

BONANZA OIL CORPORATION

By: _____

Its: _____

Date: _____

ATTEST:

Assistant Secretary

BENSON-MONTIN GREER DRILLING CORPORATION

By: _____

Its: _____

Date: _____

ATTEST:

Assistant Secretary

ELLIOTT, INC.

By: _____

Its: _____

Date: _____

ATTEST:

Assistant Secretary

EL PASO NATURAL GAS PRODUCTS COMPANY

By: _____

Its: _____

Date: _____

ATTEST:

Assistant Secretary

D. W. FALLS, INC.

By: _____

Its: _____

Date: _____

ATTEST:

Assistant Secretary

HUMBLE OIL & REFINING COMPANY

By: _____

Its: _____

Date: _____

ATTEST:

Assistant Secretary

SOUTHERN UNION PRODUCTION COMPANY

By: _____

Its: _____

Date: _____

ATTEST:

Assistant Secretary

TENNECO CORPORATION

By: _____

Its: _____

Date: _____

ATTEST:

Assistant Secretary

Date: _____

ATTEST:

Assistant Secretary

Date: _____

ATTEST:

Assistant Secretary

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

TEXACO INC.

By: _____

Its: _____

By: _____

Its: _____

By: _____

Its: _____

ROYALTY INTEREST OWNERS

Date: _____

ATTEST:

Assistant Secretary

By: _____

Its: _____

Date: _____

ATTEST:

Assistant Secretary

By: _____

Its: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

Date: _____

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 196____, before me appeared _____, to me personally known, who, being _____ of ASPEN DRILLING COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 196____, before me appeared _____, to me personally known, who, being _____ of AZTEC OIL & GAS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 196____, before me appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ of BONANZA OIL CORPORATION, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 196____, before me appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ of BENSON-MONTIN GREER DRILLING CORPORATION, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

STATE OF _____
COUNTY OF _____

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ of ELLIOTT, INC., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

STATE OF _____
COUNTY OF _____

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ of EL PASO NATURAL GAS PRODUCTS COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being _____ by me duly sworn did say that he is the _____ of D. W. FALLS, INC., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 19____, before me appeared _____, to me personally known, who, being _____ by me duly sworn did say that he is the _____ of HUMBLE OIL & REFINING COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

STATE OF TEXAS
COUNTY OF TARRANT

On this _____ day of _____, 196_____, before me appeared _____, to me personally known, who, being by me duly sworn did say that he is the ATTORNEY-in-FACT of PAN AMERICAN PETROLEUM CORPORATION, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for
TARRANT County, TEXAS

My Commission Expires:

STATE OF _____
COUNTY OF _____

On this _____ day of _____, 196_____, before me appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ of SOUTHERN UNION PRODUCTION COMPANY, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for
_____ County, _____

My Commission Expires:

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 196____, before me appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ of TENNECO CORPORATION, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 196____, before me appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ of TEXACO INC., and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

CORPORATE ACKNOWLEDGMENT

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 196____, before me appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ of _____, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

CORPORATE ACKNOWLEDGMENT

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 196____, before me appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ of _____, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

CORPORATE ACKNOWLEDGMENT

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 196____, before me appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ of _____, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

CORPORATE ACKNOWLEDGMENT

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 196____, before me appeared _____, to me personally known, who, being by me duly sworn did say that he is the _____ of _____, and that the seal affixed to said instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said _____ acknowledged said instrument to be the free act and deed of said corporation.

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

NOTARY PUBLIC in and for

County, _____

My Commission Expires:

SINGLE ACKNOWLEDGMENT

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 19____, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

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

NOTARY PUBLIC in and for

My Commission Expires: _____ County, _____

JOINT ACKNOWLEDGMENT
(Husband and wife)

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 19____, before me personally appeared _____ and wife, _____, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

NOTARY PUBLIC in and for

_____ County, _____

My Commission Expires: _____

SINGLE ACKNOWLEDGMENT

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 19____, before me personally appeared _____, to me known to be the person described in and who executed the foregoing instrument, and acknowledged that _____ executed the same as _____ free act and deed.

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

NOTARY PUBLIC in and for

My Commission Expires:

_____ County, _____

JOINT ACKNOWLEDGMENT
(Husband and wife)

STATE OF _____

COUNTY OF _____

On this _____ day of _____, 19____, before me personally appeared _____ and wife, _____, to me known to be the persons described in and who executed the foregoing instrument, and acknowledged that they executed the same as their free act and deed.

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

NOTARY PUBLIC in and for

My Commission Expires:

_____ County, _____

EXHIBIT "B"
SOUTHEAST CHA CHA UNIT AREA
SAN JUAN COUNTY, NEW MEXICO

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NUMBER AND DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSOR OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	TRACT PARTICIPATION PERCENTAGE
FEDERAL LAND: T-28N, R-13W								
1	Sec. 30: Lots 3 & 4, E/2 SW/4, SW/4 SE/4	132.10	SF-079065 10-1-49	USA	Astec Oil & Gas Company	L.N. Hagood and wife, Mary C. Hagood	5.0	Astec - ALL .82980
2	Sec. 31: Lots 1, 2, 3 and 4	22.00	NH-06093 10-1-51	USA	Elliot, Inc.	Elmer E. Elliot	1.0	Elliot, Inc. - ALL .62831
3	Sec. 31: E/2 and E/2 W/2	480.00	078931-B 4-1-48	USA	Tennessee Gas Transmission	Rocaville Corp. Arnold E. Carle Glenn E. Callow	2.5 1.25 1.25	Tenneco Corp. - ALL 13.26103
10	Sec. 33: SW/4 SW/4	40.00	SF-078931(a) 4-1-48	USA	Anna Elisabeth McClanahan	Arnold E. Carle Glenn E. Callow H. K. Riddle Anna Elisabeth McClanahan, 1.0% reduced to 1/2 of 1% when \$25/acre is received	.75 .75 1.5	Southern Union - ALL .02010
T-28N, R-13W								
11	Sec. 7: Lots 2, 3 and 4	97.38	SF-078072 2-1-48	USA	Gas Producers Corporation	Lots 2, 3 & 4 in Sec. 7 subject to OKI as shown under Tract 12 payable on basis of 56.57/97.38 of unitized substances allocated to this tract	Aspen Drilling Company, 25% of 56.57/97.38 D. W. Fells, Inc., 50% of 56.57/97.38 Warren Shear, 25% of 56.57/97.38	2.35680
and unurveyed tract of land lying North of Sec. 7-28N-13W and South of Sec. 36-29N-14W, more particularly described by notes and bounds as follows, to-wit: Beginning at the Standard U.S. B.L.M. corner on the Seventh Standard Parallel at the common corner of T-29N, R-13W and R-14W, identified by brass cap markings and 2 bearing trees; Thence South 82 deg. 38 min. W, with the North line of Sec. 7-28N-13W, 78.90 chains to the Standard U.S. B.L.M. corner for the Northwest corner of Sec. 7-28N-13W, in the East line of the Navajo Indian Reservation, identified by brass cap markings and 4 bearing trees;								
			NM-0128693 2-1-61	USA	Humble Oil & Refining Company	None	Humble Oil & Refining Co. - 100% of 40.81/97.38	

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NUMBER AND DATE OF LEASE	BASIS ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERHINDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	TRACT PARTICIPATION PERCENTAGE
11	(Cont'd)							
12	Thence North zero degrees 07 min. East with the East line of Fractional Section 12-28N-14W, and the East line of the Navajo Indian Reservation, 10.43 chains to a point in the South line of Sec. 36, T-29N, R-14W; Thence South 89 deg. 51 min. 04 sec. East with the South line of said Sec. 36, 78.26 chains to the place of beginning.	87.50	SF-078072 2-1-48	USA	12.5 Gas Producers Corporation	Gas Producers Corporation, 21.0% subject to the following:	D. W. Falls, Inc. - All	1.20240

After the Working Interest has recovered \$55,000 in net proceeds, or 3 years after the date of first production, whichever sooner occurs, from the Gallup formation, Gas Producers' override shall increase to 31.5%; provided, however, that with respect to the Gallup formation, Gas Producers' override shall increase only in months when Gallup production is over 1000 barrels for that month.

3.5% owned as follows:

- N.B. Garner & Earle Lou Garner 1/18
- Ralph Lowe & Emma Lowe 1/18
- J.R. Martin & Lucille Martin 1/18
- J. Ralph Stewart and Viola Stewart 1/18
- C.B. Yarbrough and Katherine B. Yarbrough 1/18
- Robert D. Duden and Nancy Mae Duden 1/18
- R.M. Barron & Lucille C. Barron 1/18
- Bessie Cleveland & Roselle B. Cleveland 1/18
- J.F. Postelle and Jessie Postelle 1/18
- Frank A. Schultz 1/18
- W.H. Sloan and Alberta Sloan 1/36
- Una Belle Hightower 1/36

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NUMBER AND DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERSIEDING RENTALITY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	TRACT PARTITION PERCENTAGE
12	(Cont'd)							
					Gerald Fitz-Gerald and Elizabeth Fitz-Gerald	1/36		
					Frank C. Ashby	1/36		
					Robert Murray Fasken, Individually and as Executor and Trustee U/W of Andrew Fasken, Deceased, and wife, Celeste Fasken and Elizabeth Barbara Fasken, widow	1/36		
					Jan H. Westerman	1/36		
					Estate of Frank J. Downey	3/72		
					P. O. Sill	1/72		
					Leo A. Achtscheln	1/36		
					F. T. Connor	1/72		
					Lee Etta Hedberg	1/72		
					Sid Weiss	1/5 of 1/36		
					Harry Lipshy	1/5 of 1/36		
					Morris Levine	1/5 of 1/36		
					William Levine	1/5 of 1/36		
					Lewis Freed	1/5 of 1/36		
					Sam Kirschenbaum and Sarah Ada Kirschenbaum,			
					joint tenants	1/576		
					Murray Langfelder	1/576		
					Frank Jemlis and Margaret Jemlis,			
					joint tenants	1/288		
					Guy A. Weill	1/288		
					Guy A. Weill, Custodian	1/288		
					William Dublier and Florence Dublier,	1/288		
					joint tenants	1/288		
					Marianne Weill Lester	1/288		
					Myron Liddell and Nelly Liddell, joint			
					tenants	1/288		
					Sidney B. Licht	1/576		
					William V. Licht	7/576		
					Leonard Bluestone	5/576		
					Edward Grapel and Pearl Grapel, joint			
					tenants	1/576		
					W. Benton Harrison and Mildred P. Harrison,			
					joint tenants	1/288		
					Benjamin J. Pienkowski and Helen G. Pienkowski,			
					joint tenants	1/576		
					Stanley F. Zecharek and Ann Zecharek,			
					joint tenants	1/576		
					Albert B. Wilkes and Tekla Wilkes, joint			
					tenants	1/288		
					Wallace S. Karutz	1/576		
					Lewis Olesen	1/288		
					Georges Bigar	1/288		
					Robert B. Aaronson	2/288		
					Lawrence L. LaVelle	1/288		
					Alexander S. Lofe	1/576		
					First National Bank of Midland, Trustee	1/18		

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NUMBER AND DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRULING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	TRACT PARTICIPATION PERCENTAGE
13	Sec. 7: Lots 1 and S/2 SE/4 Sec. 10: Lots 3 and 4, and S/2 SW/4 Sec. 18: NE/4 NW/4	286.26	SF-079072 2-1-48	USA	12.5	Gas Producers Corporation Same as Tract 12	Aspen Drilling Co. D. W. Falls, Inc. Warren Shear 25.00 50.00 25.00	2.8344
14	Sec. 8: Lots 1, 2, 3, and 4, and S/2 S/2 Sec. 9: Lots 1, 2, 3, 4, & S/2 S/2 Sec. 16: N/2, S/2 SW/4 & E/2 SE/4 Sec. 21: N/2 & N/2 S/2	1,517.20	SF-079668 3-1-49	USA	12.5	Hancel M. McCard Hancel M. McCard et ux, \$25/acre Production Payment payable out of 1/8 of 8/8, converting to 1/2 of 1/8 after payout.	Pan American Southern Union 50.00 50.00	33.75620
15	Sec. 15: N/2 NW/4	80.00	077976 2-1-48	USA	12.5	Thomas B. Scott, Jr. Thomas B. Scott, Jr., Brookhaven Oil Co., British-American Oil Producing Company O. J. Lilly 0.50 0.50 5.75 0.12975	Benson-Montin Greer Drilg. Corp. Albert R. Greer Greer-Griffin, Inc. Marine Drilg., Inc. 15.93303 5.00805 13.95431 65.10461	.9344
16	Sec. 15: S/2 NW/4	80.00	077976 2-1-48	USA	12.5	Thomas B. Scott, Jr. Same as Tract 15	Marine Drilg., Inc. for account of others until "payout"	2.25151
17	Sec. 15: NE/4	160.00	NM-080277 4-1-60	USA	12.5	Texaco Inc. None	Texaco Inc. ALL	.59779
18	Sec. 18: NE/4 and NE/4 SE/4 Sec. 20: E/2 NE/4	280.00	077976 2-1-48	USA	12.5	Thomas B. Scott, Jr. Same as Tract 15	Benson-Montin Greer Drilg. Corp. Albert R. Greer Greer-Griffin, Inc. Marine Drilg., Inc. 15.93303 5.00805 13.95431 65.10461	.55534
19	Sec. 17: N/2 and SE/4	360.00	077976 2-1-48	USA	12.5	Thomas B. Scott, Jr. Thomas B. Scott, Jr., Brookhaven Oil Company British-American Oil Prod. Co. O. J. Lilly 0.5 0.5 8.541667 0.196376	Benson-Montin Greer Drilg. Corp. Albert R. Greer Marine Drilg., Inc. Greer-Griffin, Inc. Bonanza Oil Corp., subject to partial reversion to Albert R. Greer and Marine Drilg., Inc., as follows: (a) During period of time after Bonanza-Greer "payout" but before the Greer-Marine "payout", as defined in the agreement of July 10, 1999: 35/65 of 43.83168% to Bonanza Oil Corp. and 30/65 of 43.83168% to Albert R. Greer;	11.62845

- Continued

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NUMBER AND DATE OF LEASE	BASIS ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	TRACT PARTICIPATION PERCENTAGE
19	(Cont'd)						(b) After the Greer-Marine "payout" as defined in the agreement of July 8, 1959, 1/2 of 43.83168% to Marine Drilling, Inc.; 1/2 of 35/65 of 43.83168 to Bonanza Oil Corp.; and 1/2 of 30/65 of 43.83168 to Albert R. Greer - - - - 43.83168	
20	Sec. 17: SW/4	160.00	077976 2-1-48	USA	Thomas B. Scott, Jr.	Same as Tract 15	Benson-Monlin Greer Drilling Corporation 15.93309 Albert B. Greer 5.00805 Greer-Griffin, Inc. 13.95431 Marine Drilling, Inc. 65.10461	.93457
23	Sec. 15: S/2 Sec. 22: ALL	960.00	NM-09979 2-1-48	USA	Anna Elizabeth McClanahan	Anna Elizabeth McClanahan, \$25/ac payable out of 1/8 of 8/8, converting to 1/2 of 1/8 ORI after payout	Aztec - ALL	19.66563
24	Sec. 27: N/2 NE/4 SE/4 NE/4	120.00	NM-09967 2-1-48	USA	Hancel M. McCord	Hancel M. McCord, et ux, \$25/ac. Production Payment payable out of 1/8 of 8/8, converting to 1/2 of 1/8 ORI after payout.	Pan American Southern Union	.10907
T O T A L - - - 16 Federal Tracts, 4,972.444 Acres, with 91.56528% Participating Interest in Unit.								
FEDERAL AND STATE LANDS T-28-N, R-13-W								
22	Sec. 16: W/2 SE/4	80.00	SF-077968 3-1-49	USA	12.5 of 40/80 Hancel M. McCord	Hancel M. McCord, et ux, \$25/ac Production Payment on 40 acres payable out of 1/8 of 40/80, converting to 1/2 of 1/8 of 40/80 ORI after payout.	Pan American Southern Union	2.99594
STATE LANDS T-29-W, R-13-W								
	CG-215-1 9-18-56		State of New Mexico	12.5 of 40/80	Pan American Petroleum Corporation and Southern Union Production Company	None		
4	Sec. 32: S/2 NW/4, NE/4 SW/4 SE/4 SE/4	160.00	E-9230 7-19-55	State of New Mexico	12.5	Pan American Petroleum Corporation	None	.42512

TRACT NO.	DESCRIPTION	NO. ACRES	SERIAL NUMBER AND DATE OF LEASE	BASIC ROYALTY AND OWNERSHIP PERCENTAGE	LESSEE OF RECORD	OVERRIDING ROYALTY AND PERCENTAGE	WORKING INTEREST AND PERCENTAGE	TRACT PARTICIPATION PERCENTAGE
5	Sec. 32: NW/4 SW/4 SW/4 SW/4	80.00	E-331-(19)-(20) 5-16-45 E-9230 7-19-55	State of New Mexico 12.5	Pan American Petroleum Corporation	N o n e	Pan American - ALL	2.12784
6	Sec. 32: NW/4 SE/4	40.00	E-331-21 5-16-45	State of New Mexico 12.5	Cornelia C. Fuller	Cornelia C. Fuller	El Paso Natural Gas Products - ALL	.00904
7	Sec. 32: NE/4 SE/4	40.00	E-331-(19)-(20) 5-16-45	State of New Mexico 12.5	Pan American Petroleum Corporation	N o n e	Pan American - ALL	.00000
8	Sec. 32: SE/4 SW/4	40.00	E-3149 12-10-49	State of New Mexico 12.5	Texaco Inc.	N o n e	Texaco Inc. - ALL	.58336
9	Sec. 32: SW/4 SE/4 <u>T-28-N, R-13-W</u>	40.00	E-331-11 5-16-45	State of New Mexico 12.5	Tennessee Gas Transmission	Iesadore Goldblatt	Tenneco - ALL	.23275
21	Sec. 16: N/2 SW/4	80.00	CC-21-5-1 9-18-56	State of New Mexico 12.5	Pan American Petroleum Corporation and Southern Union Production Company	N o n e	Pan American Southern Union	50.0 2.06067

T O T A L - - - 7 State Tracts, 480.00 acres with 5.43878% Participating Interest in Unit.

CERTIFICATE OF APPROVAL

BY COMMISSIONER OF PUBLIC LANDS, STATE OF NEW MEXICO

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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 December 1, 1961, 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 _____ day of _____, 196__.

Commissioner of Public Lands
of the State of New Mexico

CERTIFICATE - DETERMINATION

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

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

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

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

Date _____

Director, United States Geological Survey